

Research Reveals the Most (and Least) Popular Tools

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Seyfarth Shaw LLP adapts Six Sigma to the delivery of legal services

Law and



Order



64-year-old law firm
Seyfarth Shaw adapts
Six Sigma to the delivery
and billing of legal services

BY ELAINE SCHMIDT

Andrew Pearlstein, Carla
Goldstein and Lisa Damon at
Seyfarth Shaw's office in Boston.

PHOTOS BY CHERYL LEVINE

Billable hours are the stuff upon which law firms are built and sustained, and about which their clients complain – as much a part of the legal system as legalese. But that may be changing.

Seyfarth Shaw LLP, one of the highest-grossing law firms in the United States, has been responding to client concerns about billable hours. A few years ago some of the firm's biggest clients made clear that they were "uneasy continuing in the billable-hour world," said Lisa Damon, the managing partner in the Boston office. The clients wanted Seyfarth Shaw to think about delivering legal services more efficiently and more transparently, including offering flat fees.

Determining flat fees meant predicting how many hours a certain type of legal matter might take, which meant gaining a clear understanding of what processes and steps were involved in providing the service. That, in turn, meant breaking down the barriers between the hierarchical levels within the firm.

"There are definite hierarchies or strata in all law firms," Damon explained. Seyfarth Shaw has been replacing the old hide-bound structure that reinforced division with a team dynamic that brings partners, associates and support staff together. "People...see the full value each person can bring to the table, regardless of what their title or position in the firm may be," she said.

For Seyfarth Shaw, the key to increasing collaboration and to shifting the paradigm in the delivery and billing of services was Lean Six Sigma.

Making the Case

The firm deployed what is now known as SeyfarthLean in 2006. Damon, who is responsible for leading and growing the deployment and has been with the firm for more than 10 years, related how the case for Six Sigma was made: "The executive committee asked Carla Goldstein and me to look for ways to deliver services to clients using these powerful new tools." Goldstein, a non-practicing attorney, is the firm's director of strategic management.

Damon explained that while the legal industry has long prided itself on delivering top-quality services that met what it perceived to be client expectations, more recently the profession has seen new client expectations.

"In the last five or six years, and accelerating now, clients have been asking why we do things this way," she said. "Why are services provided this way? 'Why does my lawyer not ask what I want out of this matter?' 'Why do I continue using the same lawyers when I always have to pay them more every year as their rates go up?'"

Damon said those are the questions that inspired the firm to look differently at their fee structures and at the way they provide services. Clients wanted predictability in billing. They wanted their outside attorneys to deliver timely and efficient legal services in a transparent way that would not commoditize their legal matters or sacrifice the quality of the services they received.

Seyfarth Shaw also had clients, such as DuPont, Motorola Inc. and Caterpillar Inc., that were already using Six Sigma in their businesses. Damon and Goldstein studied how these companies were using the methodology within their legal departments and applying it to the practice of law. What they saw convinced them.

"We decided Six Sigma was the way...to help look at legal services as processes and then to understand how to deliver those services," Damon said.

Less Is More

Seyfarth Shaw is using Lean Six Sigma to map the delivery of services, identify places where there are inefficiencies and be able to better predict costs for clients. But the firm isn't applying a "traditional" Six Sigma approach.

It was clear after the first wave of training that the traditional approach involved too much statistical work and too many tools for a busy law firm, according to Lisa Damon, the managing partner in the Boston office who leads the Lean Six Sigma effort.

To tweak the program so it was a better fit for the company's environment, program leaders worked with their consulting firm to redo the Green Belt course. Some of the high-level things that changed include:

1. Less jargon – "In the Six Sigma world, there's a lot of language that is not specific to the legal industry," Damon said. "What we felt we needed to do was pare that language down to a vocabulary that was specific to a law firm and law client environment."

2. Fewer statistical tools – "We still use [statistical analysis software], but in our Green Belt course, we teach three or four different tools as opposed to the wide array that we had learned from [training] early on," Damon said. The firm also has designated people who have more training to do the statistical analysis.

3. More flexible approach to data – "In the law firm environment, we have not been good at collecting data," Damon said. "In-house legal departments tend to be in the same boat. We've spent quite a bit of time improving the methods in which we collect and report out the data so that we can better analyze it to determine if we're delivering value as defined by the client."

Additionally, Damon said, they are flexible with how data is collected for projects. A practitioner may go back a year or two in time and use that as a sample. Or they may do a pilot.



Founded in Chicago at the end of World War II by three labor attorneys, today the law firm has 750 attorneys in nine U.S. cities and in Brussels. The 2006 deployment of *SeyfarthLean* has helped break down the hierarchical structure traditional in the legal industry.

