

Productivity Enhancement of SME Law Firms



By Vincent Li, General Manager,
Enterprise Enhancement Services Division



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Today's Agenda

- An introduction : HKPC & EES
- Trends on productivity
- Challenges to SME law firms
- Quality lawyers - A new productivity paradigm
- Questions & Answers



HKPC : 35 years in Hong Kong productivity

- A statutory body established in 1967
- Highlights :
 - ❖ Expenditures : \$499M
 - ❖ Fee Income : \$343M
 - ❖ Activities :
 - Industry level :
 - 21 conferences and exhibitions; industry bulletin and directories; centers of excellence; government funded industry projects; Awards
 - Enterprise Level :
 - Over 1600 consultancy and in-company training projects
 - Individual level :
 - Over 1500 training programs; seminars and hkseminar.com



Enterprise Enterprises Services



Joint Professional Centre

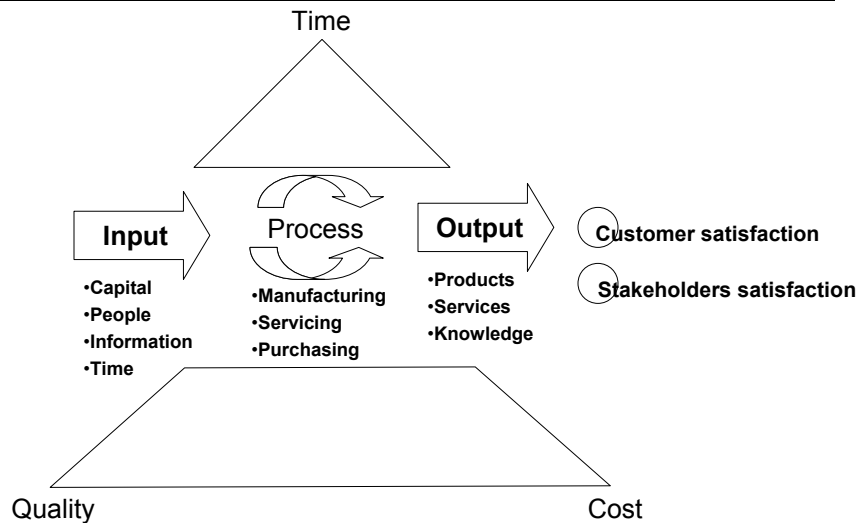


- Founded by 10 leading professional bodies in Hong Kong
- *IWIS*E Strategy to support development of Hong Kong professional services

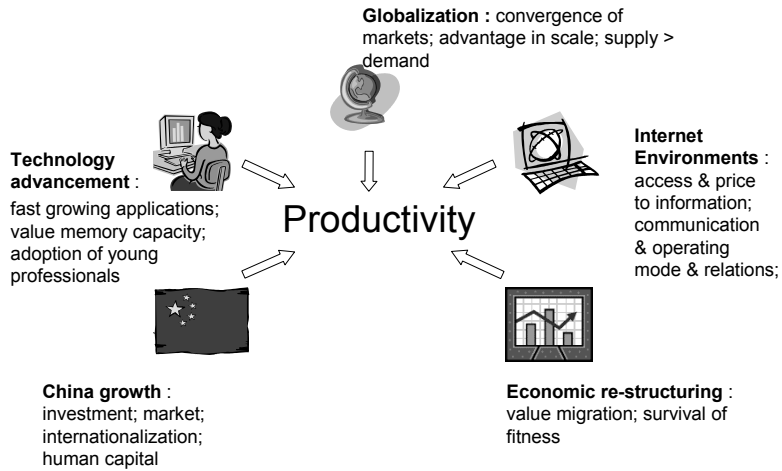


- Virtual gateway to HK Professionals (<http://www.hkprofessionals.org/>)





