

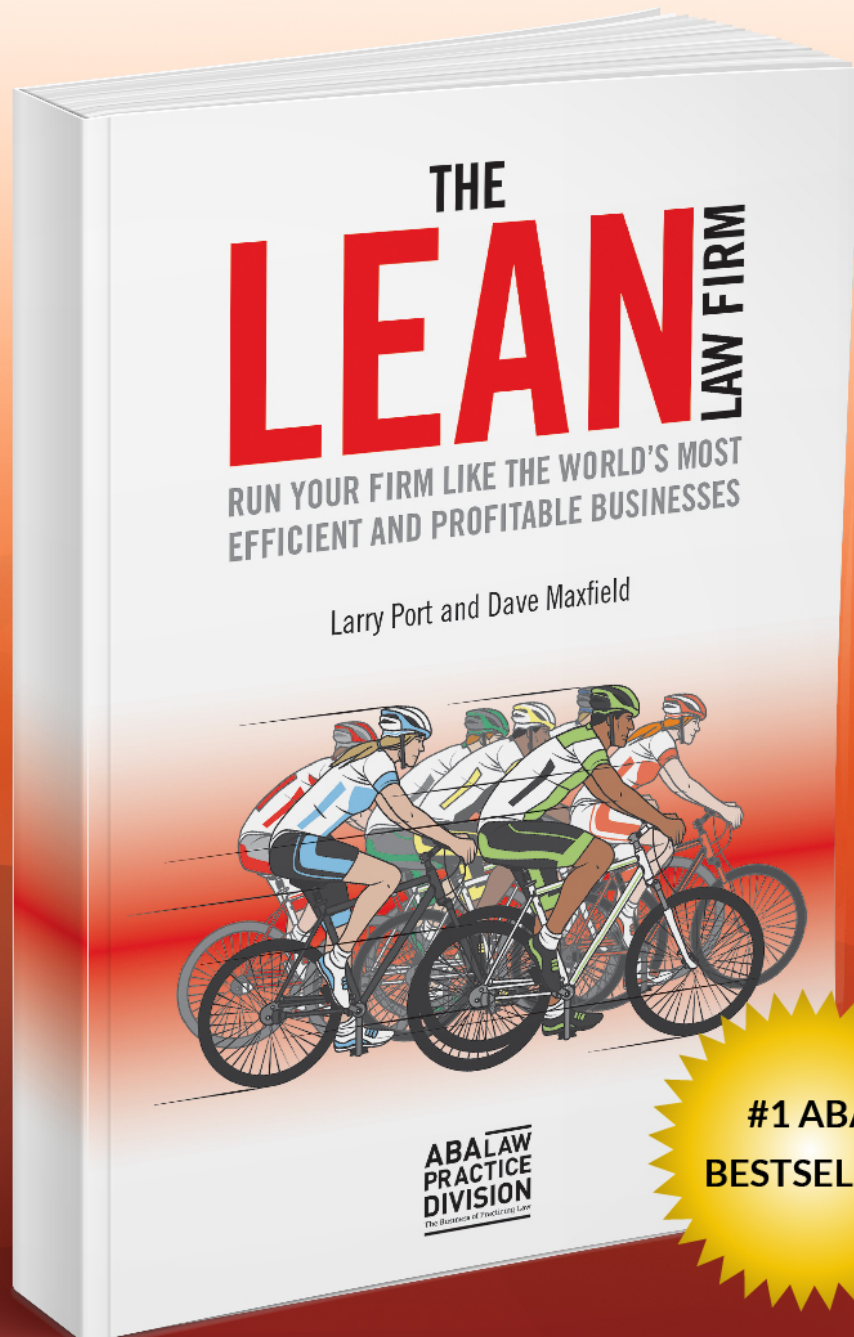
# The Lean Law Firm

Run Your Firm Like The World's Most  
Efficient and Profitable Businesses

(Book Excerpt)



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BESTSELLER**

# Introduction

“Never trust a computer you can’t throw out a window.”

