OPERATION AUDITS FOR LAW FIRMS

The math is simple. To increase profitability, law firms must either increase fee income or decrease costs. Improving efficiency throughout the firm is the common factor that will positively impact both sides of this equation. Firms often invest in new technology expecting to improve efficiency on the cost side of the equation only to be rather disappointed. Clearly, new technology alone will not necessarily produce the desired result. Efficient use of the technology is the key to success.

Before making an investment in another upgrade or new functionality, take the time to investigate whether your firm is fully realizing the benefits your current technology has to offer. Performing an operations audit is a good way to uncover potential areas for methods improvement that can increase efficiency without additional financial outlays. An audit will also reveal inefficiencies that have developed over time due to changes in staffing, firm growth, or lack of communication. Once the problem areas are identified, the firm can apply methods improvement techniques that will ultimately save time and money. After that is done, a much better judgment about the need for new technology can be made.

An operations audit starts with one-on-one or small group interviews. If possible, the interviews should take place in the employees' work areas so they can demonstrate how their tasks are performed. This allows the interviewer to gain an understanding of not just "what" employees do but "how" they do it. As an added benefit, discussions will often reveal discrepancies in an employee's understanding of his/her responsibilities, help establish or refine job descriptions, and boost morale. The following questions will also help reveal issues that are ripe for process improvement:

- What roadblocks do you encounter during the day that make it difficult for you to complete your work?

- Why do you do that?

- Do you find yourself revising/redoing things due to lack of communication?

- If you could change anything about your job, what would it be?

- Do you find yourself correcting or revising work performed by others?

By the time the interviews are complete, opportunities for methods improvement are usually obvious. Careful notes should be taken and findings documented immediately after the conclusion of each interview. Common problem indicators include duplication of effort, process variability, quality issues, manual methods, and difficulties locating files or information.

Duplication of effort is frequently a result of employees not utilizing technology as intended. For example, writing or typing a list of open files when that list could be generated from the billing system. Or, entering appointments on a manual calendar in addition to an electronic one. Another good example is handwriting time records that then need to be entered into a time and billing system. Methods improvement efforts seek to eliminate duplication of effort.

The most common cause of process variability (a common cause of inefficiency) is individual preferences that develop over time as new attorneys enter the firm. Examples include file organization, document formatting, and grammar. If support staff must refer to preference guidelines when working for various attorneys within the same firm, then standardization is in order. Implementation of best practices will create a more flexible workforce and allow firms to take advantage of economies of scale.

Common law firm quality issues include document formatting errors, name misspellings, and incorrect section references. Many of these problems can be avoided by using the advanced

functions of Word. However, most firms are not taking advantage of those techniques. Quality improvement methods can help a firm identify ways to reduce work product errors.

One of the most obvious red flags when performing an operations audit is the use of manual methods that have been rendered unnecessary by technology advances. If an employee's answer to "why do you do that?" is "because I've always done it this way," then it is likely that the task can be eliminated. Unfortunately, changing old habits is usually not easy. Gaining buy-in and trust in the technology that is intended to replace manual processes takes time and effort. However, the full benefit of your technology investments will not be realized if attorneys and support staff do not embrace change and eliminate old manual methods.

Finally, if the process of finding a file involves looking in more than one place or database, then a methods change may be in order. Firm's that do not implement and follow a structured records retention policy will find that the volume of inactive and closed files can quickly become unmanageable. Developing a comprehensive database and retention policy that covers the entire lifecycle of a file will pay off in the long run.

An operations audit will likely reveal multiple problem areas. The next steps in methods improvement are to choose a focus area, determine the root cause of the problem, and formulate an action plan. "Methods Improvement for Law Firms" will describe how scientific management principles can be applied for effective results.

To conclude, training is essential when new technology is introduced. After an adjustment period, firms should follow up on that training with an operations audit. Continuous monitoring for inefficiencies at some reasonable interval will help maintain optimal profitability.

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