

Lean machine

In the new legal services market, law firms need to deliver more for less, which means reducing overheads, streamlining processes and increasing customer satisfaction. Lean thinking can do all this and more, says **Allan Carton**

Lawyers now have more business model options than ever before, but the flipside is that it is no longer certain what the 'right' model is for delivering legal services that clients value. This is where 'lean thinking' can help. This tried and tested set of management principles essentially involves developing an understanding of what clients (and business partners) value, and then improving team structures and processes to cut out waste, thereby improving the clients' experience and the firm's bottom-line profits.

Although lean techniques have been used in the manufacturing sector for many years to reduce costs by cutting out waste, lawyers tend not to think this way, so the techniques were not used in the legal profession until fairly recently – 2007 in the USA, and 2009 in the UK. But, applied effectively, lean thinking can reduce operating costs by up to 50% in commoditised services (such as volume conveyancing, insurance claims, personal injury, and so on) and 25% in 'creative and cognitive' services – that is, most other legal and financial services. And the benefits don't end there.

WHAT CAN IT DO FOR ME?

The primary benefits of lean thinking relate to both client satisfaction and profitability. These are inextricably linked: a lean business knows how far it can manoeuvre to be competitive, so it listens to clients and makes changes to deliver the services they want, thereby enhancing the financial performance of the business. Lean thinking is about both reducing costs and delivering better value.

Perhaps the most important benefit of lean thinking is the development of business agility that allows legal practices to respond to clients' changing and increasing expectations, including for fixed fees. To quote fixed fees, lawyers need to understand and be able to control the

costs of delivering their services. If you are lean and agile enough, you can respond effectively, choosing either to operate at low margins in volume, or to make the most of premium profits if you can.

All these big benefits are the sum total of many smaller changes that lean techniques can help a business to achieve. These include:

- shedding much of the excess and waste that lawyers build into their processes over time, through one lawyer adding a tweak here and another adding another there;
- ensuring effective communication with clients (and business partners and referrers) at every touchpoint, thereby improving their perceptions of you and your business;
- reducing stress and pressure on teams because people understand the processes, clients are comfortable, and staff support each other consistently, because they can;
- taking on a greater volume of client work, because teamwork is improved across functional boundaries, and because each team has the right mix of skills and resources, as determined by the team members themselves, so you have their buy-in;
- introducing consistent best practice across the business, including benchmarking for comparable activities across different parts of the practice; and
- focusing on effective continuous improvement, by establishing a framework for constant innovation throughout the practice.

WHY DOES IT WORK BETTER THAN TRADITIONAL METHODS?

Law firms under pressure to increase profits have tended to start by trying to reduce costs (see section two of figure 1 overleaf). Not only can costs only be cut so far before service and performance begin to deteriorate, but firms have often also chosen to focus on the wrong areas.

So, for instance, they might have decided to make support staff redundant, but the better option would be to train up more of them to paralegal level, thereby improving service, and then to redeploy the solicitors to more challenging legal or business-development work.

In any event, more proactive firms have tended to spend money on raising their profiles and promoting their services (see section three of figure 1). However, returns from this work are often unpredictable, expensive and costly to sustain, and in any case, these activities do not actually add any real value to the firm's proposition and competitive advantage – only improving the way the people think and operate routinely in the business can do that.

In contrast, firms investing in lean techniques change the way their people think and work to achieve reductions in costs, alongside improvements in revenue from existing and new clients (see section four of figure 1). This provides them with strategic competitive advantage that cannot be copied, and creates a framework for continuous improvement and innovation through the active participation and leadership of their people.

HOW DOES IT WORK?

Whatever the business in which you operate, lean thinking focuses on seven generic areas of waste. Each is encountered to a greater or lesser extent (and is interpreted differently) in different businesses. The seven areas are:

1. (OVER) PROCESSING

These are activities that add no value to the client requirements, that are at odds with one another, or that are duplicated within the same overall process. For example, they might require something to be signed off by senior staff, when others with adequate relevant expertise and experience in the organisation could do it.

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2. WAITING

This is the time lag between activities, when work is waiting to be processed. You might be waiting for staff to become available, meetings to be held, staff or clients to come back from holiday or other absence, or for information to arrive. This waste can be internal or with the client.

3. OVER-PRODUCED ACTIVITIES

These are activities where work is completed ahead of time or at a higher level of skill than is actually needed.

4. DEFECTIVE ACTIVITIES

These generate poor-quality outputs and have to be re-worked.

