



# **CODEXX WHITEPAPER**

## Redesigning legal services – lessons learned 2005-16

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## Executive Summary

Law firms are facing increasing business challenges due to the impact of globalisation, clients wanting 'more for less', deregulation and of course the impact of Information Technology and the Internet.

These challenges have driven progressive law firms to seek to improve their competitiveness by redesigning their services and support processes to improve the value delivered to clients and also the efficiency with which services are delivered.

With higher levels of automation in service delivery being enabled by ever increasing performance/price of IT and the growth in digital services delivered via the internet – it is ever more important that legacy legal services and processes are redesigned to take advantage of these trends.

Experience has shown that legal service redesign can be achieved by applying practices such as Lean and Process Re-engineering, proven in other business sectors. Redesign of legal services has been shown to significantly reduce the cost of service delivery – which can both improve competitiveness and improve firm profitability.

This short paper, reviews the experiences of law firms that have redesigned their legal services – specifically why they took this step, the approaches used, the challenges they faced and the benefits they gained. This paper is based on the experience gained by Codexx in consulting to a number of major English law firms in service redesign between 2005 and 2016. This work has resulted in the redesign of twenty legal services and support processes yielding cost reductions of between 25-75% and value improvements to firms' clients. These outcomes have helped law firms improve the competitiveness of these services.

# 1. Why should you redesign your legal services?

All services contain elements that have been delivered before and will be delivered again. These elements may be common 'activities' such as information gathering (e.g. interviews or document discovery and review), analysis or reporting. Some services satisfy a common client requirement and are therefore highly repetitive as a whole. There is thus value in standardising how these repetitive service elements are delivered on the basis of the 'one best way' of performing them. Improvement approaches such as Lean and Process Re-engineering use mapping, innovation, design and standardisation methods to achieve this. These practices can be applied to Legal services.

However until the mid-2000s the legal sector in the UK was typically conservative with change primarily driven by regulatory requirements and client demands, thus law firms had little history of sustained process-based improvement. However deregulation in the England and Wales jurisdictions driven by the 2007 Legal Services Act, the 2008 financial crisis and resulting economic downturn and the increasing impact of the internet drove a new appetite for change in law firms. Progressive firms became open to the application of new business practices that could help improve their competitiveness.

Codexx first worked with a large English regional law firm in 2005 which was seeking to improve its approach to innovation. As part of this programme, we helped the firm redesign a number of their legal services and support processes. We subsequently consulted to a number of major English law firms in service innovation and redesign, including Mills & Reeve, Burges Salmon, Blake Morgan, Bevan Brittan, Nabarro, Norton Rose Fulbright, Pinsent Masons and ASB Law. We built on this work with studies of innovation practices in major English law firms, supported by a number of Universities<sup>i</sup>.

Our experience showed that best practice approaches from other business sectors, such as Systematic Innovation, Lean and Process Re-engineering could readily be applied in the Legal sector. However we found that some 'tuning' was needed to optimise these approaches for knowledge intensive services and to operate in a fee-earning, partnership-based culture. Our experience also showed that because process thinking in law firms was typically at a low level, the application of these process-based improvement methods could yield major enhancements in both service efficiency and the value delivered to clients.

From our experience there are five main reasons why law firms should redesign legal services or support processes, which are listed below:

1. **To reduce the cost of service delivery.** This is the most common reason we have been engaged to help law firms redesign specific services. Firms are either facing client pressure for fee reduction, facing rival firms 'low ball' pricing or have been forced to provide the service at a fixed fee and they are making little to no profit. From our experience service/process redesign can significantly reduce cost, due to the inherent

inefficiency in how work is performed in most law firms. This is due to a history of hourly charging which has not typically encouraged efficiency improvement and also the lack of process management and improvement disciplines in law firms.

