

Looking Under the Rocks: getting inside your operations

By Karen MacKay

Have you ever paused to ponder the operational intricacies within your firm? Have you ever been frustrated by the areas that support your practice? Have you ever wondered exactly how things get done?

Why does it take a week to get a conflicts search? Why aren't we actually using our new technology? Why can't I get bills out of our system that our clients can use? These are all excellent questions. How do you get at the answers?

To avoid stagnation and spur innovative change, consider performing an operational review. Find out how things get done in your firm and have the courage to ask how it could be different. Practicing law is increasingly demanding. Clients expect nothing short of perfection. As a result, innovation and effectiveness are increasingly key characteristics of successful law practices.

So how do firms create innovation? They must first observe and evaluate the forces that influence operations within their firms.

External Forces

Clients drive law firms. Legal excellence builds a law firm's reputation. Interpersonal skill builds

client relationships. Yet, no matter how well firms develop their reputation or build their client base, details matter significantly.

Large firms are increasingly focused on signature clients. These signature clients tell us they continue to reduce the number of law firms on their roster. As a result, law firms are under pressure like never before.

In addition to impeccable quality, clients crave value –on their terms. If firms fail to quickly resolve conflict or steadfastly check errors, client perception of value slips and frustration soars. Value is measured at many steps along what we call the “Client's Value Chain®” Along these steps, clients are able to measure the value of the service they receive from outside counsel.

The Client's Value Chain® begins with *Instructions*. If firms can't get a conflicts report that is meaningful and timely, instructions can't be taken and clients may go elsewhere. Proper engagement letters and specific financial arrangements officially establish the lawyer/client relationship and dispel ambiguity. Next, the *Transaction* involves the lawyer or team of lawyers working closely with the client. Here, value is measured by those interactions



and by the quality of the advice and service given. *Deliverables* is where frustration can especially mount if the t's aren't crossed and the i's aren't dotted. *Billing* must be timely, perfect and meaningful. Clients need useful information. One general counsel told us that law firms will soon lose the work if they fail to provide invoices that can clearly be charged to the appropriate business unit – not because of the quality of the legal work but because of the frustration arising from the billing system. *“There are lots of good lawyers out there – that’s a given; it’s the other stuff that makes us crazy.”* Operational issues won't get you *on* the roster of a new client, but they certainly can put you *off* the roster of an existing one.

Internal Forces

Internal operations affect everything from profitability to morale. Along the same client value chain described above, firms are able to dissect operations within the firm to create methods to improve functional effectiveness and lower cost. If some functions, especially back office functions, can be performed more efficiently more money flows to the bottom line and into partners' pockets. This keeps clients satisfied while simultaneously producing happier, wealthier partners.

Wisely, clients tell us that to add an associate to a practice group, managing partners typically

require a business case – a report that includes details like billable hours of everyone in the group, new client work, estimates of the hours and level of talent required to handle the new work, and a recommendation for a new hire. But when an administrative group needs a new hire, business cases often boil down to a simple cry for help, such as, “the group is busy and can't keep up with demand.”

Further, we hear many times that firms have smartly invested in new technology to automate existing processes but then fail to use seize the opportunity to actually change the process at all.

Prioritizing Operational Forces

Law firms must bring together these internal and external forces within their organization to begin to consider how to create change. Operational functions of any law firm involve three distinct sets of areas of consideration that work together in a way that impacts the overall effectiveness of a law firm.

Client service issues are the absolute first priority. These issues comprise the external forces that influence law firm operations. Most firms must meet at least some minimum standard of client service. However, many fail to define these standards, and they vary by individual lawyer, by practice area and/or by office.



Regardless of the variance law firms absolutely must deliver on this issue.

Political issues influence the people and work within the firm, which in turn, influence the client. These issues comprise many of the internal forces that influence law firm operations. Here, turf wars between functional areas of administration and issues among offices within the firm create friction that can plummet morale and productivity. Law firms must minimize political issues before they get passed on to clients in the form of poor service.

Lastly, **efficiency**: to be **effective** you must also be efficient. Effective use of time and resources can produce better service. Further, partners immediately reap the benefits of cost savings.

Generating New Ideas

How do you generate new ideas when the firm has a loyal and long-standing management team? Bring in someone new. You don't have to fire people to generate new ideas. Switch people around. Seek input from knowledgeable people within the firm, bring in someone on a contract or seek outside experts.

According to Dennis Sherwood, author of *Unlocking Your Mind*, deliberate innovation is a process. Innovation begins by documenting existing procedures. We look at the life cycle of a particular process in the firm. We then seek

input on that process from various stakeholders in the firm. The power of observation produces the "how", analysis leads to "how can it be different?" It takes courage to recognize the problem and the potential benefit of change, but the real magic is in asking how things can be different, and then acting on that information.

What You Can Do

Systems and processes evolve over time. They are the result of ideas generated by individuals over the history of the firm. They are "the way things are done around here."

Many challenges create roadblocks to innovation and change. First, the day-to-day pressures of keeping up with the workload absorb the time needed to stop and challenge the process. Second, pride of ownership, fear and ego prevent us from questioning ourselves with the same rigor as we question others.

So be courageous. Allow others to ask tough questions. Be willing to invite in an outsider. Someone may end up stepping on some toes. Someone may develop a brighter idea. But in the end, the profit of innovation and effectiveness derived from a thorough operational review will soften any hurt pride.

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