

THE WORKPLACE HAS EVOLVED

IS YOUR FIRM KEEPING UP?



PerformLaw



The workplace has forever changed.

The COVID-19 pandemic has taught us many lessons. Regardless of industry, we have learned that businesses must stay ready for disruption, be open to change, and be willing to accept new ways of operating.

Because law firms are typically slow to adapt, these lessons came hard for many in the legal industry. When the pandemic hit, many firms were unprepared to navigate the challenges resulting from a drastic shift in people management and operations.

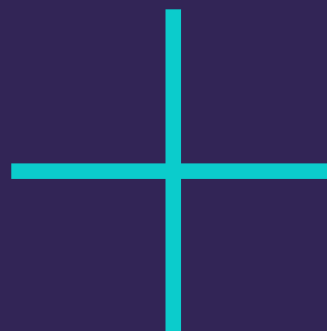
While we have learned a lot, firm leaders still struggle to make strategic adjustments in the pandemic-influenced workplace. Many find it challenging to decipher which industry trends are temporary and which are here to stay.

A long-term strategy that considers industry-wide developments is key to positioning your firm to thrive in the future. This strategy should address:

- mastering people management,
- learning to use tools and resources to optimize workflows, and
- utilizing data analytics to measure and adjust performance.

Knowing how to do these things will keep your firm competitive, innovative, and ready for the future.

In an evolving workplace, what can law firms do to create a sustainable future ?



External Influences & The Priorities Of The Modern Workforce

Firm leaders must stay on top of managing the ever-evolving, modern workforce and consider all the dynamics that influence *how* we work, *when* we work, and *where* we work. External economic, social, and technological developments beyond our control indirectly impact the organization, whereas internal operations directly have a controllable direct impact. Both macro and micro-level forces influence the behaviors of the people in the firm.

The pandemic turned out to be the catalyst that pushed the momentum of macro-level developments while simultaneously bringing micro-level nuances of the traditional law firm's work environment to the forefront of the legal workforce's attention. Many have started to seriously evaluate how they live, carefully consider where they choose to work and push for their work experience to be more attuned to lives they want to cultivate, where authenticity, autonomy, and balance are respected.



MACRO LEVEL INFLUENCES

Macro-level factors such as economic, social, and technological developments are uncontrollable external forces that indirectly impact an organization or business.

As the economy recovers from the impact of the COVID-19 pandemic, the workforce has strengthened. However, with rising costs of living, wages are losing value, leading people to seek higher compensation. The shortage of available workers to fill job openings has empowered workers engaged in salary negotiations. At the same time, firms face higher operating costs and strained budgets. We see many firms scrambling to reconfigure their financial models to stay competitive in the compensation market to meet the demands of the workforce.

We are living in an era of significant social restructuring. Social movements are flowing into the workplace; these movements are no longer “social interest” or “political views” that can simply be barred by the human resources department. Diversity, equity, and inclusion initiatives have become serious priorities in the workplace as employees demand respect for their authentic selves, and companies learn to acknowledge differences and create space for the needs and perspectives everyone brings to the table. While many industries are shifting toward being intentionally active in DEI, many law firms remain unengaged or superficial in creating and supporting such initiatives.

MACRO LEVEL INFLUENCES

While many industries are shifting toward being intentionally active in DEI, many law firms remain unengaged or superficial in creating and supporting such initiatives.

As workers seek profound authenticity, they look for work that speaks to who they are and what they care about. Gone are the days when there was a clear social divide between work and personal life. Workers have shifted to viewing and accepting the workplace, where they spend most of their time, as a part of their lives. With that perspective, workers expect the employee experience to be a positive, fulfilling piece of their lives that amalgamates with their other priorities. This expectation of a balanced life transmits to the trending desire for meaningful work and workplace flexibility. In progressive law firms, we see shifting work models that create space for remote and hybrid workers.

Technology, coined “the great equalizer,” has become a tool of empowerment for workers. Continuously evolving systems and tools advance productivity and human connectivity and broaden the realm of possibilities for the way we work. As a result, people are increasingly learning how to use technology to find or even create opportunities to earn a living in ways that fulfill their needs for purpose, flexibility, and adequate compensation.

