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Profession Service Operations: the case for Service Modularity with a Legal Partnership

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Abstract

The purpose of this paper is to trace the emergence of ‘service modularity’ through the legal profession. There is a developing consensus that professional work is changing in the socio-economic and political climates in which service professionals operate (Harvey 1990, 2010). The purpose of this paper is to trace the value-add through the legal profession and examine how service modularity can be applied within a legal practice in order to create a theoretical framework for service modularity. The paper contributes to diversity of service modularity within eight UK legal service disciplines from the perspective of facilitating the knowing-doing gap, bridging the gap within the Von Nordenflycht (2010) taxonomy of professional services as characterized as high knowledge intensity, with low capital intensity.

Keywords: Service operations, professional services, lean, service modularity

Introduction

Professional services have distinct operational challenges when responding to today’s turbulences and service demands (ewis and Brown 2012; Radnor et al 2016). Professional Service Operations Management (PSOM) is perceived as labor-intensive and is characterized by customization and service variation in terms of service offerings and process design (Schmenner, 2004).

This paper examines service modularity within the legal service network (client, solicitors, barristers, external parties, and judiciary) in order to develop a theoretical framework for service modularity within the eight UK legal service disciplines.

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). 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. 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 legal services sector in the UK faces new competitors in response to the deregulation in 2007 and the demise of legal aid. 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'.

2. Literature

Although Service modularity principles have not been widely deployed in the legal profession, the concepts of lean law, supply chain design, simulation modelling, and service modularity could improve efficiency and thereby profitability and growth of law firms, as well as the broader Legal Service Network, or Supply Chain. For example, Radnor and Bucci (2011) carried out a comprehensive review into service modularity 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. Service modularity is an approach that is supporting law firms to operate and deliver legal services using modular principles and practices (Giannakis et al 2015). For these reasons there is than opportunity to investigate the level of "leanness" (Bujak et al, 2012) and operational agility (Reid et al, 2015) in order to define the theoretical underpinning for PSOM thinking. For that reason, the aim of this research is to gain a greater understanding into PSOM and examine how practitioners are thinking about lean. In support of such research, Von Nordenflycht (2010) generated a taxonomy of professional service firms (PSFs), defining four types:

- 1 Classic PSFs (e.g. law and accounting firms) - characterized by high knowledge intensity, a professionalised workforce, and low capital intensity
- 2 Professional campuses (e.g. hospitals) - characterized by high knowledge intensity, a professionalized workforce, and high capital intensity
- 3 Neo-PSFs (e.g. management consultants) - characterized by high knowledge intensity and low capital intensity
- 4 Technology developers (e.g. R&D firms, biotechs) - characterized by high knowledge intensity and high capital intensity

Within the defined classic PSF taxonomy the legal profession is traditionally conceived of as slow-moving, incremental, and conservative (Sieh, 2010). 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. This paper presents a comprehensive review of PSOM characteristics within a legal practice relating to the impact and value of PSOM thinking to address two research questions:

1. Does service operations management theory enhance legal service operations in order to provide customer value through efficient processes, capacity planning, and process design?
2. How has service modularity influenced service operations within the UKs legal profession?

The authors believe that the research opportunity is related to a more 'robust' service operation within legal practice. This would also render critical the drivers for service innovation due to the nature complexity of the legal profession – it would however have the potential to make a positive impact on the PSOM sector. through a better understanding of operations management practice.

2.1 Service Modularity

Modularity was initially devised as a method to control variety and increase interchangeability in a turbulent environment (Starr, 1965). The principles of modularity have been extended from product design to process design, and even system design (Wang et al, 2014). Process modularity is the extent to which production processes can be separated into standardized modules that can be easily re-sequenced into new processes or product features (Feitzinger and Lee, 1997). The modularity literature suggested that “off the diagonal” improvements with modularity i.e. delivering services with high-levels of customisation in an efficient and standardised manner (Bask, 2011) as a possible solution for legal service delivery offering complex legal services in a modular way, presenting an opportunity for an innovative firm to seize ‘first-mover’ advantage (Giannakis, et al, 2015).

The service modularity ideology can be an aide to navigating and managing the journey to meet these challenges (Giannakis et al, 2015). For example figure 1, presents the concept of ‘Legal Nimbleness’ through service modularity resulting in an increase in operational effectiveness in the legal profession through customising and standardising of legal service offerings. For example, 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 the often personalized nature of service episodes and encounters. Furthermore, 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. Furthermore, recent strategy literature refers to this ability to dynamic capability and sees it as vital to maintaining a sustainable competitive edge (Ambrosini et al, 2009, Anand et al, 2009, and Fu, 2013).

