

Stratpol

ADVISORY SERVICES

Strategy, Innovation and Public Policy.

Meaningful Measures for Managing Law Firm Success

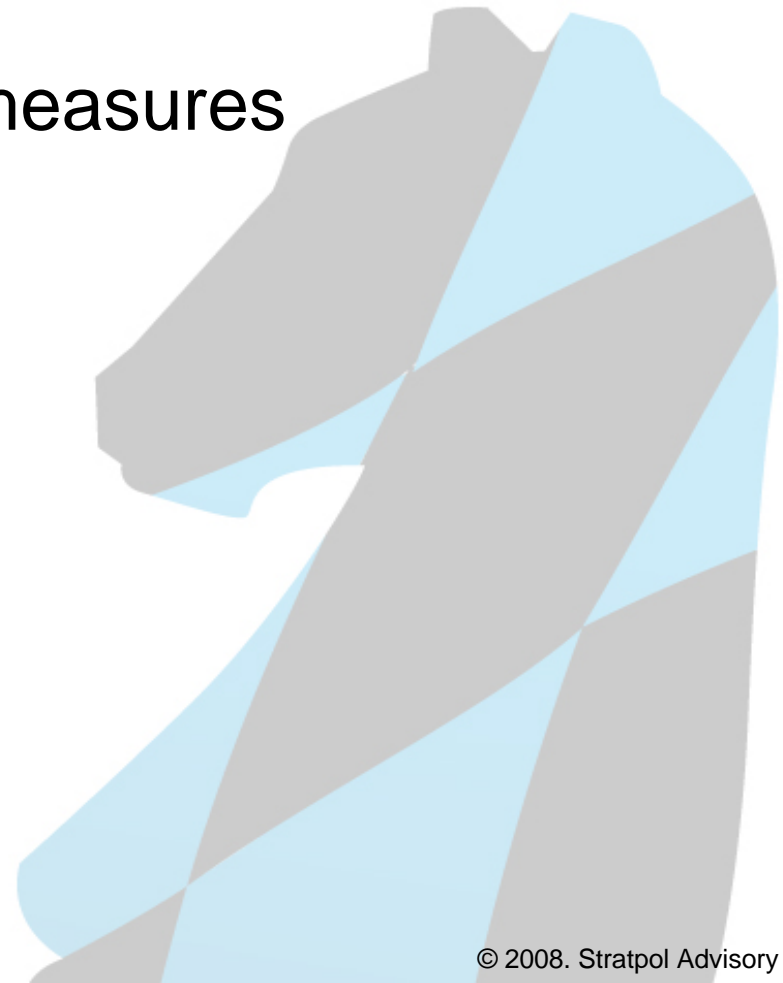
Balkan Legal Forum, Sofia
November 5-7th 2008

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- What performance measures? Your views
- PEP and other traditional measures of performance
- Alternative/ complementary measures
- What next?



What is your experience of Measuring Law Firm Success?



- What performance measures do you currently use?
- Are these appropriate and sufficient in helping you understand and plan the long-term sustainable success of your firms?

To understand the context of your operations better, we conducted a survey prior to the conference focusing on:

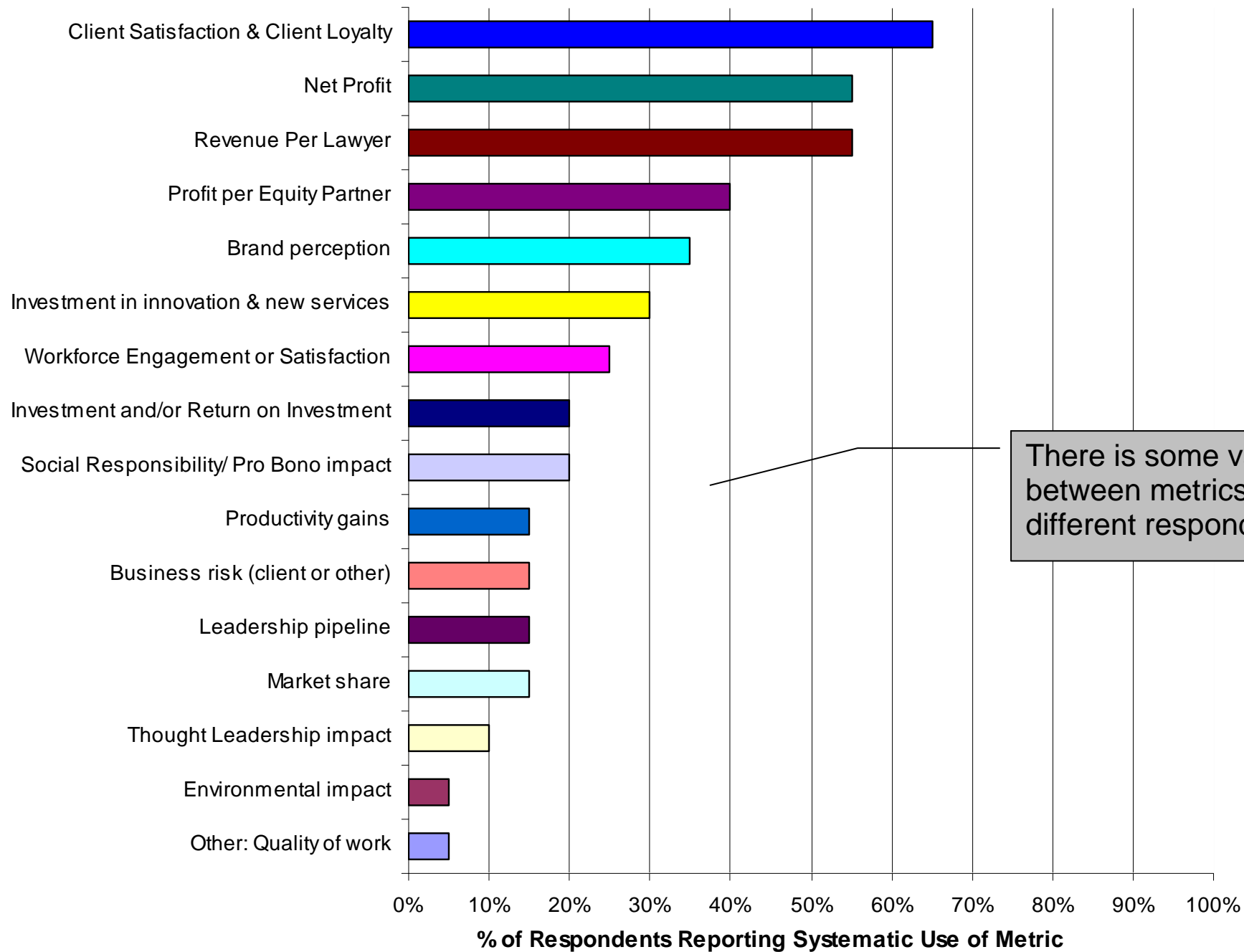
1. What measures of success do you currently use?
2. What measures would you *like* to use?