Developing *SeyfarthLean*

On the advice of the Six Sigma consultant hired, Seyfarth Shaw rolled out its program with an emphasis on Green Belts, planning to add Black Belts and Master Black Belts as the Green Belt number grew. “We felt to start it was better to get a critical mass trained and that those trained would be able to run projects,” Goldstein said.

Damon and Goldstein were part of that initial group of about 20 people – all of them top lawyers and administrators in the firm. “We came out of it with an understanding that much of what we had learned was important and could be adapted to our situation and some of it was not,” Damon said.

It was clear after the first wave, Damon said, that full-bore, traditional Green Belt training contained too much statistical work, and that too many tools were involved for use in a busy law firm. “We had a bunch of lawyers trying to make their way through value stream maps,” she said. “We knew that this was not going to be as user friendly for our population or as important to our clients as we liked.” So Seyfarth Shaw tailored the Lean Six Sigma training to bring it in line with their clients’ needs and goals.

Goldstein, who is based in Seyfarth Shaw’s Chicago office, said the training was pared down and customized for the second wave of trainees, who began their instruction in the autumn of 2007. “The two other waves have been really refined – we’ve kept on tweaking the program,” she said. (See “Less Is More” on page 28.)

During the second wave of training, a project management aspect was added to the *SeyfarthLean* coursework. “We recognize from our clients, lawyers and staff that one of the things that makes us successful is our project management,” said Goldstein,

Company Profile

Company name: Seyfarth Shaw LLP

Headquarters: Chicago

Founded: 1945

Number of employees: 1,500

Number of attorneys: 750

Primary business activities: Full-service law firm organized into four departments: Business Services, Employee Benefits, Labor and Employment, and Litigation – each consisting of specialty sub-practice areas.

Website: seyfarth.com

who is a certified project manager. She explained that the Green Belt curriculum includes project management techniques, such as facilitation and leadership skills, and that there is a project manager on every Lean Six Sigma project, whether internal or client facing.

The curriculum also emphasizes process mapping, which is at the heart of understanding and improving the services the firm provides. “It’s an amazing training tool,” Goldstein said. “When we’re done, everybody understands what their roles are and what they have to do. They see the entire picture and how they fit in. Partners and clients are able to track how matters are handled and ensure that high quality is delivered.”



Andrew Pearlstein was skeptical about the use of Lean Six Sigma in the legal profession. He was won over when he saw how the cycle time of closings for a large institutional lender could be reduced by identifying inefficiencies through a process map.

Seyfarth Shaw has Lean Six Sigma teams across all of its 10 offices and in every area of its practice. There are now a total of 75 Green Belts – of whom 25 are attorneys – and one Black Belt, a partner in the Chicago office who was trained in early 2008. A consultant serves as Master Black Belt.

Project Work

Paring down statistical elements and tools did not affect Seyfarth Shaw's use of the traditional DMAIC roadmap, which provides a framework for each project. Projects typically are completed within a six-month time frame.

Damon referenced the creation of a flat or predictable fee for certain real estate services as an example of a recent project. Once a particular service has been selected for analysis, a scattergram is made of how much has been charged for that service in numerous past instances. With data in hand, a Kaizen team is formed.

"Kaizen has evolved here to mean us putting together a team of partners, associates and staff who work on a particular legal process," Damon said, defining their use of the term. "We put them in a room to make a process map of the current state of the process." The sessions can take a total of three to five days.

One of the first areas of the practice to be analyzed was single-plaintiff litigation. Several Kaizens were held in which the process mapping approach was applied. "It was a large undertaking," Goldstein said, "but we divided it into sections and we now have a complete map." The map breaks down the process and the amount of time for each task, she continued, which enables the

Six Sigma Snapshot

Deployed: 2006

Number of Belts:

Green Belts: 75

Black Belts: 1

Number of projects: 57 process maps in existence in addition to more than 30 internal projects

Financial benefit/savings: Client savings of 15 percent to 50 percent

Six Sigma goals: To integrate the SeyfarthLean approach throughout the firm, so that each person is asking: "Can I do this better?" Also, to achieve a point at which each attorney is asking, "Am I adding value, as defined by the client, to the delivery of my services?" To make sure that we are asking the client what they want and then delivering it in the most efficient, cost-effective way possible.

firm to offer the services for a flat fee. The fee reflects a client savings of approximately 15 percent to 50 percent based on what the clients had been paying before the map was created.