Productivity defined in formula



Changes of Macro-environments Impacting on productivity



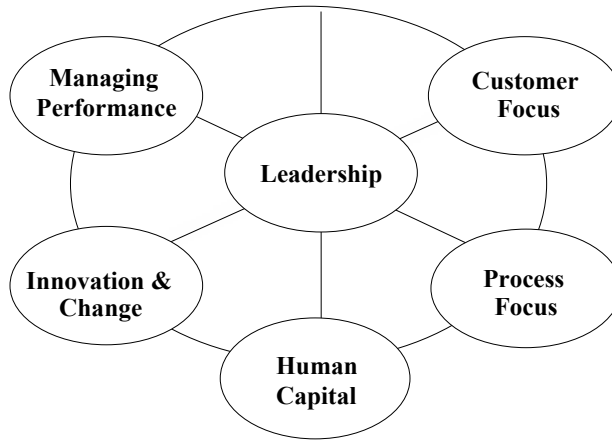
Implications

-  ● Competition
-  ● Business
-  ● Cost
-  ● Survival



New management paradigm to create competitive advantage

- Six Focuses framework



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Global critical trends in legal practice

- Better service, lower costs
- Profitability and value migration
- Increased competition
- Market segmentation
- Investment in technology
- Increased interconnection : regional & global; internal & external; partners & clients



Source: Steele Scharbach Associates LLC



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3 key development impact on legal management and technology

- **Legal process re-engineering** – reduce litigation costs
 - Litigation management system, document imaging/retrieval system
- **Transactional practice re-engineering** – reduce cost of counseling & transactional services
 - Document management, workflow systems reducing costs in labor, planning, management and document production
- **Back office process re-engineering** – reduce financial, accounting & HR costs
 - Knowledge management, business intelligence, office automation, business process re-engineering

Source: Steele Scharbach Associates LLC



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Technology revolutionize the gain of productivity in the practice of law firm

Creating, Storing and
Retrieving documents

Performing research

Technology

Communication in the
firms and with clients

Managing the practice of law
on case & firm levels



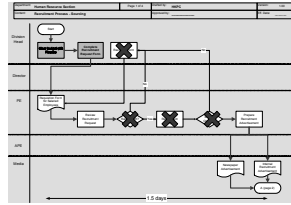
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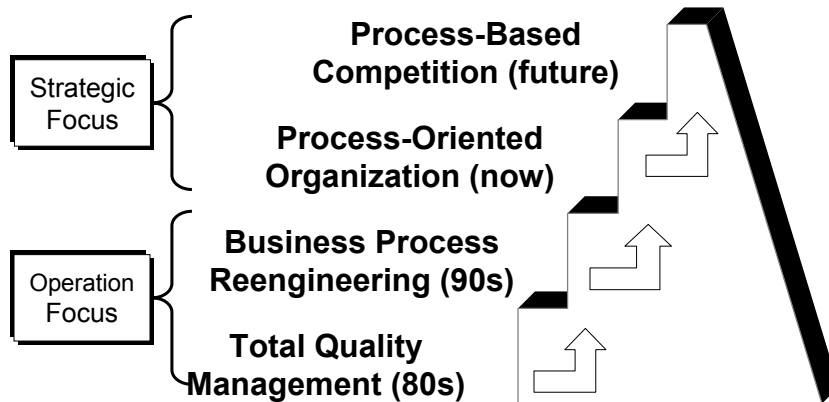
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Quality Lawyer : A new paradigm to consider

- Process-oriented organization
- Understand critical processes to sustain competitive advantage
- AIM²S Framework in search of productivity excellence (audit; is; mapping; should)
- ISO standard to guide quality re-engineering
- Continuous benchmarking for setting regional standard

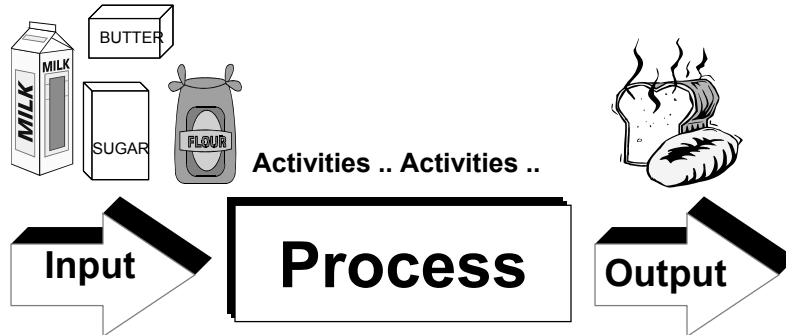


The 4 Waves of Process-Oriented Management



Understanding “Process”

