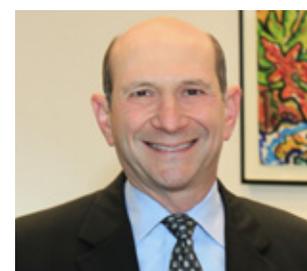


USING TEAM-WIDE LACI CHARTS IN M&A TRANSACTIONS

An effective Legal Project Management tool for coordinating efforts and communications among the members of an M&A transaction team is a team-wide LACI Chart.

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WHAT IS IT?

The LACI Chart is a task and responsibility matrix that draws on the thinking and lore of the RACI or ARCI charts commonly used in traditional project management circles. It has been modified for Legal Project Management in two significant ways:

ROLES. In the RACI/ARCI domain, the **R** designation stands for the role of Responsible and the **A** designation stands for the role of Accountable. Lawyers and other service professionals are uncomfortable with this terminology because they serve as advisors to principals, not as the principals where ultimate responsibility and accountability lie. Lawyers and other professionals are also concerned that their designation as the Responsible or Accountable party could create confusion or increase their exposure to professional liability. So the terminology and roles have been revised as shown below (Table 1) to enable lawyers and other service professionals to comfortably participate in project management activities.

Table 1

LACI Chart Designators		
Symbol	Role	Explanation
L	Leading	Each task should have only one leader.
A	Assisting	These people contribute to the work effort.
C	Consulted	Their approval or input is required.
I	Informed	Keep them in the loop.

SCOPE. The traditional RACI/ARCI chart operates internally within a single organization. But a significant objective of Legal Project Management is coordination among multiple organizations moving quickly down complex parallel paths. So the LACI Chart spans organizations. But at the same time, for example, if the outside law firm has the **L** for drafting the purchase agreement, the law firm may also be employing an internal LACI chart to coordinate the work of its attorneys, paralegals and others on the team.

ILLUSTRATION. A simplified LACI Chart appears below (Table 2) for illustration purposes. In a typical deal, the list of tasks would be much more granular.

Table 2

Asset Purchase Transaction							
Task	Participant						
	CEO	GC	CFO	Law Firm Partner	Audit Partner	Consultant	Investment Banker
Negotiate business terms	C	A	L	I	I	C	A
Draft and negotiate LOI	I	L	C	A	C	-	C
Determine deal structure	C	A	A	L	A	-	C
Due diligence and Schedule review	I	L	A	A	A	A	-
Arrange financing	C	I	A	I	I	I	L
Draft, negotiate and close purchase agreement and financing documents	C	A	C	L	C	-	-
Post-closing reporting	C	L	A	C	C	-	-
Integration	C	A	L	I	I	A	-

WHY DO WE NEED IT?

M&A transactions continue to grow in size and complexity. At the same time, the demand grows for more speed and cost-efficiency. The people contributing to a large M&A effort are spread across many organizations, business functions, geographies and time zones. Communication and coordination by traditional methods have become less effective to meet their needs for speed and precision. E-mail strings have become long, convoluted and branched. An e-mail sent to the full working group probably contains information relevant to only a few members, but because each member has received it, each member may wonder if they should give input. Other members may not have the time to ascertain whether a group-wide e-mail is relevant to their role, and they thereby delay decision making and progress.

The all-hands meeting has become less useful in large M&A transactions — schedules are hard to coordinate, people sit through long discussions that are not relevant to their task, and multiple professionals simultaneously bill their time to participate. The all-hands meeting is a significant source of expense and inefficiency.

The LACI Chart is designed to make coordination and communication self-executing by defining the roles of transaction participants for each task, so that each participant knows clearly when to take the lead, when and who to help, who to consult for approval, and whether they are expected to expend effort on a task or are simply being kept in the loop.

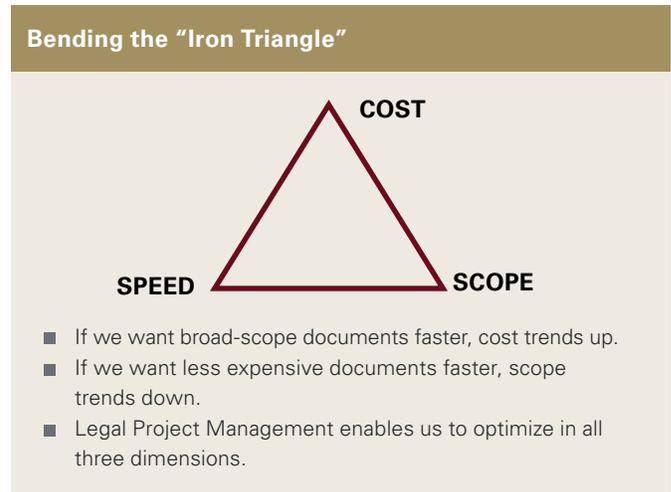
HOW DOES THE LACI CHART SOLVE (OR AT LEAST MITIGATE) THESE PROBLEMS?