-Steve Wozniak, Apple Founder

Being part of the Lean movement makes you think a little differently about technology.

I’m a software engineer and executive, so you’d think I’d be the first person to embrace every software product and tech device and sing its praises.

Not so. I view technology as a tool to solve problems. I’m not enamored with the latest shiny gadget. And as a practitioner of the Lean methodologies and co-author of *The Lean Law Firm*, I specifically view technology as a tool to eliminate what’s known as *muda*, or operational waste.

The true importance of technology for law firms is that it can eliminate work that adds no value to the client experience. Lean law firms rid themselves of burdensome, repetitive activities, thus allowing attorneys more time to do what they really enjoy doing.

I hope you enjoy this sample chapter on technology from *The Lean Law Firm*, the #1 bestselling book by the ABA.

In our book, we cover not just tech, but increasing revenue, understanding your firm as a system, marketing, and how to run your practice like the world’s most efficient and profitable businesses. What started as a methodology at Toyota® has spread to government, healthcare, software, engineering, and now finally, law.

Learn more at [leanlawfirmbook.com](http://leanlawfirmbook.com), and implement your Lean techniques with Rocket Matter at [www.rocketmatter.com](http://www.rocketmatter.com).

Larry Port  
CEO and Founder of Rocket Matter

# Getting Control of Technology

Once upon a time, books were a new technology. Using a scroll? Passé, like using a fax machine. Before that, the alphabet was the hot innovation, though it was likely not heralded on stage by a man in a black turtleneck. We don't think of these things as tech because for many of us, technology is synonymous with computers, smartphones, and all things digital. In truth, what we're talking about is the application of new ideas for practical purposes. Or—as this book hopefully illustrates—the application of existing ideas in a new way.

Historically, tech can be both a friend and an enemy, as anyone in Chicago during 1871 could attest about the harnessing of fire. Facebook is great at reconnecting people with old friends, but when abused it can spread misinformation and bust up marriages. Smartphones give us the collective knowledge of civilization at our fingertips, but they are so entrancing that many cannot put them down even when speeding down highways.

For these reasons, we approach technology with this simple, overriding question in mind: What tools can you use to build a better business? We are not going to explore the entire spectrum of legal technology in this chapter. Rather, we will examine which tools we can use to implement Lean principles.

If we are running a Lean law firm, we're going to want to embrace any tool we can get our hands on to streamline operations, gain insight into our business, and track our progress. We're not interested in tinkering for the sake of tinkering; this is about the practical application of technology to the task at hand.

One note: Keeping up with technology is a tall order since it advances so rapidly. The companies that deliver our new wonder-tools are one step away from irrelevance if they do not continue to innovate, so competition drives ever faster and more sophisticated developments. This chapter is therefore a snapshot in time, and it will no doubt appear quaint to future readers. To the lawyers of the future, we know we look like cavemen with our 2018 tech from your vantage point, but give us a break. We're trying our hardest here.

- ✓ **DO:** View technology as a tool that can help you build a better business.
- ✗ **DON'T:** Get caught up in tech because you're simply supposed to, or because things are simply new and exciting. In other words, resist the urge to tinker.
- ✗ **DON'T:** Text while driving.