IF YOU HAVE NOT VOTED YOU STILL CAN – WE WILL SEND OUT THE FINAL SURVEY RESULTS IN 1 WEEK

Survey Responses: Measures you *currently* use



1. Which of the following performance measures does your firm track over time?

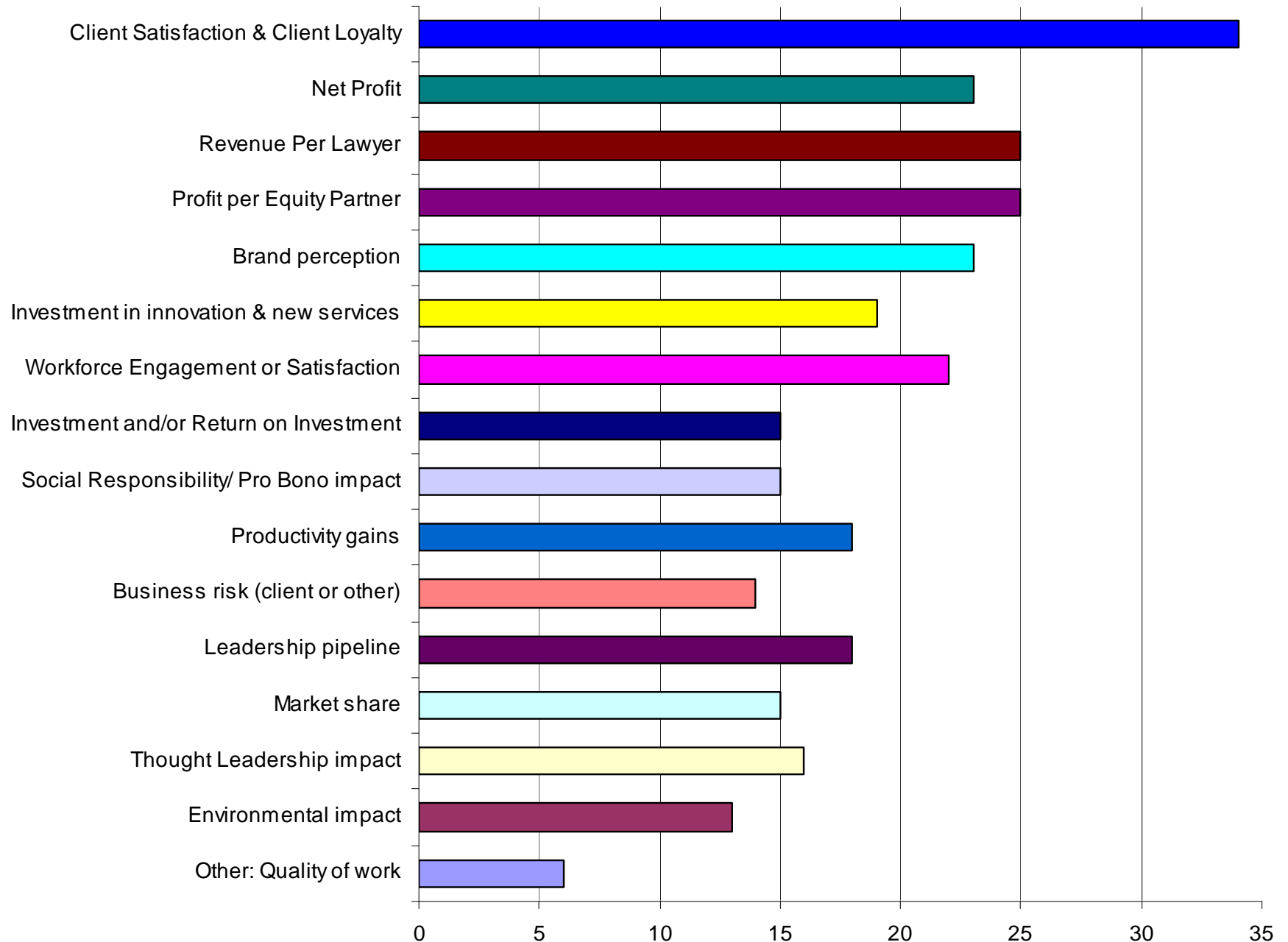


There is some variation between metrics used by different respondents

Survey Responses: Measures you would *like* to use

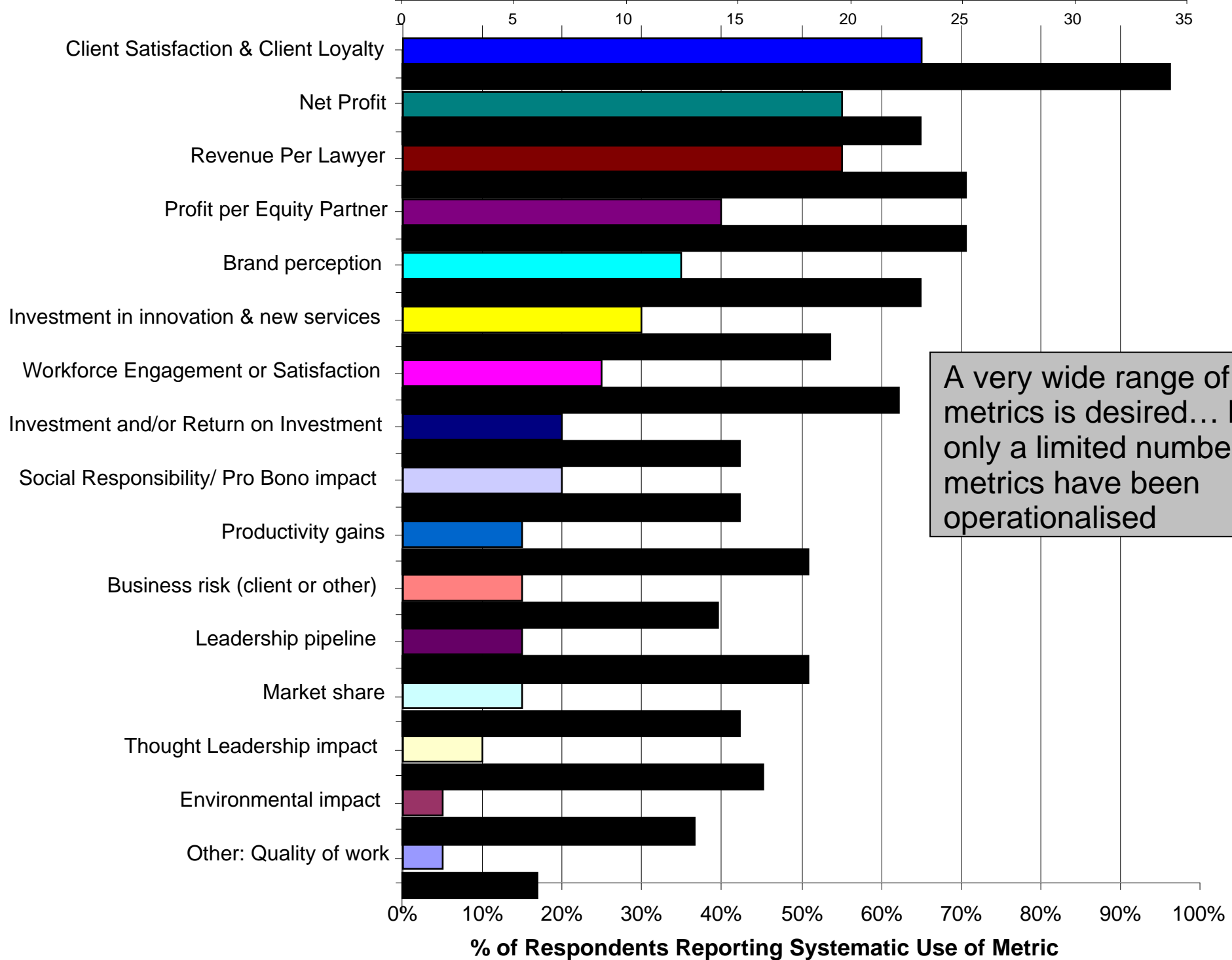


2. Potentially how important is each of these metrics to your firm?



"Sum of Preferences" Score (Very Important = 2; Somewhat Important = 1; Not Important = 0)

