

Measuring and Reporting for Law Firm Success

PETER SCOTT AND RICHARD WYATT



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Executive summary

*'Information is a source of learning. But unless it is organised, processed and available to the right people in a format for decision making, it is a burden, not a benefit.'*¹

THE GENESIS for this report has been the increasing awareness by the authors that often only inaccurate and inadequate information (or no information at all) is generated or available to firms for critical decision making, particularly at a time when legal markets are becoming more competitive.

Based on experience of working both within and for law firms, the authors of this report have established that commonly, law firms:

- Do not capture what they need to in order to produce the requisite information for decision making;
- When they do capture the requisite information, they do not adequately (or at all) analyse and assess that information; and
- Do not organise and make available that analysed and assessed information to those in their organisations who need it for decision making.

The impact of such poor financial and information management and subsequent poor decision making can affect both the profit and productivity of a law firm. The purpose of this report is therefore to provide

practical guidance to those in positions of management in terms of capturing facts and other valuable information relating to, or impacting on, their firms. Readers will learn how analysing, assessing and reporting on that information can enable their firms to gain competitive advantage. Wherever possible, the authors draw on examples of measurement and reporting to illustrate key points. The nature and importance of 'being competitive' in future legal markets is also discussed in each chapter of the report.

This report, while aimed at a relatively broad law firm audience and large law firms, is also relevant for mid-size firms where the need for critical financial and management information can most often be identified, given the relative lack of resource and expertise available to such firms.

Chapter 1 highlights the challenges law firms face in relation to the critical areas of law firm management. The importance of managing these areas cannot be overstated and which, in legal markets in the future, will be essential for gaining and maintaining competitiveness. The role and purpose of measuring certain types of information pertaining to a law firm is explained, and the relevance of analysing that information discussed. Useful guidance is also provided on reporting to those who need that information.

Chapter 2 considers how law firms need to access all relevant information in order to enable their managers to make strategic decisions and establish their firm's direction.

This chapter covers not only the capture and analysis of information relevant to a firm's overall strategic direction, but also analyses other key areas, such as how to measure and use information necessary for support infrastructure planning, particularly technology and knowledge management, which are today required if lawyers are to be provided with the necessary tools to operate as effectively as possible.

Chapter 3 looks at the risks a law firm faces and the overriding need at all times to manage those risks. Managing the risks to the business should take priority to ensure not only a law firm's survival, but at the same time, to build 'quality' into a firm's client service and support infrastructure, to gain competitive advantage. Risks to a law firm cannot, however, be managed adequately unless such risks are first identified, assessed and reported on. This chapter looks at how these processes can be managed in a practical way.

Chapter 4 considers how the measurement, analysis and use of information relating to markets and clients can mean the difference between a law firm successfully developing its client base and one which fails to do so. Experience, however, shows that for some lawyers, perceptions are more important than facts, and that the information required to achieve success is often not captured accurately, sufficiently analysed, or effectively used.

Chapter 5 looks at a firm's greatest asset: its people, and the need to ensure that their performance is aligned with achieving their firm's strategy. Measuring performance and providing feedback to staff is a critical part of enhancing performance standards. However, it can be one of the most difficult and contentious areas of law firm management unless performance measurement is based around

agreed realistic and transparent criteria and standards. Performance is increasingly linked to reward, and successful reward structures depend on fair, accurate and objective measurement of performance and contribution, and the alignment of those reward structures to achieving a law firm's competitive goals.

Chapter 6 provides guidance on financial management, which underpins a law firm's ability to develop and remain competitive. The common misconception of capturing only raw financial data (often inefficiently) is discussed in relation to poor decision making and the impact this can have on achieving a competitive edge. However, capturing and providing access to key financial information that pertains to each aspect of the business is essential for law firm success, and this chapter provides guidance for readers tasked with identifying, extracting and analysing such information.

Reference

1. See: American physicist and Episcopal priest William Pollard. <http://www.goodreads.com/quotes/136702-information-is-a-source-of-learning-but-unless-it-is>.

About the authors

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Peter, a solicitor, was Managing Partner of Eversheds London and European offices for eight years until 2000. He is an advisor, trainer and coach to many law firms in the UK and abroad in relation to their financial, strategic, risk, compliance and business development issues, with particular focus on helping clients to improve their competitiveness through effective performance management.

Peter is the editor of The Law Society's *Practice Management Handbook*, now in its 2nd edition, and a member of the editorial board of *Legal Compliance Bulletin*, published by the Law Society. He is a frequent speaker at conferences for lawyers and other professionals, and his articles are published in a number of well-known legal and other professional journals. He circulates to his wide client and contact base a monthly 'Briefing Note' on topical issues which can be viewed on his website: www.peterscottconsult.co.uk. He is also a consultant with Penningtons Solicitors LLP.

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He has contributed to a number of books, most recently *The Future of Legal Services: Expert Analysis UK 2nd Edition*, has spoken at a number of conferences, and regularly lectures at the Law Society, including teaching the finance section at the Management 1 course for recently qualified lawyers. His style is challenging and entertaining and he puts energy into everything he undertakes.

Richard is married with two sons. He is a cricket coach and plays regularly, and tries to play golf and tennis too.

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