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Profession Service Operations Management: configuring the service offering within a legal partnership

Iain Reid (i.r.reid@hud.ac.uk)

University of Huddersfield Business School, Queensgate, Huddersfield West
Yorkshire HD1 3DF

Olga Matthias

*Bradford University School of Management, Emm Lane, Bradford, West Yorkshire
BD9 4JL, UK*

Track: Operations, Logistics and Supply Chain Management

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Abstract

Operations management theory suggests that professional services firms (PSFs) have some distinct operational challenges. The purpose of this paper is to trace the emergence of professional service operations management (PSOM) thinking within a legal partnership. With the impact of deregulation there is an emerging consensus that legal services is changing, due to the socio-economic and political climates in which they operate. The purpose of this paper is to trace the value-add through the legal profession and examine how PSOM practice can be applied within a legal practice in order to create a leaner thinking. The case study analysis suggests a potential methodological mismatch between the core theoretical frameworks, exploring features of effectiveness and efficiency across legal disciplines. This paper makes a contribution through a reflection of PSOM thinking in law.

Keywords: Service operations, professional services, lean, value stream

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1. INTRODUCTION

Professional Services Operations Management (PSOM) is perceived as labour intensive, differentiating between the levels of customization and the degree of service variation within the service offerings and actual process design (Schmenner, 2004). There has been a growth in service operations management research (Bamford et al, 2015), (Radnor et al, 2016), and professional services are increasingly appearing at the forefront of research agendas. For example, Radnor et al (2014) argue that services have moved away from product-dominant logic and can embrace the experience, inter-organizational, and systemic nature of public services delivery along with the role of the service user as a co-producer. For example, the healthcare sector has exploited OM from a professional campus perspective (van Rooij & Merkebu, 2015). In addition, the more traditional PSFs have realised the potential benefits and adoption of OM theory and practice, as evidenced by papers found during the literature review from education, engineering, health, legal maritime, military, and the public sector. Consequently, the intention of this research is to advance understanding into PSOM, and examine how OM theory is underpinning the discipline.

2. LITERATURE REVIEW

Professional Service Firms (PSF) are defined by Von Nordenflycht (2010) as: i) Classic PSFs (e.g. law and accounting firms) - characterised by a high knowledge intensity, a professionalised workforce, and low capital intensity; ii) Professional campuses (e.g. hospitals) - characterised by a high knowledge intensity, a professionalised workforce, and high capital intensity; iii) Neo-PSFs (e.g. management consultants) - characterised by a high knowledge intensity and a low capital intensity; iv) Technology developers (e.g. R&D firms, biotechs) - characterised by a high knowledge intensity and a high capital intensity. Lewis and Brown (2012) highlighted that PSFs have less variable and faster throughput processes – creating a significant opportunity for commoditization when seeking greater efficiency and effectiveness.

Traditionally the legal profession is conceived of as slow-moving, incremental, and conservative (Sieh, 2010). Likewise, Lewis & Brown (2012) explored the operations strategy of a law firm and pointed out that the nature of client interaction was varied and confirmed that within this particular context a “distinct environment for managing operations” (Goodale et al., 2008, p. 670) could exist. Lai et al. (2007) suggested the implementation of a linearisation technique to overcome problems of uncertainty in demand in PSFs. Professional Services Operations Management (PSOM) is perceived as labour intensive, differentiating between the levels of customization and the degree of service variation within the service offerings and actual process design (Schmenner, 2004). For example, Radnor and Bucci (2011) carried out a comprehensive review into lean thinking within the UK justice system and found that the legal market is far more turbulent as new entrants enter the market and customers continue to seek cost effective legal solutions. Here, we examine characteristics in relation to service modularity, customization, and knowledge/capital intensity. The debate concerning lean thinking introduces our first research question: RQ1- To what extent is lean thinking expected to enhance PSOM through efficient legal network?

2.1 The UK Legal Sector

In the specific case of the legal profession, according to research by Legal Week, for the 2012-2013 financial year, the top 50 law firms in the UK have seen their average profits shrink by 0.5% while average turnover has risen by 6.9%, indicating that law firms are experiencing margin pressure and finding it difficult to manage their operations within the fee structures currently being driven by the market. Therefore, the opportunities to develop service operations within the legal profession has been driven by a number of factors: a significant growth in demand in the service quality, clients are requesting more and 'better' service provision, whilst demanding to pay less, and the concept of fixed fee, where the client has a fixed cost for the legal service. In support of these concerns Reid and Bamford (2016) highlighted the specific knowledge gaps and then developing bespoke learning solutions for practicing lawyers, such as the adopted term of 'lean thinking' and lean management (Bujak et al, 2012). The legal services sector in the UK faces new competitors in response to the deregulation in 2007 and the demise of legal aid.