Sum Preference Score for Metric Type

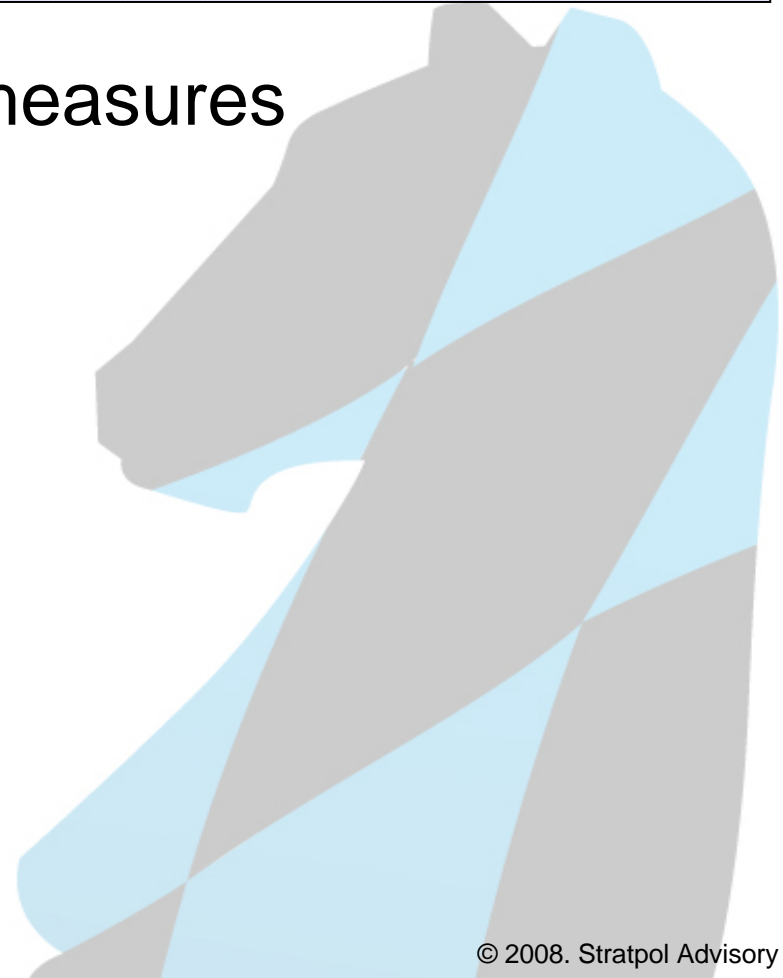


A very wide range of metrics is desired... but only a limited number of metrics have been operationalised

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Why is PEP insufficient ?



The usefulness of PEP (Profit per Equity Partner) is being questioned by many as a reliable *standalone* measure of success:

Is a high PEP due to

- Booming markets
- *Unsustainable* exploitation of workforce
- Gaming of numbers and equity base
- Genuine success

May motivate short-termist approach:

‘If our PEP is lower than XYZ, then we are investing too much?’

It is not useful to management

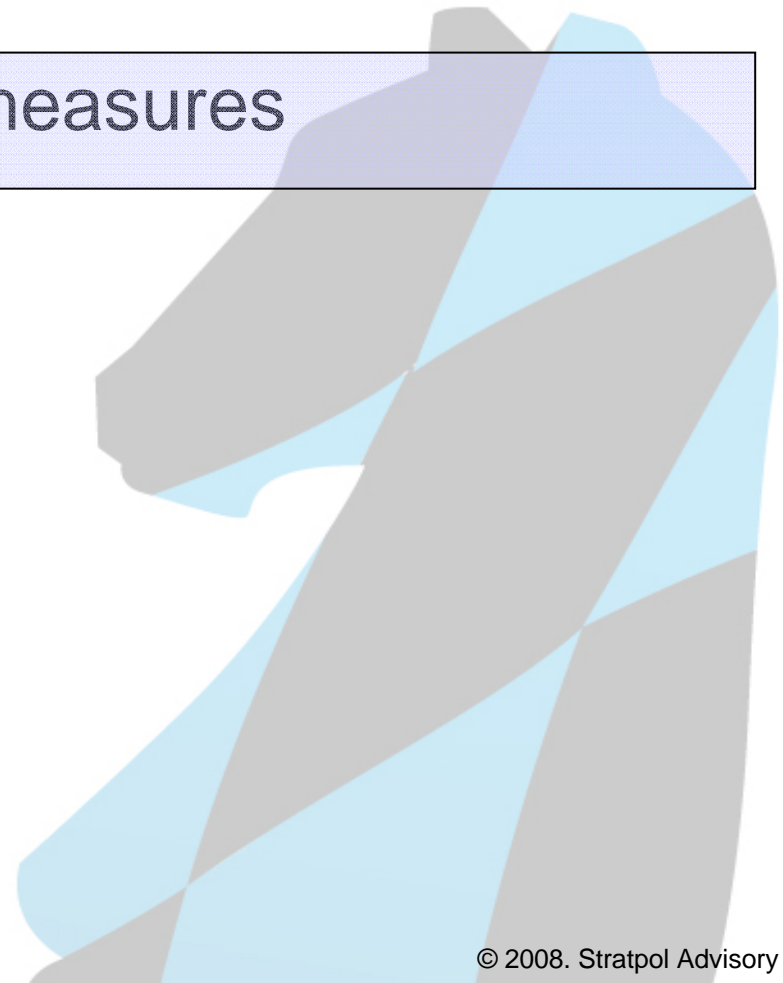
“Our PEP is down” - So what? What actions do you take?

