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Running A Lean Law Firm: How Eliminating Waste Can Drive Revenue

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The most common misconception of Lean or Lean management, is that you have to expeditiously cut costs, maintain a small staff size, or use as little resources as possible. Fortunately, none of that is the case.

Before Lean became the methodology that it is today, the initial concept was created by Taiichi Ohno, an industrial engineer and manager at Toyota Motor Corporation. Following WWII, a group of American professors went to the Toyota factory in Japan to study what they were doing to rebuild their economy and industry. What resulted was a summarized theory of the Toyota production system that Taiichi invented. They then took these findings back to America and labeled it Lean.

So what is Lean? How can being a Lean law firm drive up your revenue or improve your overall efficiency? Simply stated, a Lean business is a business that maximizes value while minimizing waste. A Lean business model focuses on improving processes across the value stream in order to eliminate waste and deliver optimized value to the customer. This can help teams and organizations achieve their goals in smarter, more sustainable ways.

Lean is being used in the software industry, government organizations and healthcare, but it is not being used in the legal space. The most fundamental concept of operating under a Lean principle is being able to pinpoint and eliminate waste. For law firms, the key is to understand the difference between this waste and the value you bring to your clients. If your firm can understand what brings value to your clients versus what is waste, then you can eliminate that waste and focus on bringing more value.

Throughout the creation of Taiichi's production system, he took into account seven kinds of waste and identified them as: overproduction, inventory, motion, defects, over-processing, waiting, and transport. Now, within these waste types you have what are called bottlenecks. Bottlenecks are composed of constraints that cause points of congestion in a process that slow down your firm's flow of income, case load, daily operations, etc. Typically, bottlenecks are caused by the activity

that requires the longest time in operation. So for your firm, that could be billing, timekeeping or any essential task whose process is slowing down the rest of your legal supply chain in a given case flow.

So the question remains, how can you optimize your law firm? Let's take a deeper look at these seven waste types and learn how your firm can minimize or eliminate them entirely to improve your practice and increase revenue.

Seven Types of Waste

Overproduction

This type of waste results from producing more than what your client or the specific matter is requiring at any point in time. Overproduction leads to work pile ups that prevent efficient [law firm operations](#) and time management. To determine if you're falling victim to overproduction, ask yourself these four questions:

- Is one part of the firm producing more than others can handle?
- Is there a way to help supplement the slower workers to leverage that production?
- Are you doing too much of one thing past the point of it being productive?
- Does what you're working on have to be done right now?

By answering these simple questions, you can pinpoint the areas in your firm that are

overproducing and eliminate the bottleneck effects that are caused by unsynchronized work production.

Inventory (your matters) and Waiting

It is a common thought that more clients equal more money. Which in a sense is not wrong. However, the money spent on marketing campaigns and inbound leads to get those clients add up very quickly. More often than not, there are matters in progress that aren't closed and collected on. In the process of waiting for these matters to close, you are losing time and income. In order to optimize your workflow, think about these three questions:

- Are you closing out cases promptly? (If not, is anyone at the firm holding up the process?)
- Are you collecting payments as promptly as possible?/Can your billing be faster?
- Are you making it seamless and for your clients to pay you?

Automation is the easiest and most reliable way to ensure these two waste types are being minimized. Allowing your clients to pay online and setting up recurring payments will ensure your billing process is optimized and the income you're waiting on is collected as efficiently as possible. Before you spend money to increase your workflow, look at ways to improve your current process. This will not only save you money in the long run, but it will make you more too.

Transport and Motion

One of the biggest waste of resources for attorneys is the amount of time lost searching for documents or information. Using technology to quickly [navigate through documents](#) and instantly pull information is crucial. Eliminating the time and effort that's wasted from manually sifting

through file cabinets will speed up your operation and lead to an increase in revenue.

Adopting technology that will also allow you to go paperless will reduce these two waste factors. Simple steps like capitalizing on electronic signature programs like DocuSign, emailing your bills, and meeting your clients virtually to reduce commute and travel time, will all aid in your production and efficiency. Even things as simple as setting up your workstation in a way that will allow you to quickly move around and find the information you need faster will contribute to eliminating transportation and motion waste.

Overprocessing

Overprocessing is the act of doing something in a more complex way or adding complexity to a process that could be much simpler. For example, it is no secret that billing is a burdensome process, but there are ways to make it easier. Let's look at these four questions:

- Do you send out paper or electronic invoices?
- Are you sending them out in batches?
- How do you generate invoices?
- How do you create documents?

Utilizing technology to [automate your billing](#) and document creation will not only reduce human error, but save your time! Manually printing a bill, folding it into an envelope, addressing, and then mailing it is inefficient. Becoming a Lean law firm means losing those inefficiencies and adopting strategies that will maximize your time. That is Lean management!

Defects

Quality errors that cause defects invariably cost you far more than you'd expect. Every defective item requires rework or replacement, it wastes resources and materials, it creates paperwork, it can lead to lost clients. How often do you have to redo work? Have you ever gotten into trouble with a judge, client or your bar? Utilizing a system of automation will reduce these errors and produce more uniform results.

Now that we have covered the seven types of waste, how do you quantify your success? The Lean method won't work its magic on your firm overnight. Do not expect to eliminate your waste all at once, instead follow a practice of continual improvement and watch the results follow.

Quantifying Success

The best way to eliminate waste is through automation. Most, if not all of the waste types can be solved with technology, but how else can you determine if the Lean method is right for your firm? Let's look at a few terms to help quantify your efforts.

Cycle Time

Think of cycle time as being the total duration, from start to finish, of a process that's defined by you and your clients. For law firms, cycle time is the amount of time it takes you to start and complete a matter. Kanban cards or platforms like Trello, allow you to track your matter progress and measure how long it takes you to move through the entire process. Invariably, shorter cycle times will lead to more revenue.

Throughput Rate

Throughput is used to measure your business process flow rate. This metric is important to gauge the effectiveness and efficiency of your operation. For law firms, this could be the number of

finished matters in a designated amount of time. So, how do you increase your throughput rate? By decreasing your cycle time. How do you decrease cycle time? By eliminating waste and adopting the Lean principles. Is it all making sense now?

Average Case Unit Value (ACUV)

ACUV is the average value in dollars brought to your firm from each matter “unit.” If you know on average, how much each case brings in, and how many cases you take and finish within a given amount of time, you will be able to predict what your yearly revenue will be. Just remember this formula: $\text{Income} = \text{Throughput Rate} \times \text{ACUV}$. With all models, it is important to remember that there will be an element of simulation.

A lot has been covered here. But don't worry! Your first step should be replacing your manual processes with automated ones. Although that may seem like a pain at first, the amount of time you will save and efficiencies you will create will help significantly increase your revenue. Eliminating the seven wastes is something that can be done through the implementation of Lean and the various Lean tools.

Remember, use the principles of Lean to identify the value you bring to your client first. Only then can you identify and remove the waste hindering your firm's ability to drive revenue.

Want to learn more about how your firm can become Lean? Check out [Principles of a Lean Law Firm: Creating a Framework to Optimize Your Business](#)

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