2.2 The concept of the legal value stream

This research presents a timely opportunity for determining specific knowledge gaps and then developing bespoke learning solutions for practicing lawyers, such as PSOM and the adopted term of 'Leaner Law' (Reid and Bamford, 2016). There has also been a growth in service operations management research (Bamford et al, 2015), and professional services are increasingly appearing at the forefront of research agendas, From a practical perspective and a report from the bank RBS, Tsolakis, (2014) stated that: *"Over the next few years, to remain competitive, law firms will need to better understand their business. They will develop better skills and techniques in cost accounting, project management and workflow analysis"*. The authors believe that the research opportunity is related to a more 'robust' service operation within legal practice. Moreover, with the element of greater customer demands, changes in legal legislation and deregulation, the managing partners of law firms are slowly responding to process variation and coordination of the legal supply chain. This would also render critical the drivers for service innovation due to the nature complexity of the legal profession and practice servitization across an entire network, e.g. Legal/Law: client, solicitors, barristers, external parties, and judiciary. Law firms acknowledge the need to become leaner (Henderson, 2014) through the adoption and use of operations management practices such as workflow analysis, and value stream maps presented in figure 1, in order to improve the long throughput times and arduous demand profiles.

Our preliminary reflections on configuring the legal operations that may define the nature of PSOM give rise to the following question concerning the scope of PSOM thinking, and specialization on challenges for legal practitioners. Therefore the debate concerns leaner thinking in PSOM and leads into our second research question: RQ2 - How can the PSFs be efficient with the rapid adoption of new service models from new market entrants? If legal firms are considering their service offering since deregulation and demise of legal aid, the rise of "litigations in person" may force legal firms to rethink their legal service offerings at both an operational and strategic level. This study explores the effectiveness and efficiency within the legal profession. A summary of the key literature PSOM themes is presented in table 1, specifically, Voss & Hsuan (2009), proclaimed that the lack of research into service operations and service modularity maybe due to the heterogeneous nature of services, the role that people play in such services and investigate the concepts of value

(defined using the following: economic, ergonomic, aesthetic, technical design) and the tools and techniques being considered in PSOM practice.

