

Performance Management for Law Firms



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Typical Firm Management Questions

- Are we doing well financially?
- Will we run out of cash?
- Are our client relationships healthy?
- Are we effective at getting new clients?
- Are we on top of our matters?
- Are our people happy?
- Are we paying fairly?



What is Performance Management?

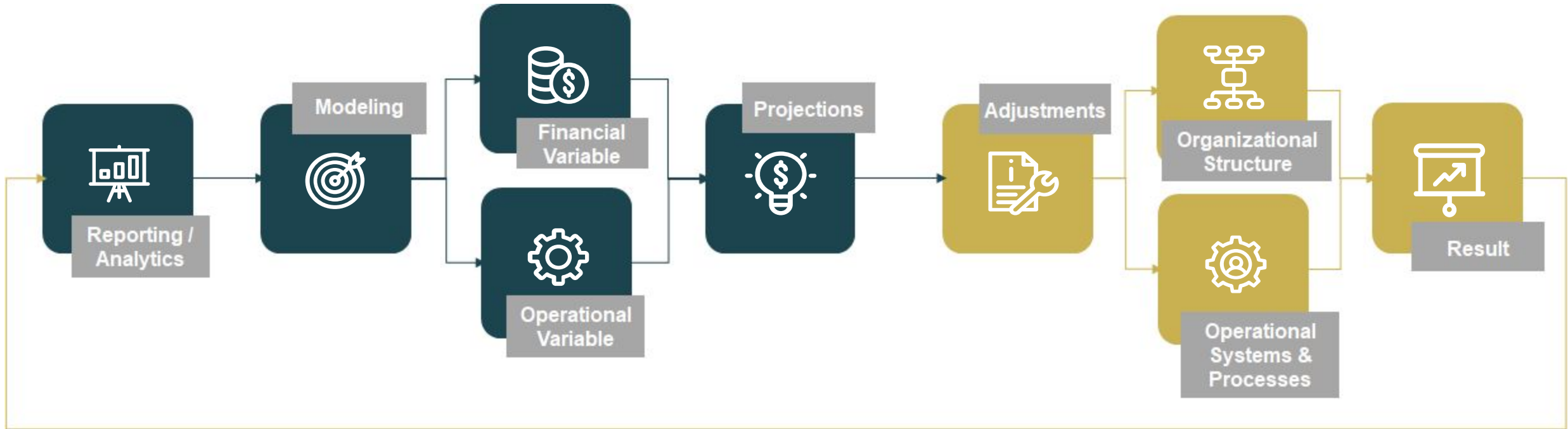
Capturing, analysis and adjustment of the firm's financial and operational performance

Key areas:

- Reporting, analytics and modeling
- Organizational structure
- Operational systems and processes



How does it work?



A dark, dimly lit photograph of a business meeting. Several people in business attire are gathered around a table. The table is covered with various financial documents, including bar charts, line graphs, and pie charts. A person's hand is visible in the foreground, using a calculator. Another person's hand is seen holding a smartphone. The overall atmosphere is professional and focused on data analysis.

Reporting, Analytics &

Performance Modeling



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Basic Financial Reports



- TKPR Productivity (Hours, Billings, Collections)
- WIP
- A/R
- Billed vs Collected

REVENUES



- Income Statement
- Cashflow
- Payroll
- Expense Ledger

EXPENSES



- Balance Sheet
- Income Statement

PROFIT



Advance Financial KPIs



- **Average Bill Rates**
TKPR, Position, Practice Area, Experience, Q Grade
- **Average Billable Hours**
TKPR, Position, Practice Area, Experience, Q Grade
- **Collections**
TKPR, Position, Practice Area, Experience, Q Grade

REVENUES



- **Overhead per TKPR**
- **Average Compensation**

EXPENSES



- **Average Collected Profit**
- **Average Profit Margin**

PROFIT



Advanced Operational KPIs

- Average days files are open (cycle time)
- Files opened per week/month
- Files closed per week/month
- Closed vs open per month
- Attorney leverage, paralegal leverage
- Average time spent on a case by client and case type
- Average time to trial/settlement
- Matters per attorney/paralegal
- Staffing ratio (staff per matter, per client)

by office,
practice area,
year



Performance Modeling

Operational variables



Performance Modeling

Financial variables

Hourly rates
(retainers/ AFA's settlements)