## Waste Reduction and Efficiency

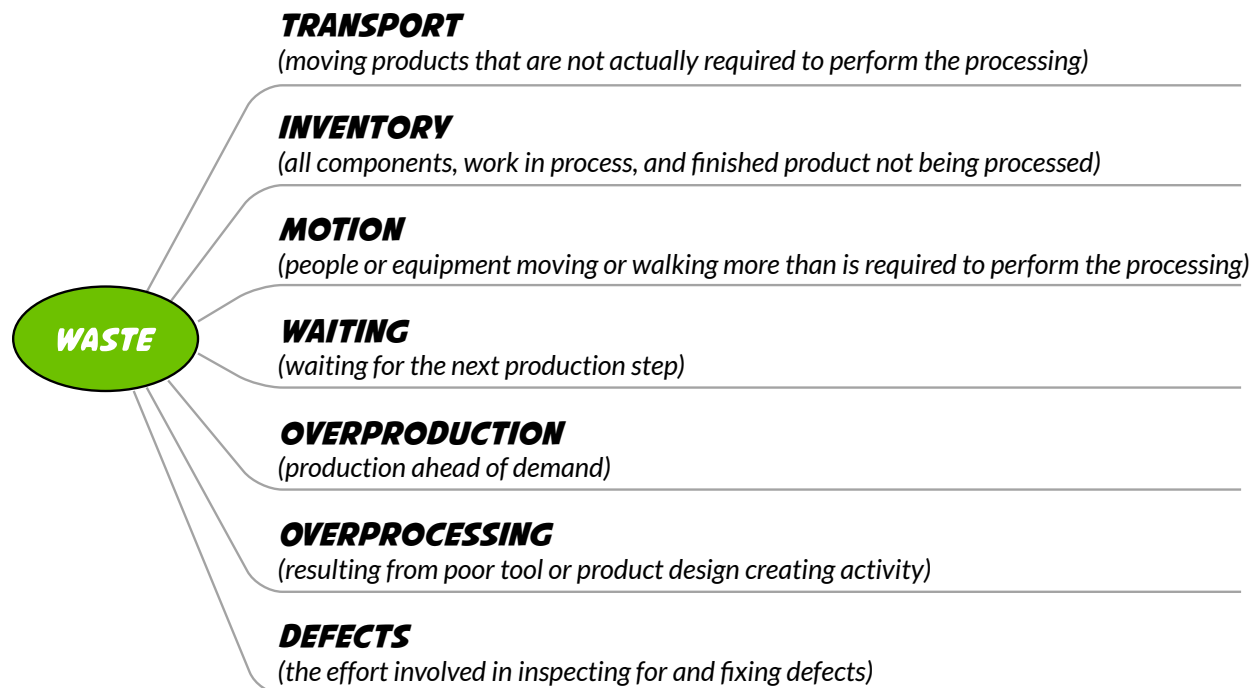
In Lean, waste is bad and must be eliminated whenever possible, which is where technology can really shine. Waste is referred to as *muda* and is broken into two types:

**Muda Type 1:** Non-value-added activity necessary for the end customer. This *muda* should be reduced as much as possible until, if possible, it can be eliminated. An example of this in a law firm would be anything in the law firm that could be automated but isn't, such as document assembly.

**Muda Type 2:** Non-value-added activities for the end customer that are not necessary. You want to eliminate this type of waste altogether. An example of this in a law firm would be any process that does not improve the quality of the product you're providing, such as delays caused by work pileup.

Beyond dividing *muda* into two broad categories, Taiichi Ohno, godfather of Lean, identifies seven forms of waste, depicted as follows:

### ***MUDA OR WASTE TYPES***



In particular, law firms are at risk of Motion, Waiting, and Defect waste. The other forms of waste are manufacturing-related and not as applicable to knowledge industries, but they are worth meditating on to draw parallels to legal work.

- ✓ **DO:** Take some time to identify wasteful practices in your business.
- ✓ **DO:** Identify what actions you take that are wasteful and not adding value, versus wasteful aspects of something you're delivering to a client.

## Going Paperless: Scanning and Document Storage

If you're not running a paperless office, you're neck-deep in *muda*. Paper-related activity is the aspect of your business that is probably most wasteful right now. The difference between a lawyer's desk heaped with stacks of accordion files, like a poor fellow in a stock photograph, versus a clean one with a laptop speaks volumes about efficiency. We've seen a lot of both.

From the law firms we've dealt with, our data suggests that finding a paper file in a multi-lawyer office can take from 2 minutes to 15 minutes. This time includes the trip to the filing system, tracking the file down when it's not where it's supposed to be, and getting distracted along the way. Furthermore, this presumes that you're talking about "the file"—a physical file—meaning that only one person can view it at once.