- Activities involved that turn inputs into output



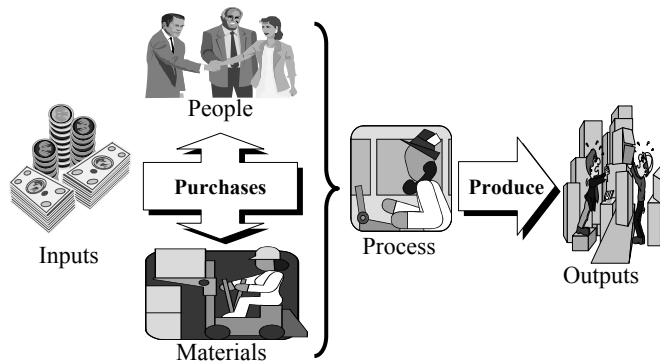
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Process-Oriented Organization

- From an Organization standpoint.....to understand how costs are incurred and what value created

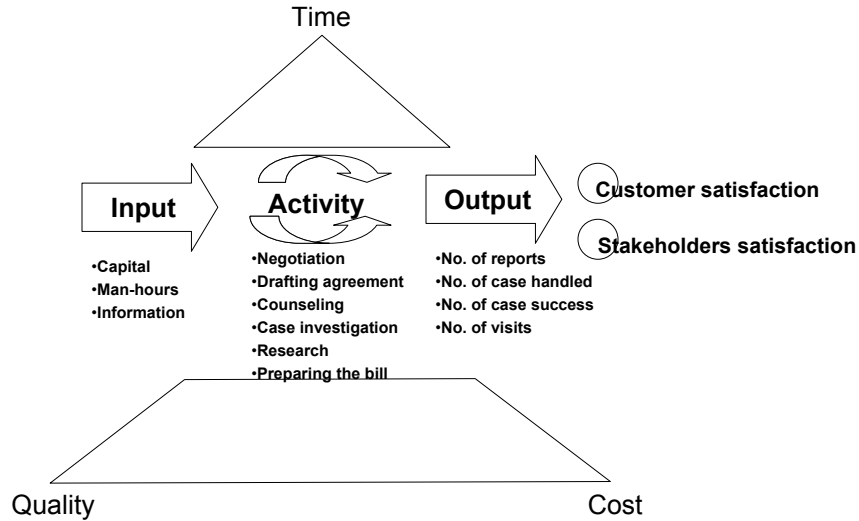


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Productivity formula applied to legal practice



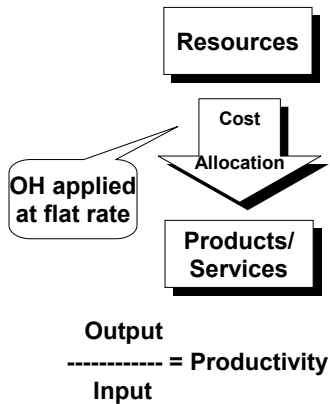
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Do you know the value of your activities?

Traditional Costing



Traditional Accounting View

Financial Accounting View			
HR Department			
	Actual	Planned	Variance
Salary	\$242,000	\$200,000	\$(42,000)
Consulting Fee	67,800	20,000	(47,800)
Travel Expenses	4,600	5,000	400
Stationery	22,200	24,000	1,800
Supplies	60,000	60,000	----
Sundry	13,400	12,000	(1,400)
Total	\$410,000	\$321,000	\$(89,000)



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Pitfalls of the conventional paradigm

Financial Accounting View HR Department

	Actual	Planned	Variance
Salary	\$242,000	\$200,000	\$(42,000)
Consulting Fee	67,800	20,000	(47,800)
Travel Expenses	4,600	5,000	400
Stationery	22,200	24,000	1,800
Supplies	60,000	60,000	----
Sundry	13,400	12,000	(1,400)
Total	\$410,000	\$321,000	\$(89,000)

