



From left to right) Kim Craig, Andrew Baker and Rob Saccone are executives at SeyfarthLean Consulting, which Seyfarth hopes will make law departments more efficient. None of them practice law. Photo by Lisa Predko

In lean times, a lean approach to legal work

By Roy Strom

When J. Stephen Poor took the reins as chairman of Seyfarth Shaw 14 years ago, a raging legal market made the job of a Big Law boss relatively hands-off.

Gross revenues of the AmLaw 200 had grown more than 15 percent each year in 1999 and 2000. And from 2001 through 2007, they would increase by another 5 percent each year.

If necessity is the mother of invention, then Poor and his peers could be forgiven for largely continuing business as usual. Which is what most law firm leaders did, with rosy results.

“It was an era when value was created for law firms just by raising rates,” Poor said.

But Poor saw a story in those ever-growing numbers that seemed, if not too good to be true, at least unlikely to last.

It didn't.

In 2009, business spending on legal services plummeted nearly 7 percent, according to the U.S. Census Bureau. The \$164 billion U.S. businesses paid for legal services last year is 6 percent lower than the 2008 peak. Had the market grown by 3 percent each of the past five years — a modest assumption given the prerecession course — that number would be \$208 billion.

Many Big Law firms have scrambled to respond to what is essentially a \$40 billion-plus gap between bygone expectations and today's market reality. Their tactics have been at times short-sighted, such as heavily discounting hourly rates, and at times reactionary — offering alternative fees without a corresponding accounting of their cost, for instance.

Poor and Seyfarth, meanwhile, were preparing for change long before the sun began to set on the golden age. In 2005,

Poor began positioning his 800-plus lawyer firm to respond to today's price-sensitive general counsels.

Using management techniques borrowed from the world's best manufacturing firms, Seyfarth has spent the past decade applying the same type of rigor to its lawyers' practices that Peoria-based Caterpillar Inc. (a client) uses to weed out inefficiency in its making of earthmoving machines.

SeyfarthLean, which uses project management theories known as Lean and Six Sigma, is an effort to distill legal matters to a process so they can be handled more quickly with fewer mistakes and at a lower cost.

It may sound like a panacea. And critics claim the law's complexity and unpredictability make it a bad subject for Lean Six Sigma's structure.

But the story of SeyfarthLean at its 10th

anniversary shows Seyfarth management has already overcome some serious obstacles.

It has won over cynics in its own partnership and among its competitors. Its lawyers accept advice on how to do their job more efficiently from people such as Kim Craig, who started at the firm as a secretary 33 years ago and now attends 75 client pitches a year as the “global director of legal process improvement.”

And it has altered its evaluation structure so that associates — who at most firms are hungry for hours any way they can find them — are creating tools that cut in half the amount of time they spend on certain tasks. Seyfarth has so far made “process maps” of 500-plus distinct legal matters, detailing who should handle what task when and how long it should take.

If there is a way to make a Big Law firm quicker, more accurate and less expensive — what Poor believes is a needed response

how long each step typically takes, who can accomplish them most cost effectively, where costs add up and which can be minimized. Among other things, this helps with accurately budgeting alternative fees.

A key Six Sigma tenet is “continuous improvement,” which means redundant steps are sought out to be eliminated, time shortened and errors reduced. That theme is also applied to the Six Sigma process itself, meaning the firm has picked which concepts fit the delivery of legal services and which are too rigorous for the law’s complexity.

“We’ve had to learn how to apply it in the context of a legal services business,” Poor said.

To prove the concept to his partnership, Poor quietly created teams to streamline two projects: The firm’s internal client conflict checks and a type of repetitive deal work handled for client Merrill Lynch.

Clearing client conflicts had taken up to

your own business, reading the newspaper, waiting for this management fad to pass,” Poor told them. “It’s not going to. This is important. You’re going to hear me talk about it all the time, so get used to it. Because this is where we’re going.”

Lawyers’ perception of the program has come a long way.