2. **To increase the value provided to clients.** Value can be increased by new and enhanced functionality in the service and by a better service experience for clients (e.g. better responsiveness, consistency and quality at the service 'touch points'). This is an important competitive dimension, but we have found that most firms' improvement focus has been primarily on cost reduction. However our service redesign approach focuses on both cost and value improvement opportunities, as we see enhanced value as being an important differentiator for firms. Also, engaging clients in a discussion around their value requirements is powerful in further improving the firm's relationship with its clients. In one project we held a collaborative workshop between a firm providing a Professional Indemnity Claims Management service and a key insurance client. The client's initial agenda was for reduction of hourly fee rates. In the workshop we showed how an 'end-to-end' process approach could help reduce waste activities in both the client and law firm and thus lead to a more efficient service. This helped further improve the firm's relationship with the client and subsequently grew the firm's business with this client.
3. **To prepare services/service elements for automation and digitisation.** Historically law firms have not typically used best practices in implementing Information Technology systems. Experience gained by large IT service businesses, such as IBM, has been that to optimise the use of IT, supporting work needs to be performed in the processes to be automated and the related work organisation. These need to be mapped and optimised so that the automation of them using IT will result in a significantly improved process. The same goes when it comes to creating a digital service. All too many law firms have implemented IT application such as Case Management and workflow tools by simply automating the existing (usually inefficient) process. Without service redesign beforehand, the full benefits of automation/digital services will not be realised. So service/process redesign is a powerful start to automation/digitisation.
4. **To free up key lawyers to focus on higher value-adding work** by using junior lawyers, trainees and paralegals for repetitive 'lower value' service elements. This is an important benefit that helps firms grow business in more profitable work areas – that require the most experienced lawyers. This also provides these lawyers with more fulfilling work – which will help improve the firm's retention of these key lawyers. This was one key driver in one of our first service redesign projects where a firm struggled to find good Private Client lawyers for their Probate work.
5. **To meet new regulatory requirements.** This requirement typically results in specific changes to just elements of services (e.g. in client reporting) rather than overall redesign. One of our first redesign projects was to help a firm redesign their Client Inception process to satisfy new money laundering regulations.

## 2. How do you redesign legal services?

In essence, service redesign is about ‘standing back’, reviewing the needs of clients and the firm and designing the service to better meet those needs. There are proven approaches for redesigning business processes that can be applied to the redesign of legal services. These typically are structured around a number of key stages that include:

1. Select the service/process for redesign, set objectives and resource the project.
2. Review the current service/process to understand how it is working, to identify key problems and to confirm the need for improvement – this is referred to as the ‘AS-IS’
3. Develop and select improvement ideas and redesign the service/process – this is typically referred to as the ‘TO-BE’
4. Develop a business case and a plan to make the transition from the AS-IS to TO-BE.
5. Execute the plan, ‘Go Live’ with the new service and embed it in the daily business.

Firms can perform service redesign themselves and indeed many large firms, such as Clifford Chance, have significant internal resources to do so. But most law firms do not. This is the reason why Codexx has been engaged by a number of law firms to help them in service redesign. The rest of this section will share the approach we have taken in doing so.

