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By D.M. Levine

Leap Of Faith

How much will Six Sigma pay off for Seyfarth Shaw?

Partner Lisa Damon spearheads the firm's Six Sigma work. Some 1,500 employees are expected to be trained by year-end.



It was the height of the securities boom in 2006, and Seyfarth Shaw real estate partner Andrew Pearlstein was feeling the pressure. His client, Merrill Lynch & Co., Inc., was awash in mortgage-backed securities, and insisting that the law firms working on these

transactions cut their rates. “We were doing 60–70 real estate finance closings a year,” Pearlstein says. “Our clients were these financial institutions . . . and we were getting squeezed tighter and tighter. [They were demanding,] ‘Can’t you get your fees down? Can’t you get your fees down?’ ”

At the time, securitization work was plentiful, but there was stiff competition among law firms. So Seyfarth began looking for novel ways to improve its turnaround time and cut costs on these deals. J. Stephen Poor, the firm’s managing partner, and Lisa Damon, national chair of Seyfarth’s labor and employment practice, had recently been talking to each other about Six Sigma, a method by which business processes are broken into discrete tasks and each step is carefully examined. The methodology had never been formally adopted at a law firm before, but some in-house lawyers had been using it for years.

As a real estate and structured finance lawyer, Pearlstein was an obvious choice for a trial run. Nevertheless, when his colleagues first suggested that he put the securitization process through Six Sigma “mapping,” Pearlstein was skeptical: “I thought it was going to be an annoyance in that I knew how to do what I needed to do.” Firm leaders worked with him to analyze the lawyering—breaking down each real estate deal and questioning every stage of the closing process, from when the loan first came across his desk to when the last bit of paperwork was sent out. “When we began to look at it, we started to say, ‘Okay, why do we do this at this point? And why is it that four people do the same thing here?’ ” says Pearlstein.

Seyfarth was able to reduce the number of steps involved from the mid-200s to 170. The firm was also able to bill Merrill (which passed



The core metric for judging Seyfarth's Six Sigma efforts, says managing partner Stephen Poor, is not ROI, but "client satisfaction."

farth has created three administrative positions within the firm to oversee the process. "The goal is to make [Six Sigma] part of our DNA," says Poor.

The Seyfarth lawyers argue that they've invested so much time, effort, and money

ble the amount of revenue Six Sigma work brings in every year.

Firm leaders also point to Six Sigma's less tangible rewards to measure its success. One of the core metrics for the firm "is the satisfaction of the client," says Poor. Six Sigma can "lead to a better understanding of how [clients] define value in a legal relationship, how

Six Sigma can "lead to a better understanding of how [clients] define value in a legal relationship, how to deliver that value, and, of course, how to price it."
-Stephen Poor

the legal costs along to its borrowers) 12–15 percent less on these deals. As a result, "the client became happier . . . and we got the deals done faster," Pearlstein says.

For Seyfarth, the experience proved to be a revelation. Over the next few months, Poor and Damon expanded the Six Sigma process into other practice areas, including immigration and labor and employment. Four years later, Seyfarth's lawyers have generally embraced the philosophy. They want to be known by it, and they've staked their image and reputation on the hope that the method will give them an advantage in a shifting law firm landscape.

Now every practice area at the firm uses the Six Sigma approach to varying degrees.

in Six Sigma in part because it is the right strategy for these challenging economic times. Clients have become increasingly aggressive in their demands for savings, and Six Sigma is a way of trying to do legal work as efficiently as possible.

While it may be the right sales slogan for the postrecessionary era, Six Sigma does have its limitations. For one thing, it isn't cheap. Seyfarth has spent over \$3 million to date administering and training workers on the philosophy, and budgets \$200,000–\$500,000 annually for these costs. Even with that hefty investment, Seyfarth points to just \$800,000 to \$1 million a year in savings for the law firm from applying Six Sigma techniques. (Seyfarth lawyers say that they hope to increase those savings by 50 percent in 2010.)

Still, Seyfarth estimates that \$17 million of work (3.7 percent of its \$465 million

to deliver that value, and, of course, how to price it."

LIKE A PRUDENT BUSINESS, Seyfarth began to worry about its future in 2005 while the law firm boom was still expanding. "What we all saw during that 2002–05 period was explosive growth in law firm profits," Poor says. "[But we were] trying to anticipate 'what are the next five years, what are the next ten years? What does it look like going forward?'"

At the same time, Seyfarth—a 65-year-old Chicago firm with ten offices—was also trying to differentiate itself from its Am Law 100 peers. Just around the time that pressure was coming down on partners like Pearlstein

"It's very easy in most cases to just say, 'We'll do all this discovery. We'll wait to the end [to do motion practice]. . . . And that might not always be the most efficient and best approach for a client.'"