In late November, Bill Berkowitz said he and three other partners chose to join Seyfarth’s Boston office over an offer to join Morgan Lewis in its mass hire of Bingham McCutchen partners. Berkowitz cited Seyfarth’s technology — which has become the backbone of its SeyfarthLean program — as the reason he joined over a list of other Big Law firms.

Berkowitz said his antitrust and franchise litigation partners that joined him in the move have generated more revenue in the first quarter this year than they did for the same period last year. He declined to discuss dollar amounts, but it happened

“I know you’re sitting there minding your own business, reading the newspaper, waiting for this management fad to pass. It’s not going to. This is important. You’re going to hear me talk about it all the time, so get used to it. Because this is where we’re going.”

to the shrunken legal market — Seyfarth has a useful head start on any other firm. Last year, its subsidiary SeyfarthLean Consulting worked with 100 clients, including 14 of the firm’s 20 largest, who were responsible for more than \$140 million in revenue — a full quarter of the firm’s total.

Proof of concept

Leading up to 2005, Poor visited clients who used Lean Six Sigma methods in their legal departments, including Caterpillar, DuPont and Motorola.

Created by Motorola in the late 1980s and later championed by General Electric, Six Sigma has been a way to streamline manufacturing processes while also making them more reliable.

Applied to the law, the process quite roughly requires analyzing all the aspects of a legal matter, boiling them down to steps (what Seyfarth calls “process maps”) and then tracking them with data. The data tracking tells the firm information such as

two weeks at the firm, Poor said. A Lean Six Sigma analysis and workflow reduced it to 24 hours. The new process also made fewer mistakes.

The firm had been losing money on work for Merrill Lynch related to commercial mortgage-backed securities. Poor said the firm “just wasn’t able” to hit market rates. But “by driving process efficiencies,” he said they reduced the steps involved by one-third and lowered the legal costs for Merrill Lynch by 12 to 15 percent.

And, perhaps more importantly, Merrill Lynch began to ship more work to Seyfarth.

“It was an extraordinary client relationship tool,” Poor said.

Securing buy-in

At a partnership retreat in 2005, Poor and two partners unveiled the results of the firm’s new initiative to 300 lawyers. It was met with a cool response, but Poor was undeterred.

“I know you’re sitting there minding

after he and a group of legal-solutions architects at Seyfarth presented the firm’s technology platform to his clients.

“I’ve been practicing for 30 years, and when you’ve been practicing that long, it can sometimes be easy to say, ‘I know what the right methods are,’” Berkowitz said.

“But I think the practice of law is changing right before our eyes and pretty rapidly because of the explosion of data. And those firms who can manage it best and most efficiently are going to have a great competitive advantage.”

Lisa Damon, chair of the firm’s labor and employment practice who also leads the Lean Six Sigma program, said skepticism about the program has changed to “widespread acceptance.”

“I certainly don’t want you to hear me say 100 percent of the people are out waving the flags and beating the drums,” she said. “But we have the vast majority of Seyfarth waving the flags and beating the drums.”

The firm has also won admirers in academia and at competitor firms.

"I think they're more competitive and much more interesting because they're champions of process and tech," said Dan Katz, co-founder of Michigan State University's ReInvent Law Laboratory.

"Mapping those processes, rooting out waste and improving quality. ... People say this is something that's ancillary to practicing law. No.

This is about doing a better job at what you do."

Chris Emerson, director of practice economics at Bryan Cave, said he pays close attention to what Seyfarth lawyers and staff say at conferences, in tweets and on blogs.

"Seyfarth is not the only one," Emerson said. "Seyfarth is just the most famous one."

Seyfarth declined to provide revenue for SeyfarthLean Consulting. Last year, the consultancy spent more than 65,000 hours on more than 250 clients, practice and R&D projects, the firm said. The firm also said it could not separate revenue figures from Six Sigma-related work and non-Six Sigma work.

All in the family

One of the most peculiar yet important stories to emerge from Seyfarth's 10-year journey is that of Kim Craig.

She joined the firm as a secretary 33 years ago and was among the first at the firm selected to learn about Lean Six Sigma and project management. After leading the training programs for lawyers internally for a few years, a Canadian client asked in 2007 to hear about how project management could be applied to their matters.