"Another area where we have applied the SeyfarthLean disci-

A Legal Precedent

One of the first applications of Six Sigma to a legal environment was at DuPont, which deployed the methodology company wide in 1999. Thomas Sager, vice president and general counsel with DuPont, served as Champion for the legal department deployment, and Damon and Goldstein say he deserves much of the credit for the vigor of *SeyfarthLean*.

"[Sager] was very instrumental to us," Damon recalled, referring to their investigation of how Six Sigma could be applied at Seyfarth Shaw. "He said not to do this unless it was a top-down, whole-firm initiative. We did it that way and I cannot imagine our success without it – it's too hard to work on continuous improvement if you have people saying that we've been doing things the same way for 25 years and that's fine."

According to Sager, the legal department deployment has generated \$1.2 billion for DuPont. Early projects focused on areas such as administrative costs, records management and litigation costs.

Sager said that Seyfarth Shaw seemed as though they, "Didn't want to talk about [their Lean Six Sigma deployment] for a while," at least in the early days. He attributed that reticence to the firm not wanting to educate its competition. But those days are gone.

"If you have [Lean Six Sigma] down and your culture has made the transition, most of your competition won't be able to keep up with you," he said.

"Any successful lawyer has a lot of people working behind them," Sager continued. He said that firms and attorneys that recognize they can learn from this methodology and can learn to engage with the people who work for them will be wildly successful going forward.

pline is in mergers and acquisitions transactions," Goldstein continued. "The attorneys discovered that there is a process underlying each deal, and we are now able to apply that process to all of our deals and offer a flat fee for M&A transactions. The savings has been approximately 15 percent utilizing this new process," she said.

Although Seyfarth Shaw began the Lean Six Sigma deployment by looking inward at everything from supply purchasing to financial management and the firm's client intake system, Damon said it did not take long to realize that collaborating with clients on a mapping process also would be tremendously valuable.

Collaboration with the client, as well as intra-firm collaboration, is an important part of *SeyfarthLean*. The Seyfarth Shaw team works with the client to put together joint process maps that highlight the tasks done by the client and the tasks done by the firm. This helps the client understand how their input impacts the process, Goldstein said. The client, she added, can see at a glance that if they do not get a document or piece of information to Seyfarth Shaw on time, it will have an effect on the entire chain of events in the process.

Burden of Proof

Andrew Pearlstein, the Seyfarth Shaw partner who is co-chair of the Structured & Real Estate Finance group, can attest to the value of collaboration. Chuckling about being a "late adopter" of the Lean Six Sigma program, he related how he came to adopt the

methodology in his own area of the practice with a large institutional lender that did a high volume of closings.

"We had to become more efficient and cost competitive and reduce cycle times on these closings," he said. "We had to close more quickly than we were currently doing."

When the firm's Lean Six Sigma team approached Pearlstein and said they thought they could help him with this issue, he initially said no, but then decided to let them go ahead. Goldstein remembers seeing Pearlstein sitting in the back of the room with his arms crossed, watching skeptically as the assembled team of *SeyfarthLean* practitioners and his own staff began to map the closing process.

Over the course of two days, the team identified 210 steps in the closing process, using stickies on a wall to create a visual map. Pearlstein's opinion of Lean Six Sigma changed gradually as the process unfolded.

"As we were doing this, the people in the room changed from just mapping to saying, 'Wait a minute, we can make this process better,'" he said. "There was a change in attitude and commitment as people saw that they would be listened to."

"People were asking, 'Why are four people touching this same task when it could be done by one person?'" he continued. "We saw that we had enough volume to hire an administrative assistant to handle tasks that lawyers and paralegals were currently handling – and not handling them efficiently."

By trimming the process down to 189 steps and creating checklists and templates to ensure that all work product was consistent and readily available for use, client fees were cut by 15 percent.

Pearlstein, who has not been trained as a Green Belt, refers to himself as a "Practical Belt." He said after that first enlightening process mapping experience, a retail-leasing client came to him wanting to improve the cycle time of their real estate transactions. "We did our own process map and then took everything we were doing on our own and flew to see the client with it," Pearlstein recalled.

A meeting with three of the client's senior leadership started badly. "After three minutes I was in trouble," he said. "But seven hours later, they were still with me and they were fascinated. They were asking each other why they had been doing things that way."

"People were asking, 'Why are four people touching this same task when it could be done by one person?'"—Andrew Pearlstein

Process Mapping Strategy

That original on-the-wall process mapping strategy continues at the firm, using 8-by-9-inch sticky notes. Goldstein said the wall-based process brings everything together into a nucleus. "People start taking deep breaths and saying, 'Wow, we do all of this?'"

