

Managing and Monitoring Budgets

Panel Introduction

- ◆ Vincent Cordo- Reed Smith LLP -Global Director Client Value
- ◆ Merrill Helms- Sheppard Mullin LLP - Legal Project Manager
- ◆ John Thompson - Purdue Pharma LP - Sr. Analyst - IT Legal Support
- ◆ Matt Laws - Crowell & Moring LLP -Director of Pricing & Client Services

Managing and Monitoring Budgets at Sheppard Mullin

AKA How to Live Long and Prosper



Firm Background

- ◆ Sheppard Mullin- 600 attorneys, 15 offices
- ◆ 4% Alternative Fee Arrangement (AFA) matters, comprising of 6% of fees for last 2 years
- ◆ AFA Committee with 4 Czars
- ◆ Legal Project Management (LPM) and budget monitoring efforts began August 2012

Challenges



Our Challenges

- ◆ Getting attorneys to participate, collaborate
- ◆ Inaccurate classification of an AFA matter
- ◆ Fear of change
- ◆ Thomas Edison- "I feel like I've succeeded in finding a million ways not to do something."

Challenges- Confronted

- ◆ Focus on bringing to light what attorneys are already working on
- ◆ We've made 40 financial models and 20 matter plans for matters ranging from \$65,000 to \$5 million
- ◆ We've made it a requirement for all AFAs to have a budget

An hourglass with a dark, metallic-looking frame. The top bulb is filled with a large pile of 3D gold dollar signs (\$). The bottom bulb is empty, but a few gold dollar signs are falling from the narrow neck, creating a vertical trail. The background is white.

Situations and Solutions

Situation #1

- ◆ I don't have time to build a budget. Can you build one for me?
- ◆ Favorite quote from a partner- "This is why I went to law school- to avoid math."

Situation #1 - Resolved!

- ◆ Provide a budgetary library
- ◆ DMS can reveal existing budgets
- ◆ Work with the partner on pricing

Situation #2

- ◆ How can I see what my associates are working on?
- ◆ How can I make sure they are getting their hours in on time?
- ◆ How can I see budget v. actual on a monthly or weekly basis?



Situation #2- Resolved!

- ◆ Piloting Legal Project Management software applications
- ◆ Utilize LexisNexis' Redwood
 - ◆ Dashboards
 - ◆ Matter Planning

Hours Hygiene

Work Attorney Status:
 Work Attorney Office:
 Work Attorney Practice Group:

Work Attorney Title:
 Work Attorney Level:

Start: 
 End: 

Work Attorney Title	Work Attorney	Days No Entry	Last Entry Date	Hours 7 Day	Hours 30 Day	Hours Fiscal YTD	Hours Fiscal PYTD	Avg Entry Diff 60	Avg Entry Diff 365	Annualized Fiscal YTD Hours
Associates (W)	Anthony Kennedy	6	7/22/2013	0	76	692	648	6	13	1,220
	Antonin Scalia	2	7/26/2013	24	86	987	1,028	1	5	1,739
	Barak Obama	2	7/26/2013	6	153	1,519	1,178	5	5	2,677
	Barney Rubble	2	7/26/2013	39	137	1,238	1,278	2	11	2,181
	Clarence Thomas	2	7/26/2013	60	216	1,348	0	1	5	2,375
	Daffy Duck	1	7/27/2013	34	155	1,242	1,031	2	5	2,189
	Elena Kagan	6	7/22/2013	0	66	668	0	5	7	1,177
	Fred Flintstone	2	7/26/2013	24	104	892	0	2	3	1,571
	John Roberts	6	7/22/2013	0	116	916	0	5	10	1,615
	Mickey Mouse	6	7/22/2013	0	52	308	0	10	12	542
	Ruth Bader Ginsberg	2	7/26/2013	18	84	480	0	5	5	849
	Samuel Alito	6	7/22/2013	0	155	401	0	2	8	706
	Sonia Sotomayor	5	7/23/2013	12	66	834	1,046	1	4	1,470
	Stephen Breyer	17	7/11/2013	0	0	988	1,144	2	5	1,741