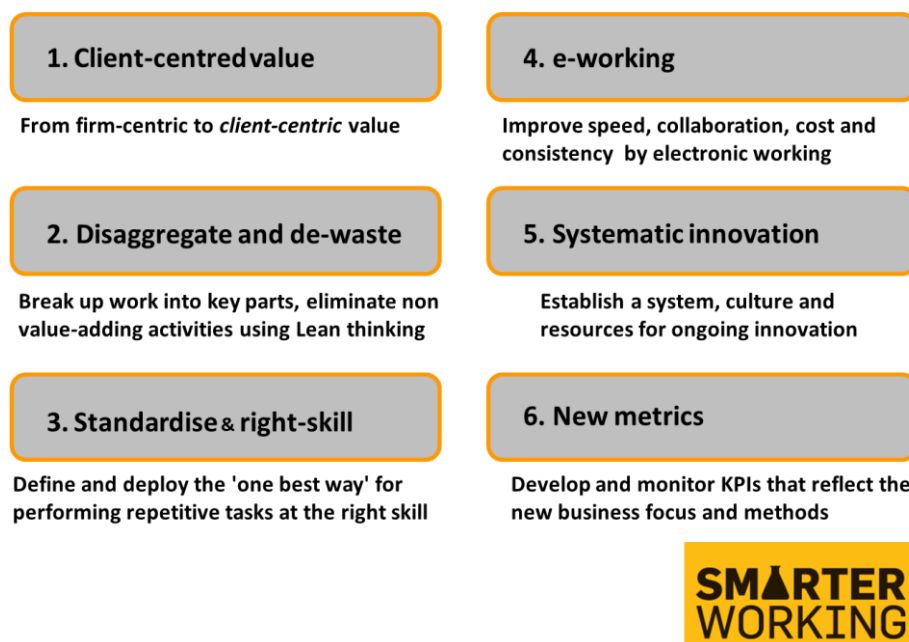


Figure 1: Smarter Working – key work elements for service redesign

Source: Codexx

### A tailored approach for legal services

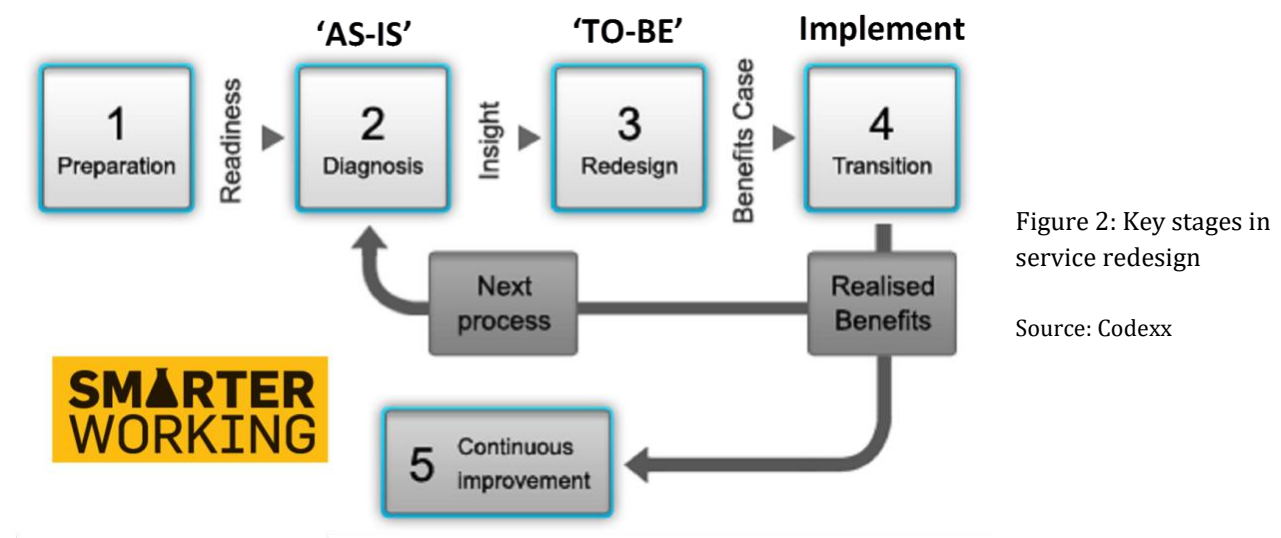
From our early experience in working with law firms, it became clear that typical methods for process/service design such as Lean and Re-engineering needed to be tuned for a professional services environment. For example, Lean thinking became somewhat tarnished in the eyes of lawyers when consultants would arrive and talk about Toyota and how Lean could be applied as if a law firm was a factory... And Re-engineering approaches were often larger in scope and scale (and cost) than was appropriate for a law firm.

Therefore using our past experience of re-engineering and lean work in the industrial and service sectors we developed a tailored redesign approach for professional service firms called *Smarter Working*. This reflects the nature of knowledge intensive services, the importance of the client service experience and the working and cultural environment of a partner-based business. *Smarter Working* structures service/process redesign around 6 key elements (see Figure 1) and delivers it using a collaborative approach.

We have used this approach with law firms to redesign a total of 20 different services/support processes including: *Commercial Due Diligence, Inquests, Employment Tribunals, Probate, Commercial Property Purchase, Insurance Claims Management, Clinical Negligence, Court of Protection, Client Inception, Matter Management and New Service Development*.

### Organising for service redesign

Our collaborative approach helps ensure that those people who best understand the service – the fee earners – are engaged in the redesign project. They bring the ‘content’ knowledge and Codexx, as the consultant, brings the knowledge of the redesign ‘process’ together with tools and methods. This approach also minimises firm’s consulting spent as well as helping improve buy-in (due to the sense of ‘ownership’ of the redesign by the team) and thus success of the new service.



*Smarter Working* uses process mapping, Lean thinking, client interviews and creative approaches to map and identify issues in the current service in the *AS-IS* phase and to design a new *TO-BE* service that is significantly more efficient and delivers more value to clients. We help the team structure the required change projects and then support them into *Implementation* including the *Go-Live* of the new services and subsequent *Continuous Improvement*. The phased approach is shown in Figure 2.