5. BOTTLENECK ACTIVITIES

This is where work is allowed to build up, increasing work in progress in the business, which slows people down and ties up cash in the business.

6. MOTION

Walking paperwork around, having to find a file too often to deal with queries, switching between software, excessive keying in of similar information, and poor software and screen design are areas of motion waste often found in the service environment.

7. TRANSPORT

Often considered unimportant in the service environment, the transport of files and information can disguise large amounts of waste. How much time can your people waste trying to find a file?

Lean thinking introduces five core management principles to address these issues:

1. Only clients, introducers and business partners can place a value on the solutions any organisation provides.
2. Any business should understand every activity in the processes it uses and whether these add value to the customer, and aim to remove those activities and processes that don't add value or are part of the 'seven wastes'.
3. Businesses should organise around the solutions valued by the customers, breaking through functional and departmental barriers to create flow.
4. Every process should only be operated when required ('pulled') by the customer, not when the business desires or when internal targets dictate they should be ('pushed').
5. An organisation should strive to continuously improve and refine the value its solutions deliver to its customer.

HOW DO I GET STARTED?

There are many challenges to introducing lean thinking. For a start, there is always a tendency to go back to 'business as usual'. New initiatives have to be driven persistently, from the top, with enthusiasm and commitment, and with good communication to get people inspired, involved and informed about the vision and its potential benefits for them. Projects have to be clearly defined and well-managed, often supported by coaching for the leaders of the project to help them deal with challenges and obstacles on the way.

There are different ways of introducing lean techniques, but we recommend a 'lean workout'. The first step is a review of what is really happening in practice, which involves someone objective going to the place of work to see what's happening on the ground. They gather some hard metrics where possible, so that measurable improvement targets can be set and tracked.

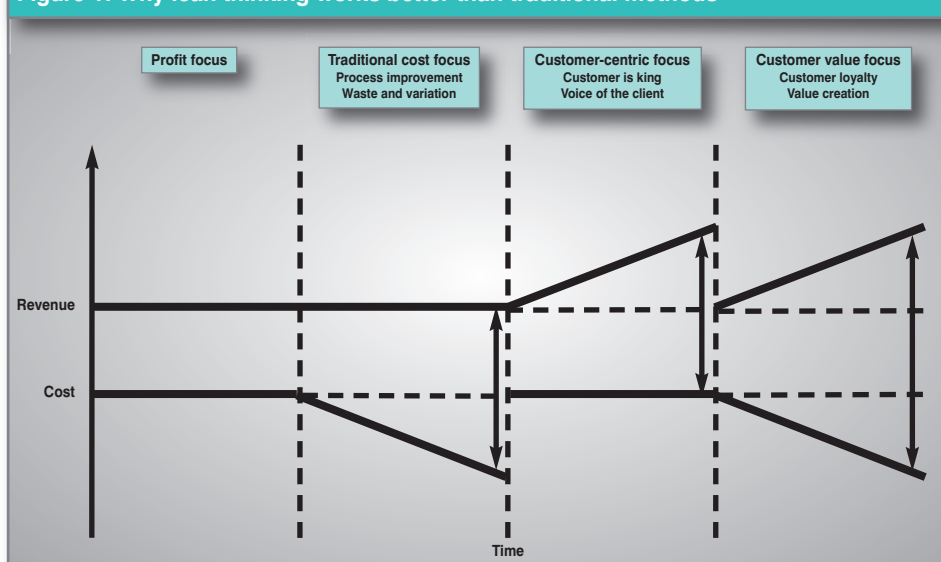
The second step is a workout workshop session, which can run from two to five days, at which participants, from across departments (where appropriate) and in different roles, identify, explore and challenge working practices. Lean workouts provide a catalyst for change, which is essential to get the process off the ground. The people who do the job should always be involved in workouts, as they are the people who have to make them work, but they also need to be challenged and helped to find new ways to make things work better – although better solutions tend not to be 'rocket science'.

Most law firms will already have some workflows in place to standardise and streamline processes across the business, and may feel that these are as effective and efficient as they could be. What lean workouts provide to a much greater extent than in the past, however, is the opportunity to take a step back and review how these processes can be improved, with the involvement of the people who actually do the work, taking account of where the client and other parties sit in the process. Workouts will often reveal the 'hidden' stages of a process and can take away all of the hidden inefficiencies.

It can be particularly helpful if these sessions are led by non-lawyers, as they will be able to challenge each step objectively and constructively from the perspectives of business management and clients, providing even greater opportunities for your practice to innovate effectively. A consultant's job is to use their specialist skills to map out and challenge the processes to help the team redesign them, focusing on better ways to provide more value to clients, while cutting out waste.

