



The Strategic Mind

The Influence of Administrators on
Law Firm Profitability

ALA Region 6 Conference

Session FM02

October 22, 2011, 8:15 – 9:30

The Cosmopolitan of Las Vegas

Your connection
to knowledge, resources and networking



Your Speakers



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**Co-founders –
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Agenda

The Strategic Mind: The Influence of Administrators on Law Firm Profitability

Introduction

Your Challenges

Internal & External Financial Data

Key Performance Indicators

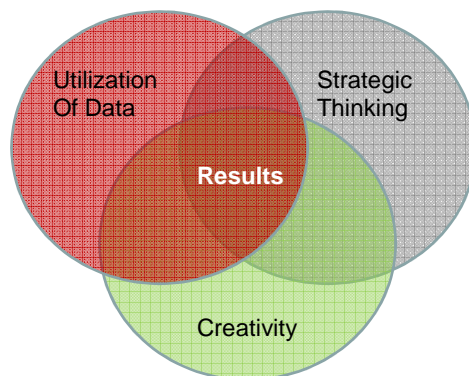
Presenting Financial Information

Drawing Strategic Conclusions

Influencing Behaviour

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Your Challenges




- Your name
- Your firm name, location, size
- Your role
- One current challenge or question you would like addressed today



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Internal Data



Most Law Firms.....

- Track their progress in 3 key areas
 - Productivity
 - Marketing/BD
 - Financial
- But for many law firms....
- *“Our only benchmark is our own past performance.”*



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External Benchmarking



For many firms "our only benchmarking is our own past performance".

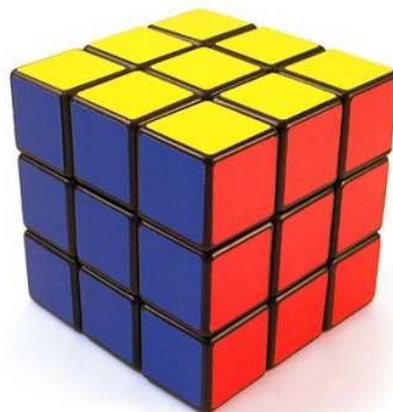
- External data from
 - Anecdotal surveys
 - ALA Chapter surveys
 - Legal network surveys
 - External provider surveys



Why gather data?



- Informed decisions
- Gut check
- Create urgency



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Key Performance Indicators, must



Be quantifiable

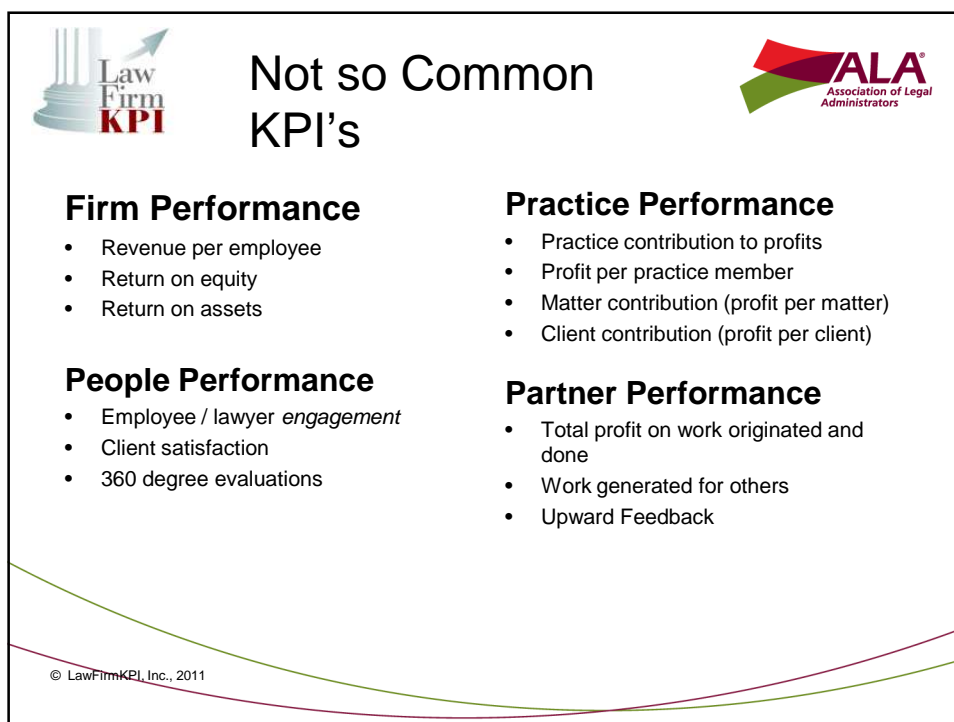
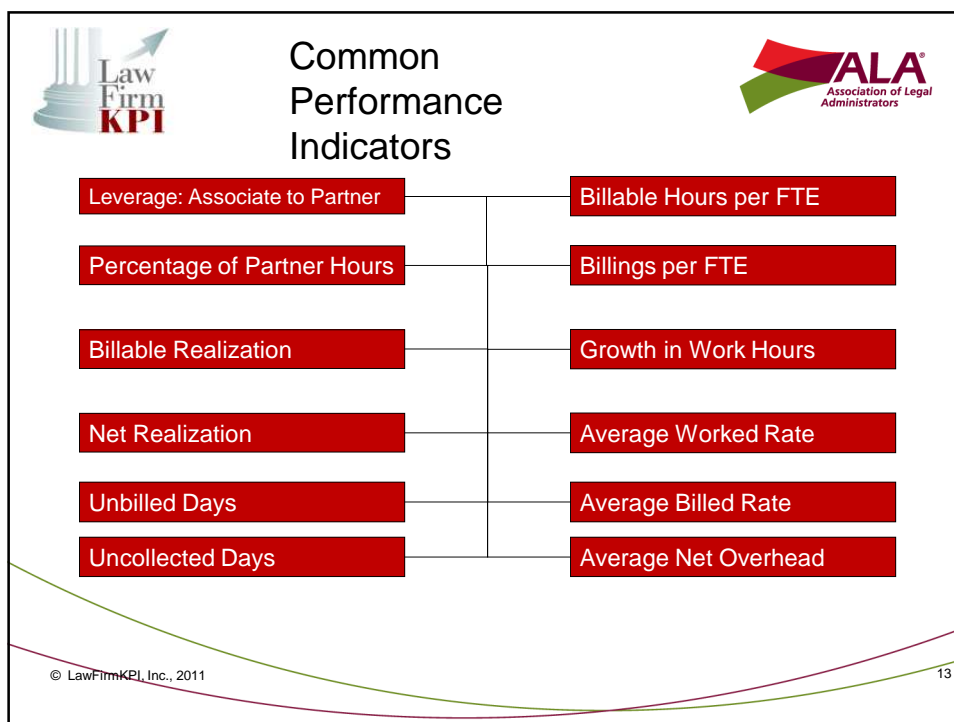