When you consider that files can be located on a computer filing system or via search in a matter of seconds, and that multiple people can view them at once, you're staring some *muda* straight in the face.

### Scanners

A personal scanner is one of the best investments you can make as a lawyer. If you're in a group of multiple attorneys, you might have a large industrial scanner in a common area. It is still worth having a personal one. You have your own waste bin and laptop, as one practice management adviser told me, so why not your own scanner?

For your needs as a document professional, we recommend against multifunction devices (the ones that copy and print as well). Get a device that does one thing and does it well.

## Recommendations

- ▶ The Fujitsu line of ScanSnap scanners is, at this writing, widely considered to be a best-of-breed device, especially the workhorse ix500 (or whatever the modern equivalent is to future readers).
- ▶ Fujitsu also sells a less expensive mobile version as well—ix100—for half the price (we highly recommend investing in the faster, larger scanner unless you truly need a mobile solution).
- ▶ Jeff Bennion, technology columnist for *Above the Law*, recommends the Epson WorkForce DS-510.

- ✓ **DO:** Invest in a personal desktop scanner.
- ✗ **DON'T:** Get a multifunction device for your scanner. You are a document professional. Use best-of-breed tools whenever possible.

## Document Storage

Once you scan, you need to store. From a storage perspective, there is no reason why you can't digitize your entire office.

We live in a golden age for digital storage: Moore's Law and commoditization have continually pushed hard drive prices lower. If we assume, generously, that the average size of a Microsoft Office document is 300 KB, you can buy a hard drive that stores over 1.3 million of them for \$100. And for readers in the future, we're pretty confident you'll be able to store a bajillion documents for \$50. That is our prediction. Call us Nostradamus.

This is all good news because having global, instant, and simultaneous access to your legal files eliminates one of the biggest forms of *muda* in your law firm: storing and retrieving paper files.

There's also no need to set up your own file server if you're not inclined to. You might be better off using cloud document storage (security concerns will be discussed later in this chapter). When you use a cloud storage service, you can check your documents from anywhere, on any device. You also don't have to buy and maintain a machine for your documents, and maintenance is critical because in today's age, security patches must be applied immediately. Last but not least, most cloud document software allows you to share your documents with others.

For some firms, cloud storage might not be the best option. Compatibility with existing systems might come into play. On-premise solutions are worth pricing out if the number of

users in a large firm makes a cloud option economically difficult. If you do wish to set up your own file server, make sure you do so with the initial and ongoing help of an IT professional or consultant. Security is a big deal, and you don't want to get anything wrong.

A question is: How much functionality do you need with your document storage? All cloud storage services allow you to upload documents and organize them into folders. From there, they diverge. Some provide automatic versioning, allow workflow functionality, enable you to associate folders with matters (or sync with software that does), or add billable time to your document.

### Recommendations

- ▶ If you want a simple, general-purpose document storage solution, Dropbox and Box work really well.
- ▶ If you're tied into the Outlook or Google ecosystem, Microsoft's OneDrive and Google Drive are natural options, respectively.
- ▶ If you're using a practice management solution, odds are it provides document storage or integrates with market leaders.
- ▶ NetDocuments and Worldox provide more sophisticated document solutions (with a more sophisticated price), including full-text search, workflow, document retention policies, and more.

- ✗ **DON'T:** Pay a lot of money for document storage. It is arguably the most commoditized resource in the computing industry.
- ✗ **DON'T:** Overcomplicate. Don't make your storage process burdensome. Encourage use by making life easy and reducing friction.
- ✓ **DO:** Spend some time defining folder structures and file naming conventions.

### Document Assembly

Document assembly is the automatic creation of a document by merging a template with data. Some practice areas are obvious candidates for this type of automation, such as immigration, estate planning, or trademark law. But even heavily customized law specializations have engagement letters, standard motions, and court filings that are paint-by-numbers and thus candidates for automation.

