A story of legal re-engineering
- people, processes & profit
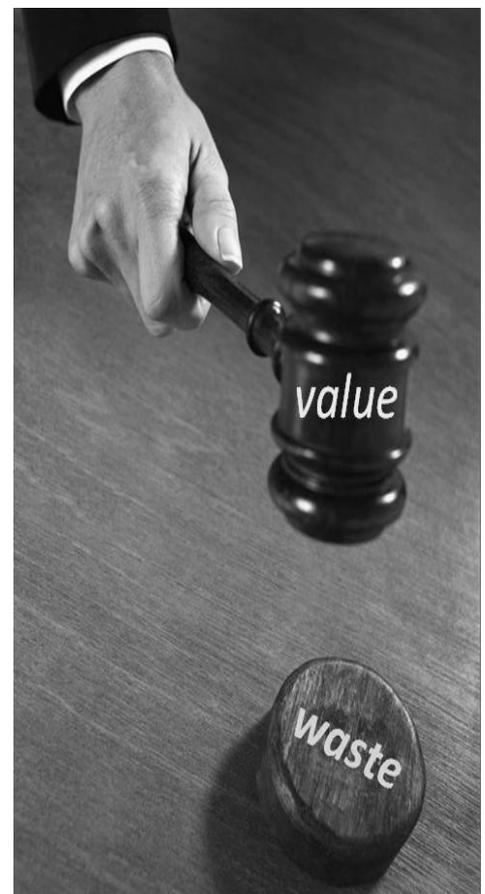
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energizing change

Introduction

Whilst the term 're-engineering' is typically prefaced by the word 'process' as this is the key focus area, re-engineering in professional services firms is very much about people. Successful re-engineering requires partners, fee earners and support personnel to make changes in their beliefs, behaviours and working methods. No small challenge then! To help illustrate the people-side of re-engineering in professional service firms, I'm going to review two recent projects I performed for a medium-sized UK law firm operating across three offices over a 12 month period.

Re-engineering – a quick refresher

Just in case you're a little rusty on your re-engineering knowledge: Process re-engineering is a structured way of dramatically improving the effectiveness and efficiency of a business area by challenging and changing what work is done and how it is done. Historically re-engineering has focused on reducing process cost, however good practice re-engineering also focuses on the value provided to clients and customers (external or internal) – see Figure 1. Re-engineering differs from Continuous Improvement in that it seeks major 'step-change' improvements.
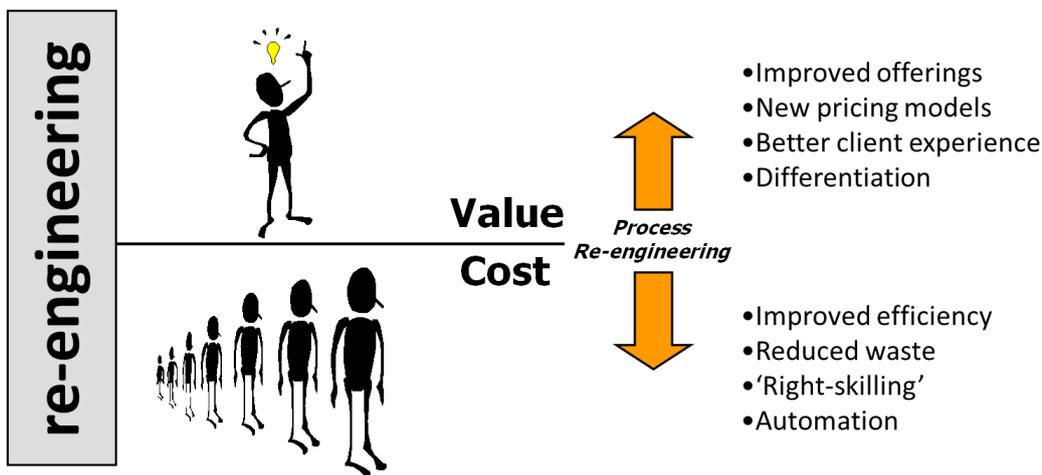

