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Principles of a Lean Law Firm: Creating a Framework to Optimize Your Business

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If you've heard of Lean management then you know its origins come from Toyota's revolution of the manufacturing world. In the late '80s and '90s, Western manufacturing companies were getting crushed by their Japanese rivals, especially Toyota. At the time, it was no secret that the United States and Europe had lost their competitive edge. The pressure to regain their spots at the top was certainly on.

It was throughout this time that several improvement methodologies rose to existence. Those methodologies included: Total Quality Management, Theory of Constraints, Just-in-Time, and Six Sigma.

Now, fast forward to the emergence of two men by the names of Jim Womack and Dan Jones. They took the principles behind those methodologies and used their differences to create something new. What resulted was a monumental shift from copying specific practices to understanding the principles that made the whole system work.

That all sounds great right? But how do their Lean management principles translate into today's market and how do you apply them to your firm?

Before we jump into that, let's recap the seven types of waste that we discussed in Running a Lean Law Firm: How Eliminating Waste Can Drive Revenue. Remember, eliminating these waste types are fundamental to the ideology of Lean management.

Defects- This could range from filing errors, calculation errors, or even sending a client the wrong set of forms.

Over-Processing- Are you spending an excessive amount of time on a particular work item? If yes,

you're over-processing.

Motion- One word: ergonomics. If your work environment is not set up to allow you to move around efficiently and access what you need, you're producing motion waste.

Waiting- It is what it sounds. Waiting breeds lost time and whether you're waiting for an action item to be returned to you or you're experiencing delays within other verticals of the firm, you're waiting.

Inventory- Your matters or inactive files that have not been closed out or paid on.

Transportation- How much time do you estimate you waste driving to and from client meetings? Probably a lot. How much time do you end up wasting on excessive manual file movement? Also probably a lot.

Over-production- If one part of the firm produces more than others can handle, or if you're doing too much of one thing, then you're over-producing.

Now that you're refreshed, let's jump in.

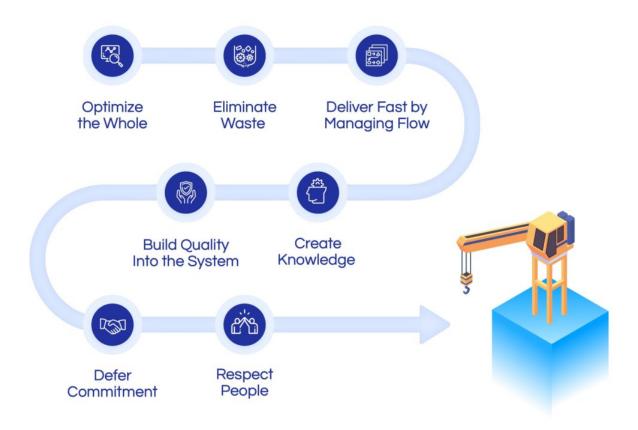
7 Principles of Today's Lean

The claim could be made that one of the hardest challenges that businesses face today is the speed at which they must constantly be innovating to meet the pace of disruptive competition. Luckily, the Lean system that Womack and Jones ironed out can be applied to any business or any team because the applications of its principles were designed for exactly that.

The most common metaphor that is being used to describe Lean is fitness. It's the notion of building sustainable muscle and athletic stamina over merely cutting fat.

To start, it is true that if you're overweight, the first thing you have to do is lose that weight. But once those pounds have been shed, you can't stop there. Sure you can try to starve yourself to fitness, but inevitably the number on the scale will start to increase again. That, or you'll just lose

your mind in hunger. To become truly fit and sustain a healthy lifestyle, you have to create a system of healthy eating, a balanced workout program, a good night's sleep... you see where this is going. At the end of the day, you have to understand how your body works, what it needs, and how you can optimize your journey to becoming and staying fit. If you just look at each part of the process individually, you'll be in for a rough ride.



Optimize the Whole

Depending on the size of your firm, you may be working with different partners and stakeholders across a variety of channels. Your goal, whether you're a small or large firm, should be to create an ecosystem where all those parts could work both dependently as a collective whole and independently as standalone pieces. No one part should be more efficient than the rest.

The best and easiest way to create firm-wide optimization is by automating your processes with technology. From capabilities like centralizing your matter related information, Automatic Time Capture, and firm-wide calendar syncs, you're going to be able to improve your efficiency and maximize profitability.

Lean law firms know that they must constantly review their services to ensure they're bringing the most value to their clients. With automation, you will decrease human error and you will gain greater visibility into the operations of your business.