"So a partner I'd worked with in San Francisco called and said, 'Get your passport. We're going to Canada,'" Craig said.

After getting a passport, she listened for a half-day to the client's problem with export controls. She returned to the hotel and stayed up until 1 a.m. creating a process map. After impressing Seyfarth's lawyers in the morning, she presented the process for handling the matters to the client at noon.

The client was impressed. Seyfarth won the work. And Craig, who got a motorcycle license last year so she can ride a Harley-Davidson with her husband, was invited to dinner with the lawyers that night. The only problem was the lawyers didn't know

where Craig should sit. A "project manager" had never been invited to dinner.

"Does she sit next to the client? Next to the partners as kind of protecting her? Do you sit by the other law firm?" Craig said. "It's really funny. But there is always this hierarchy initially."

The anecdote tells a story about an important obstacle any firm grapples with: getting lawyers to take advice from people who don't hold law degrees.

"When you have done traditional lawyer pitches with just lawyers at the table and then you do a pitch where you have Kim, let's say, at the table, you're instantly aware of the value you're bringing to your client," Damon said.

Craig has bridged the gap. And that's important, considering about 90 percent of requests for proposals Seyfarth receives today ask about project management. She leads a staff of 15 to 18 project management professionals who were present at more than 75 client pitches last year.

"You don't try to have a foreman building the house also be the carpenter and electrician," Craig said. "You have somebody running them. And everybody has their job to do. Our attorneys like that there is somebody who's dedicated and on that job helping them."

One good litmus test for any firm traveling this path: Do your attorneys like having a Craig around?

A tech revolution

Another crucial component of the firm's journey has been its development of easy-to-use software that affects how lawyers do their work and how clients interact with the firm.

SeyfarthLink is a sort of operating system that, among a range of other activities, guides lawyers through Seyfarth's process maps, tracks their progress on legal matters and reports that progress and its corresponding cost in real-time to clients. It can track data on where a client is being sued, for what reasons and how frequently. Launched in 2013 and since updated with capabilities such as document automation and mobile compatibility, SeyfarthLink has helped solve legal problems in nontraditional, systemic ways.

One example is what might be called a SeyfarthLink "app" designed specifically for Nike Inc. The app routes contracts for

review to paralegals or lawyers at Nike, Seyfarth or other firms based on inputs by the business member such as the contract's dollar amount, risk and urgency.

SeyfarthLean Consulting, a subsidiary, was launched in 2009 and is now marketing these services to clients the firm's lawyers don't work with. The idea is to sell to law departments the same process efficiency that has changed the way Seyfarth's lawyers work.

"Three years ago, we had a lot of process expertise built up, we had the biggest legal project management office in the world, and the push that came three years ago was really on the technology front to make all these pieces fit," said Andrew Baker, global director of legal product and technology for SeyfarthLean Consulting.

Seyfarth's latest product, SeytMap, visualizes the firm's process maps and makes them interactive for lawyers and clients. Like SeyfarthLink did in 2013, SeytMap last year won Innovative Project of the Year award from the International Legal Technology Association.

Seyfarth is not the only firm developing technologies like this. Littler Mendelson, a 1,000-plus lawyer labor and employment firm, has a software that appears to offer some similar capabilities called Littler CaseSmart.

Scott Forman, a shareholder who leads the CaseSmart initiative, said the software is based on Lean Six Sigma methods the firm began developing in 2009.

Forman declined to comment on Seyfarth because, he said, he only has a "general understanding" of what the firm has done. Nonetheless, he is similarly enthusiastic about the approach's prospects.

"I think it is the future of labor and employment law," Forman said. "We envision that ultimately, every legal service we provide will go through the CaseSmart platform defined as process, talent and technology."

Littler uses language similar to how Seyfarth explains its lean approach: a combination of "people, process and platform." But Seyfarth differs from Littler by its belief that these approaches can be applied to any type of law practice — not just so-called "commoditized" areas of law facing serious price pressure.