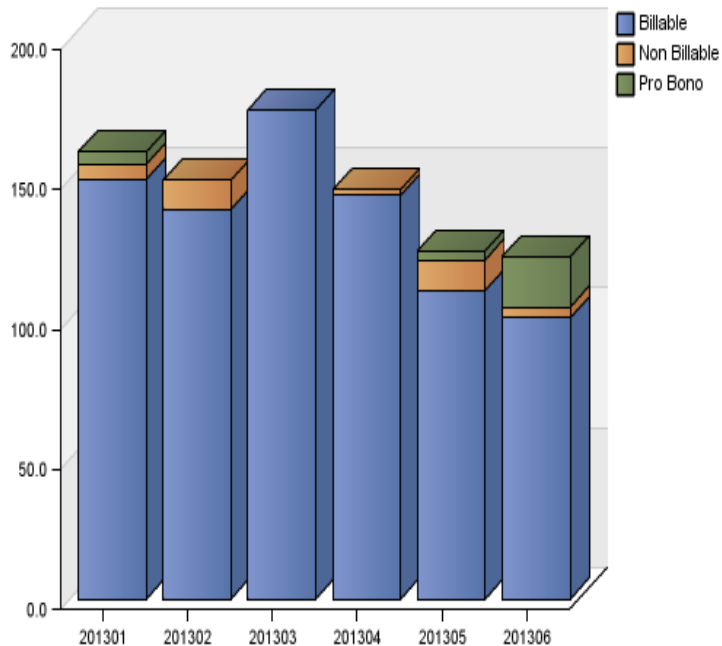
My Matters Dashboard

2 Days Since Last Time Entry by Work Attorney

Date of the Last Hours Entry by Work Attorney

July 26, 2013

Working Attorney Hours by Type



Total Hours for the Timeframe

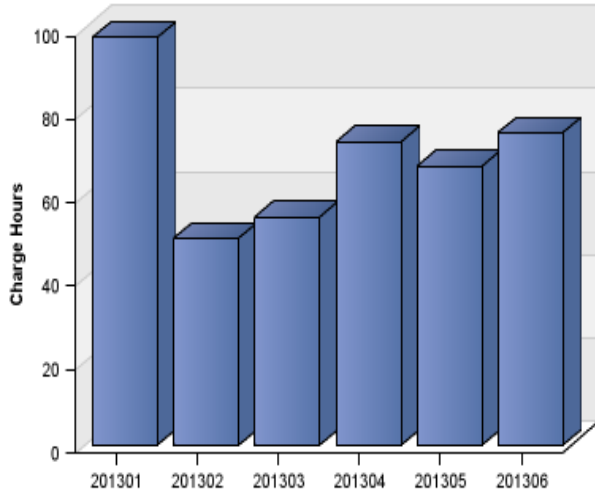
Billable 818.9
 Non Billable 32.9
 Pro Bono 25.5
 Total 877.3

Hours Worked during this timeframe by Matter for this Working Attorney

Matter Code	Matter Desc	Hours Worked	Hours Billed	Periodic Bill Amt	Periodic Collect Amt	Work Rate	Billed Rate	Last Entry
000-111111	Ohio State v. Michigan	401.6	383.4	169,950	74,242	412	412	Jun/2013
ABC-222222	Alabama v. LSU	117.5	60.0	31,768	0	380	323	Jun/2013
DEF-333333	Wisconsin v. Minnesota	73.8	73.8	38,849	130	530	477	Mar/2013
XYZ-444444	Iowa v. Illinois	42.6	33.2	17,532	0	529	475	Jun/2013
GHI-555555	USC v. UCLA	22.7	18.6	0	0	400	400	Jun/2013
JKL-777777	Texas v. Oklahoma	20.7	18.7	10,600	0	530	477	May/2013
MNO-888888	...	9.1	8.7	7,463	4,904	530	477	Jun/2013
PQR-999999	...	6.0	6.0	0	318	455	455	Jan/2013
STU-000000	...	5.9	5.9	8,955	0	530	530	Feb/2013
VWX-111111	...	4.6	4.6	0	0	480	480	May/2013
YZA-222222	...	4.3	0.0	0	0	530	0	Jun/2013
BCD-333333	...	4.0	0.0	0	0	585	0	Jun/2013
EFG-444444	...	3.9	3.9	0	0	265	265	Feb/2013
HIJ-555555	...	3.8	0.0	0	0	585	0	Jun/2013
KLM-666666	...	3.2	3.2	0	0	460	414	Apr/2013
NOP-777777	...	2.9	0.0	0	0	530	0	May/2013
QRS-888888	...	2.7	0.0	0	0	585	0	Jun/2013
TUV-999999	...	2.6	2.6	4,554	0	530	530	Jan/2013
Summary		818.9	650.9	306,562	96,408			

