

Source: Corporate Law & Accountability Report: News Archive > 2016 > June > 06/21/2016 > BNA Insights > Faster-Better-Cheaper Through Legal Project Management: The LACI Chart

### **IN-HOUSE COUNSEL**

*An ABA Task Force just published "Using Legal Project Management in M&A Transactions – a Guidebook for Managing Deals Efficiently and Effectively." In this article, two members of the task force explain one of the guidebook's key tools.*

### **Faster-Better-Cheaper Through Legal Project Management: The LACI Chart**



**By Bill Kleinman and Aileen Leventon**

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Legal projects, whether transactions, lawsuits or investigations, continue to grow in size and complexity. Meanwhile, project teams are spread further across multiple organizations, business functions, geographies and time zones. Notwithstanding this complexity, client demands for more speed and cost-efficiency intensify and general counsel, as part of the C-suite, are expected to contribute to company initiatives for continuous improvement and to manage budgets just like all the other business functions. Yet consistently fulfilling these expectations has proven to be elusive for the legal profession.

**General counsel are looking for innovative solutions and new thinking. Outside counsel are looking for ways to increase client satisfaction and will support new initiatives, especially those originating from their clients.**

Legal work has evolved, but our strategy for managing it has not. Lawyers by nature and culture are disinclined to manage, and the tools available to do so are antiquated. E-mail strings have become long, convoluted and branched. An e-mail sent to the full working group often contains information relevant to only a few and may fail to achieve the desired goal of the communication. Recipients whose input is required may neglect to respond, which delays action.

Others, for whom the e-mail is meant for informational purposes only, waste time providing unnecessary responses. A kick-off meeting involving all the parties at the beginning of a matter or phase is desirable, but frequent all-hands meetings are no longer effective. Coordinating numerous schedules to set up a meeting inevitably slows down the work process, and the fact that participants at these meetings often sit through long discussions unrelated to their work means additional wasted time and increased expenses.

General counsel are looking for innovative solutions and new thinking. Outside counsel are looking for ways to increase client satisfaction and will support new initiatives, especially those originating from their clients. Legal project management (LPM) provides the next generation of tools to enable project teams to meet the triple challenge of managing scope, increasing speed and promoting efficiency. Through our work with other members of the Task Force on Legal Project Management in M&A Transactions in the ABA Business Law Section, we have developed one such tool, called a "LACI Chart."

The Task Force comprised over 70 law firm and in-house lawyers, consultants and academics. The first phase of the work

of the Task Force resulted in the publication of "Using Legal Project Management in Merger and Acquisition Transactions" (Kalogerou and White, Editors), a guidebook that includes a LACI Chart. The Task Force's goal is to develop a set of practical tools that deal lawyers may adopt and customize to run transactions more smoothly and efficiently. Many of the materials are readily adaptable for other kinds of matters, including litigation, counseling, regulatory work and intellectual property matters.

### **Benefits of Defining Roles, Responsibilities and Scope**

LACI makes coordination and communication self-executing by identifying the role of each participant, task-by-task. Whether the members of the team are new to each other or an experienced unit that wants to drive continuous improvement, LACI Charts address many sources of deal inefficiency and dysfunction, such as:

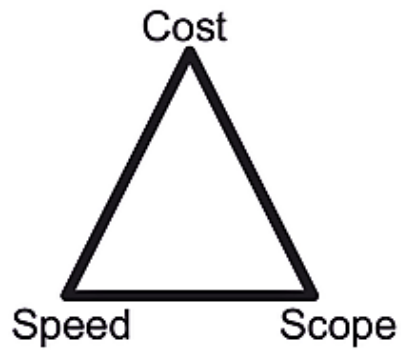
1. Duplicative work
2. Questions about who is supposed to do something
3. Confusion over who makes decisions
4. Excessive approval requirements
5. Multiple "stops" needed to find an answer to a question
6. Errors stemming from lack of leadership
7. Errors stemming from unclear parameters around levels of participation
8. "Not sure, so take no action" attitude
9. Blaming others for not getting the job done
10. A "we-they" attitude among team members

For law firms, there are additional benefits of LACI. When a law firm has to take significant write-offs and has realization issues, the blame often lies with errors, rework, duplicative effort and staffing at the wrong level. And a LACI Chart can be used to assess the root causes of poor morale, a reactive work environment, idle time, non-essential work to fill time, and imbalanced workloads among members of a team.