MICRO-LEVEL INFLUENCES

Internal workplace factors like leadership, administrative matters, workflow processes, technology infrastructure, and interpersonal relations strongly influence the firm's day-to-day operations and the employee experience. These factors are the building blocks of the firm's culture. When employees enter the workplace, they must be equipped to work in an environment conducive to productivity.

LEADERSHIP

Leadership is the most impactful micro-level influence on people management and firm operations. In law firms, leadership often consists of founding partners and rainmakers. The traditional function of law firm leaders is to bring in and maintain originations and provide work for lower-level attorneys and staff. As workers seek higher levels of engagement with leadership, the traditional approach to law firm leadership is being pushed for change. Rainmaking is not enough; younger attorneys and staff seek regular communication, mentorship, training, feedback, and support. Firm leaders are expected to come out of their offices and work across the table with their people to share knowledge and foster connection. The modern workforce cares about efficiency, productivity, and consistency, so being left to figure things out with little or no direction from leadership will not suffice.

ADMINISTRATIVE MATTERS

Aside from firm leadership, firm administration directly impacts the day-to-day operation and work environment. How the firm's administrative teams navigate finance, human resource/people management, client intake, external vendors, and general office management determines the firm's position to function and work to flow. To be competitive, administration teams must stay updated with the latest developments in law firm operations. They should always keep track of the tools and resources available to help make workflows more efficient.



MICRO-LEVEL INFLUENCES

TECHNOLOGY INFRASTRUCTURE

Technological infrastructure is paramount to efficiency and long-term competitiveness. An outdated system creates unnecessary obstacles to getting work done. Investing in robust, accessible networks and advanced practice management software is the way to eliminate waste, simplify tasks and increase productivity.

PHYSICAL WORKSPACE

The physical workspace must be appropriate for work. Especially firms that require workers to return to the office should ensure that everyone has adequate space, equipment, and supplies to perform their job functions. The environment should be healthy, safe, and inviting. When assessing the sufficiency of the environment, leaders should consider the physical and psychological aspects of a healthy and safe workspace. The same should be considered for remote work. Firms providing similarly adequate equipment to ensure an equally productive remote environment will likely see a return on investment from their employees.

INTERPERSONAL RELATIONSHIPS

Interpersonal relationships weigh heavily on the modern workforce. In search of fulfilling work, employees are less inclined to stay with an organization if they experience negative encounters with others in the workplace. Don't lose talent due to a culture that permits low emotional intelligence, poor communication, and low morale. Firm leaders that both encourage and display equal respect for all employees regardless of title help to promote a positive firm culture.

CHALLENGES

OF MACRO AND MICRO LEVEL INFLUENCES ON LAW FIRMS

Macro-level influences have set the stage for challenges like quiet quitting, employee poaching, industry hopping, and, thus, high turnover. It has become a vicious cycle that is fueling an industry-wide talent shortage. Many law firms are engaged in aggressive recruiting initiatives and compensation battles for legal talent. With all these dynamics coming into play, it is easy to see how organizations with traditional work models may struggle to keep up with the demands of the modern workforce.

As the legal industry has not been proactive on the micro-level to address expectations stemming from economic, social, and technological developments, law firms are now facing growing challenges in managing their workforce successfully. These include lack of collaboration, inefficient processes, limited reporting capabilities, ill-defined firm cultures, and non-competitive compensation models.

These challenges have become significant problems in many cases, leading to negative outcomes such as higher turnover, difficulty attracting talent, and reduced productivity.



*In every challenge
lies an
opportunity.....*



OPPORTUNITY #1

BUILD A STRONG FIRM CULTURE

Recognize the opportunity to be a more vital, more connected organization. Taking advantage of this opportunity will require firm leaders to know **how** to show up for their people.

Show up financially.

The compensation model is essential to attracting and retaining the right talent. Having the right compensation mix is imperative to cultivating a positive employee experience. Your people need to know they are remunerated fairly for their labor.

Show up respectfully.

This should go without saying - interpersonal interactions within the organization should be positive. Treat people with respect and encourage everyone in the organization to do the same.

