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Winning new clients through operational capability ? 6P?s for success

With law firms only facing ever greater calls from clients to demonstrate cost efficiency, we are delighted to welcome our guest blogger this month, operational transformation expert Peter Clarke. In this piece he shares some practical insights into how law firms can successfully deliver to clients a new level of capability.

The landscape for change

It is very typical to find the following type of question in a Request for Proposal (RFP) for winning a place on a legal panel:

?Please describe any operational methods that you use to achieve flexible pricing and/or potential reductions in costs, such as ways of realising economies of scale, tools for competency development to enable autonomous working in appropriate areas, allocation of work at an appropriate level of capability, and/or appropriate changes to working structures or practices that generate additional benefits.?

Finding the right words to answer the question is one thing ? having the proven capability is another. After all, if the proposal response is telling the client that the firm practices such operational methods the client will certainly expect to see the benefits.

Establishing the capability will take time and requires firms to accept at the outset that there is an element of predictable, repeatable work that can be undertaken whatever the matter type or practice area. Even in highly specialist practice areas there will be elements of matter management (e.g. file opening, interim and final billing, client reporting) and legal process (e.g. due diligence, searches, e-disclosure) that can be delivered more routinely.

The change programme required to achieve the operational capability could be defined within a ?6 P?s? framework ? Project, Process, People, Procedures, Price and Performance. Each ?P? requires a discrete set of capabilities to be developed, but there is strong integration between each of the ?P?s?.

1. Project

Project management principles can be applied to the delivery of both legal services and support services. Project management is scalable in that the same principles and techniques can be applied to specialist legal services as well as volume services, to large teams working on a one-off intensive case, or to practice groups working on regular streams of routine matters.

For each ?project? a number of inputs are required including case volumes, skills, time scales, location and more. These inputs help define a project plan, the allocation of tasks, cost and price, as well as requisite points of client interaction. To develop the plan properly requires the undertaking of preparatory work that falls within the other categories of the 6P?s detailed below.

The outcome is an agreed scope of work for an established price, a predictable profit, and an agreed law firm / client governance mechanism for any changes in the parameters of the work.

2. Process

Process management is the key to the twin objectives of client satisfaction and law firm profitability: it increases the likelihood that work is done effectively (*doing the right thing* to deliver client value) and efficiently (*doing it the right way* to deliver law firm profitability). It should be applied to both the delivery of legal work to clients and to the business activity that supports the fee earners.

Process management starts with the decomposition of work into Phase, Task and Activity, followed by process mapping and value analysis. This decomposition provides the necessary information to deliver the real value of process management ? for example, codifying the activities into case management workflow and aligning each task and activity to a defined level of capability (e.g. partner, qualified solicitor, paralegal, or secretary), provides a basis for insights into the relationship between case characteristics and outcomes, and supports the development of project plans. It also provides a baseline for applying more sophisticated analysis, such as Lean or Six Sigma, to further improve quality and productivity.

3. People

It seems obvious that people are one of the 6P?s ? but it is the way that people are assigned, managed and rewarded that is significant. Traditional top-line revenue growth, the chargeable hour and fee earner utilisation put the focus on the *input* effort; clients and the new entrants to the legal market focus more on profitability, productivity and *outcomes*.

Linking the way that people work in a law firm to the project and process management approach supports that focus on outcome. For each process there will be defined levels of capability for each task and activity; the fully loaded cost of each level of person will be known; team structures and roles will be specific to each practice area; and there will be opportunity to create more cross-functional capability (as already practiced by a number of firms with paralegal teams located in lower cost locations).

4. Procedures

Procedures (often branded as Standard Operating Procedures) provide the detailed and prescribed ways of undertaking specified activities, as defined by the process decomposition. The procedures should cover, for example, process steps, system interaction, cross-functional interaction, client interaction, interaction with the other side ? and typically include screen shots, data entry options, forms, decision trees and so on.

Procedures provide the basis for training, knowledge transfer and the consistent execution of work resulting in high quality performance.

5. Price

With more clients looking for fixed-fee contracts, the arrival of new market entrants and a variety of alternative fee arrangements, the subject of pricing is a huge discussion topic across the legal sector. Whether following cost-based or value-based pricing (and following the 6P?s approach will help determine which is the most appropriate for a given practice area or client) there are some essential building blocks required to help set the price.

The undertaking of the project, process and people activities provide the data to support more analysis for accurate and applicable pricing. It is necessary to develop pricing models to support both pricing techniques ? bear in mind that a cost-based price can preserve profits but might not be an acceptable market price, whereas value-based pricing can attract business but can be over-discounted and erode profits. Whichever technique is most applicable to a given client or practice area, the price should be supported by an understanding of unit cost per matter type by practice area, pricing parameters and thresholds, a view of market / competitor pricing, required profitability thresholds, pricing approvals process, and a pricing model with in-built sensitivity analysis.

6. Performance

The integration of the features of each of the 6P?s provides a more holistic view of performance, for both the law firm itself and the service it provides to clients.

For the law firm, there is a more rounded view of performance ? more operational and financial management information and a better understanding of individual and team performance with the objective of winning new business, increasing profitability, reducing risk and increasing client satisfaction.

For the client, there should be more transparency on the value provided by the law firm and how that value translates into their own business performance or personal requirement.

In other sectors a balanced scorecard approach has been used for many years now ? it is a well-accepted point that people behave according to how they are measured. The right measures, built into day to day operations and personal performance reviews can help achieve the changes required to support the 6P?s.

The 6P?s approach is generic for legal processes and support processes. It is not too difficult a concept to describe, but the implementation effort should not be underestimated. The recommendation would be to take a practice-area by practice-area approach with implementation becoming less burdensome as familiarity grows across the firm.

About the author
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