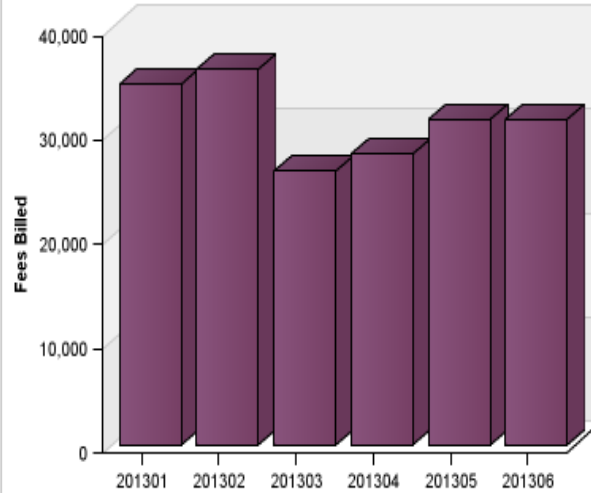
Matter-Level Dashboard

Chargeable Hours by Month



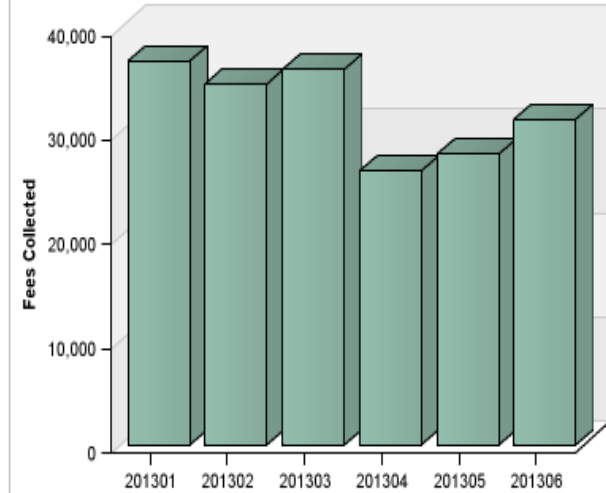
Total Chargeable Hours: 417

Fees Billed by Month



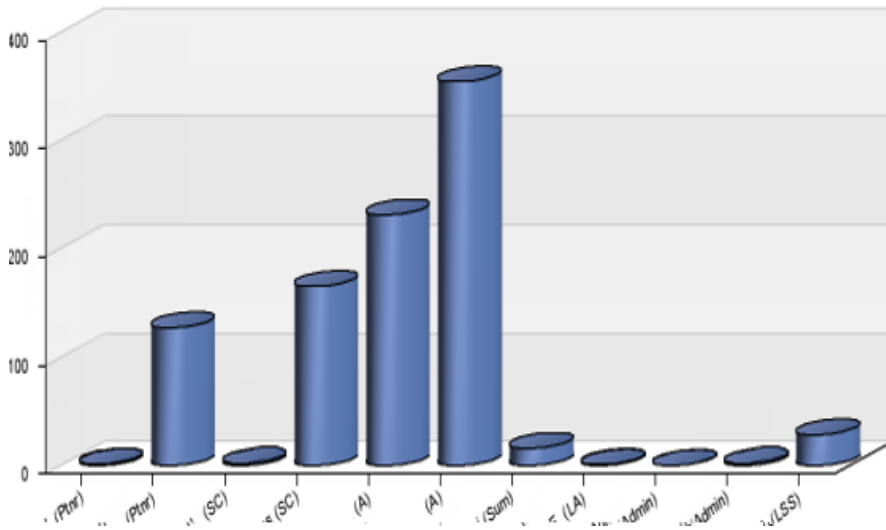
Total Fees Billed: \$187,343

Fees Collected by Month



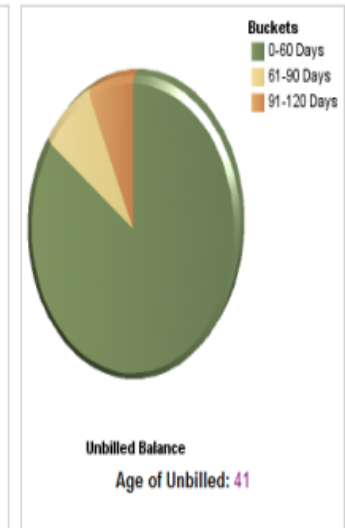
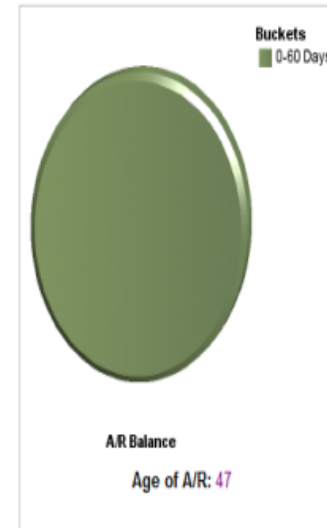
Total Fees Collected: \$192,912

Chargeable Hours by Timekeeper (Top 50)



Open Invoices by AR Balance

Invoice	Invoice Date	A/R Balance
	06/11/2013	\$31,250
Open Invoices Total:		\$31,250



Situation #3

- ◆ I have a detailed fixed fee arrangement with my client. They pay a flat fee for each deliverable (depositions, dispositive motions) of their labor dispute. How can I monitor the budget spent on each deliverable?