But you can act on findings such as

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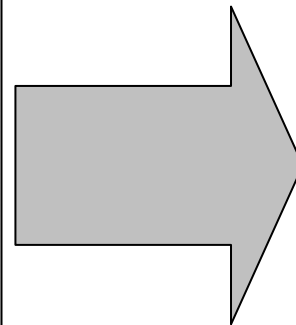
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Why do you need a broader set of measures



- A more objective assessment of a firm's economic and social health
- More accountability and transparency for external stakeholders
- Actionable intelligence: timely information that can help you make the right decisions at the right time



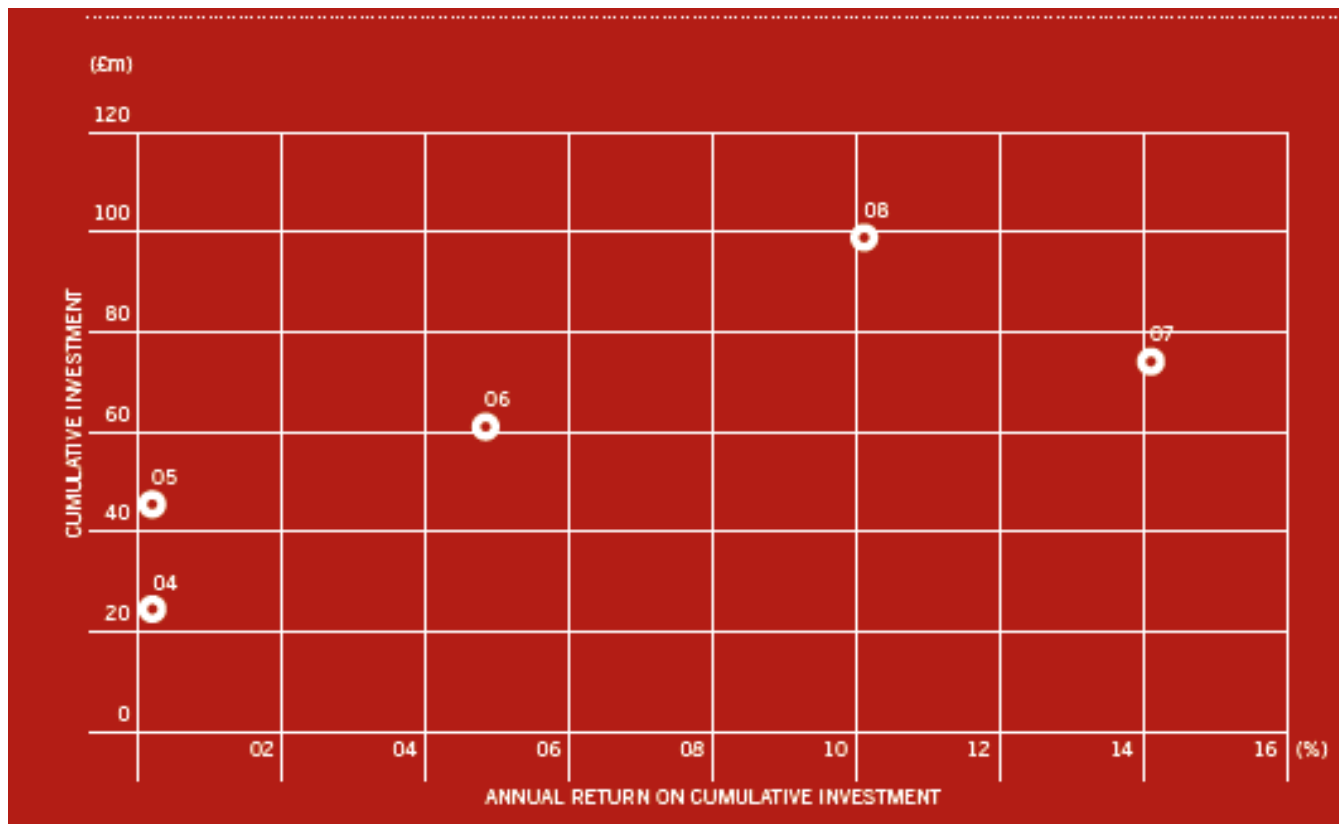
Successful investment and management across all these areas is eventually translated in **financial success**