To begin the redesign of a legal service (e.g. Commercial Due Diligence) or process (e.g. Matter Management) we work with the client to set up a project with a defined scope, goal, timescale and resourcing. And for each project we work with the client to build and train a core team of

4-5 fee earners and support staff led by a Partner 'Champion'. We work with this team in collaborative workshops to perform the AS-IS analysis and TO-BE design activities.

The level of time required is typically 3-4 hours per week per team member and a little more for the Partner Champion across Steps 1-3 – which require around 6-10 weeks to complete. The project duration is primarily dependent on the availability of the project personnel. To enable broader involvement in the project – to ensure that those performing the service but who are not in the core team feel engaged and thus will support the new services – we use 'living walls' to visually share project findings and proposals as we proceed and get feedback.

As part of the project we set up a 'Steering Committee', comprising senior personnel, to review progress on a quarterly basis, agree Go/No Go prior to implementation, to provide resourcing and help address any organisational challenges encountered. The Steering Committee also provides oversight across a programme of redesign of multiple service redesign projects.

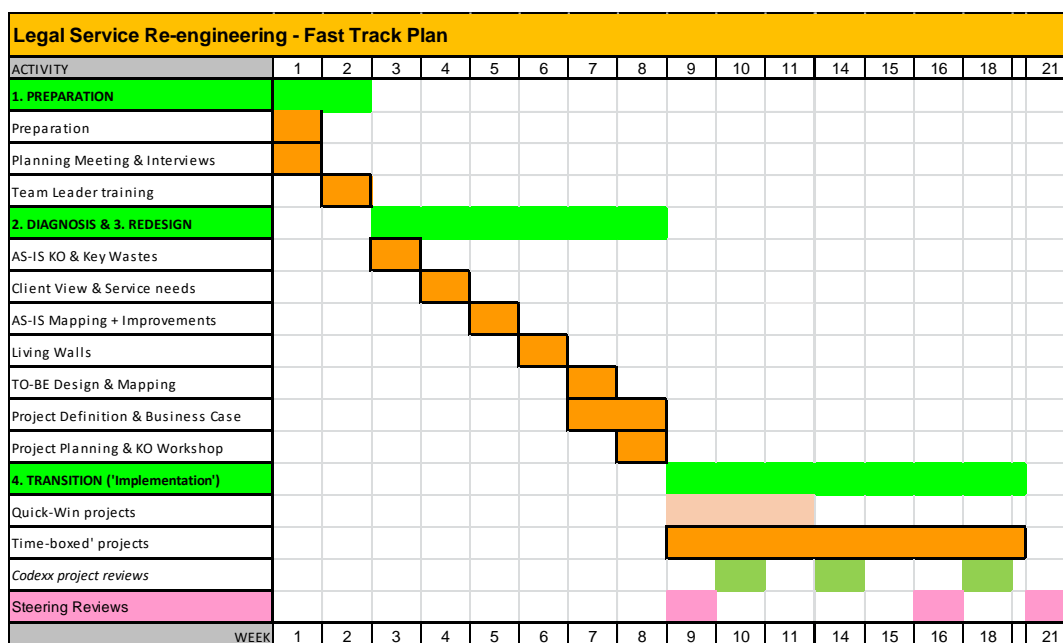


Figure 3:  
Example of  
service redesign  
schedule, based  
on Smarter  
Working stages

Source: Codexx

The duration of projects varies significantly. The key dependencies are the firm's resourcing of the project and the level of involvement of clients. An example of a legal service redesign project plan is shown in Figure 4. This shows the common activities performed and a fast-track timescale including time-boxing implementation to 3 months to ensure that improvements are realised quickly. However projects typically run slower than this to reflect the fact that few firms will dedicate fee earners to the project or even make significant reductions in their caseload, thus we typically are only able to schedule workshops every 1-2 weeks. We have also found that projects will also typically slip during the Implementation phase when there is less hands-on consulting support requested by clients and so the firm's project leaders have to progress projects by themselves. If these delays did not occur, firms would receive the benefits of service redesign much earlier.