Figure 1: Re-engineering seeks step changes in process value and cost

Back to the project - getting started

Codexx was contracted to help the firm drive major improvements in the efficiency of service delivery. The sponsor for the programme was the Managing Partner. The programme commenced in summer 2013 with an 'Opportunity Assessment' where I worked with the firm to select the initial services for re-engineering. The selection criteria we used included the potential financial benefits achievable through re-engineering as well as the level of support and commitment from relevant partners. As this was the start of the programme, it was particularly important to pick two services with a good likelihood of success – as otherwise it would reduce internal support for subsequent projects.

For the first wave, two services were selected: an insurance claims-management service and a clinical negligence service. Both services were delivered in relatively high volumes, at a fixed fee, to important clients. And neither service was profitable. A 'partner champion' for each service was selected and I worked with each of them to help prepare them for the re-engineering programme that we were to undertake. The methodology we used in this programme was the Codexx 'Smarter Working' re-engineering solution which

we developed and have used with professional service firms over the last decade. This uses a phased approach (Figure 2) with a high level of collaboration from the client and the work in the initial AS-IS and TO-BE phases performed in interactive workshops and client visits.

Finding your champions and building the team

The importance of the role of the partner champions in professional service re-engineering projects cannot be over emphasised. They help set the importance of the project for the fee-earning team members who are continually challenged for time on the project with their chargeable work commitments. If the partner champion is less than committed, the team members will follow suit. In this programme both the partner champions proved to be both committed and effective – attending all the required workshops and leading the team in challenging existing ways of working and identifying opportunities for service improvements. Together we selected a core team for each of the services, comprising 3-4 lawyers and an administrator. I established the 'Steering Committee' comprising the Managing Partner, Finance & HR Directors and Department Heads, for progress reviews and key decision making (e.g. in project investments) during the programme. Then the workshops was scheduled and we kicked off the programme with the first 'AS-IS' workshop for each of the two services.
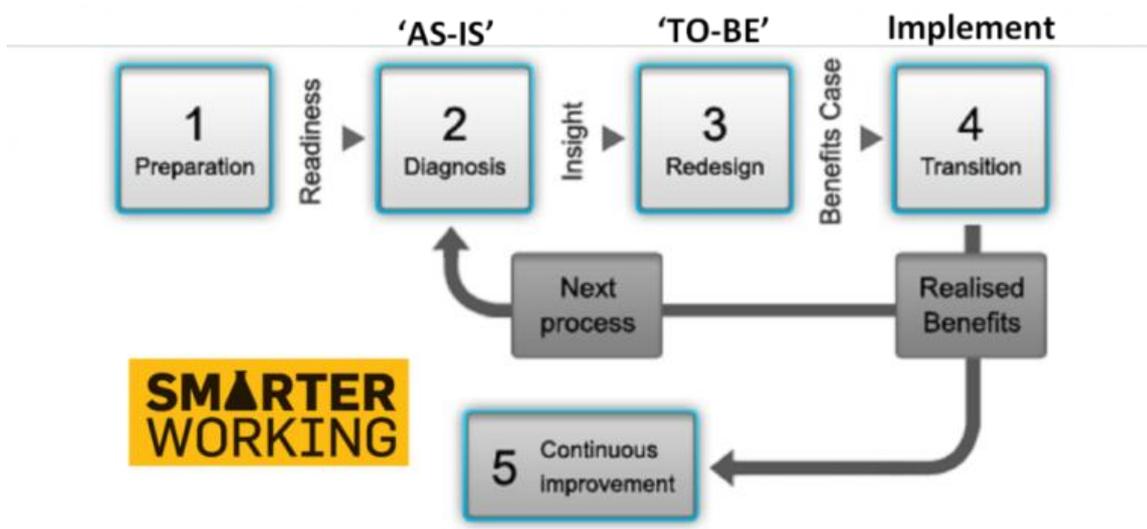

Figure 2: Smarter Working re-engineering approach (Source: Codexx)

The AS-IS phase – *capturing today's situation and changing beliefs*

There are three key objectives for the AS-IS phase of a re-engineering programme:

1. To capture the operation of the service as it is today to provide a performance baseline;
2. To educate the core team in new ways of thinking and assessing service efficiency and value;
3. To get the core team to recognise and commit to the need for change.