Measuring Strategic Performance



Measuring the investment returns on major strategic direction allows the firm to decide whether past decisions are paying off, or if it should change

Example: Cumulative Investment vs. Annual Return on Investment in New Geographical Locations



Other areas that can be measured:

Major business development campaign on new clients

Entry in new sector

Investment in acquisition of a firm

Tracking return on lateral acquisitions

Source: Allen & Overy Annual Statement 2008

Measuring People Investment & Performance

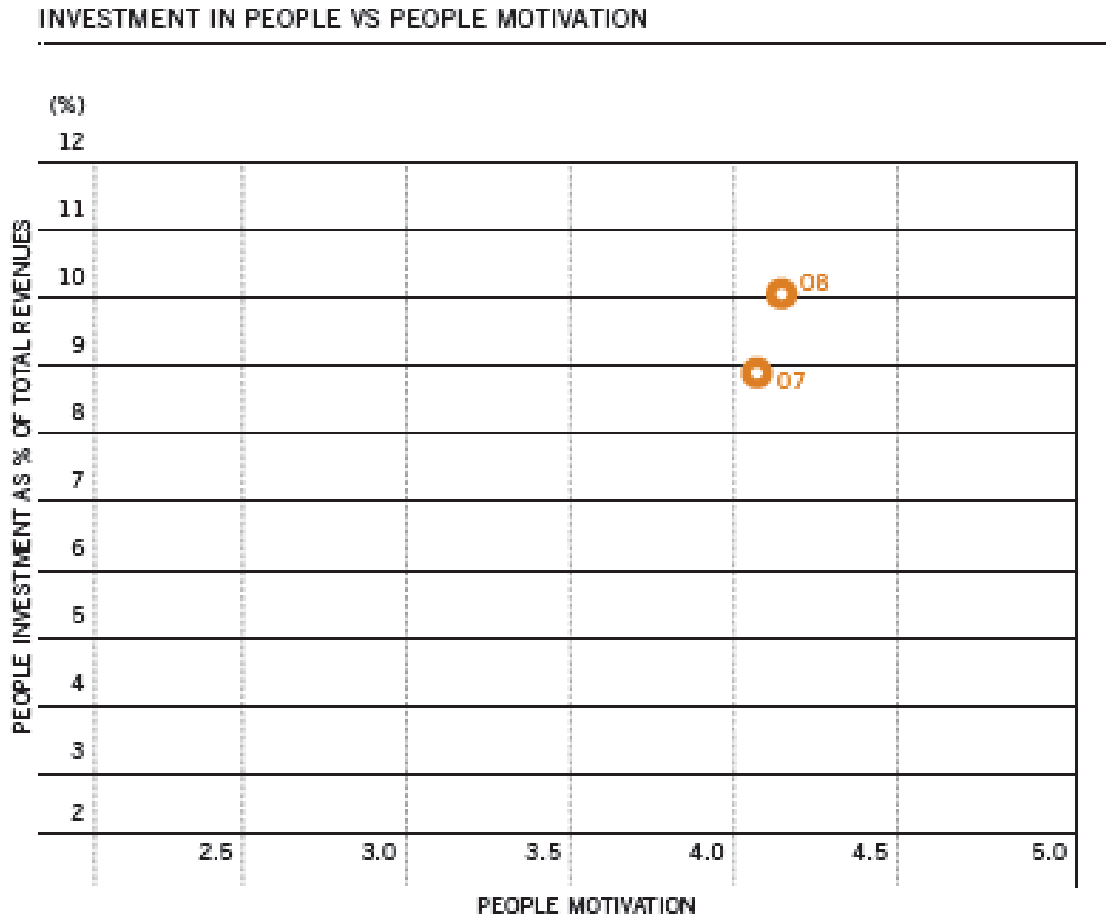


Your fee-earners' and support staff's positive engagement with the workplace is a critical factor of your long-term success

But how can you systematically track
How much is *too much* or *not enough*

People Investment = resources spent on training, mentoring

People Engagement =
Measuring workplace attitudes, organisational culture, likelihood of leaving and *management's* ability to communicate with the workforce