There should be a statement of objectives at the outset, but this should be challenged and re-stated by members of the team involved, as they need to believe in it to commit fully. Participants then work together to map out how processes should

Figure 1: Why lean thinking works better than traditional methods



work, who should do what, and what skills they need to deliver the best results for the clients – the end result being a series of value-stream process maps to home in on improvements.

There may be an interval of a week or so in the middle of the workout to allow the participants to think again and gather more information to inform the process. Then, everyone gets back together again to finalise the processes and plan implementation, allocating tasks and responsibilities and agreeing timescales to make the vision a reality.

After the workout, you will need to choose an area of the practice that is led by people who can see the potential of lean thinking and want to change. They would become a pilot for the first project. They can then become advocates for the approach in your business; the likely result is that one of that team will become a co-ordinator for a range of initiatives in other teams and departments as you roll the approach out across the practice.

HOW CAN I SECURE BUY-IN?

Any project must be led with persistence and be championed by top management, with their visible and active support and participation. However, solicitors tend to avoid initiatives focused on the way they work, so securing their buy-in can be challenging.

The first step is an effective business case. This will make sure that the first lean-thinking project gets off the ground. Being actively involved in the project will then help to convince lawyers and managers of the method's benefits. The lean workout will help you to come up with the quantifiable benefits to be included in the preliminary business case. These could include:

- reducing work in progress by a set percentage, to release cash, which has a direct impact on profit;
- improving new business conversion rates through catching and processing enquiries;
- generating a set percentage more revenue at a lower, defined total operating cost, through a more appropriate team structure, processes and training;
- reducing the cost of consumables such as paper, printer toner, postage and telephone calls; and
- increasing recovery rates and reduction in write-offs on fixed-price work, through

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more accurate estimating and control of work.

The many less readily quantified and 'softer' benefits include more respect for the firm's managers, better internal communication across departments, empathy with clients going through the same process, better work outputs with less re-working, improved client and employee retention, reduced stress, and much more.

WHAT MIGHT DERAIL THE PROCESS?

There are a number of potential obstacles to effective implementation of lean techniques. Making lean thinking a reality requires a significant investment of time, and that can be difficult to square with the demands of the 'day job' – fee-earning and business development.

There may also not be sufficient or appropriate skills or resources in the business to achieve the desired results – you might be faced with unwillingness to take necessary but demanding steps, like upskilling staff in project management skills, resolving IT resources, or shifting staffing levels to allow more lower-level involvement in the project.

Once the project is underway, it can also be all too easy to slip back into 'business as usual' until the new processes are fully embedded, risking the loss of all the investment and effort the business and its people put into the project. The project will only be successful if it is built into the business's strategy, and if it is prioritised for further strategic development to generate the best possible benefits and returns.

The lean-workout approach establishes a mechanism to tackle these issues, provided senior management has truly bought into the strategy. Experienced consultants can also help: they will know what obstacles lean projects are likely to face, so they can pre-empt those issues, and help a law firm to prepare for and tackle them early on.

HOW DO I EMBED LEAN THINKING IN THE BUSINESS?

After the workout, the next stage of the process is proactively project-managed

initiatives, led by committed participants involved in the workouts, to improve the processes identified as creating waste.

Understandable and directly relevant measures of success should be defined at the outset and constantly evaluated at this stage. These could be very specific, like reducing the amount of paper used, or increasing the accuracy of fixed-cost estimates. They could also be more wide-ranging and challenging, like limiting partner involvement in low-value cases (the value of which must be defined) to a certain percentage of partner time.

Management should continue to make sure that any decisions about changes agreed fulfil three main requirements. They should:

- take work out of the processes to reduce waste;
- improve speed and agility; and
- improve internal working relationships.

Lean thinking is a decision-focused process, so decisions need to be appropriate, and agreed between all parties. Only then will the participants get on and do what is agreed, embedding the new processes quickly and effectively.

It is wise to avoid addressing strategic changes or focusing on IT solutions to start with – instead, tackle simple, defined issues to make sure the projects can achieve some tangible 'quick wins', ideally within three months. These can then be communicated to the rest of the business to generate and maintain enthusiasm and support.

Once the initiatives start having measurable results, it is likely that you will have developed the in-house expertise and capability in improving processes needed to make lean thinking a core part of the business. You can then move on to extending the initiatives to other, more complicated or challenging parts of the business, and you can also look to develop supporting technologies. ■

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