We commonly observe the wrong way to do things: Law firms produce documents by taking an existing document, copying it, and making changes. This is an error-prone, *muda*-

rific process that leads to copy-and-paste mistakes. This method is tedious and slow. In addition, attorneys waste time searching for documents to serve as examples. The copy-and-change technique is suboptimal.

Instead, we recommend investing in automating your document creation process. You or a consultant will need to create template documents, which are the legal forms themselves with placeholders where your variable data will be merged. These templates can be Word documents or in a proprietary format, depending on the technology you choose. Some software, such as Doxsera, HotDocs, or INSZoom, have libraries of templates ready for you to use out of the box.

The first thing you need to do is choose a tool (recommendations follow). The next step is to prioritize the creation of your document templates: Identify which are your most commonly used and time-consuming documents and automate those first.

### Recommendations

- ▶ One of the most powerful document assembly tools on the market is HotDocs. Because of its power, it is a complex product and may or may not be the right fit for you.
- ▶ Another extremely powerful platform is a Microsoft Word add-in called Doxsera/The Form Tool. The Form Tool is a free (yet powerful) version by the makers of Doxsera; the higher-end product, Doxsera, is extremely powerful and can, for example, create multiple different documents (e.g., complaint, interrogatories, certificates of service) from the same data set.
- ▶ Contract Express is another stand-alone option.
- ▶ More general practice management software such as MyCase, Clio, and Rocket Matter allow you to upload Word templates with merge fields, which can be configured for “if-then-else” scenarios.
- ▶ Heavy document creation practice areas such as trust and estates, immigration, and intellectual property have software and templates specific to them

- ✗ **DON'T:** Create documents by the copy-and-change method. You're going to make mistakes and embarrass yourself in front of your client.
- ✓ **DO:** Realize that getting started with document assembly requires an investment in either your time or your money that will pay huge dividends later.
- ✓ **DO:** Start by automating your most frequently used documents.
- ✓ **DO:** Seriously consider hiring someone to create the document templates for you. It can be laborious, so it might be the kind of thing you want to leave to someone who's done it hundreds of times.



## Invoicing and Collections

Invoicing and collections is a huge form of waste for law firms and needs to be tackled aggressively. Most law firms have terrible billing practices and, on average, collect on only 71 percent of the work they perform, according to a Georgetown Law study. The smaller and less standardized a law firm is, the worse performance tends to be.

There are many reasons for law firms leaving money on the table, ranging from poor billing practices and the unpalatable nature of asking clients for money to a lack of investment in good technology.

The good news is that we can improve the payment process by breaking it down into discrete steps: tracking time (especially for billable time practices but also important for others as a form of measurement), generating invoices, and collecting payment. The less friction introduced into each of these steps, the better.

For billable-hour professionals (and those who are seeking to track their time on cases), selecting a tool that reduces the burden of time tracking is fundamental; otherwise you'll find yourself sorting through legal pads, e-mails, and calendar events trying to reconstitute your month. You'll procrastinate on finishing this horrible exercise, leading to delayed invoices, which in turn leads to reduced payments. When you finally get around to it, you'll likely underbill for services. *Muda*-city.

Generating and sending invoices is the next step in the process. Most firms still rely on the following steps: creating invoices, printing them, folding them, stuffing them into stamped envelopes, and mailing them.

Going back to Lean principles and our definition of *muda*, is there anything in those steps that adds value to the client? Many clients are perfectly fine with and would even prefer an electronic invoice. Selecting a program that can send electronic invoices and can batch-bill (send out all bills at once) greatly reduces time spent and resources required for this critical piece of your business.

The final step is the collections process, possibly the weakest link in a law firm's revenue production chain. Calling the people you're assisting and asking for money is a tall order, and it gets in the way of legal work. In my experience working with thousands of law firms, the highest percentage of invoices collected I've ever seen is 92 percent, pulled off by a husband-and-wife team where the husband performed the legal work and the wife was a regimented bookkeeper.