Source: Allen & Overy Annual Statement

Client Focus

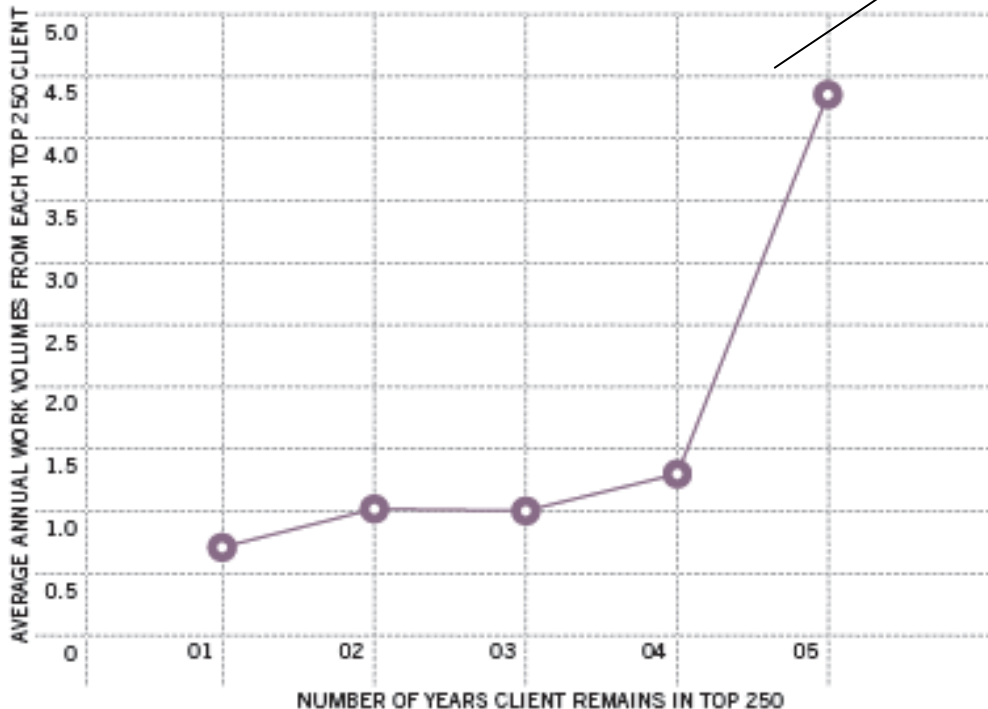


Instinctively it is difficult to discriminate between clients: even-handedness is part of the ethos of the legal profession

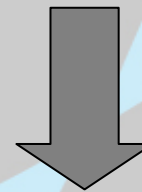
But serving your clients well often requires such trade offs...

To better understand your client dynamics, it is important to understand who your core clients are...

AVERAGE TOP 250 CLIENT WORK VOLUMES VS YEARS IN TOP 250



Research suggests that the more time clients stay in your 'core', the better service you are able to provide: translated into higher volumes of work



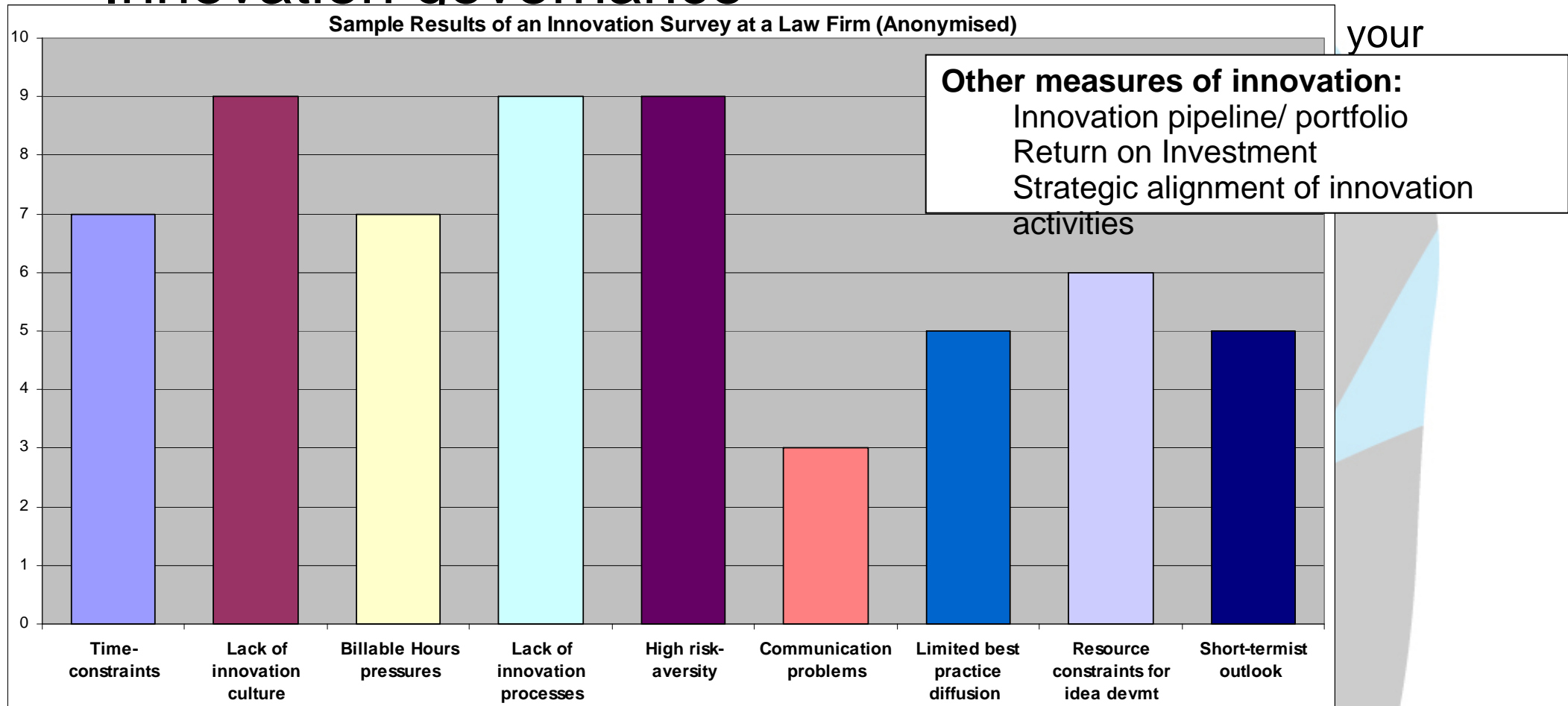
But that may require a conscious focus on managing your client base size: Client Long-tail Management