To meet these objectives, our workshops cover both analysis and training in Lean-based service analysis and improvement principles. Thus the team members are able to map the existing service and identify key wastes. I guided the team in profiling the value provided to clients and the service experience they receive. I then prepared them to visit a number of selected clients to get their views on the service provided by the firm and to identify service improvement opportunities. In parallel I worked with the partner champion and Finance department to gather financial performance information on each service to identify typical matter cost and the resulting profit margin. So at the conclusion of the AS-IS phase we had a rich, detailed picture

of the existing performance and issues of the two services and a growing list of potential improvements, which the partner champions and I reported to the Steering Committee.

Developing the team

Equally important in this phase is the development of the team – both in the beliefs and capabilities of the individual members and the team's effectiveness as a whole. Initially in these two projects there was more than a little doubt in the team members about the value of this programme. The most experienced and senior associate in the claims management team was frankly dubious that their working methods could be improved in any significant way. This is not an unusual reaction in our legal projects, as process-thinking is not common in law firms. Indeed a lot of the concepts and thinking that we introduce to the team – such as Lean thinking, waste identification, process mapping, service disaggregation and right-skilling – is new and indeed alien to most lawyers. As our approach is deliberately collaborative with the team members actively performing mapping and analysis, they each make a journey of self-discovery by using these techniques and seeing the outcomes for themselves. This results in an important transformation of individual thinking and leads to a level of buy-in to the resulting changes that is far deeper and permanent than a consultant-enforced change would ever be.

That very much proved to be the case here, with the formerly resistant associate lawyer, obviously enlightened and energised following the AS-IS, then working in her spare time to outline a new 'TO-BE' process for performing the claims management service that would reduce the time required to perform the service by nearly 75%. This is an outstanding example of individual change. But it is not uncommon and I find that fee earners are generally surprised at the level of inefficiency that their process mapping and waste analysis reveals. So by the end of the AS-IS phase they certainly recognise the need and also the obvious scope for improvement in the service.
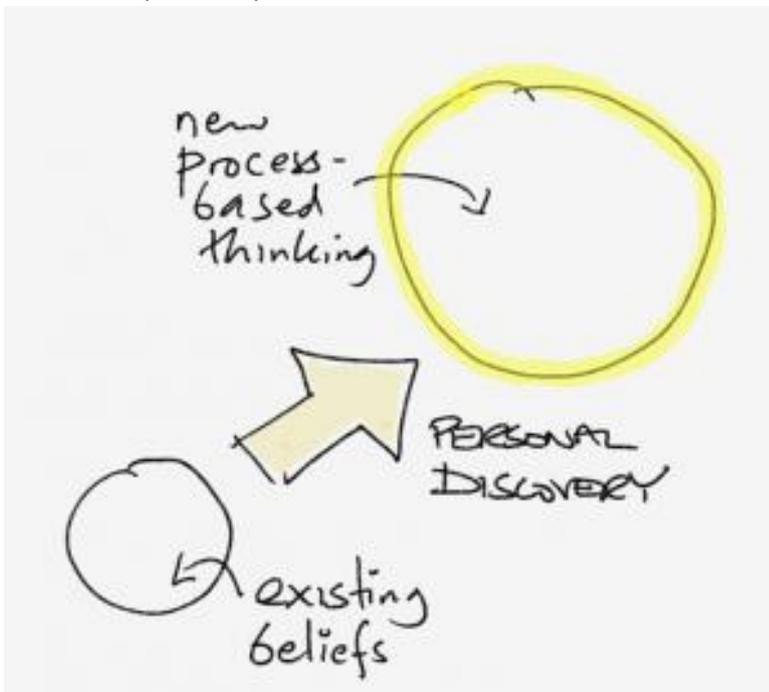