Operations expenses

Billable hour requirements

Reinvestment



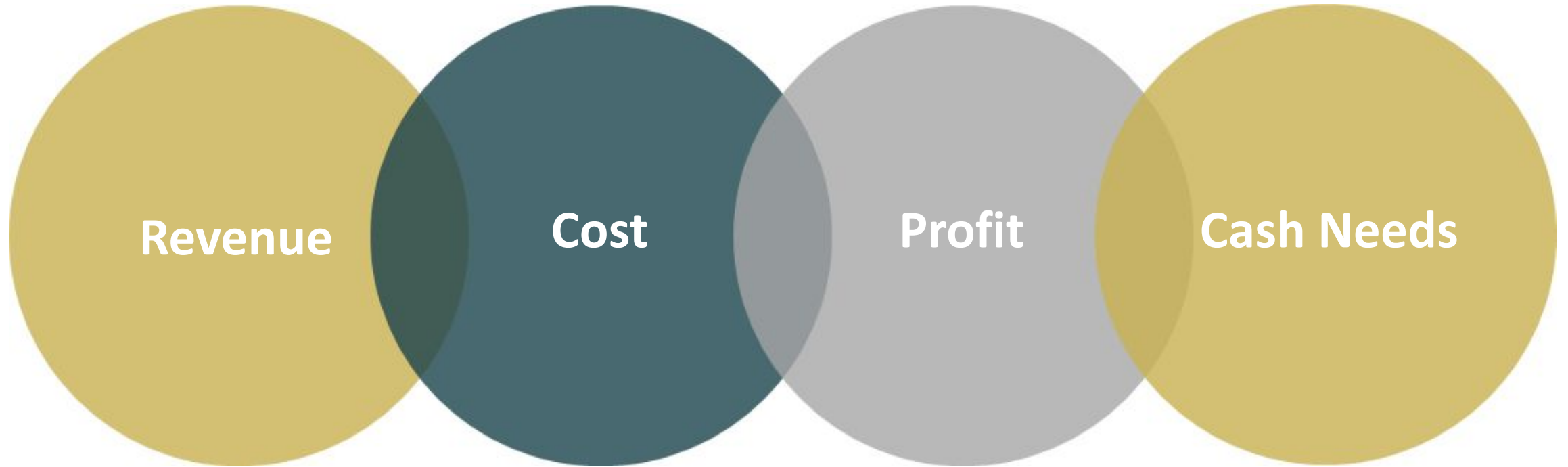
Projections

Operational



Projections

Financial



A dark, semi-transparent background image showing a group of business professionals in a meeting. They are gathered around a table with various documents, including bar charts and line graphs. One person in the foreground is using a calculator. The overall scene is dimly lit, emphasizing the text overlays.