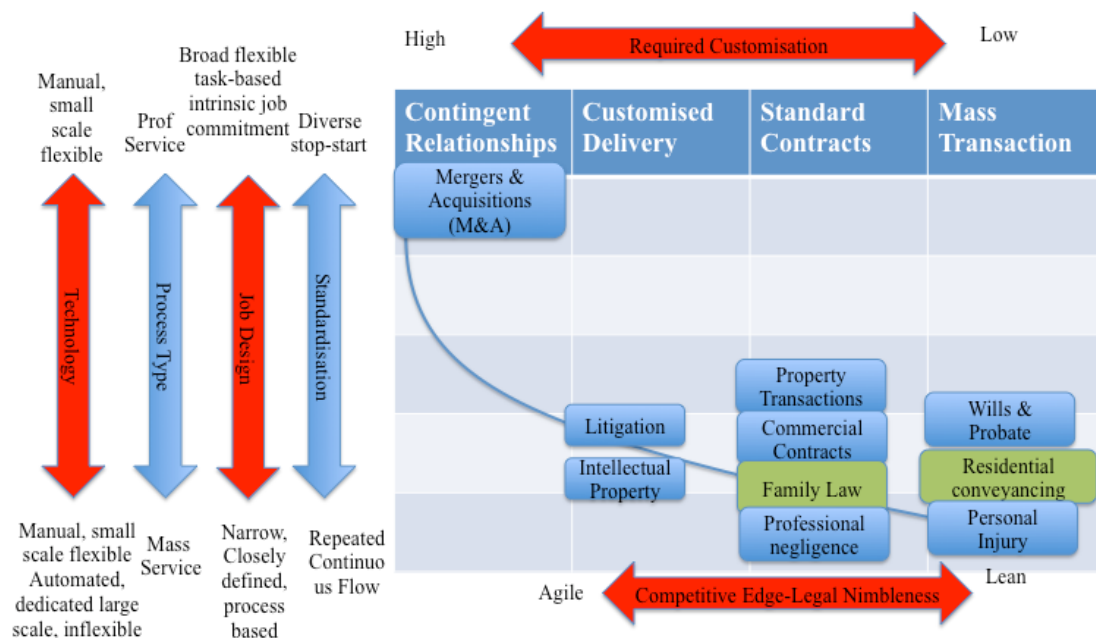


Figure 1 – Service Modularity Model to achieve ‘Legal Nimbleness’
(Modified Giannakis, Doran and Mee, (2015)

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. 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 2, in order to improve the long throughput times and arduous demand profiles. It is more often the case when demand and capacity disrupt the workflow of legal systems, such as client's instructions, and external parties within a proposed optimum and reasonable (legal) timeframe. As such, the processes that are flexible by nature are also highly regulated by procedures and rules in order to challenge the classic cycle time delay such as the bull-whip effect (see Forrester and Wright 1961).

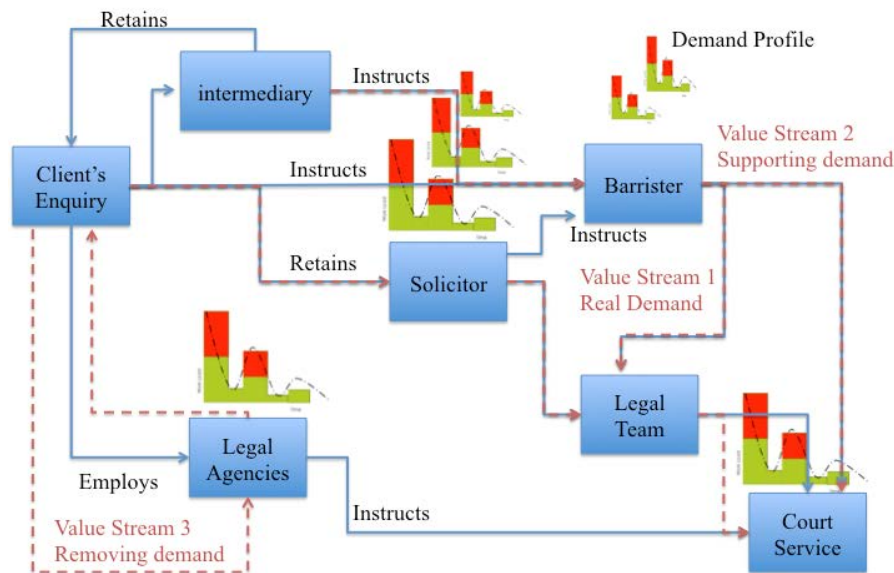


Figure 2 - Legal Network/Supplier Value Stream

METHODOLOGY

The case study approach allows for a greater understanding of unknown phenomena in the natural setting in order to generate meaningful understanding (Voss et al., 2002). This case study is intended to assess the impact of service value (defined using the following: economic, ergonomic, aesthetic, technical design), in relation to PSOM. The authors performed multiple case reviews across a number of legal disciplines which were analyzed both within- and cross-case by Yin, (2009) presented in table 1, supporting a deeper understanding of legal network and operational characteristics across such disciplines. The primary data-set 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.