For collections, your first order of business is finding a tool that can help you discern what percentage of billable work you're collecting (see Chapter 4 on KPIs for more information about financial reports).

The next step is to move toward client payment automation. This is accomplished by signing up with a payment processor who can help you safely keep credit card information (or bank account information) on file. This arrangement, which can be specified in an engagement letter, allows you to automatically collect from clients when legal work is performed. In this way, you can also set up payment plans and recurring payments, which automate collections and provide a predictable stream of revenue.

Payment processing is not limited to credit cards. Clients, especially large enterprise ones or general counsel, may wish to pay with bank account information. In that case, ask your payment processor if it offers ACH (Automated Clearing House) or e-check processing.

If fully automated payment processing is not an option for your practice, at least giving clients the ability to pay their bills online will reduce your cash collection cycle. Online payments are faster and more convenient for many people than it is to cut a check. Additionally, many people want to build rewards points by paying all bills with credit cards.

### Recommendations

- ▶ Some of the most powerful tools on the market for time and billing are the cloud-based legal practice management platforms, including Rocket Matter, Clio, and MyCase.
- ▶ Of the traditional, noncloud platforms, market leaders include PC Law and Tabs 3. We suggest hiring a knowledgeable consultant to assist with the installation and maintenance of such systems.
- ▶ Find a payment processor such as LawPay or LexCharge that specializes in the legal profession, understands the ins and outs of trust and operating accounts, and can help you set up payment plans and recurring billing.

- ✓ **DO:** Understand that your process and workflow for getting paid for your work are as important as the systems you invest in. Spend time thinking through and standardizing a solid, repeatable process.
- ✓ **DO:** Make sure you track your collection percentage.
- ✓ **DO:** Reduce friction in all three aspects of getting paid: (1) time tracking (if applicable), (2) invoicing, and (3) collections.
- ✓ **DO:** Make your collections more predictable and streamlined with credit cards, ACH, e-checks, payment plans, and recurring billing.
- ✗ **DON'T:** Embrace technology that will in any way delay sending out invoices. The single most important factor in collecting what you're owed is timely billing.

## Practice Management Software

Law firms can survive without legal practice management software. Almost all larger law firms choose not to, but many small firms forgo this critical tool. However, when law firms duct-tape together their own systems from Word, Excel, and QuickBooks, they are very inefficient and create *muchísima muda*.

The advantage law firms gain over competitors when they embrace practice management software is that their businesses run better. All case information is in one place and easy to retrieve. When clients call in, you can easily let them know all the particulars of a case and where they stand in their invoicing.

Calendar events, tasks, documents, and notes are all associated with matters, available quickly to anyone (with permission to see them). They have client relationship managers (CRMs) so that you can keep track of client and lead information and maintain notes about them. Deadlines and to-do items can be quickly calculated and scheduled with matter templates or calendar software.

Most practice management software providers offer solutions for document assembly, as we described earlier. Cloud-based programs often feature portals or other online sharing features so that clients can exchange documents, review and pay invoices, and keep up to speed with their cases.

Some practice management systems come with integrated accounting features, including tracking and balancing trust accounts. Many programs track time and contain an integrated invoicing program. Others do not; they instead have a separate program that handles the back-office functionality.

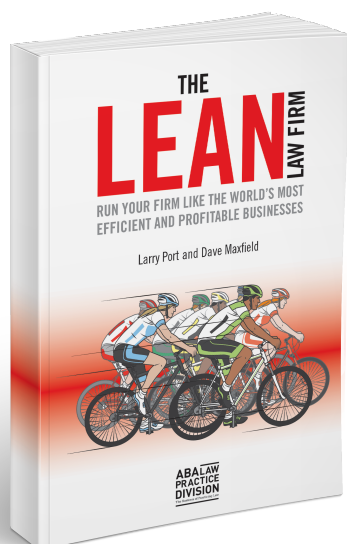
If you choose not to use practice management software, observe that the disorganization that comes with stitching together different systems can negatively affect relationships with clients. Susan Cartier Libel, creator of Solo Practice University, blogged about an episode with a lawyer in which a client relationship was destroyed because of bad organizational practices due to a lack of practice management software.