Situation #3- In Progress

- ◆ Phase/task codes or any identifier on a time entry are invaluable
- ◆ Clean, detailed time entry narratives can provide greater detail



Best Practices

Best Practices

- ◆ Get attorneys to code time
- ◆ Use your software to the fullest- be creative!
- ◆ Know the client and attorney needs
- ◆ Communication is key

Corporate Legal Department Background

- ◆ Purdue Pharma LP - 20 in-house legal staff
- ◆ Various matter management pool with specific AFAs or budget requirements per work area
- ◆ Independent management of budgets and vendors
- ◆ Cost Management initiatives active since 2005

Tool for Analysis and Monitoring

- ◆ TyMetrix T360 - Matter Management, Invoice Management, AFA tracking and monitoring
- ◆ Anaqua - Intellectual Property Management
- ◆ Clearwell - eDiscovery processing
- ◆ SAP - Financial tracking
- ◆ Organic - in-house developed databases and tracking tools

Operational and Analytic Challenges

- ◆ Data management to get an accurate or “best guess” picture
- ◆ Relying on outside counsel to report accurately and not in summary
- ◆ Monitoring actions to cost guidelines - delicate balance
- ◆ Total market value vs. personal touch

Operational and Analytical Challenges

- ◆ Translating data from numbers to pictures
- ◆ Supporting financial/risk decisions against the crystal ball
- ◆ Putting operational processes in place with too many “one-off” matters
- ◆ Providing best recommendations for in-house counsel as well as managing quality from legal counsel

Challenges- Confronted

- ◆ Injecting Project Management Mentality
- ◆ Assess value based on win, lose, or draw
- ◆ Look at the metrics and see what else is out there
- ◆ When in doubt call your CFO

Situation #1

- ◆ Document review vendor/fee selection and costing process - an AFA is up for grabs and cost containment is a key priority.
- ◆ In-House is fond of 1 firm but has cost significantly in the past and not willing to negotiate on pricing; vendor selection is now complicated

Situation #1 - Resolved!

- ◆ Cost containment prioritized based on best negotiated price
- ◆ Comparison of previous litigation matters and what spend was
- ◆ Weigh the financial and political risks
- ◆ Flush out all the opinions with facts (and quickly)

Situation #2

- ◆ What is an acceptable reward for a firm that just won a major case for us?
- ◆ Our current volume with the firm is slowing down after the big win.
- ◆ What can we afford based on the potential savings we achieved through their work?
- ◆ How is the AFA supported and monitored

Situation #2- Resolved!

- ◆ Analytics applied to best case/worst case should the matter gone to litigation
- ◆ Budget for potential spend was broken into fragments and determined what fees and projects would have had biggest cost impact
- ◆ AFA determination and volume management were applied to “reward” the firm through careful analysis

Best Practices

- ◆ Know the data
- ◆ Know the customers
- ◆ Know the language
- ◆ Know the potential outcomes
- ◆ Know who really makes decisions

Managing and Monitoring Fixed Fees & Budgets

Matt Laws
Crowell & Moring LLP
Pricing & Client Services



Firm Background

- ◆ 500 attorneys, 8 offices
- ◆ 20% of matters are AFAs, which represent 24% of fees
- ◆ Director of Pricing & AFA Partner
- ◆ Budget Templates as Part of the LPM tool began in October of 2012

Our Approach

- ◆ Firm has made LPM and budgeting mandatory for fixed fees, contingent fees and hourly matters that will exceed \$100,000 in fees
- ◆ Intake process for new matters drive the mandatory requirement for a budget, pricing department often is involved with the budget
- ◆ Budget templates provide a head start categorized under litigation, transactional, and counseling
- ◆ Partner and practice group meetings are used to maintain the dialog required to maintain momentum

What systems do you use for managing fixed fees?

- ◆ Library of Budget Templates in the SharePoint LPM tool for pricing engagements
- ◆ LexisNexis: Redwood Suite for Intake regarding profitability
- ◆ SharePoint LPM Tool Alerts & Status Reports to Project Managers for Monitoring
- ◆ Monthly Pricing Report for Executive Board & Finance Committee

Challenges- Confronted

- ◆ Who will act as project managers?
 - ◆ Counsel in the firm are project managers on the matters
- ◆ Should we make the budgeting & LPM process mandatory?
 - ◆ Yes, the client initiatives provide support to put this in place
- ◆ Risk Management
 - ◆ Monitoring the AFA portfolio monthly, focusing on matters that have low direct margin results or over the budget

Best Practices

- ◆ Intake Process: workflow process integrating systems (new matter, conflicts, etc.)
- ◆ Staffing Controls: leverage, phase/task based planning
- ◆ Ongoing LPM: performance management/client communication

Questions?