### **Bending the Iron Triangle**

Lawyers often unconsciously refer to the Iron Triangle, a core concept of project management. They understand the difficulty of simultaneously optimizing speed, scope and cost. We might hear them quip, "Do you want that done fast, right or cheap? You can only have two of the three." The LACI Chart bucks the prevailing wisdom and gets work done faster, more precisely and for a lower cost.

## Bending the “Iron Triangle”



- If we want broad-scope documents faster, cost trends up.
- If we want less expensive documents faster, scope trends down.
- Legal Project Management enables us to optimize in all three dimensions.

### Efficiency Gains with a LACI Chart

Lawyers resist administrative chores, so for a tool to be adopted it must deliver significant improvements in efficiency for relatively little effort. The simple yet highly effective LACI Chart does so, and thereby enjoys support across the entire deal team.

Benefit	Gain Speed	Manage Scope/ Enable Increased Complexity	Reduce Cost
Rapidly disseminates information to all participants.	x	x	
Assures sign off by all necessary parties.		x	
Avoids duplication of efforts.			X
Avoids duplication of decision-making authority.	x	x	
Clarifies roles; avoids bottlenecks.	x	x	
Reduces the need for all-hands meetings.	x		X
Reduces the need to chase down comments and inputs.	x		X
Allocates responsibility between inside and outside counsel, and between similarly situated internal and external participants.			X
Facilitates work in parallel paths.	x	x	

The LACI Chart is a task and responsibility matrix that is derived from the highly effective, long accepted RACI/ARCI framework well known in project management circles. Although LACI may seem new and unfamiliar to lawyers, the business team will find it familiar because of their exposure to RACI and ARCI. LACI consists of simple terminology to define the role of each participant for each task: **L**eading; **A**ssisting; **C**onsulted; **I**nformed.

In management circles that use RACI/ARCI Charts, the **R** designation stands for the role of Responsible and the **A** stands for Accountable. Lawyers and other service professionals are uncomfortable with this terminology because they serve as advisors to principals, not as the principals with whom ultimate responsibility and accountability lie. Moreover, in light of the professional and ethical responsibilities of lawyers, the concept of accountability may seem redundant to lawyers. Professionals are also concerned that their designation as the Responsible or Accountable party could create confusion or increase their exposure to liability.

<b>LACI Chart Designators</b>		
<b>Symbol</b>	<b>Role</b>	<b>Explanation</b>
<b>L</b>	<b>Leading</b>	Leads the work; each task should have only one leader.
<b>A</b>	<b>Assisting</b>	Contributes to the work effort.
<b>C</b>	<b>Consulting</b>	Provides approval or input.
<b>I</b>	<b>Informed</b>	Kept in the loop.

At the outset of a matter or phase, the GC and the lead law firm partner build the matrix. The participants shown on the matrix include representatives from each business function and outside service provider, and could be broadened to include others such as the tax partners from the accounting firm and the law firm, the assistant general counsel and others. The listed tasks are the main transaction documents, other significant transaction deliverables such as fairness opinions, confidential memoranda, and other significant items, such as due diligence, all presented in roughly chronological order. The matrix of tasks should match up with other project management activities and tools the team is using such as the Communications Plan, Timeline or Work Breakdown Structure.

The GC and partner assign roles for each task, circulate the draft chart to the participants one time for input, and then publish it to the working group as the operative tool. The law firm partner then uses the firm's tasks to create a second LACI chart to coordinate work within the firm. After this, LACI is self-executing. As a member of the group circulates a document or works a task, others refer to the chart to ascertain their respective roles. They update the chart if necessary as the deal evolves.

### LACI Example

#### Asset Purchase Transaction

A complex M&A matter provides a good example. The deal team may comprise in-house counsel, outside counsel, executives, accountants and consultants. In the example below, the GC and law firm partner have created the first LACI chart to coordinate the work across the multiple organizations doing the deal.