Show up as a leader.

Strong leadership is key to sustaining culture. The impact of solid leadership resonates in all aspects of firm operations. Aside from the decisions leaders make, the way they communicate has the most influence on the people in the firm. Strong leaders motivate employees connect to the firm's values, mission and vision. A purposeful connection will keep employees engaged when satisfaction generated from compensation diminishes.

Strong leaders set performance expectations with a planned approach and smart goals to reach success. They make sure that attorneys and staff receive support and have continuous learning opportunities to foster authentic connection with the people in the firm.

Show up flexibly.

With flexibility being a high priority in today's workplace, law firm leaders must recognize the competitive advantage that a flexible work environment brings. Flexibility does not only mean offering remote or hybrid work. It can also be about having policies that give workers more autonomy over how, when, or where they work.

Show up as a team.

With a flexible work model, collaboration is emphasized to develop connected teams. But collaboration isn't only about connecting people to get the work done, it is also about bringing different perspectives to the table. Building strong teams requires all voices to be heard and opinions valued. Taking advantage of the need to collaborate allows your firm to bring authentic action to DEI initiatives. Encourage and facilitate collaboration by bringing your people together to fill in knowledge gaps and solve problems more efficiently.

OPPORTUNITY #1

BUILD A STRONG FIRM CULTURE

By building a strong culture rooted in meeting the needs of its people, the firm is positioned to get a strong buy-in from its people. When employees feel supported and cared for, the connection and commitment to the organization will come naturally. Your attorneys and staff will come to work with the mindset that they *want* to do their part to make the organization successful because it has established that it is equally invested.

OPPORTUNITY #2

BRING STRUCTURE TO WORKFLOWS

How work gets done can be structured to improve efficiency and avoid burnout. Burnout is caused by dysfunctional workplace dynamics like lack of autonomy, unrealistic performance expectations, or unclear work processes. Structuring workflows should enhance work efficiency, reduce stress levels, and empower employees to recognize their value as part of the organization.

To improve efficiency and avoid burnout at the firm, leaders should implement processes and systems that bring clarity and order to operations while increasing productivity.

Skills and Training

Pay attention to the talent and skills your people possess and place them in roles that best suit them. Through regular communication and collaboration, leaders can assess individual strengths and weaknesses, understand what motivates their people, and track what kind of work they perform best and enjoy. Grant autonomy when possible to allow people to choose their work type. However, have a training plan in place that comprehensively covers all of the base-level performance progression criteria. The training plan should ensure attorneys (and staff) can develop all the necessary skills to perform at a high level.

High-level performance does not equate to overworking. Performance requirements should be set with realistic expectations for skill progression and billable hour requirements to avoid burnout and high turnover. When setting performance goals, the firm should not primarily focus on overachievers. Instead, it should aim at eliminating underachievement by curating a balanced, inclusive approach to attorney development. Managers can use data analytics to make inferences about workload balance to avoid over and underutilizing individuals.

Evaluations and Career Paths

Performance evaluations and career development paths should be directly aligned with the skill development goals outlined in the training plan and performance goals set by the firm. The firm should have an in-depth performance evaluation and feedback system that consistently assesses employee performance, addresses challenges proactively, and ensures productive communication between the supervisor and the evaluatee.

Attorneys and staff should have a clear understanding of their career path, including their expectations and growth potential with the firm. This positions people in the firm to be proactive in setting their professional goals.

The goal is to set your people up to deliver high-quality work efficiently.



OPPORTUNITY #2

BRING STRUCTURE TO WORKFLOWS

To improve productivity, firms should strive to make processes more efficient. Law firms should properly **define workflows and standard operating procedures** for each functional area. Once processes and procedures are defined, roles and task responsibilities can be assigned to ensure the best use of talent. Collaboration is an important factor in reducing inefficiencies in workload distribution.

If overutilization is detected with no way to balance responsibilities, **outsourcing roles** to external support is a great option. Finding specialists to relieve responsibilities or even fill knowledge gaps can be rewarding because specialists can delve deeper than an internal person with many other duties.