There are ways you can do that without alienating clients

Measuring Innovation



- Innovation is not an aim in itself; it is a means to delivering to your strategic objectives: a need for context specific measures
- Innovation governance

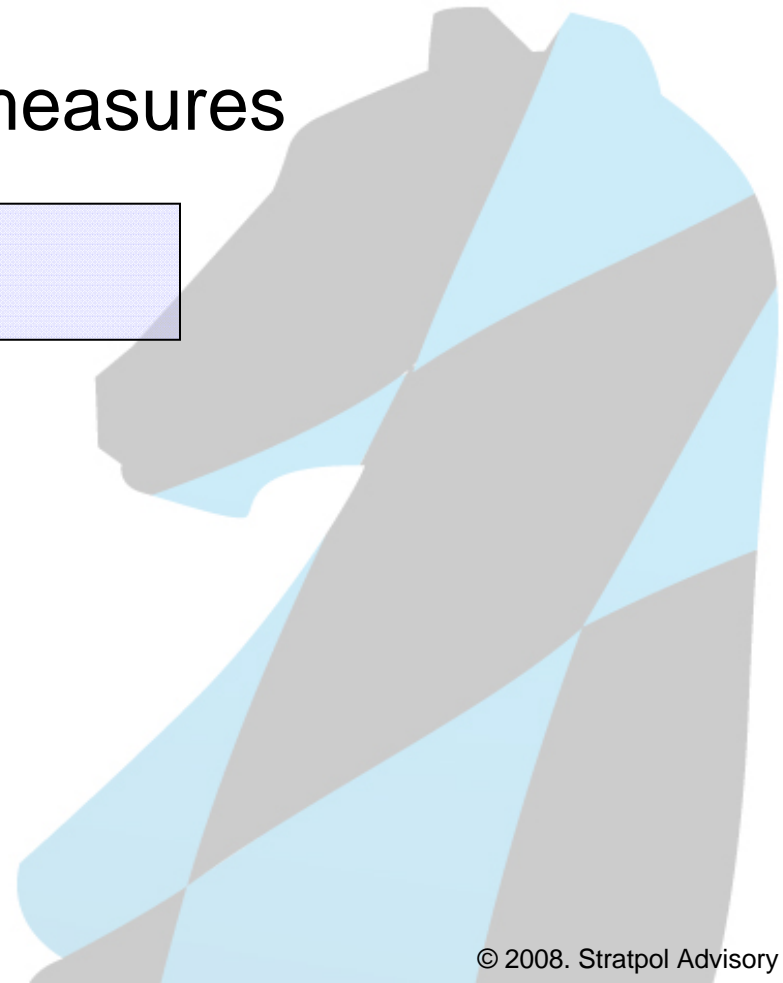


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What next? Key steps toward implementing a comprehensive performance measurement system



- **You get what you measure:**
 - Whatever measures you choose, these must make sense in terms of your strategic objectives
 - We have identified 200+ metrics that may be used, but what is the subset of 10 – 20 metrics make sense for you?
- **Involve your partnership, it is not *only* a Financial Director's job**
 - Some of the earliest value you will get is through the dialogue and debates that definition of measures will stimulate
- **Involve your internal and external stakeholders**
 - Developing meaningful metrics is a key opportunity to take into account stakeholder interests – and communicate the firm's commitment
- **Communicate your initiative to the outside world**
 - Even if you do not get it right the first time: clients and the profession are likely to welcome your efforts

The End



Thank you for your time

Please contact me with any further questions:

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Or go to our website for more details



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