Team Wide LACI							
Participant	CEO	GC	CFO	Law Firm Partner	Audit Partner	Consultant	Investment Banker
Task							
Negotiate business terms	C	A	L	I	I	C	A
Arrange financing	C	I	A	I	I	I	L
Draft and negotiate LOI	I	L	C	A	C	-	A
Determine deal structure	C	A	A	L	A	-	C
Due diligence	I	L	A	A	A	A	-
Draft and negotiate purchase agreement	C	A	C	L	I	-	-
Negotiate finance agreements	C	A	A	L	I	-	A
Closing	I	A	C	L	I	I	I
Post-closing reporting	C	L	A	C	C	-	-
Integration	C	A	L	I	I	A	-

The law firm partner then creates a second chart, derived from the first, to coordinate the work inside the firm. The law firm partner should consider the most cost-efficient resource in making assignments, e.g., can a paralegal handle the work, perhaps using checklists and document management systems? In practice both, or either, chart can be used.

Internal LACI – Law Firm								
Participant	Law Firm Role	Relationship Partner	Deal Partner	Senior Deal Associate	Junior Deal Associate	Finance Attorney	Tax Attorney	Paralegal
Task								
Negotiate business terms	I	I	I	-	-	I	I	-
Arrange financing	I	I	I	-	-	I	-	-
Draft and negotiate LOI	A	I	C	L	-	C	C	-
Determine deal structure	L	I	C	I	-	C	L	-
Due diligence and Schedule review	A	I	I	I	L			A
Draft and negotiate purchase agreement	L	I	L	A	A	-	-	-
Negotiate finance agreements	L	I	A	A	-	L	-	-
Closing	L	I	C	L	A	-	-	A
Post-closing reporting	C	L	C	I	-	C	-	-
Integration	I	I	-	-	-	-	-	-

#### Some tips:

1. The task list can be fairly granular, since more detail will enable the participants to have more visibility into the flow of the transaction.

2. Each task can have only one **L**.
3. No one participant should have too many **Ls**, as this can create bottlenecks as that participant's time becomes constrained.
4. Consolidate 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.
5. Eliminate unnecessary efforts by participants to enhance speed and efficiency. Not everyone needs an **L**, **A**, **C** or **I** for a task—use of a dash (-), is acceptable, signifying that this individual does nothing on this task.
6. Look for opportunities to reduce cost by allocating work between inside and outside parties. For example, the due diligence tasks could provide that the AGC has an **L** on commercial contracts with the law firm's senior associate having an **I**, and the senior associate may have the **L** on financing agreements with the AGC being designated as an **I**.

### How to Use the LACI Chart

Since the LACI Chart is self-executing, once it has been published to the working group and a matter progresses, participants simply fulfill their designated roles for each task. Follow-ups become natural. As an example, if the GC has the **L** on the LOI, the CEO has a **C** and the law firm partner has an **I**, then the 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.

To simplify e-mail communications and accelerate communication and coordination, indicate LACI activities in the subject matter of relevant e-mails. 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.

#### A Case Study

A client required numerous post-closing reports in support of the integration of an acquisition. The client expressed concern that there were inconsistencies among reports, incomplete reports and lack of timeliness in delivering the reports. To address the issue, the team of eight people participating in the integration work convened a meeting for one hour.

- The first step was to determine how many reports were involved. At the end of five minutes, the group learned that there were 16 reports. No single participant was aware of more than five reports.
- Next, each participant was asked to designate their role in using LACI terminology. As it turned out, three reports had five people stating that their role was C, but nobody was an L. In other words, nobody was in charge of these three reports, but five people believed their input was required. Who was coordinating the input?
- Finally, the group looked at the list of reports and roles and concluded that some of the Cs should actually have been Is—in other words, no input was required and the C role had created a bottleneck.
- At the end of the hour, the group still had a list of 16 reports, but everyone knew who had which role for each report: LACI or none.

The outcome of the LACI one-hour exercise:

- Overall workload was reduced, write-offs were reduced, and speed of review was increased—all by switching some roles from C to I.
- Quality and efficiency was increased in designating individuals with ownership, or L. Identification of the Assist and Lead roles provided clarity and helped enhance the work flow.
- Morale and teamwork improved.
- Client satisfaction improved.
- Profitability significantly improved.

#### Conclusion

The benefits of using a LACI Chart can be seen on multiple levels. With only a minimal investment of time, use of a LACI Chart streamlines communication, workflow and decision-making. By clarifying roles and responsibilities, it prevents oversights, reduces duplication of efforts and ultimately improves efficiency, cost reduction and client satisfaction.

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