- Revenue/cost/profit relations
 - Which service line contribute the most?
 - Who are the most profitable customers?
 - Where will be the growth?
- Costs to delivery the services
 - Where do we spent the most?
 - The service delivery costs and why?
- Managers find difficult to identify cost saving areas
- How to improve our services and business at lower costs
 - Operating process
 - Investment



Understand how resources are being consumed

Activity Costs: Chart of Accountants	
Engineering Department	
Salaries	600,000
Equipment	150,000
Travel Expenses	60,000
Supplies	40,000
Use & Occupancy	30,000
Total	880,000

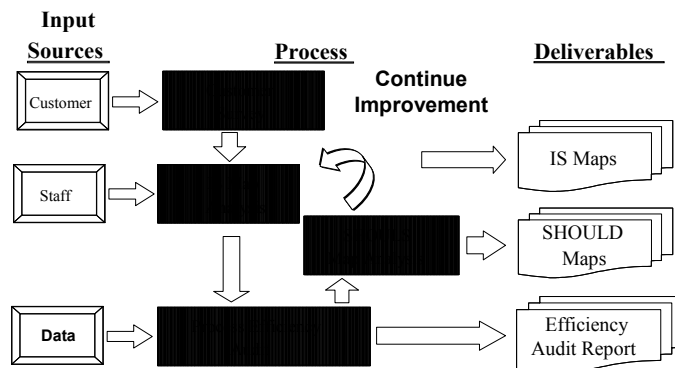
Activity Costs: Activity-Based	
Engineering Department	
Prepare Routings	101,500
Prepare BOMs	145,500
Design Tooling	158,000
Troubleshoot Problems	121,000
Process Engineering Changes	45,000
Process Special Orders	151,000
Train Employees	74,500
Prepare Monthly Reports	83,000
Total	880,000



Activity-based Approach to improve productivity

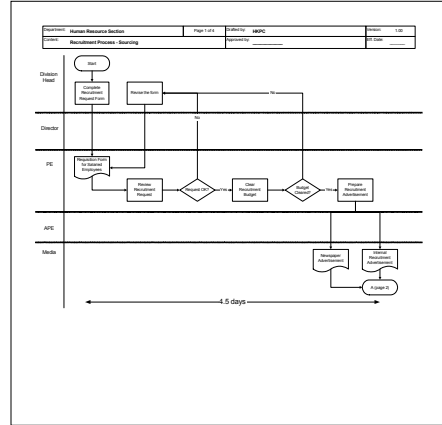
- Identify and cost the key processes and activities
- Identify opportunities for continuous improvement
- Determine an average unit cost
- Identify product/service/customer profitability
- Establish benchmarking criteria
- Identify key processes for ISO certification
- Understand the associated cost drivers

ActiValue Framework in search of productivity excellence – how to develop your POM system



Doing "IS" Mapping

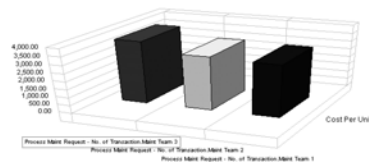
- Purpose
 - To understand current ways to do things
 - To understand critical success factors to process performance
 - To identify value and non-value added steps
 - To review process ownership
- Deliverables
 - "IS" Maps



Doing Efficiency Audit

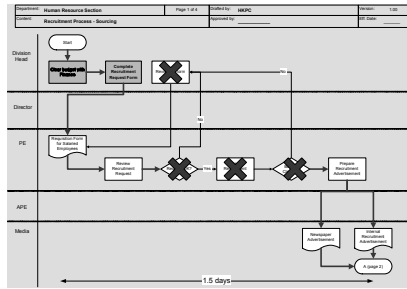
- Purpose
 - To visualize real process/activity costs
 - To identify non value-added activity cost
 - To identify target cost/activity areas
 - Estimate cost saving and efficiency improvement goals through benchmarking
- Deliverables
 - Efficiency report