Poor pushed back against the idea that Lean Six Sigma works for his firm because

of its large labor and employment practice — a perception that still exists among some.

“That’s the furthest thing from the truth,” Poor said. “What we’re talking about, for us, applies in all practice areas. It applies in all types of work.”

Kent Zimmermann, principal at law firm consultancy Zeughouser Group, said more large law firms could benefit from applying Lean Six Sigma methodologies in areas of law such as mergers and acquisitions.

“A number of firms practicing in high-rate areas have either pooh-pooed it or haven’t gotten around to it,” he said. “And there is an opportunity to improve consistency and quality by taking a page out of Seyfarth’s playbook. It could be about other areas of practice.”

Financial conflicts

Seyfarth, which has 226 attorneys in Chicago and is the ninth-largest firm in Illinois, has an ultimate goal for these tools: to help clients create more efficient legal departments.

It is a bold strategy, for reasons highlighted by a mantra Damon often repeats when working on project maps: “How can we put ourselves out of business?”

“When we’re working on an innovation, for instance, that allows us to deliver something to our clients faster and better, in a traditional law firm mindset, I might not be inclined to take that step because it’s not in the firm’s best interest,” Damon said.

“With SeyfarthLean thinking, I know I have to take that step. Because it is true north to the client.”

That may sound simple in theory, but in practice, efficiency is complicated by the varying financial interests of Seyfarth’s 800 lawyers. Poor said the fear among lawyers

that engineering ways to reduce their billable hours could also reduce their pay “is certainly one of the larger components of resistance to change.”

“We still have it, absolutely,” he said.

That is perhaps the largest stumbling block for law firm management: convincing lawyers that new market realities mean the old way of doing business is unsustainable.

“The reality in the industry is clients are looking for this kind of solution set. If you’re a part of that solution, then there’s an opportunity to serve clients. And maybe that creates a gap in your capacity, and we need to fill that gap,” Poor said.

“But at the end of the day, I don’t think the market will sustain you filling your plate through hours that don’t add value to the client. I just don’t believe that.”

So far, the market hasn’t exactly lavished Seyfarth with financial success. The firm brought in \$555 million in revenue last year, a 2.8 percent increase from 2013, according to *The American Lawyer*. It ranks 74th in the AmLaw 100 in profits per partner at \$940,000 and 71st in revenue per lawyer with \$720,000.

Aiming DARTs

Poor’s efficiency message got through to Kevin Young, a midlevel associate in the firm’s Atlanta office. With help from legal solutions architect Amani Smathers (a 2013 law school grad) and others in Seyfarth’s tech department, Young created an app he calls the DART.

It stands for Discovery Automated Response Tool, and it helps firm lawyers craft responses to discovery requests — one of the most common aspects of litigation. In Young’s wage-and-hour class-action litigation practice, it has more than cut in half

the time it takes him to respond to discovery requests.

But more importantly, he stressed, it makes him better at responding to discovery requests.

The app, which took about four months from idea to implementation, first asks lawyers to or paralegals to copy and paste each request into SeyfarthLink. The lawyers then select from a list which objection they will apply to that request. Basic language for that objection appears, with blank spaces for where the lawyer needs to add important facts.

“There are very few people who would say writing objections to discovery responses is a fun thing to do,” Young said.

“This frees you up to spend your hours acting like an attorney — going to that high level of really thinking like a lawyer, writing a response and figuring out what position you’ll take and why.”

Having fewer “hours on the sheet” is not a concern, he said. He will be rewarded for creating a tool that could potentially cut thousands of hours out of the firm’s timesheets.

“The reward here is for doing good work efficiently and effectively,” he said.

“As part of our evaluation process, very little has to do with hours on the sheet, but there are categories for being efficient, delivering value. ... It is baked into how they motivate us as associates to think and act and carry ourselves.”

That attitude among the firm’s young lawyers is essential. And if Poor is correct about the direction of the legal market, lawyers such as Young may be the biggest beneficiaries of the firm’s efficiency embrace. ■

rstrom@lbpc.com