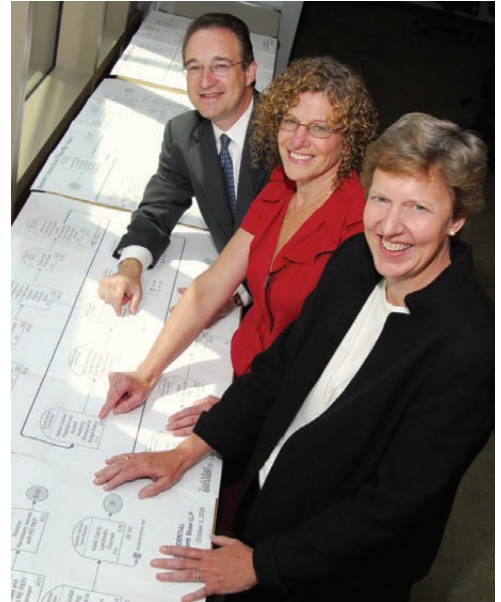
The firm has gone high tech with the process mapping strategy by employing a software application that is used to map and standardize processes. This software is also used for virtual mapping with teams located in more than one office.

Goldstein, whose team selected the software, explained: "We can map a process, then create a web page that can be loaded on our portal and create links to best practice documents on the system. Drop-downs indicate documents attached to that task."

"It also allows you to indicate who should do the various tasks," she continued, "so you have right in front of you all the



The firm continues to use 8-by-9-inch sticky notes for process mapping along with a software version chosen by Carla Goldstein's team.



A critical part of the firm's approach, process mapping has increased collaboration both within and outside the firm.

information you need for all steps of a process.”

Goldstein said the software is “totally customizable,” making it possible to create a process map for a client or an individual deal, or a base for litigation that can then be adjusted as the case progresses.

“You can also use this tool to do remote process mapping with a client,” she said. Because it is on the web, people in different Seyfarth Shaw offices can all use a particular process map and its features. The map also can be shared with clients.

Changing How Law Is Practiced

With process mapping and more collaboration with clients, Seyfarth Shaw is changing the behavior of people who have practiced law the same way for decades. “We stop and spend time with the client, understanding what they really want,” Damon said. “It’s about how the client defines value. It’s fundamental to everything we’re doing.”

The reaction of clients to the new way of working has been a big part of internal buy-in. “Probably the predominant thing that moved us forward with this was the clients’ excitement about it,” Damon said. “As they like it and see it as being good for them, it gets more traction here.

“We are still on a journey,” she continued. “Not all of our 750

Essentially, Seyfarth Shaw is changing the behavior of people who have practiced law the same way for decades.

lawyers and 700 staffers are fully converted, but we have come a very long way. We had strong client success stories early on, and now we hear stories every day about people across the firm being introduced to SeyfarthLean, and the reception is incredible.”

Pearlstein credits bringing in key internal people and key clients on projects, plus force of personality, with expanding the Seyfarth Shaw deployment. “The trickle-down worked nicely,” he

said. “Our people are saying, ‘If the client bought in, why should I be closed to it?’”

Summing up the program, Damon said, “We think of SeyfarthLean as a way to think – a discipline of getting and analyzing data, drawing conclusions, implementing effective change and controlling costs. It focuses everyone unrelentingly on what is good for the client.”

The results – client cost savings, with continued quality and profitability – have made the firm a leader in the area of budget predictability and flat fees for legal services, and have won it kudos within the industry. The Association of Corporate Counsel, for example, has noted that what Seyfarth Shaw is doing with SeyfarthLean is “five years ahead of every other AmLaw 200 firm,” referring to a list of the nation’s 200 highest-grossing law firms.

The Law of Economics

Thomas Sager, vice president and general counsel with DuPont, who was helpful in advising Damon and Goldstein about deploying Six Sigma, stressed that in the current difficult economy, structural reforms are an absolute necessity in law firms.

“This economy has created an environment like no other,” he said. Managing legal costs and budget predictability are critical issues for companies.

Sager sees the Lean and Six Sigma methodologies as empowering people in all positions and at all levels of a firm to take ownership of their world and effect meaningful change. “It goes to the heart of delivering value and becoming more profitable without charging more,” he said.

The Seyfarth website echoes this sentiment: “The business world is changing, and the challenges clients and law firms face are changing, too. To thrive in this environment, understanding and defining the value a law firm is expected to deliver...and then delivering that value is imperative.” ♦

Elaine Schmidt is a freelance writer and a frequent contributor to iSixSigma Magazine.