



Key Performance Indicators for Canadian Law Firms

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Introduction

Creating a Useful Dashboard

Common KPIs

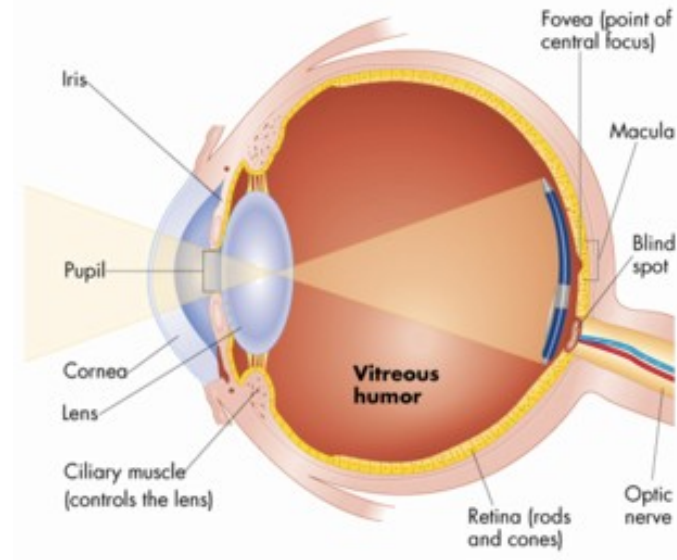
Exploring Behaviours behind the Numbers

Learning from 2010 Canadian Survey

Not-so-Common KPIs

Creating Meaningful Financial Data for Canada

Introduction



Key Performance Indicators



Most Law Firms.....

Track their financial progress

- Billings
- Cash receipts
- Hours
- Client retention
- Attrition
- Growth



But for many law firms....

“Our only benchmark is our own past performance.”