Organizational structure

**Operational systems
and processes**



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Components

Practice management software and IT

Attorney training and development

Employee experience program

Performance evaluation system

Pay and progression program

Firm marketing system

Components



Practice Management Software and IT

Case / matter management



Firm and trust accounting



Contact management/ CRM

Calendar & task management



Reports and analytics

Timekeeping/ billing



Remote access

Document management,
assembly and automation



Collaboration tools



Attorney Training and Development



Employee Experience Program



Firm culture and value definition and maintenance



Cultural assessments and workplace satisfaction surveys



Management information sharing and feedback system



Communication policies



Team-building events and exercises



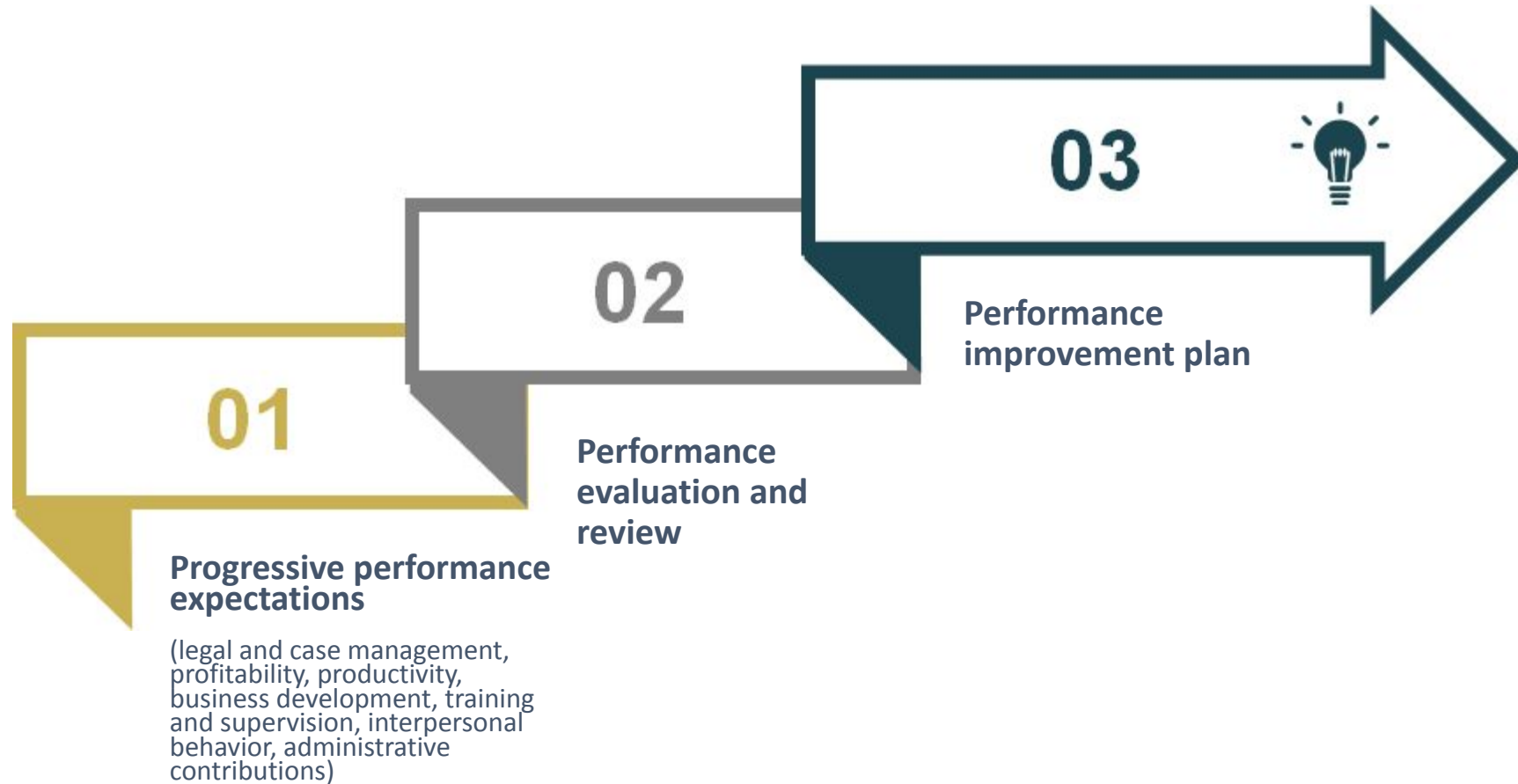
Benefit packages



Workload balance management



Performance Evaluation System



Pay and Progression Program

Compensation



**Base salary
and bonus**



**Points-based
compensation**



**Fee sharing/
Formula**

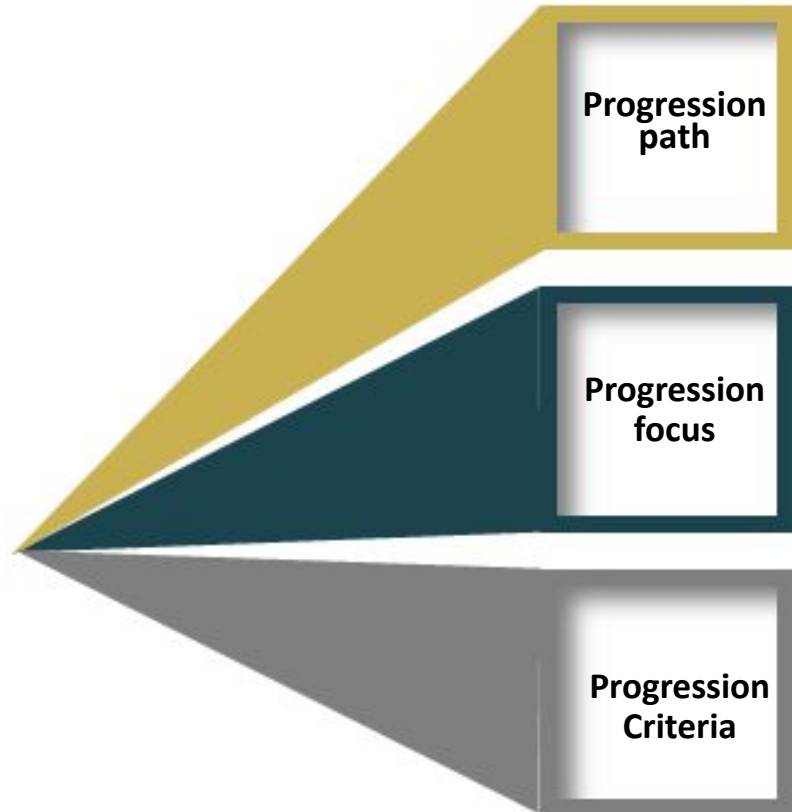


Profit sharing



Pay and Progression Program

Progression



- Associate to equity partner
- Management, business development, production, legal resource management
- Experience, profitability, work quality, originations, marketing contributions, client service, culture contributions



Firm Marketing System