Figure 3: Journey of personal discovery

Opportunities and 'Quick Hits'

To capture the insights and energy that builds in this phase we start capturing a list of improvement opportunities in the first workshop and build it during the AS-IS phase. New ideas are allocated to team members who are responsible for providing an initial exploration and recommendation as to whether this idea should go forward and even be a 'Quick Hit' improvement project (we implemented a number of these

in the claims management project during the AS-IS phase). This further engages team members and also provides a useful first 'filter' on new ideas. To broaden engagement beyond the core teams we use a 'Living Walls' approach to share our findings with the rest of the fee earners working on the service – and get their feedback – using large paper charts pinned up in working areas. Some of the major challenges in the AS-IS phase in this programme were: Difficulty in getting accurate service cost data and issues of fee earners fitting in project work alongside their existing client workload. These are challenges typically experienced in most of our legal re-engineering projects.

The TO-BE phase – *designing a new service and new working methods*
The objective of the TO-BE phase is to build on the learning from the AS-IS phase and design a new process, with a supporting organisation and IT, for delivering the service which is significantly more efficient (to yield cost savings) and provides higher value and a better experience for clients. In addition an implementation plan with supporting resourcing and business case is needed to validate the case for change.

To help in 'framing' the team's TO-BE work, we typically use a 'Vision workshop' at the start of this phase with a number of partners and managers. We share the team's AS-IS findings and work to develop a 3-5 year Vision for the service, with measurable targets. In this programme I ran a vision workshop for only one of the two services, where the multi-office and multi-partner operation of the service meant that it was valuable to share progress and likely changes to get partner input and eventual buy-in to support the partner champion.

In the TO-BE phase I worked with each team using a number of innovation tools and the existing ideas list to generate a number of 'transformational concepts' for the new service which we then mapped. This provided a blueprint for the new service which required much less time and cost to deliver whilst improving on the existing client service. The concepts were developed into transformation projects, making use of Codexx project definition templates, and an overall implementation plan and business case for change.
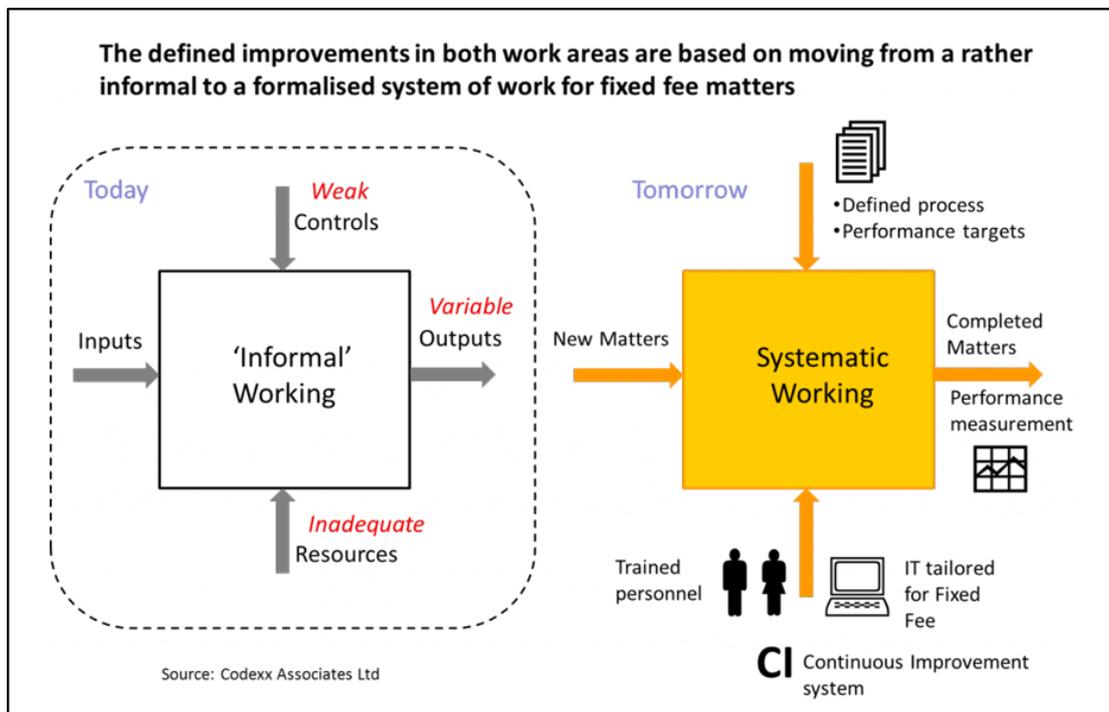