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Creating a Useful Dashboard

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



Key Performance Indicators, must



Be quantifiable



Reflect the firm's goals



Be key to your success

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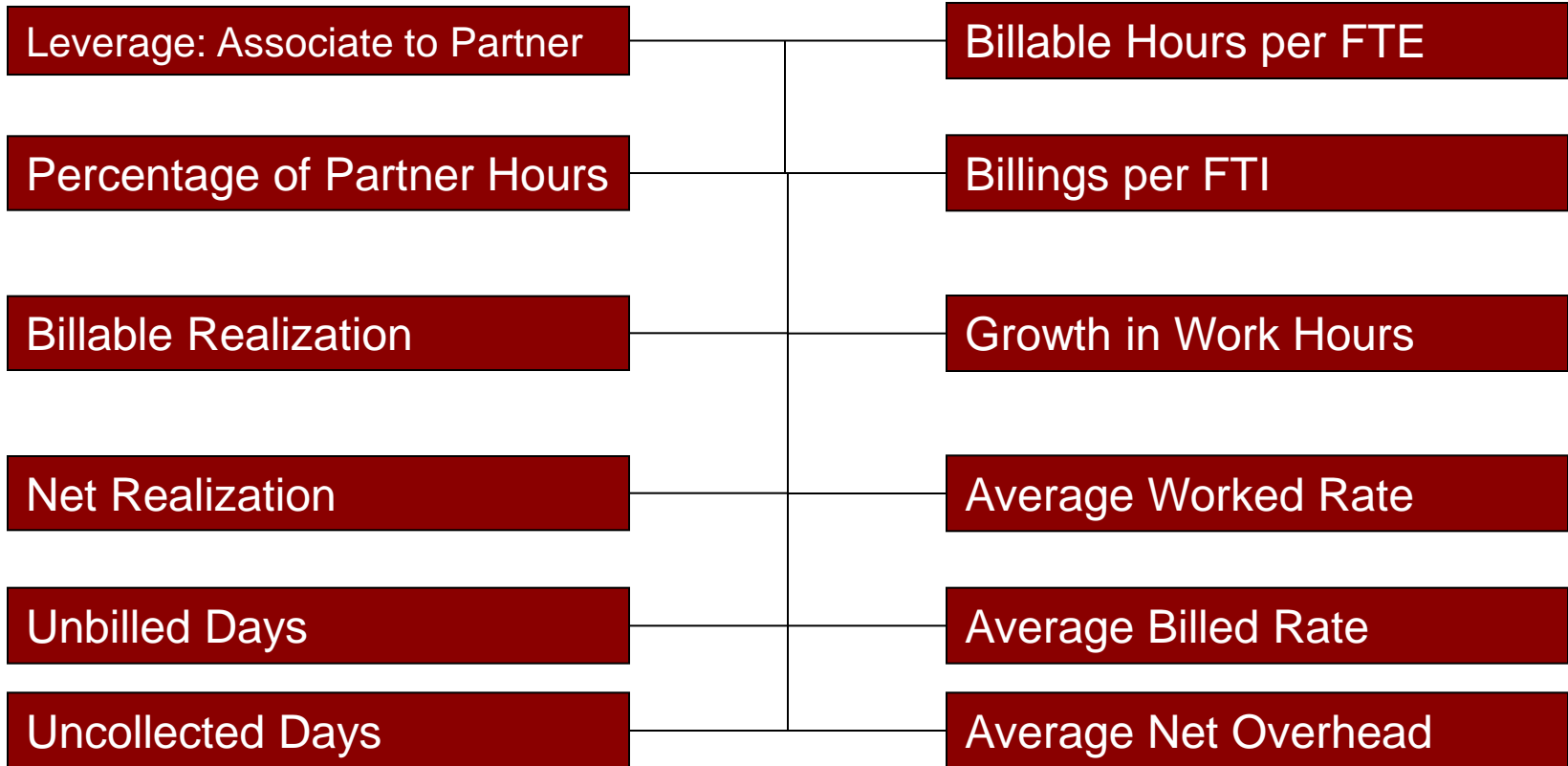
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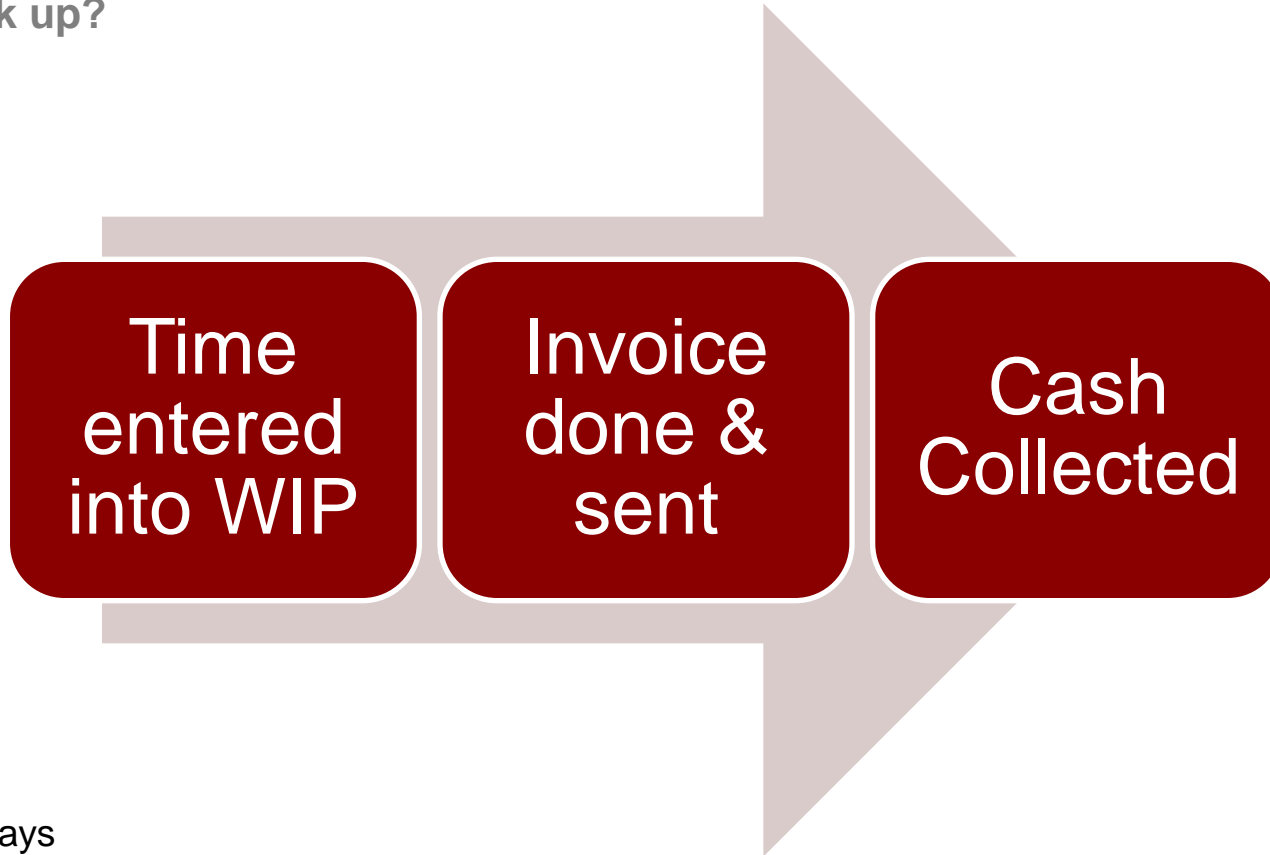
Common Performance Indicators