### 3. What are the benefits of service redesign?

We have seen five major outcomes from law firms redesigning their services:

1. *Measurable cost reduction*
2. *New/enhanced value to clients*
3. *Freeing up lawyers for higher value work*
4. *Reduced stress on employees*
5. *Improved partner and employee capabilities*

#### Cost reduction

All our service redesign projects have shown a significant **reduction in the direct cost** of performing the service. This has been between 25-50% (and once as high as 75%). In many cases this has been accompanied by a move to a fixed fee service so that the firm can retain some of the benefits as improved margins. These major savings are achieved through more efficient service design and 'right-skilling' the work. Many lawyers believe that a cheaper service will be a lower quality service. In our experience this is simply not true. Much of the existing cost of a legal service is made up of wasteful activities and working methods that bring no value to clients. In fact we find that these new, cost-reduced services provide a more consistent, faster and higher quality service to clients due to their redesign and use of standardised work elements.

#### Higher value for clients

Redesign has also resulted in **increased value to clients**. This value comprises a number of different elements: New service offerings (e.g. new fixed fee services. and new internet-enabled services); higher functionality services (e.g. improved reporting, additional service options); an improved client experience (e.g. higher quality, faster, more user-focused). This increased service value enables firms to improve their competitiveness in the market and gain higher revenue from these services. One of our projects covered a Commercial Due Diligence service – which was under significant pricing pressure, resulting in high write-off in lawyer time. As well as significantly cost-reducing the service through improved work management and templating, the service was enhanced through more responsive and business-focused reporting to the client.

#### Optimising lawyer effectiveness

One focus in our redesign approach is in **'right-skilling' the delivery of the service**. Typically professional services develop over time to be 'over-skilled' in delivery; that is the work is being performed at too high a level. This is due to a lack of defined procedures for delivering the service which means that work cannot be easily delegated and junior staff not easily trained. This issue is exacerbated by utilisation targets which encourage fee earners to 'hold onto work'. Service redesign enables work to be performed at the optimum level – which



will be at the lowest skill level where it can be performed to the required quality and service standards. This means repetitive work elements will typically be performed by paralegals, junior lawyers or automated. As well as reducing service cost, this **frees up the most experienced lawyers for higher value work** – which benefits the firm and is more fulfilling for these professionals. Another related benefit of redesign is that the work becomes easier to perform, as it is more predictable and controlled. This **reduces unnecessary stress** on employees and partners.

#### Improved personnel capabilities

Finally, another benefit has been the **increased capabilities of partners and employees** who have been involved in the project. They gain new skills in team-working; in process mapping, lean thinking, analysis and the reduction of waste; in creativity and idea development; and in project management. This is due to planned skills transfer, which is part of the *Smarter Working* approach. A good example of this is one team in insurance claims management that followed up the project by using process mapping to analyse and improve a related administrative process by themselves. Another firm followed up a programme of four service redesign projects supported by Codexx, to use the skills and experience gained to continue this work using their in-house capabilities. In the words of their Finance Director: *'Thank you for your help and I'm pleased to say we have now embedded continual transformation into our business.'*

## 4. What are the challenges in service redesign?

Redesigning services to make them more effective and efficient is always a challenge – whatever the business sector. However, there are specific challenges that relate to the organisation and culture of law firms. Based on our experience, the key challenges in legal service redesign are as follows:

- **Getting Partner buy-in** - both to the need for service improvement and to commit the required people and resources to achieving it. This is why it is critical to find a partner prepared to champion this work and better still a programme supported at the board level. We have successfully performed redesign projects for single business areas within law firms – e.g. Real Estate and Private Client. But without board support, the benefits of these projects are not easily replicated across other parts of the firm.
- **Fixing root cause service weaknesses.** It can be all too easy to address the symptoms of problems, rather than finding and fixing root causes. This is why our AS-IS stage builds an objective and quantitative picture of the service, using input from fee earners, Finance and clients so that the root cause issues can be clearly identified and addressed as part of redesign. A good example of this is a project we performed for a firm on a Clinical Negligence claims management service. At the start of the project the team was adamant that they needed a new Case Management system. Once we had completed the AS-IS, this request disappeared as it was clear that the key issues to be addressed were in work design, not the IT. Instead in the TO-BE we supported changes in the work design with updates in the screen designs in the existing Case Management system and enabled a 50% cost reduction with a faster and higher quality service.
- **Getting accurate financial and performance information** on services. This is important in helping build an accurate performance 'baseline' during the AS-IS stage. Objectivity is key in AS-IS, so that decisions are based on facts not just opinions. However many firms do not collect the information required to enable easy measurement of individual service fee earner time and thus profitability, therefore we sometimes have to review a number of sample matters and extrapolate from this.
- **Maintaining project pace**, particularly during Implementation. Because the lawyers in the project team normally have fee earning work to perform, the project schedule can often slip. Client involvement in projects (though worthwhile) also can slow the project pace. Once the project moves into Implementation, individual project leaders are responsible for running their projects to plan, which can be challenging. *'The grind of implementation'* as the Managing Partner of one of our clients put it, captures the issues well. Sustained project monitoring and review is required to keep the pace. Another challenge is that key resources, such as IT, are typically constrained and this can also serve to delay projects. In one firm a redesign project on Commercial Property Purchase slipped by 6 months in Implementation once handed over by Codexx to a Partner Management team, due to a mix of Partner workload and the summer holidays. This six months of delayed benefits could have funded the required project