Another great way to bring more balance to firm operations is to **automate tasks** through legal technology, including case/ project management apps, billing and accounting software, and document management programs. A robust technology infrastructure system will reduce workflow bottlenecks and allow the firm to advance in professionalism and strategy.

Firms should encourage consistent use of case and **practice management software** to help attorneys manage cases efficiently. Leaders can apply technology to balance workloads, identify areas that need support and ensure projects and tasks are advancing according to plan. When selecting practice management software, firm leaders should seek systems that enhance collaborative communication, task distribution, deadline management, and utilization monitoring. These functions will position the firm for high-performance and optimized operations.

New opportunities for firm advancement could stem from simply creating a more balanced work environment.

OPPORTUNITY #3

TRACK THE RIGHT KPIS

How does your law firm measure success?

Most law firms take a relatively narrow approach to formulating their goals. They define success with a handful of financial metrics and focus mainly on profit maximization, with billable hours as the most important performance indicator.

However, this approach limits strategic planning, ignores the potential long-term implications of in-the-moment business decisions, and, in turn, reinforces shallow and ill-defined goals. Instead of a rigid short-term focus, law firms are encouraged to expand their success metrics and establish more comprehensive performance reviews using a well-rounded set of key performance indicators that measure success beyond short-term profitability.

Metrics vs. KPIs

For clarification, metrics are used to track general business performance. A key performance indicator (KPI) is used to measure a specific, important goal or objective







OPPORTUNITY #3

TRACK THE RIGHT KPIs

REPORTING & DATA ANALYTICS

Law firms should review their capability (reporting and knowledge) and take the necessary steps to gain a more nuanced assessment of essential metrics related to productivity, return on investment, profitability, and qualitative results.

A practical data analytics function consists of the following 4 elements:		
	1. Data Capture	<ul style="list-style-type: none">• What tools are in use?• Which policies are in place to ensure accurate and complete data capture?
	2. Data Analysis	<ul style="list-style-type: none">• What reports are automated• Which ones require manual input?• Who is in charge of analyzing them?
	3. Modeling	<ul style="list-style-type: none">• Is there qualified in-house or outsourced staff in place to forecast future results?
	4. Action Steps	<ul style="list-style-type: none">• What is the procedure for addressing findings?• Who is in charge of strategic development?

With a comprehensive reporting system, law firms can capture data to identify *what* is happening and better understand *why* it is happening. They can then focus on metrics contributing to a healthy work environment while ensuring financial and cultural stability.

Law firms should look at 4 types of data analysis:

**1. DESCRIPTIVE:**

This analysis is based on historical data and focuses on your past performance.

**2. DIAGNOSTIC:**

This analysis indicates *why* your performance is the way it is.

DESCRIPTIVE and DIAGNOSTIC analyses focus solely on *past* performance.



What happened?



Why did it happen?

**3. PREDICTIVE:**

This analysis gives insight into what will happen.

**4. PRESCRIPTIVE:**

This analysis helps determine what to do to improve performance.

PREDICTIVE and PRESCRIPTIVE analyses are used to forecast and model *future* performance.



What will happen?



How can we make it happen?

BASIC, INTERMEDIATE, AND ADVANCED METRICS

Law firms need to understand the various metrics they can apply to perform the different types of data analysis. Consider the following categories of metrics: basic, intermediate, and advanced.

Grouping metrics by function or purpose is also helpful. For example, financial, operational, marketing, client service, cultural/social, workforce, etc.

For this eBook, metrics are grouped into financial and non-financial sets to keep it simple.

BASIC METRICS

Responsible firms should (at the least) consider **basic metrics** in their reports.