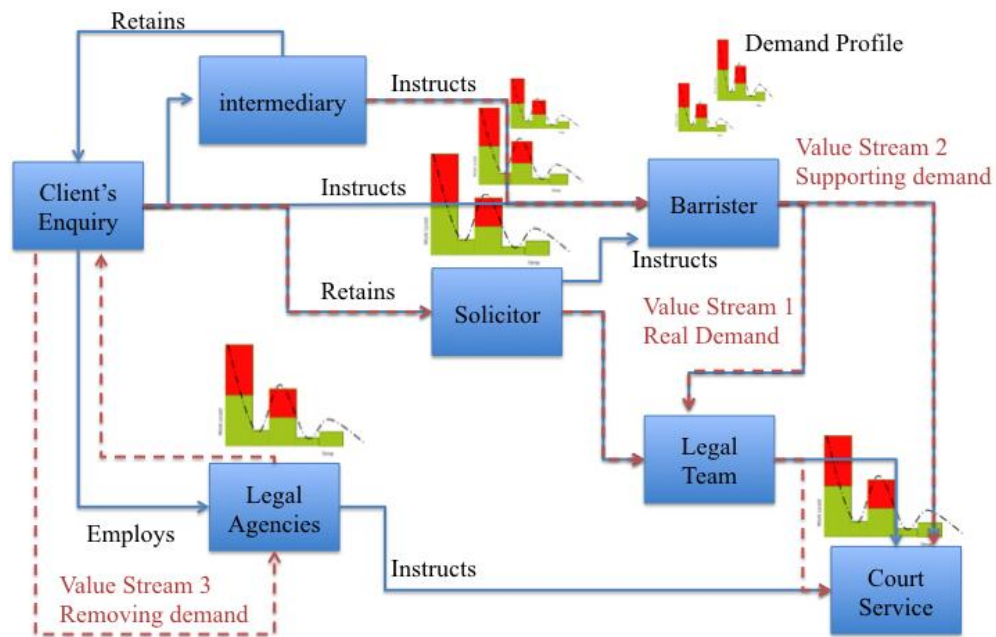


Figure 1 - Legal Value Stream

PSOM Themes	Reference
<ul style="list-style-type: none"> labour intensive levels of customization degree of service variation within service offerings and process design 	(Schmenner, 2004).
<ul style="list-style-type: none"> knowledge transfer: assets and capabilities including human capital (training, intelligence, and experience) 	Daim and Lavoie's (2007)
<ul style="list-style-type: none"> high levels of customer contact service customization fluid/flexible processes low capital/high labour intensity 	Lewis & Brown, (2012)
<ul style="list-style-type: none"> Levels of customer Operational processes 	Harvey (2016)
<ul style="list-style-type: none"> Consultancy specialization and individual level (leverage), reflecting on the degree of interaction and degree of expertise. 	Brandon-Jones, Lewis, Verma, and Walsman (2016).
<ul style="list-style-type: none"> Lean Thinking 	Radnor and Bucci (2011), Dobrzykowski, McFadden, Vonderembse (2016)
<ul style="list-style-type: none"> Service Modularity 	Giannakis, Doran, Mee, D., (2015)
<ul style="list-style-type: none"> Life cycle perspectives 	Lawrence, Zhang Heineke (2016)

Table 1 Literature Themes

3. METHODOLOGY

Through the adoption of the case study approach allowed for a greater understanding of unknown phenomena in the natural setting in order to generate meaningful understanding (Voss et al., 2002). This case intended to assess the impact of service value in relation to PSOM. The primary dataset involved the collection and collation of 38 interview questionnaires, as well as assessing the participants' organizations' perception of service modularity. The themes analyzed were: i) the service offering

and legal provision, ii) service modularity barriers, iii) discipline specific business process, iv) future growth and finally, v) training and development. The analysis and exploration of the generated dataset enabled the authors to address the research questions. The authors performed multiple case reviews across a number of legal disciplines which were analyzed both within- and cross-discipline based by Yin (2009) depicted in table 2, supporting a deeper understanding of legal network and operational characteristics across such disciplines as: Private Client, Commercial and Residential Property, Family and Children, Civil Litigation, Dispute Resolution and Planning. Our analysis of the qualitative data (interviews and focus groups) relied on coding of notes (based on the research questions and the associated literature). In the next section we provide the analysis of data collected in our study and present our findings in relation to each research themes in turn.

The aim of the questionnaire interviews is to gain a detailed understanding of how lawyers reflect on their existing working practices, within a classical PSF: high knowledge intensity, a professionalised workforce, and low capital intensity. We recruited well-qualified lawyers for the interviews, 38 lawyers with a total of 384 year of experience across the various legal disciplines with the firm. The questionnaire interviews collected data on the detailed PSOM decisions within each of the legal disciplines identifying any inductive patterns in the data. Table 1 summarizes the data in order to illustrate the key trends i.e. Level of customization, quality of relationships, multi-transactions in accordance to the legal disciplines and individual experience.

4. FINDINGS

Before exploring the detailed validity of the defining characteristics of Legal PSF it is important to present the UK's legal service offering and standing. For example, the UK's legal profession's contribution to the UK economy was £20.4bn in gross domestic product in 2012, 1.5% of the total (Tsolakis, 2014). The sector employs around 316,000 people of whom 130,000 are solicitors and 16,000 barristers and advocates. In addition, the intake for graduate recruitment for UK law firms was 700, about 5% of the total graduate recruitment in 2013. The empirical suggested a potential methodological mismatch between the core theoretical framework and service modularity within the service operation. The study also reveals that market/client variations, resource sharing and organizational relationship linkage are three major dimensions for PSOM thinking. The responses to interviews were analyzed against service modularity principles using a Likert scale from 1-5 highlighting the following key themes:

- Inefficient distribution of case information or materials internally and externally for case progression
- Involvement in unproductive regular internal meetings about the case
- Lack of continuity within the team due to shifting workloads or turnover.
- Inappropriate allocation of tasks across fee earners
- Unnecessary focus on perfection in performance of case development tasks, e.g. drafting documents.
- Lack of knowledge management system, i.e., tracking down people with answers; outdated computer systems.