Figure 4: From informal to systematic working

New methods - not necessarily new IT

Interestingly, whilst at the start of the programme both teams were adamant that a new case management system was needed to enable major efficiency improvements, they did not eventually recommend this in the TO-BE phase. For by then it was clear that whilst the existing Case Management software was indeed old and 'clunky' the implementation of new case plans and templates to support the new TO-BE process would enable major improvements. So for now the old case management system would be 'good enough' – which improved the business case for these changes.

The major changes in the new TO-BE process for each service was an underlying process that was optimised to reduce required fee earner time, that was 'right-skilled' to push work down to the lowest skill level that it could be performed at with acceptable quality, that was 'codified' using templates and documented procedures that captured and deployed the 'one best way' approach for repetitive work elements, making use of Case Management to control workflow and deliver documents. Both services also changed the way in which experienced associates and partners were used in the service. Their time was reduced and focused on *'up front' matter strategy* to guide fee earners rather than *'back end' review and checking* of work already performed – to maximise their value and minimise fee earner inefficiencies. This freed up the most experienced (and expensive) fee earners to work on more complex work.

Overall the TO-BE for both services moved them from a rather informal working approach, where issues in resources and controls had led to variable (and expensive) outputs, to a more systematic working approach with improved resources and controls leading to more consistent outputs, at lower cost (see Figure 4).

Implementation – *it's tough*

The objective of the Implementation phase is to realise the TO-BE service by executing the defined transformation projects. Both programmes required the development and documentation of new templates, a 'new process bible' and updating the case management processes and screens (though keeping the existing case management system).

Implementation is always a challenge. The Managing Partner of one of our clients referred to it as *'the grind of implementation',* which is an apt description. For the AS-IS and To-BE workshop phases of a re-engineering programme are 'new and exciting' with much collaboration. But in contrast, Implementation is more akin to 'heads down' and 'get it done' by project teams working on their own for much of the time – whilst team members also juggle a case load of work. It's tough. We recognise this and particularly the challenge for time from client work. To help in this we provide a monthly progress review with the project leaders and partner champion, to keep at least a 'monthly pulse' of project work and to identify issues early. We also work on maintaining the team morale – regular small reward events such as pizza at a team review are helpful. Despite this, we find that law firm projects typically slip and it was no different on this programme, with a 2 month delay. A key reason for this is that it is the core team members that typically lead the transformation projects and it is difficult to get their case load reduced during the implementation period (despite my recommendations) so they are typically very busy.
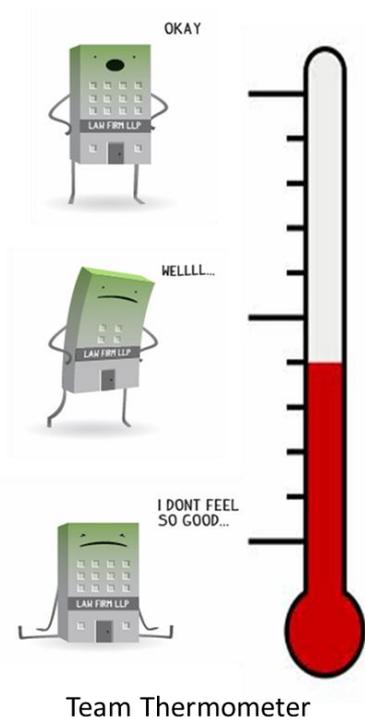