		Cost Per Unit	Total Units	CostEst	LeadTime
Employment Service	Prepare Appointment Contract - Quantity	8,100.00	100	5.00	10.00
	Prepare Recruitment Ads - Quantity	4,800.00	100	5.00	0.00
	Process Internal Promotion - Quantity	132,678.43	35	0.00	0.00
	Review Evaluation Form - Quantity	11,341.24	100	5.00	10.00
	Review Recruitment Request - Quantity	12,961.42	100	5.00	2.00
	Shortlist 1st round Applicants - Quantity	11,341.24	100	5.00	2.00
Employment Service		290,641.58	6,000	84.00	90.50



Doing "Should" Mapping

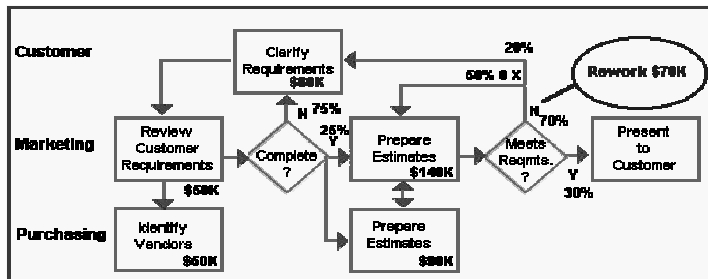
- Purpose
 - To develop new ways to complete jobs
 - To reduce non-value added activities
 - Aiming at cost saving and efficiency targets
 - To re-define process owner
 - To change mind set of doing things
- Deliverables
 - "SHOULD" Maps
 - Implementation Plan



- Achievement
 - Reduce 4 activity steps (36%)
 - Shorten process lead-time by 2 days (44%)

Understand critical processes to sustain competitive advantage

- Process : Prepare estimate



- Find out few critical process of law firms
 - Litigation process
 - Billing process etc.

- Total process cost - \$410K
- Unit cost - \$4100
- Cost of rework - \$130K
- Cycle time 1 week/3 months

POM Words of Wisdom

- Activities are never the concern, but the outputs are, if unhappy, changes are needed.
- Increase efficiency = reduction of steps
- Don't jump to fix things right away; review the big picture; let the outputs tell you the problem.
- Get early involvement from operation level.
- Simple is always the best.
- Never measure Inputs, measure Outputs.



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Identify critical processes for ISO certification

A series of quality system standards issued by



International Organization
for
Standardization (ISO)



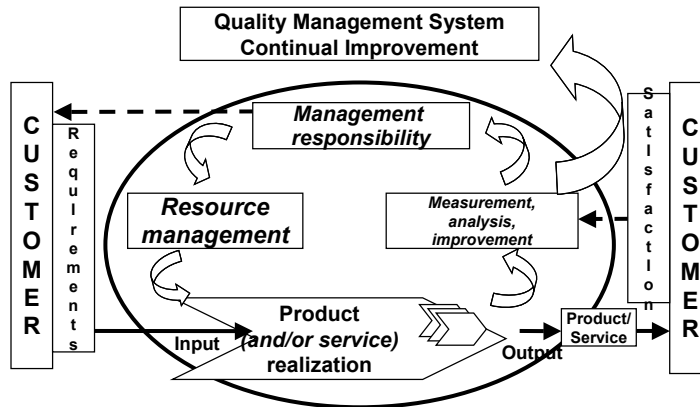
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ISO 9001 standard to guide quality re-engineering



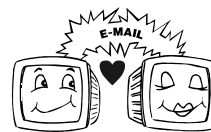
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How ISO benefit quality reengineering in legal practices

- Clear organizational structure and responsibilities
- Standardize practices and improve communication
- Enhance control and consistent operating effectiveness
- Increase profitability
- Increase customer satisfaction



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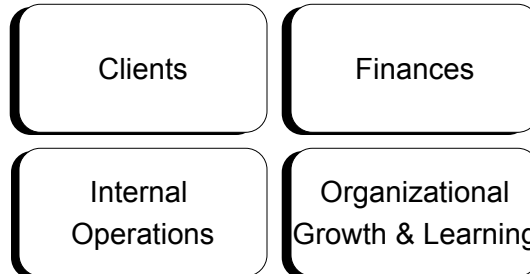
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Driving change and results by good performance management

