

Law Firms: Cut Costs, Attract Clients, Boost Profits

To attract and maintain clients, law firms must lower operational costs and improve processes.

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While attending ALM's 26th annual General Counsel Conference this summer, one message was loud and clear: To attract and maintain clients, law firms must lower fees—through discounted rates, alternative fee arrangements, fixed fee through life of the matter—and follow client guidelines that restrict who can bill and what expenses can be charged.

Given this situation, firms may not be able to depend on their brand—or raising standard billing rates—to generate needed revenues. So what is the answer? It's all in the process.

Law firm efficiency and revenue can be improved by baselining, measuring and improving processes procedurally. Many process issues can be resolved through procedural changes that improve quality, efficiency and service. Procedural process changes cost little to implement, roll out quickly and provide guidance on how to reconfigure installed computer technology to provide even greater efficiencies.

Here is a four-step action plan:

1. Identify the goal of the redesign. Process goals must be specific and measurable. Examples: Reducing firm fees to clients by lowering firm process costs by 5 percent; adherence to all client guidelines; lowering e-billing rejections by half; reducing outstanding payables by 30 days; reducing defects (issues) between benefits and payroll to zero; increasing speed of document production handoffs by 25 percent and improving the effectiveness of practice development by 30 percent.

2. Select the right process improvement methodology. Example methodologies include: Continuous process improvement; business process management; re-engineering; "Lean" programs, Six Sigma or a mixture of these methods. Summary definitions and example improvement areas include:

- Continuous process improvement concentrates on incremental improvements over time, with processes constantly evaluated and improved, as opposed to seeking a big one-time improvement.
- Business process management focuses on achieving innovation and flexibility through using process and technology changes.
- Re-engineering encourages firms to reconsider why they do, what they do and encourages leaps forward, not incremental change.
- Lean emphasizes reducing process waste to improve value to the client. Waste can arise in transportation, inventory, motion, waiting, over-processing, over-production, and rework.
- Six Sigma, looks to improve process quality by identifying and removing anything that causes process defects and by reducing variability

As each method provides a different way to look at and improve law firm processes, it is important to match the method or mixture of methods with the type of problem to be resolved.

LAW FIRM PROCESS IMPROVEMENT METHODOLOGY EXAMPLE PROCESS AREAS		
Method	Focus	Example Process Improvement Area
CPI	Incremental	Onboarding, changes, and off-boarding process
BPM	Procedural innovation and technology	Time, expenses, billing, e-billing and collections process
Re-engineering	Radical	Pitch, proposal, matter intelligence, and event planning

Lean	Eliminate waste	Records management, retention, and disposition
Six Sigma	Eliminate defects	Client guideline

3. Recognize challenges to achieving process improvement. Typical internal law firm challenges to improvement include:

- Conflict between conventional wisdom—how things worked in the past, and best practices—the reality of today.
 - Process silos, within and between operating areas.
 - Inconsistent process documentation and measurement.
 - Objectivity of personnel, when looking at their own processes.
 - Identifying the root cause of the problem.
 - Understanding process expectations from the customer (internal) and client perspective.
 - Lack of expertise in process improvement methods.
- Resistance to change.

4. Overcome challenges to achieving process improvement. Steps to overcome law firm challenges include:

- Clearly defining process improvement goal, scope, participants, timeline, measurement and facilitator.
- Develop a thorough baseline of how the process works today. Regardless of the level of redesign (incremental to radical) a well-developed baseline establishes definition/agreement to how the process works and problems that need to be resolved.
- Understand internal customer and external client expectations of process intake, results, timeline, efficiency, cost, accuracy and service levels.
- Develop a redesign based on procedural changes to realign and clean up the process, increased utilization of owned firm technologies to better automate the process, and then as required, selection/deployment of new technology to further automate the process.

Establish accountability. Develop a change plan to identify what steps are to be eliminated, added, modified or removed. Establish target and completion dates. Measure results and continue.

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