

Barnes & Thornburg's Efficiency Push: A Change Management Story

By Roy Strom

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Starting around 2010, Richard Rezek realized that something was changing inside his clients' legal departments. They were being put on budgets and were pushing those same cost controls onto their outside counsel.

So Rezek, an intellectual property partner at Indianapolis-based Barnes & Thornburg, came up with some of his own tools to respond, Excel spreadsheets mostly, which he said allowed him to "limp along" for a couple years.

"It was me being frustrated," Rezek said.



Then, in late 2015, Barnes & Thornburg began seeing an increase in requests for proposals that asked how the firm would budget its matters and how it would manage those matters to stay within budget. So Esther Bowers (pictured above), director of client service initiatives, and Jared Applegate, director of pricing, set out to find a way to actually respond to those requests.

What they came up with is now branded BT ValueWorks, a legal project management system based on technology provided by the company Prosperoware that allows the firms' lawyers to track their budgets in real-time and adjust how they handle legal work. Barnes & Thornburg has trained



125 lawyers to use the system in about a year and it is now tracking budgets on more than 500 matters that will account for about 10 percent of the firm's revenue, which grew 2.5 percent last year, to \$370 million.

Barnes & Thornburg is far from the first firm to develop a legal project management strategy, with others in the area being Baker, Donelson, Bearman, Caldwell & Berkowitz, Bryan Cave, Littler Mendelson and Seyfarth Shaw. Last year, Hogan Lovells announced an investment in the legal project management space.

But the Barnes & Thornburg story shows how firms can more quickly than ever adopt a strategy and put it in place to win work and control costs. It is also a case study in how law firms can adapt to clients' demands for predictable pricing, something that has become

increasingly imperative for firms as those clients push budget caps onto law firms.

A recent report by the Georgetown Center for the Study of the Legal Profession states that while alternative fee arrangements account for only between 15 to 20 percent of law firm work, that number rises to as high as 90 percent of matters when budgets are included. Firms that fail to manage their work to those budgets, according to the report, will face an increasingly uncertain future.

For most firms, that is an ominous warning. A study this year by legal consultancy Altman Weil Inc. found that a mere 30 percent of firms routinely link work done on a discounted or capped fee to changes in how that matter is staffed or delivered.

One reason why that number is so low has to do with the difficult nature of change within large organizations. No matter how enthusiastic managing partners are about fixing a problem, the task largely relies on the willingness of partners like Rezek, 59, to rethink how they work.

On that change management front, the traditional law firm hierarchy often stands in the way of new ideas. Partners who wield the most power within their firm are often the least likely to see any reason to change the system that has benefited them.

“Institutional insiders with the most power to bring about change will also be most likely to resist it, [while] institutional outsiders with something to gain from change will struggle to have an impact,” writes Laura Empson, a professor in the management of professional service firms at London’s Cass Business School in her upcoming book, “Leading Professionals.”

Inside Barnes & Thornburg, the pricing professionals Bowers and Applegate found a powerful insider who didn’t resist their idea in Allen Chichester, the

firm’s chief marketing officer for the past eight years. Chichester helped win support from the firm’s broader C-suite.

“We expect that within five years, the partnership will look back at this program as the single biggest factor in the firm’s ongoing success,” Chichester said.

From there, Bowers and Applegate began providing training seminars on legal project management and Barnes & Thornburg’s software platform, Umbria, to its lawyers.

To select who would be the most receptive to the change, the duo looked for reasons why a particular group of Barnes & Thornburg’s clients would be more interested in project management. They chose to start with an office where the firm’s billing rates are relatively higher than the firm’s other offices. Lawyers in that office may be under more pressure to provide value for clients, they figured.

Applegate and Bowers found that lawyers had different reasons for coming to the six-hour training workshops. Some were struggling with how to present a budget to clients who requested one. Others felt price pressure from clients.

One misconception they initially had was that client requests for alternative fees would be what drove adoption of the program. Clients didn’t necessarily want alternative fees. They just didn’t want “scope creep,” or lawyers racking up hours on tasks that weren’t necessary for the project.

“How do we deliver matters at the expected price?” asked Applegate (pictured right). “That’s really the crux of changing attorney behavior.”

Keith Lipman, the founder and president of Prosperoware, said managing legal projects to an expected cost is the major



behavior change for most partners. Even if they are not agreeing to alternative fees, their clients are asking for budgets, which in many cases equates to a capped fee. Without a system to manage costs to that budget, firms run the risk of burning past it and sinking profitability.

“It is not that alternative fees are taking over the world—it’s these unique client deals are taking over the world, all driven by these legal operations folks,” Lipman said. “That’s what’s happening. Partners are in essence creating caps because the client says, ‘How much does it cost?’”

The Umbria tool helps partners manage projects more proactively by providing real-time data for which lawyers are doing what work and at what cost. That has come in handy for Joseph Eaton, a Barnes & Thornburg litigation partner and co-chair of the firm’s toxic tort practice, who had a client request a fixed-fee, phased budget for a large class action matter shortly after he had an Umbria training session.

Working with the client, Eaton set up five phases for the litigation, each complete with coded tasks that timekeepers on the matter enter into the system on a daily basis. Eaton has a weekly meeting with the lawyers working on the case to update them on where they stand within their budget.

“It’s a little bit of getting the lawyers to come around to the idea that you can’t just go off and do a research project for X hours and see if you come up with the right answer,” Eaton said. “You’ve got to be more efficient.”

Eaton said he has used Umbria to work up internal budgets for litigation matters where clients are not paying on an alternative fee, and he is tracking and

managing work on those matters in the same way he does for a fixed-fee case. He has used those budgets to propose to clients a fixed fee for certain phases of litigation.

“When we first started rolling this out, I didn’t see it necessarily as a proactive tool,” Eaton said. “But now that I am in it and I understand it a little better, and have utilized it on a daily basis for a large case, I can see that it can be proactive.”

The BT ValueWorks program still has a ways to go to proliferate throughout Barnes & Thornburg. About 20 percent of the firm’s lawyers are trained on the system currently, and there are eight trainers, including four practicing lawyers. Applegate said his team’s approach is “work with the willing.”

One of the most willing has been Rezek (pictured right), the IP litigator who jerry-rigged his own budget tool before the Umbria system. Rezek was involved in the internal rollout of the program and he agrees



with Chichester, the firm’s CMO, that the program is vital for Barnes & Thornburg to sustain profitability as more and more clients seek to control their legal costs.

Rezek said he wants to dedicate a portion of his time to “exporting” the program to other partners at the firm and their clients.

“You want to be remembered for being able to be a change agent,” Rezek said.

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