"What you measure ; what you get"

- Balanced Scorecard approach : An example



Clients Finance Internal Operations Organizational Growth & Learning

Objectives: Client satisfaction, Revenue, Process efficiency, R&D, Associate turnover

Tool: Annual Survey, Monthly A/R Report, Annual satisfaction survey

Target: Increase by 25% in 3 years, 66% days 5 days early, 20 days

Initiatives: Client, Finance & Revenue, R&D, Process efficiency, Associate turnover



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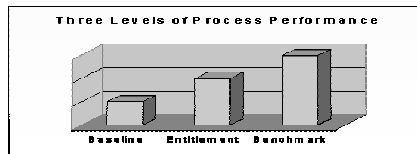
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Continuous benchmarking for setting regional standard

- Identify "best practices" for similar processes in other organizations



- Positioning the level of process performance
 - Baseline – a snapshot tells how well the process is performing at a given point in time
 - Entitlement – the best that can be achieved by the effective use of current resources to eliminate rework or improve cycle time
 - Benchmark – indicates the best in class performance for a truly optimized process



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Continuous benchmarking for setting regional standard

- Through benchmarking, companies can
 - **compare costs effectiveness**
 - **identify target improvement areas**
 - **set realistic cost reduction goals**
 - **Show how even the best can become better**
- **Applying in legal practices, can address :**
 - Law firm efficiency
 - Law firm management style, staffing policies
 - Legal billing rates and methodology

Top 10 Benchmarked Business Process

Customer service/satisfaction

Information systems/technology

Employee development/training

Process improvement/management

Call centers/help desks

Performance measurement/improvement

Employee recruiting /staffing

Manufacturing/assembly

Human resources

Project management



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Questions & Answers

Thank You



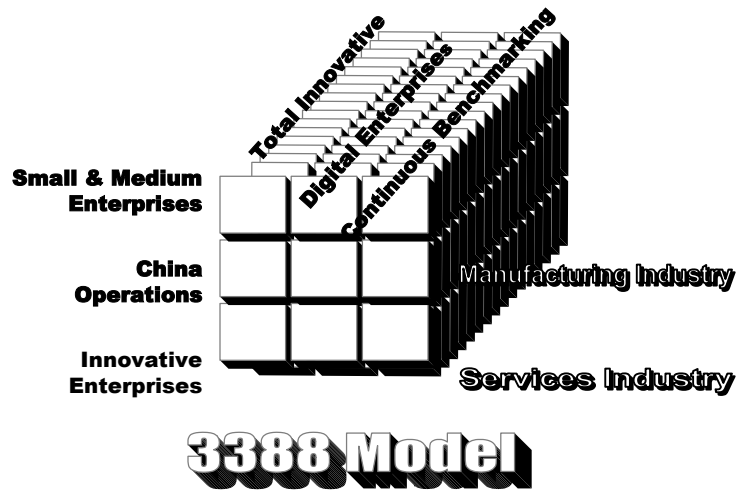
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HKPC : 35 years in Hong Kong productivity



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SME Centre : Solution Hub

● SMECARE Net

● Highlights:

- 4 programs per week; over 8000 participants in a year
- Expert hotline and clinics : serve over 2000 SMEs
- Quarterly release SME Operating Environment Index
- Hong Kong SME Award

● Future Programs:

- Enterprise Performance Alert
- SME Finance Net
- SME China market expert support program



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SMECARE Net

SMECARE Net

中小企業中心繼續與香港生產力促進局合作，為中小企業提供一站式服務。此項服務包括：由中小企業界一位次服務專家提供「中小企業」SMECARE Net 計畫服務，協助中小企業在市場上取得成功。

SMEC Centre, a specialist hub leveraging on the capabilities of PCEC and other alliance partners, has formed a solutions network that provides a "one-stop" business solution service to serve SMEs. The SMECARE Net strategies aim at enabling SMEs to stay competitive in the global market.