Lock up



What is Lock up?



KPI to watch

- Unbilled Days
- Uncollected Days

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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

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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Sample from Canadian Beta



“Our only benchmark is our own past performance.” Not anymore!

KPI	Weakest	Median	Average	Strongest
Average Net Overhead	\$277,117.60	222,145,.06	210,276.55	119,698.50
Percentage Partner Hours	59.81%	38.54%	36.66%	9.72%
Uncollected Days	129.08	87.31	87.45	46.10

- Overhead impacted by location and sound management
- Percentage partner hours impacted by leverage
- Uncollected days impacted by attention, management and client relations

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Not so Common KPI's



Firm Performance

- Profits per employee
- Profits per share/unit (in excess of some set amount of partners' salaries)
- Return on equity
- Return on assets
- Employee / lawyer satisfaction (internal on-line anonymous survey)

Practice Performance

- Practice contribution to profits
- Profit per practice member
- Matter contribution (profit per matter)
- Client contribution (profit per client)
- Client satisfaction (both firm and 3rd party meetings)

Partner Performance

- Profits per practice
- Total profit on work originated and done
- Work generated for others
- Client satisfaction
- 360 degree evaluations



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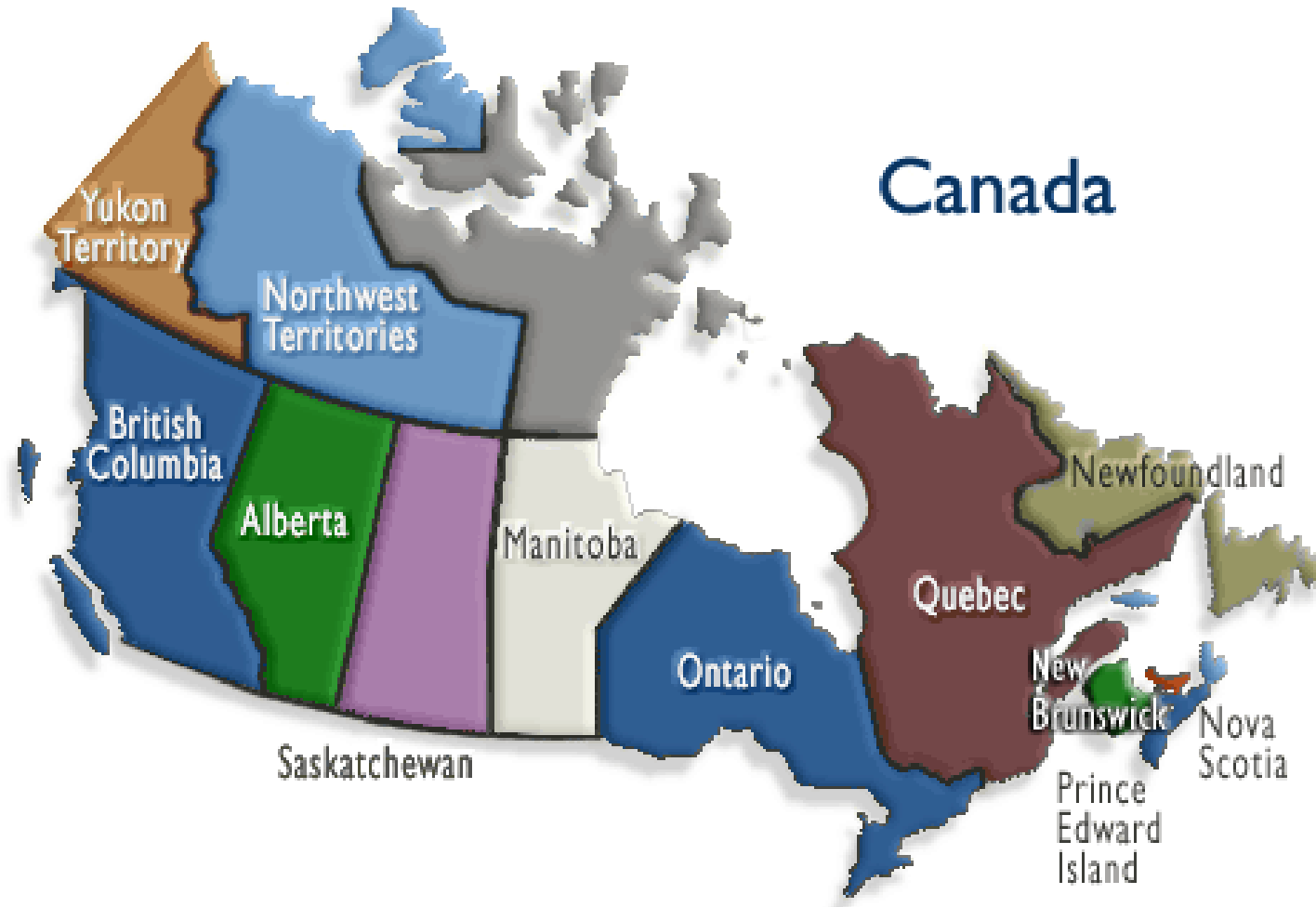
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Creating Meaningful Financial Data for Canada

Focused on building meaningful data.



Who is behind LawFirmKPI, Inc.?



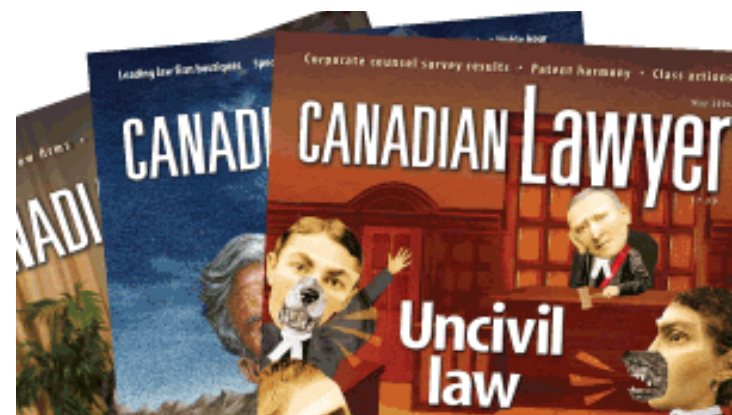
No one serves the complete intelligence needs of the Canadian legal profession segment that this survey is aimed at any better than Canadian Lawyer Magazine.

LawFirmKPI, Inc. is therefore very pleased to advise that it has entered into a promotional support arrangement with Canadian Lawyer Magazine to increase the awareness of, and resulting participation by Canadian law firms in the survey.

This increased participation will only further strengthen the quality of Benchmarking information being produced for participants' use.

In turn, LawFirmKPI, Inc. will produce an article on the combined results of the 2011 survey exclusively for Canadian Lawyer Magazine which, while discussing the findings will in no way identify participating firms nor attribute the results to specific firms.

Thank you!





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March 2, 2011

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