“Law practice management software is often touted as the holy grail for lawyers, a way to be extremely efficient and effective when organizing your back office,” she writes on her blog. “It’s mobile, it’s time saving, it does everything if you will learn how to use it and let it perform its magic.”

## Recommendations

- ▶ There are many cloud-based practice management solutions. The largest three and the ones that have stood the test of time are Rocket Matter, Clio, and MyCase.
- ▶ Likewise, there are many on-premise practice management tools to consider. These include Time Matters, Practice Master, and ProLaw.
- ▶ A full list of practice management software is maintained by the ABA's Law Technology Resource Center (LTRC). You can access it at <http://www.leanlawfirmbook.com/pm-software>. See also <http://www.leanlawfirmbook.com/aba-practice-management-software>.

- ✓ **DO:** Seek out a practice management system to run your practice and keep you organized.
- ✗ **DON'T:** Assemble a duct-taped case management system consisting of Word, Excel, QuickBooks, and other disparate standard office systems.
- ✓ **DO:** Spend time training in your new practice management system. Strongly consider bringing in a paid consultant to help you and your staff know the system.
- ✓ **DO:** Consider whether you want to maintain the software and hardware for your system in your own office or whether you would like to use a cloud-based system.
- ✓ **DO:** If you want desktop-based software but don't want the headache of installing and maintaining your own server, ask a consultant about a hybrid approach of using cloud-based desktops to host your software.



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SHIPS WITH NEW BRAAVOS EDITION!

The screenshot displays the Rocket Matter software interface. On the left is a dark sidebar with navigation options: Dashboard, Matters, Contacts, Calendar, Tasks, Documents, Billing, Reports, Messages (2), My Profile, Settings, Help, Achievements, and Sign Out. The main content area features a search bar at the top, a 'My Dashboard' section with a calendar for June 2016, a 'Matter Quick Add' form, a 'Task Listing' section with four tasks, and a 'Billing' summary on the right. The 'Billing' summary shows a Trust Balance of \$10,408.00 and Pending Invoicing of \$1,575.00. A yellow starburst graphic in the top right corner of the interface reads 'SHIPS WITH NEW BRAAVOS EDITION!'.

Dashboard

Messages 2

My Profile

Settings

Help

Achievements

Sign Out

Welcome, Sally  
Mon June 6, 2016

rocket matter

search client, matter, contact, activity or tag

My Dashboard

JUNE 2016

SU	MO	TU	WE	TH	FR	SA
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	1	2
3	4	5	6	7	8	9

Today Upcoming Flagged

You have no events scheduled.

Matter Quick Add

Client:  Matter Name:

Person  Business

+ Add Matter

Task Listing

Viewing: Pending Due

Display 5 items

- See how to import your contacts and calendar events from your existing system.  
Rocket Matter, LLC : Support and Training  
Created by: S.A.J. Due: Mar 03 2016
- Run an invoice and collect for your hard earned work!  
Rocket Matter, LLC : Support and Training  
Created by: D.A.J. Due: Mar 05 2016
- Create some billable time and expense entries.  
Rocket Matter, LLC : Support and Training  
Created by: S.A.J. Due: Mar 01 2016
- Learn how to add a matter in three easy steps.  
Rocket Matter, LLC : Support and Training  
Created by: S.A.J. Due: Mar 01 2016

User Billing

0.00 hours billed

today

Firm Billing

Trust Balance \$10,408.00

Pending Invoicing

Pending Subtotal \$1,575.00

Pending Taxes \$0.00

Pending Total \$1,575.00