

Is It Possible To Measure The Impact Of Project Management?

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Project management (“PM”) is a popular topic of discussion in many law firms today. Some firms are embracing it as they see the benefits of more proactive management of legal matters. They recognize that PM is critical for profitability under flat fee arrangements. Others are embracing it as a way to differentiate their firm as more “efficient” than their competitors. Most firms realize that the days of clients not scrutinizing legal fees are long gone and clients are challenging the efficiency of the service provided.

Legal project management (“LPM”) is the application of a set of management disciplines and tools to very proactively manage legal matters. More specifically, LPM is the “art” of leading a team of legal professionals in planning, organizing, executing, and directing resources to meet the need of the client and the firm for the legal matter. In other words, LPM is largely about people management. This could suggest that there needs to be a change in how people are managing (or being managed) in a law firm. If we accept that notion, then the metrics that measure performance – and ultimately drive lawyer behavior – also need to change.

Increasingly, we are being asked what metrics firms are using to measure the impact of project management. We are seeing firms looking at some combination of the following, some of which also illustrate an interest in improving process in addition to managing the project:

- Write-offs
- Matter profitability
- Client profitability
- Unit cost of work
- Unit time to complete
- Total matter elapsed time (total matter elapsed time in some cases might not change but the firm may be able to spend time on higher value functions that increase client satisfaction or increase the chance of achieving any bonus or success fee from the client, where applicable)
- Client satisfaction (there have been several articles about Eversheds’ project management success and they use this measure, along with others)
- Associate utilization
- Associate retention
- Adoption rates of PM or process improvement techniques (such as on tools like budgeting or matter management) – which may be too easily manipulated to be very useful but may have some value from a firm management perspective in terms of comparing how different practices use the techniques, etc.

One of the challenges with these metrics is that there are many factors affecting outcomes. Often, it can be difficult to separate the impact of project management from other factors, like market competition for associates or overall demand affecting associate utilization. The one metric that can be most specific is client satisfaction, but of course that requires soliciting client feedback on the impact of project management.

Some firms are considering these metrics and others as part of partner compensation systems to drive partner behavior in the areas desired in the “new normal” marketplace. One of the issues is how to motivate project management and generally more efficient handling of the work through incentives, when many law firms’ compensation systems still reward high billable hours or originations, not efficient handling of matters. These additional metrics include profit per practice member or per employee, matter contribution to profit/margin, profit per share of practice managed, total profit of work originated/managed, unit cost of work originated/managed, etc. Depending on your role in the project team or your position in the firm, one metric may be weighted more than another.

Do these metrics suggest the need to look at results and performance differently? What measures are most important or most effective in measuring the impact of project management?

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