FINDINGS

The analysis of the case examples suggests a potential methodological mismatch between the core theoretical framework and service modularity within the service operation. The study explores the effectiveness and efficiency within the legal profession. The study also reports the important questions of value (defined using the following: economic, ergonomic, aesthetic, technical design) and the service

modularity tools and techniques being considered in PSOM practice. The study also reveals that market/client variations, resource sharing and organizational relationship linkage are three major dimensions for PSOM thinking. 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.

Table 1: Level of Customisation

Discipline	No of Respd	Total years experience	Relationships (Contingent Distributed High= 7, Low = 1	Level of Customization High= 7, Low = 1	Std Contracts High= 7 Low = 1	Multiple Trans-actions High= 7, Low = 1
Private Client	6	48	High	Medium	Low	Low
Company – commercial	6	64	Medium	Medium – Low	Medium	Low
Property Residential	5	90	Low	Medium –High	Medium	High
Property Commercial	5	71	Medium	Medium - Low	Medium - Low	Low
Family and Children	3	54	High	Low	Low	Low
Civil Litigation	3	22	High	Medium	Low	Low
Dispute Resolution	3	14	High	Medium	Low	Low
Planning	1	20	High	Medium	Low	Low

Various aspects of the service offerings in terms of cost, customer service, service offerings and time management is examined in Table 2, with Family and children, dispute litigation and civil litigation stress-testing the firms resources and operational efficiency.

Table 2 Cost Control, Service Offering and Time Management

Discipline	No of Respd	Customer Services to customers Low=1 High =7	Achieving Low Costs Low=1 High =7	Customer 1= Low 7= High	Cost Savings 1=Low 7=High	Unique Cust-Req 1=Low 7=High	Time Man. 1=Low 7=High
Private Client	6	High	Low → Medium	Medium	High	High	Medium
Company commercial	6	High	Low →Medium	Medium	Medium	Medium → High	Medium
Property Residential	5	High	Medium	Medium →High	Medium	High	High
Property Commercial	5		Low →Medium	Medium	High	Medium	Medium →High
Family and Children	3	High	Medium	Medium-High	Medium - High	High	Medium → High

Figure 3 summarises the external factors that the application of the newly-acquired knowledge can bring in order to sustain this impact in the long term.

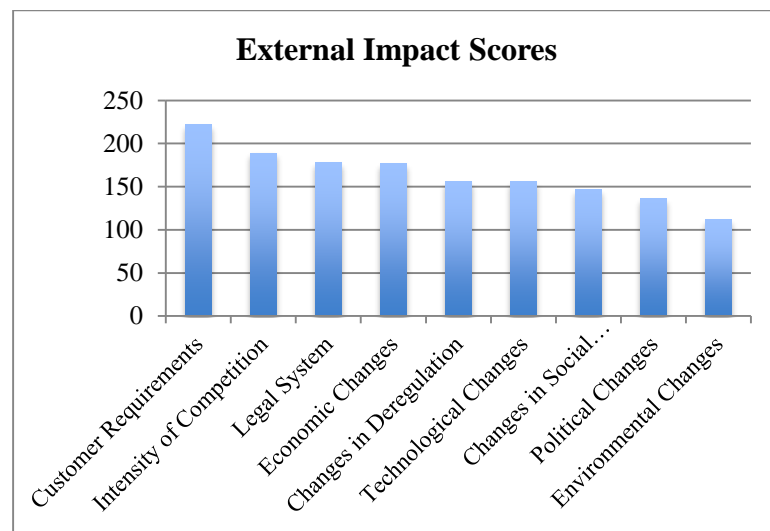


Figure 3 – External Impact Scores

The responses to interviews were analyzed against service modularity principles and classified to the following:

- 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.

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, service modularity, and nimbleness 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 (if you accept the previous change) (2010) taxonomy of classic PSFs. This study allows the authors to researcher or practicing manager interprets and defines service operational issues. The research also identifies operations

management theory, such as service modularity are being adopted in order to improve the existing service provision within the legal profession.

In conclusion, the proposed Service Modularity Model incorporates several techniques designed to respond to the ever-changing functional requirements in the existing value network of law. The research also informs researchers and practitioners of the growing opportunities for 'leaner' thinking within the legal profession, and the requirement for a more agile approach in terms of the business operations as margins are being squeezed as a result of the UK's recent deregulation and additional emerging markets.

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