management support to maintain the project pace many times over.... In our experience at least a two-weekly project monitoring/review frequency is needed during Implementation to maintain project pace. This review can be performed using an internal or external team. If there is no internal resource, it is certainly cost effective to engage additional consultant support for implementation.

- **Sustaining and improving the new service.** Launching a new improved service is not the end of the project. It must become the standard way of performing this work. In a professional services firm, it is all too common to have 'resistant' partners or teams, who seek to maintain existing ways of working. This is why a strong partner champion, supported by the Steering Committee is needed to help in addressing these issues. The new service should be 'tuned' and improved over time to address issues that occur and to further improve efficiency. However this requires a mechanism for Continuous Improvement and some time spent by fee earners to do this. The former element can be simply established, the latter requires fee earners to be motivated to spend time on improvement – so new metrics and rewards need to be considered.

### Managing the challenges

In our experience of legal service redesign we have encountered these challenges first hand. To help address them our Smarter Working methodology includes the following:

- We set up projects with a Partner Champion and with a Steering Committee of senior personnel (typically including the Managing Partner and Finance Director) to ensure sufficient senior buy-in to the project. The most successful programmes are those with the Managing Partner or Senior Partner and Finance Director as members of the Steering Committee – and with effective Partner Champions leading the project teams.
- To help in building the confidence and effectiveness of Partner Champions, we provide personal training on the redesign techniques before the project workshops commence and we work closely with them during the project, thus providing skills transfer.
- To ensure sufficient fee earner involvement yet minimise the impact on their chargeable time, we perform the required work in half to one day workshops.
- Our AS-IS stage uses proven tools to build a detailed picture of the current service that enables the team to identify key improvement needs and target performance increases.
- We develop and manage a project plan and provide regular reviews together with email/phone follow-ups during Implementation to help in maintaining project pace.
- To help ensure the new service is effectively embedded in the business, we share project progress with fee earners and partners outside the project team (using a visual approach called 'Living Walls') and seek feedback on our findings and proposed changes. We identify any 'buy-in' issues early as part of our change management. We also establish a basic Continuous Improvement system for the team and recommend new performance metrics for the team.

## 5. Where should you start?

Given the challenges that firms face in redesigning their services, it is important to get ‘early wins’ – that is for the first projects to clearly show success and in areas that are important to the firm. This helps in building support amongst Partners and employees for further service redesign. So one key selection criterion is to choose a service that is important to the firm from the perspective of the revenue it generates. But the most important selection criterion is that there is a Partner who will champion the redesign of this service – and will be actively involved in the project. Their involvement sets the tone for the rest of the team. If a Partner is late in arriving or misses workshops, this signals to the rest of the team that this project is not important and so pretty soon they will be following the partner’s behaviour. Firms need to ensure that these partner champions are recognised and rewarded, as they are critical to the success of a redesign programme.