企業增值方案 SOLUTIONS

- 企業表現監察 ENTERPRISING PERFORMANCE WATCH**
 - 了解企業、轉弱為強 Building on your strengths and overcoming your weaknesses
- 問題解決 SOLUTION WORKSHOP**
 - 問題分析、找出方案 Identifying solution through in-depth analysis
- 管理顧問服務 CONSULTANCY SERVICES**
 - 量度諮詢服務 Customized solutions for your operational and management problems



企業管理發展 MANAGEMENT DEVELOPMENT

- 中小企業管理發展 SME EXECUTIVE SEMINARS**
 - 知識交流、促進學習 Knowledge sharing seminars for fostering training and development
- 網上學習平台 TRAINING.COM**
 - 網上學習、提高技能 Online effective cyber training
- 中小企業管理學院 SME INSTITUTE OF MANAGEMENT**
 - 企業管理學院 提供多項培訓、專業發展及進修課程
- 亞太區合格中小企業管理顧問培訓計劃 APQC CERTIFIED SME BUSINESS COUNSELLOR PROGRAM**
 - 亞太區中小企業管理顧問 獲國際專業認證 An internationally recognized qualification for SME business counsellors



專家顧問 EXPERT ADVISORY SERVICES

- 專家熱線諮詢 EXPERT HOTLINE**
 - 專業熱線諮詢 Ready access to professional advice for your business problems
- 企業專家意見諮詢 SME CLINIC**
 - 專家面對面 Face to face diagnosis of your business strategy and operational issues



中國商機 CHINA OPPORTUNITIES

- 論壇及講座 FORUMS AND SEMINARS**
 - 中國商機論壇 Keeping abreast of market development
- 內地商機培訓 PROGRAMS FOR SENIOR EXECUTIVES**
 - 知識經驗交流 Sharing of knowledge and experience
- 投資商機 STUDY VISITING**
 - 考察商機 Exploring business opportunities

八大呵護，全面照顧



自我評估工具 ASSESSMENT TOOLS

- 財務健康 FINANCIAL HEALTH**
 - 財務健康指數 Testing your ability to raise and manage finance
- 表現評估 PERFORMANCE ASSESSMENT**
 - 了解企業表現 A quick and simple assessment of business performance
- 品質管理 QUALITY IMPROVEMENT**
 - 品質管理認證 A quality readiness for SMEs



企業研究 RESEARCH

- 中小企業經營健康指數 SME OPERATING INDEX**
 - 經營健康指數 Following SMEs' pulse on the operating environment since every quarter
- 中小企業增長指數 SME GROWTH INDEX**
 - 中小企業增長指數 Following SMEs' vision on growth outlook and strategies since every six months
- 市場及行業研究 MARKET & INDUSTRY STUDIES**
 - 行業及市場研究 Collecting and analysing timely and useful market intelligence and industry insights
- 利率調查表 INTEREST RATE BULLETIN**
 - 利率情報 - 7天 7 Day deposit and lending rates available on Centre's website



電子商務及資訊科技 E-BUSINESS & IT

- 電子商務發展 E-BUSINESS EXECUTIVE SEMINARS**
 - 發展電子商務 Keeping abreast of the development of e-Business
- 電子商務應用方案 E-BUSINESS SOLUTION DEMONSTRATION**
 - 小企業應用方案 Small group consultancy on e-Business application to increase business efficiency
- 資訊科技發展 IT ICT**
 - 利用網絡 - 提升競爭力 Leveraging IT application through seminars, demonstrations and exhibitions, etc.



企業聯繫 NETWORKING

- 融資發展網絡 FINANCE NET**
 - 一站式服務提供融資渠道 A one-stop source of financial products and financing channels
- 商務發展交流 HAPPY HOUR**
 - 商務發展交流 Happy hour Social get-togethers for networking and experience sharing
- 企業大使 SME AMBASSADOR**
 - 企業大使 SME Ambassador Promoting better ways to do business
- 企業網絡 網絡發展 Network net to SMEs**
 - 中小企業中心網站 smecarenet.hk.com
 - 中小企業網絡論壇 A virtual SME community