It was also noted that inefficient distributions and allocation of tasks was also an issue, as well as the emphasis of perfecting documents. Each of the process tasks and components was assessed independently to identify whether it could be delivered in a

supported updated case management system, which is critical to civil litigation, commercial practice. Furthermore, the client management system (CRM) needing addressing in terms currency and supporting new enquiries through referrals, The data analysis found that services and ‘distribution of case information’ was an issue, particularly in company commercial and less so in family and children. According to the Private Client solicitor, “*Offering advanced services needs careful planning and several considerations*”. Furthermore, data indicated that conversation rates (winning new business) varied from 26-70%, with no specific discipline demonstrating best practice, nor defining the impact of value.

Based on analysing of the surveys’ organizational structures, the data analysis found that the case study companies relied in specialization to deliver high quality and customer experience. The authors believe that the research opportunity is related to a more ‘robust’ service operation within legal practice. Various aspects of the service offerings in terms of:

- **Conversation rates (winning new business) varied from 26-70%**, with no specific discipline demonstrating best practice, nor defining the impact of value (economic, ergonomic, aesthetic, technical design).
- **Inefficient distributions and allocation** of tasks was also an issue, as well as the emphasis of perfecting documents.
- **Client management system (CRM)** needing addressing in terms currency and supporting new enquiries through referrals.
- **Distribution of case-related information’** was an issue, particularly in company commercial and less so in family and children.
- **Process tasks were assessed independently** to identify whether it could be case management system, specifically civil litigation, commercial practice

In terms of the business development the reported on various aspects of the service offerings in online capability, social media and development of their knowledge sharing capability is examined in Table 2, with Family and children, dispute litigation and civil litigation stress-testing the firms resources in terms of enhancing customer value through developing the firm’s operational efficiency.

Table 2 Business Development

Discipline	No of Respondents	Standard Business Processes 1= Low 7= High	Social Media (Twitter, LinkedIn) 1= Low 7= High	Knowledge-Base Systems 1= Low 7= High	Online Capability 1=Low 7=High	Service Mod. 1=Low 7=High
Private Client	6	High	High	Medium	High	High
Company commercial	6	Low	Low→Medium	Medium	Medium → High	Medium → High
Property Residential	5	Medium → High	Medium	Mediu→ High	Medium → High	High
Property Commercial	5	Low	Low- Medium	Medium	Medium → Low	Medium
Family and Children	3	High	Medium	Medium→ High	Medium	High
Civil Litigation	3	Medium	Medium	Medium→ High	Medium → High	Low
Dispute Resolution	3	Medium	Medium	Medium→ High	Medium	Low
Planning	1	Low	Medium	Medium	Medium	Low

Future work will continue with the technology transfer of the PSOM in order to develop the knowledge transfer of best practice across the legal disciplines. Through the Barney's (1991; 2001) the firm's Resource Based View (RBV) perspective, associated with relational assets (Weigel & Bamford, 2015). The data shows a particular focus on knowledge transfer and reliability of resources perspectives the framework allows organisations to assess the utilisation of resources in order to maintain the value and service offering expected from the firm's client and customer base.

CONCLUSION

This research has created a model that will influence and improve legal services offerings. It adds much needed value to the concepts of lean law, value chain and PSOM practice through this empirical case study. The research is aimed at the exploration of PSOM theory within the context of the legal profession according to Von Nordenflycht's, (2010) taxonomy of classic PSFs. This study reflects on the practicing manager and makes a contribution to the PSOM thinking within a legal partnership. The research also identifies operations management theory, such as lean thinking, service modularity value streams being adopted in order to improve the existing service provision within the legal profession. Furthermore, if legal partnerships are considering their PSOM practice and service offerings a redesign of operations at both a strategic level and operationally level.

Whilst classic PSFs have focused on their strategic thinking there opportunities to investigate operational processes (Harvey, 1990, 210, and Harvey et al, 2016), the concepts of service modularity appears to be an approach that is supporting law firms to on an operational level (Giannakis et al 2015). Furthermore, the uptake of information technology across all PSFs needs investigating in order to develop the organisational issues that surrounded the management of more complex PSOM practices. The objective of this study is explore current heterogeneous nature PSFs and associated literature of current PSOM thinking.

Future work will focus on the behavioral OM side of PSOM in order to generate some potential avenues on service value and operational effectiveness across the legal value stream and will continue with the technology transfer of PSOM thinking, e.g. Legal/Law: client, solicitors, barristers, external parties, and judiciary value chain.

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