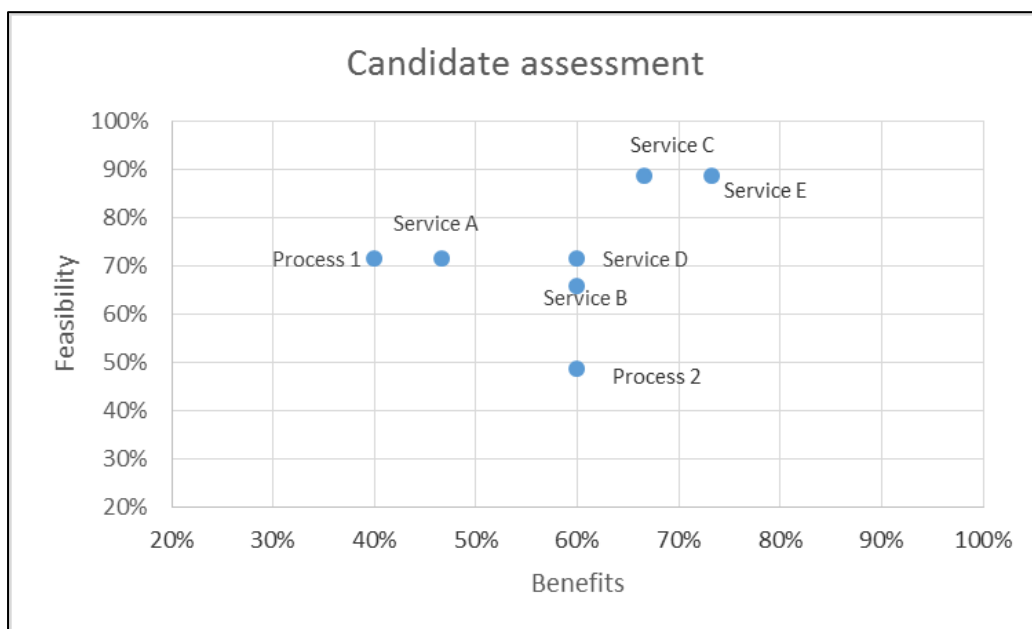


Figure 4: Example of selection assessment of candidate services for redesign

Source: Codexx

To help firms in building a programme for service improvement, we often run a short ‘Opportunity Assessment’, where we work with firms to identify and assess candidate services, making use of proven assessment criteria. We score the services using a grid such as the one shown in Figure 4 which looks at the potential Benefits from redesign and also the Feasibility (which covers cost and risk aspects). We use this to help recommend the services that should be selected for redesign and their prioritisation. We then work with clients in creating an overall redesign programme.

## 6. Conclusions

The legal sector is facing major changes in its business and competitive landscape. In response, firms need to improve their competitiveness with higher value services to clients, delivered more cost-effectively. In addition, firms will need to respond to the increasing trend for process automation and the delivery of service elements as digital services.

To achieve these outcomes, firms need to systematically redesign services to enhance their value and reduce the cost of delivery. Progressive firms have done so over the last few years. Codexx experience in helping a number of major English law firms do so has demonstrated significant financial and business benefits. This experience has also identified a number of common challenges which can be addressed using a systematic approach – based on proven approaches such as Lean and Re-engineering – together with appropriate change management methods.

Experience in working with major English law firms since 2005 has demonstrated that there are proven methods for the redesign of legal services and support processes that enable firms to make significant improvements in their business performance. Law firms should embrace this opportunity to improve their competitiveness.

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## About Codexx Whitepapers

Codexx produces whitepapers to explore new aspects of business innovation and transformation and to share new thinking. Past whitepapers have explored subjects such as improving client loyalty, digital services, managing knowledge intensive services, Lean in manufacturing and legal re-engineering.

## About the author

Alastair Ross is the founder and Director of Codexx Associates Ltd, which he established in 2002 following a career in IBM. He has consulted globally to professional service and industrial clients for over 20 years. He is also a visiting lecturer on Service Innovation to the MSc Strategy and Innovation programme at the University of Southampton. His latest book *'Innovating professional services – transforming value and efficiency'* was published by Gower in May 2015. His new book *'Sowing the seeds of business transformation'* is due to be published in 2017.

## About Codexx

Codexx provides consulting services focused on business innovation and re-engineering of knowledge-intensive work in the professional service and industrial sectors. It has worked extensively with major service and industrial firms over the last decade to redesign 30 knowledge-intensive services, lead re-engineering programmes and help firms improve their innovation capabilities in the industrial, legal, R&D, insurance and consulting sectors. Codexx was established in 2002 and is based in Romsey, Hampshire in the UK. For information on Codexx services and experience go to [www.codexx.com](http://www.codexx.com)

## Further information

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## NOTES

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<sup>i i</sup> For further information on law firm innovation studies, request a copy of the report: *'Study of innovation practices in major UK & German law firms'*, September 2014, Codexx, University of Exeter, University of Leipzig.