Eliminate Waste

We discussed the different waste types in Running a Lean Law Firm, but it is important to reiterate that although Lean isn't only about cutting, it is important to be constantly improving.

Think of your waste as anything your clients wouldn't willingly pay for if they saw it on their bill. Would they be okay with paying for the extra time it took for you to find documents in your file cabinet? Or an error made in the pre-bill approval process? Probably not. Your business fundamentally exists to serve your clients. If you do that poorly your business will fail.

Deliver Fast by Managing Flow

A finished matter is valuable for both you and your client. Until then, it isn't.

In a world that expects results in an instant, it's important to deliver those results as fast and seamlessly as possible.

Not only is extra work in progress (WIP) not valuable, it's slowing you down. Your firm is a value stream that takes in raw materials of some sort, processes them through a series of steps, and delivers an end result. You may not own a physical factory, but you at least have a virtual one.

Somewhere along the line of that value stream is at least one bottleneck. That's not a criticism; it's just a fact. Some step in your process has a maximum capacity that's lower than other stages before or after it. That constraint is the limiting factor for the delivery capability of your entire system. For example, if you're a lobbyist in DC and have been hired by three large corporations who want to split your fee. What're you going to do? Spend hours manually splitting each line item? No. Invest in a service that offers the capability of split billing and eBilling. Ultimately, the goal of a Lean firm is to balance the work in the system to the capacity of that constraint.

Build Quality Into the System

The goal of a Lean law firm is to create a system that is incapable of routine errors. In Japanese, this is described through two overlapping concepts: Poke Yoke and Autonomation. Poke Yoke is error proofing as you do new things and Autonomation is the automatic identification of errors in your operations. Both of these allow you to quickly intervene to solve specific problems instead of wasting your time monitoring for problems to happen. Make sense?

If you invest in legal software, your matters will be expedited, you will have more billable hours, and a reduction in human error throughout your pipeline. The bottom line is: your revenue will increase. End of story. Oh, and not to mention the continuous integration of code, automated unit and UI testing, and rigorous monitoring that are all hard at work so you can sleep peacefully at night.

Create Knowledge

A Lean law firm works to absorb knowledge about their field from the outside world. But knowledge, as it applies to innovation in your specific context, can't be learned. It has to be created. You and your firm gain knowledge best by doing. And when you do something and fail, what happens? You learn. If you don't learn from your mistakes and figure out how to improve what went wrong, you're wasting your time and your client's time too.

Much of what you learn will be tacit. You can and should invest in tools for documenting knowledge. But ultimately, your tools will function as a backstop for the experience of the rest of your team. If you can create policies and cadences that allow you to build upon what you've learned, you will retain high-quality employees and offer stability even through times of change.

Defer Commitment

This isn't the greatest name for a principle, but don't stop reading.

What this means is to keep your options open for as long as possible. By the time the decision needs to be made, there is a greater chance that you will know more about every possible option and every potential outcome. Essentially, you are providing yourself with the greatest opportunity to take the most optimal route. It also gives you time to explore different options in more depth and experiment with solutions that may help bring you to the best conclusion.

In areas of complexity or uncertainty, things are very likely to change. Give yourself the

opportunity to make the best choice by deferring your commitment.

Respect People

One of the misconceptions of Lean is that it is mechanistic and impersonal. The painful realities that came with having to reduce waste through massive cost-cutting at the dawn of Lean in manufacturing didn't help with this misunderstanding.

But at its root, the waste that Lean truly aims at removing are the layers of overhead between the client and the people who are directly working on that product for the client. Lean firms recognize that the vast majority of the value generated in their organizations is by the people with their hands on the matter

The best ideas for improving how you work and deliver value to customers come from the place where the work happens. This should go without saying but, treat people kindly, listen attentively, respond promptly, and most importantly, have empathy.

In Sum

The Challenge

Lean requires a culture change within the partners and the workforce. Because of this, leadership must be proactive in practicing and implementing the system. Support for the method must come from the top-down. If you're investing in new legal software to begin this change, partner buy-in through training must be evident or adoption won't happen. If you're wondering how your firm can get the most out of your tech investment, check out this webinar.

The Opportunity

The benefits of adopting the Lean system are endless. Your firm may see dramatic reductions in cost through waste elimination, improvements in quality and consistency, and faster legal processes through the improvement of client services. And most importantly, your firm will see revenue-driving results, and a sustained culture of ongoing improvement and higher staff retention.

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