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COVER STORY

10 **BIG** IDEAS FOR 2013

START THE NEW YEAR RIGHT, WITH NEW WAYS TO THINK ABOUT WIDENING YOUR CUSTOMER BASE, LOWERING YOUR LEGAL COSTS, MENTORING YOUR EXECUTIVES, MAXIMIZING TECHNOLOGY INVESTMENTS ... AND MORE

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BECOME A LEGAL BLACK BELT

LAWYER SCOTT PEARSON HAD successfully represented consumer finance companies in more than 70 class actions, but he was getting frustrated by the increasingly adversarial relationships he saw developing between banks and their outside counsel. “What I saw particularly over the last 10 years or so and especially after the credit crisis hit is that legal departments at every bank in the country are under enormous pressure to cut costs,” while law firms have been doing all they can to push through billing rate increases to attend to the needs of their own bottom lines.

This summer, Pearson left his longtime employer, Stroock & Stroock & Lavan, to join the Los Angeles office of Seyfarth Shaw, a law firm that uses old-line thinking about efficiency and quality control—borrowing from the Six Sigma system championed by Jack Welch and the Lean approach developed decades ago in the auto industry—to help clients keep their outside legal bills in check.

The cost cuts don’t come from practicing law on the cheap. They come more from tools like process mapping, which can root out repetitive tasks within areas like litigation.

For example, in moving for summary judgment, depositions, transcripts and documents in a case

typically will be re-read for any relevant details that can be included in the motion. But if the process is set up so that details that might be pertinent to a summary judgment motion are compiled as the case progresses, the efficiency gains can be meaningful, Pearson says.

U.S. banks reported about \$6.7 billion in legal expenses just for the first nine months of last year, according to SNL data, eclipsing the \$5.6 billion spent in 2010 and on pace to exceed the \$6.9 billion reported for 2011. Strategies for shaving just a few minutes off of an expensive process could reap big savings, especially when they are applied again and again to loan enforcement matters, foreclosure lawsuits or other forms of the routine, repetitive litigation that banks tend to have a lot of.

Pearson, a yellow belt in the Six Sigma vernacular, says clients that have used Seyfarth for legal services and its Six Sigma-based consulting services have cut their costs between 15 percent and 50 percent. He says he’s not yet aware of any other large law firms taking a similar approach, but he suspects that if enough clients demand it, the technique will catch on.

“To me, this is something that everybody ought to be doing,” he says.

—Heather Landy

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