Team Thermometer

Figure 5: It's key to proactively manage the team's morale

Our two programmes differed somewhat in their implementation experience. The claims-management service was delivered from one office and thus it was easier and thus faster to get the required buy-in and implement the required changes. The clinical negligence service was delivered from teams and partners located across three offices. The partner champion thus had the added challenge of streamlining a service using fee earners who did not directly report to him, necessitating working to get the buy-in of other partners. In addition this service was more complex and thus required more work on process detailing and case management changes.

Continuous Improvement – *locking in and extending improvements*

I have been placing more emphasis on this phase in our re-engineering projects with law firms. This is because there is always the danger that the new methods and resulting improvements can fade away, as these islands of *'new ways of working'* are surrounded by a large ocean of *'business as usual'* in the rest of the firm…. So locking in new ways of working is key to retaining their benefits. But this is really not enough. For the reality is that there will continue to be downward pressure from clients on fees. So unless the firm wishes to suffer eroding margins, it needs to find further improvements over time.

So the objective of the Continuous Improvement phase is to lock in the existing improvements and establish a simple and 'light touch' system for identifying and implementing ongoing improvements that will further improve service and cost-effectiveness. Key elements that we put in place for these two services were a performance dashboard with monthly updates and at least a quarterly session involving team members to define improvement needs. One ongoing challenge is how best to reward fee earners delivering a fixed fee service and motivate them to further improve service efficiency – whilst their conventional targets and compensation are based on chargeable time… As part of these two programmes the firm recognised the need to develop new mechanisms for fee earner recognition based more on revenue and profit generated than on time recorded.

So what were the outcomes?

Both services have now been operating with the new methods for around 9 months at the time of writing. Compared to their operation prior to re-engineering, the claims management service has reduced direct costs by around 70% whilst maintaining service quality and improving reporting and billing quality. In addition, the firm has strengthened its relationship with the financial services client receiving the service, as the firm's lean-based improvements were seen very positively by the client. The clinical negligence service has reduced direct costs by around 50% whilst improving service consistency and providing a faster service to its public sector client.

These major cost reductions meant that both services are now providing a good level of profit to the firm. In addition, the fee earners in the teams working to the new methods have given a very positive feedback – a key reason being that they are finding the work less stressful than before – whilst delivering a better service at higher productivity. One team has used their process analysis experience to map and analyse a related support process which had performance issues. The firm subsequently commenced two more service re-engineering projects with Codexx.

About the author

Alastair Ross is the founder and Director of Codexx Associates Ltd, which he established in 2002 following a career in IBM manufacturing, consulting and management. He has consulted globally to professional service and industrial clients for over 20 years. Since 2006 he has led re-engineering and innovation projects in over 20 legal services in a number of major UK law firms including Bevan Brittan, Blake Morgan, BLM, Mills & Reeve, Nabarro, Norton Rose Fulbright and Pinsent Masons. He is also a visiting lecturer in Service Innovation at the University of Southampton. His latest book *'Innovating professional services – transforming value and efficiency'* was published by Gower in 2015.

About Codexx

Codexx provides consulting services focused on business innovation and re-engineering to the professional service and industrial sectors. It has worked extensively with a number of major professional service firms over the last decade and also on R&D, re-engineering and benchmarking with international industrial businesses. It was established in 2002 and is based in Romsey in the UK. For information on Codexx services and experience go to www.codexx.com

Further information

For further information on this paper and to discuss the potential for applying Smarter Working re-engineering to services or support process in your firm, contact Alastair Ross at: aiross@codexx.eu or on +44 - (0)7766-525433.

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