-Lorie Almon

And by the end of this year, all of the firm's more than 1,500 employees will be trained in SeyfarthLean, as its adaptation of the Six Sigma program has come to be known. The IT staff has built a whole technological infrastructure around the ideology, and Sey-

gross revenue for 2008) was completely done according to Six Sigma. And another 10–15 percent of work was partially done under Six Sigma techniques. The firm hopes to dou-

Inspired by Six Sigma, partner Lorie Almon went looking for a cheaper, faster way to cut a client's costs.



to cut costs, Poor stumbled upon a book about Six Sigma—a business methodology started at Motorola, Inc., and made famous in the 1990s by Jack Welch, former CEO of General Electric Company. Seyfarth had clients who'd been using Six Sigma for years, and Poor and Damon started having conversations with them. Poor says, "The reaction we largely got from clients was, 'It's about time. We've been doing this for a while, and we've never quite understood why the law firms don't do this.'"

Traditionally, law firms measure productivity by how many hours an attorney can bill—the more hours, the more "productive" that person is. Six Sigma upends that idea. "[Six Sigma] is contrary to the basic precept of law firms," says Wes Blumenshine, associate general counsel at Caterpillar Inc. "Most lawyers want to make use of their time and bill their clients. And they're compensated on the basis of billable hours and not on the basis of reducing costs." Blumenshine was one of the in-house lawyers Seyfarth attorneys consulted about Six Sigma in 2006; the manufacturing giant has been using the method for years. At the time Seyfarth was, and still is, Caterpillar's national employment counsel, doing employee-related counseling and litigation for the company. Blumenshine says that he can't estimate the net savings Seyfarth has achieved for Caterpillar through the firm's use of Six Sigma, because the body of work varies so widely from year to year. But "presumptively they do things better than they used to, and that results in fewer hours billed and lower cost to us," Blumenshine says.

He says that finding these efficiencies can "endear you to that client, and then the client will use you for that work and other work." But, Blumenshine adds, "there is some leap of faith there."

That leap also applied to Seyfarth's partners. When the firm's leaders started preaching the gospel of Six Sigma, "We had partners say, 'Are you out of your mind? You can't

do it this way. This is magic. There's an art to this,'" says Poor. He acknowledges that there remains resistance at the firm among lawyers who don't want to change their ways.

Seyfarth was able to adapt Six Sigma to much of its work because of the nature of its core practice areas—real estate finance, immigration, and labor and employment—involve somewhat repetitive legal tasks. "If you look at legal work and law firms as a pyramid, at the very top are firms [that engage in complex, big deals]. . . . They get \$1,000 an hour to do that work. And Seyfarth is not one of those firms," says Arthur Don, a partner who left the firm last September for Greenberg Traurig. "And then you go down a line where you need really skilled people who have a good knowledge of the law . . . [and] a good enough quantity or repetition of work to justify [something like Six Sigma]. As early adopters, Seyfarth was adroitly selecting areas where, because of billing pressures and because of the volume of work and repetitive tasks, Six Sigma worked for them."

Lorie Almon, co-managing partner of the firm's New York office, says using Six Sigma paid off for a wage-and-hour case she settled for a large service company last year. The suit was a collective action brought by employees alleging that the company wrongly exempted them from overtime. Almon teamed up with a litigation project manager—an internal Seyfarth administrator trained in Six Sigma. She and the project manager process mapped parts of the case looking for strategic advantages. One area of leverage was segmenting discovery, attacking it in blocks. Almon decided to try to persuade opposing counsel to limit discovery and go into motion practice as soon as possible. They agreed, and her team conducted full discovery on just a third of the more than 4,000 plaintiffs. The reduced discovery helped cut the costs for Seyfarth's client "by about a third," says Almon. Ultimately, she adds, the case was settled favorably for her client on the basis of what was uncovered in the streamlined discovery process: "It's

very easy in most cases to just say, 'We'll do all this discovery. We'll wait to the end [to do motion practice]. . . . And that might not always be the most efficient and best approach for a client.'"

Word has spread of Six Sigma's benefits to potential new clients. David Allgood, general counsel of Royal Bank of Canada, is not a Seyfarth client yet, but he has sent the firm a request for proposal for business litigation for the bank. He's seriously considering hiring Seyfarth, in large part, he says, because of the efficiencies they've promised. "I'm not expecting that [Seyfarth] is going to cut my bills in half," says Allgood, "I want to explore it more, because I think there's some potential significant savings in getting this stuff done."

Seyfarth's use of the technique has also brought lost business back to the firm. "We used Seyfarth a decade ago for some litigation and moved away from them because they were not efficient," says Jeffrey Carr, general counsel of FMC Technologies, Inc. Recently FMC put Seyfarth on its preferred provider list for litigation counsel. "The reason we chose Seyfarth was because of its Six Sigma approach," Carr explains.

Client testimonials are all well and good. The key questions moving forward, though, are whether Seyfarth's Six Sigma-induced savings will be bigger than they are now, and ultimately, whether the firm's rebranding as SeyfarthLean will prove worth the effort two or three years down the line.

Poor admits that this is a topic of concern. "We tend to get very excited [at Seyfarth], and we talk in terms of absolutes, and we talk in terms of 'this is great,'" says Poor. "There's nothing absolute about any of this. The last thing I want to do is overstate where we are, or that this is a perfect solution." But for Seyfarth's Six Sigma clients, efficiency may trump perfection.

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