For the firm as a whole, basic metrics include:

- Fees, expenses, and net income
- Accounts receivable (AR) and work in progress (WIP)
- Cash flow, debt, and equity levels
- Billable hours, billable value, billings, and collections (non-hourly firms tend to focus on gross dollars collected)



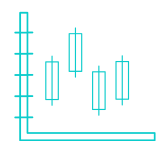
For timekeepers (revenue generators), key metrics include:

- Productivity
- Billable Value
- Billings
- Collections
- Bill Rates and Realization
- Profitability (sometimes if they have a robust system)



Beyond the standard financial reports, firms sometimes also look at capacity and demand-related metrics such as:

- Case count
- New cases vs. closed cases over a defined period
- New clients and clients lost/finished
- Timeliness and compliance with client guidelines and requirements as well as firm processes



INTERMEDIATE METRICS

Intermediate financial reporting includes:

- Financial KPIs (average bill rates, billable hours, and collections per TKPR), with robust sorting features that provide insights into performance by position, practice area, experience, tenure, client, and team.
- Average profit and profit margin per timekeeper with the same sorting capability
- Compensation and overhead benchmarks by experience, position type, qualitative scores, and market ranges.



Intermediate non-financial reporting includes:

- Average days files are open
- Files opened and closed per week/month
- Associate and paralegal leverage per client/case
- Average time spent on case, client, task, etc.
- Utilization rate
- Marketing KPIs include client conversion rate, client retention rate, new clients vs. lost clients



ADVANCED METRICS

Rarely do law firms turn to **advanced metrics** that fully capture the underlying causes of performance outcomes.

Advanced **financial** metrics include:

- Profit by client and matter
- Aged Accounts receivable by client
- Payroll and overhead per hour
- Profit Per Hour
- Return on invested capital



Reporting levels typically include firm, client, matter, case, and assignment.

On the **non-financial** side, only a few firms consider measuring qualitative metrics or their correlation with performance, such as:

- Job satisfaction
- Quality of the work environment
- Management efficiency (direct reflection of productivity, operations metrics, turnover rate)
- Turnover rate
- Staffing efficiency
- Training quality
- Organizational stability (summary of the metrics above)



There is a wide range of measures law firms can track to assess their performance. Without a comprehensive set of metrics, law firm managers have an incomplete picture of the health of their organizations. Their ability to analyze the underlying factors for financial or operational challenges and to identify patterns or create models to forecast future performance is limited.

DEFINING KPIS FOR YOUR LAW FIRM

Choosing the right mix of metrics to serve as key performance indicators depends on a multitude of factors, including:

Vision, goals, expectations, and timing

Business cycle phase (Startup, Growth, Maturity, Decline)

Firm culture

Size/Scale

Organizational structure

Operational systems and processes

Location

Utilization of space

Goal setting has a significant impact on which KPIs are essential. Devoting time to formulating a vision, goals, and objectives is critical to determine which performance metrics matter. All firms should incorporate basic, intermediate, and advanced KPIs into their reporting habits.

While some of the more advanced elements may need to be tracked informally in smaller organizations, the idea is to compile a list of metrics that managers can trust to adequately reflect the firm's performance measured against specific goals and expectations.

A well-rounded stack of KPIs will allow law firms to define goals and measure performance against those that surpass simple short-term financial objectives.

A firm that sets goals in the interest of all stakeholders while measuring its performance comprehensively through various financial and operational metrics is prepared to overcome challenges and prosper.

CONCLUSION

What's involved in running a great law firm in today's ever-changing legal environment?

Managing the evolving workforce in law firms successfully takes work. Firm managers need to recognize and acknowledge developments in the external and internal environment of the legal industry and their organizations.

Growth mindset, willingness to change and accepting new ways of operating a law firm will be critical for those who want to acquire and retain talent, offer excellent service levels, and remain competitive in the future.

So, what does this mean for law firm leaders?

- ★ It does NOT mean leaders must scrap their approach to running a firm.
- ★ It DOES mean means leaders are:
 - willing to refine and enhance their model
 - looking closely at the ever-evolving environment they operate in
 - open to new technology that helps to streamline processes.
 - learning how they can best motivate their people
 - using available systems and tools to understand, control, and adjust their performance to deliver high-quality legal services.

The workplace has forever changed. New challenges and expectations are forcing organizations to adapt and think ahead.

For more than 20 years, PerformLaw has helped law firms to pave the path forward to remain dynamic in the legal marketplace. With a good process, the right tools, and experienced support, your law firm can reduce the frustration, time, and fatigue related to ongoing changes.

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