Reflect the firm's goals



Be key to your success

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Creating a Useful Dashboard



- Focus on what is important.
- Keep it *Simple*.
- Make sure your partners understand it.



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Presenting Financial Information



- Numbers
- Words
- Pictures



Consider your Audience



Charismatic



Sceptic



Follower



Thinker



Controller

*Who is your managing partner?
Who is on your management committee?*

Source: *Change the Way You Persuade*, Gary A. Williams and Robert B. Miller, HBR, May 2002



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Average Affective Rate



Situation: this KPI is increasing...good or bad?


Good

- Actual billing rate / standard hourly rate for each timekeeper category
- Average affective rate for associates is increasing
 - They are doing good work
 - Partners are not writing off their time
 - Quality is increasing
- Average affective rate for partners is increasing too
 - They are pushing work down to associates
 - Partners are doing partner-level work
 - Quantity and quality is increasing

Bad

- Partners may be writing off associate and paralegal time and then, billing their own time at full rate.
- Result – Average Affective Rate goes up
- *To find out more*
- Is there a discount at the point of billing?
- How do you find out?
- Actual billing rate / standard hourly rate for each timekeeper category
- The average affective rate for partner (s) may be increasing
- The average effective rate for others may be decreasing



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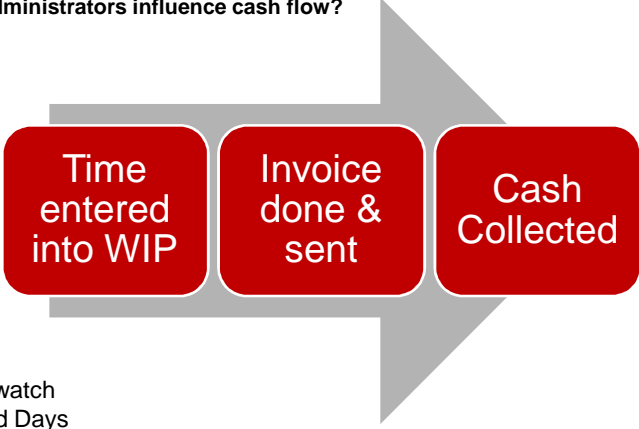
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Lock up

How can administrators influence cash flow?



- KPI to watch
- Unbilled Days
- Uncollected Days



Percentage of Partner Hours



If this KPI is increasing...

Characteristics

- Partners hoarding work
- Not enough work
- Lack of depth
 - Not the right people, at the right level to do the work
- Dysfunctional practice group
 - Don't share work
 - Don't keep associates challenged
 - High associate attrition
- Eat what you kill compensation system
- Partners are working harder not smarter

Strategies for Change

- Reward partners for work delegated
- Focus on developing new business
- Put one partner in charge of training and development of associates
- New leadership
 - Monitor workload in the group
 - Hold partners accountable
 - Exit interviews with every associate who leaves
 - Interviews (perhaps external) with every associate in the group

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Law Firm KPI

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