COST/BENEFIT AND EASE OF USE.

To be a worthwhile Legal Project Management tool, the tool should deliver significant improvements in efficiency for relatively little administrative effort. Deal participants will not support using a tool that creates significant administrative work. Lawyers in particular would rather be doing work than filling out forms and preparing reports.

For all of its benefits, the LACI Chart is easy to use and is not time consuming. The GC and the law firm partner develop the LACI Chart one time at the outset of the transaction. After that, its operation is self-executing. Each time a member of the group circulates a document or works a task, the other participants simply refer to the chart to ascertain their roles in that document or task. Furthermore, most business organizations are familiar with

Table 3



RACI, ARCI and other similar charts. So while LACI may seem new and unfamiliar to lawyers, the rest of the team will find it familiar and intuitive. LACI naturally puts the legal process into the same language as the other business processes.

BENDING THE IRON TRIANGLE. Many lawyers refer to the Iron Triangle (Table 3) in one way or another. They understand the difficulty of simultaneously optimizing speed, complexity and cost. We might hear them quip, "Do you want that done fast, thorough or cheap? You can only have two of the three."

The LACI Chart (Table 4) bucks the received wisdom and gains efficiencies in all three dimensions at once:

Table 4

Efficiency Gains with a LACI Chart			
Benefit	Gain Speed	Enable Broader Scope	Reduce Cost
Rapidly disseminates information to all participants.	✓	✓	
Assures sign off by all necessary parties.		✓	
Avoids duplication of efforts.			✓
Avoids duplication of decision making authority.	✓	✓	
Clarifies roles and avoids bottlenecks.	✓	✓	
Reduces the need for all-hands meetings.	✓		✓
Reduces the need to chase down comments and inputs.	✓		✓
Allocates responsibility between inside and outside counsel, and between similarly situated internal and external participants.			✓
Facilitates work in parallel paths.	✓	✓	

HOW DO WE CREATE IT?

The GC and law firm partner build the matrix. The participants would typically be the lead from each business function and outside service firm, but could be broadened to include others like the tax partners from the accounting firm and the law firm, the AGC and others. The tasks would be the main transaction documents, other significant transaction deliverables such as fairness opinions, confidential memoranda, and other significant tasks, such as due diligence, all presented in roughly chronological order. Circulate the draft chart to the participants one time for input, and then publish it to the working group as the operative tool. Update the chart if necessary as the deal evolves.

Some considerations are:

- The task list can be fairly granular, since more detail will enable the participants to have more visibility to the flow of the transaction.
- A good technique is to have the LACI task list match up with the tasks on the deal timetable and other Legal Project Management tools, as this will further integrate and coordinate the project management activities.
- Each task should have only one **L**, or leader.
- No one participant should have too many **Ls**, as this can create bottlenecks as that participant's time becomes constrained.
- Concentrate the decision-making and approval requirements, the **Cs**, for each task in as few individuals as possible, to enable the deal to move more quickly.
- Eliminate unnecessary efforts by participants in order to gain speed and efficiency. Not everyone needs an **L**, **A**, **C** or **I** for a task — they can have a -, i.e. do nothing on this task.
- Look for opportunities to reduce cost by allocating work between inside and outside parties. For example, in an

expanded list of due diligence tasks (i) the AGC might have the **L** on commercial contracts with the law firm's senior associate having an **I** and (ii) the senior associate may have the **L** on financing agreements with the AGC having an **I**.

HOW DO WE USE IT?

The LACI Chart is self-executing. Once it has been published to the working group and the deal begins to progress down the chart, the participants will naturally assume their designated roles for each task. Follow-ups become natural too. If the GC has the **L** on the LOI, and the CEO has a **C** and the law firm partner has an **I**, then GC will seek the CEO's approval on key LOI terms, and copy the law firm partner on the e-mail. If the CFO has the **L** on the deal terms and the audit partner has a **C**, then the CFO will consult with the audit partner on what will be the accounting presentation of various aspects of the deal.

A nice trick to simplify e-mail communications and accelerate the deal is to indicate LACI activities in the subject matter of e-mails, and thereby distinguish them from other e-mail traffic. For example, a subject line on e-mail circulating a draft of the Asset Purchase Agreement might say, "LACI: Asset Purchase Agreement." This instantly alerts each deal participant to perform the participant's LACI duties on the current draft. Someone with an **A** should turn to their appointed duties. Someone with a **C** should give an approval, and the transmitting e-mail can even indicate on which clause the **C** should focus.

CONCLUSION

With a modest amount of planning effort, a LACI chart can provide significant improvements in deal efficiency and effectiveness by speeding up communications, work flow and decision-making, and enable more complex deals and work flows, while at the same time reducing duplication of efforts and other costs.

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