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Keeping on Track with Key Performance Indicators

Moving your firm forward with KPIs can give you a better snapshot of your firm's overall health.

DREW AMOROSO
Founder, DueCourse

In the age of big data, firms must be serious about using data to fuel their growth and adapt to the ever-changing business landscape. One essential way to use data to drive decision-making is to establish key performance indicators, or KPIs.

KPIs are a type of performance measurement that helps law firms evaluate how effectively the company is achieving key business objectives. Firms use KPIs at varying levels to measure performance and track statistical information that provides important insights into the current state of the firm and its processes, and to help make decisions about the direction in which it's headed.

If you're looking for ways to measure the financial health of your firm, accelerate its growth or improve the quality of your client service, consider the following.

WHY KPIs

For many firm owners and decision makers, the prospect of identifying, tracking and

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measuring KPIs can seem like a monumental undertaking — so why devote the time and resources in the first place? There are numerous reasons.

First, firms that engage in the measurement process learn the truth about the strength of their business and how it is functioning. Without measurable data, decisions are made based on intuition, past experience, best guesses or "gut feelings." And while these inputs can sometimes be instructive, they simply cannot replace the clarity and insight that comes from the ability to analyze real, ground-level data.

Consider these examples. Let's say you notice that your firm was unusually busy last month fielding inbound leads with potential new clients — which might lead you to assume that your firm is experiencing a spike in new business. But this observation can be misleading if you're not tracking the numbers associated with this influx. For example, maybe only 50 percent of potential clients who scheduled meetings actually showed up, and your sales team was only converting 20 percent of those meetings into paying clients. Your firm was, indeed, very busy scheduling meetings with potential new clients. That said, the busyness you observed did not actually translate into the amount of new paying customers you assumed.

Here's another one: Let's say the firm settled four large cases this week, which leads you to believe that you have the funds available to launch the new marketing campaign you've been waiting to roll out. But that decision, too, can be problematic if it is not tied to the numbers behind the cases. Perhaps your staff had been working on each of those cases for 18-plus months and you were paid a flat fee that barely covered their salaries during that period, leaving you to foot the bill for your overhead.

In both of these examples, what you're observing with your eyes may not actually be backed by the numbers.

Second, the data that comes from measuring KPIs arms you with the ability to make proactive decisions rather than constantly operating from a reactive posture. "With more data, you can transform your firm from an organization that is strictly reacting to the results that you're getting to a firm that is not only planning for results but adjusting your actions based on a desire outcome," says Melanie Leonard, an Efficiency Designer at streamlined.legal. "If you know things like your conversion rates or how much it cost you to provide a particular flat fee service offering, you will be able to calculate exactly how many prospects you need to create exactly the amount of volume or profit the firm is aiming for."

Third, KPIs allow your firm to refine its processes and procedures and make major decisions about the day-to-day operations as well as the long-term strategy of the firm. Key indicators give insight into things like how much it actually costs to bring new, paying clients to the firm, the time and resources it takes to handle a case from start to resolution, and whether your attorneys and staff are spending their time appropriately and fully utilizing the resources of the firm.

All of these insights empower your firm with the information it needs to make important decisions about your short- and long-term direction.

IDENTIFYING METRICS THAT MATTER

It is hard to dispute that KPIs are effective in helping firms make business decisions. However, the challenge for many firms is how to identify the metrics that matter.

"A good starting point for many firms is to home-in on their decision-making processes," says Leonard. "Where have you ever thought, 'If I only had this information, this decision would be easier?'" She says many firms begin with more common KPIs like revenue, the response they're getting to marketing efforts (measured by a call to action), the conversion rate of their sales, the amount of time (and, as a result, cost) it takes to produce each service offering, and their client's rate of satisfaction (based on a Net Promoter Score).

These common KPIs can be supplemented with indicators that are specific to your practice area or your way of doing business. For example, says Leonard, "an immigration practice may want to know how long it takes for a particular visa to be approved so that they can decide how best to structure a payment plan for those clients. Or an estate planning practice may want to know when and why their clients are coming back for amendments so that they can try to anticipate that timing and target those individuals in future marketing."

In addition to helping make business decisions for the firm, consider tracking indicators that will help advise clients on how to move forward. For example, Leonard says a personal injury practice may want to know if there is a correlation between settlement offers and the assigned adjuster or insurance company. "This kind of information enables firms to better predict and prepare their clients for a particular type of settlement offer," she adds.

Jobst Elster, the Head of Content at InsideLegal and a regular *Legal Management* contributor, suggests that firms might be best served to start with their biggest challenge area, like better understanding and listening to their increasingly demanding clients. "Not a corporate legal/inside counsel survey goes by without [general counsels] expressing their dissatisfaction with outside counsel service, ranging from communications to billings, pricing, outside counsel guidelines and standards, as well as use and mastery of legal technology," says Elster. "Why not pick a few of these as a starting point with the realization that not all measurement has to be complicated? When is the last time you asked your clients how happy they are with you, full stop?"

One word of caution — firms often fall into the trap of thinking they need to start by collecting and analyzing the mountains of data they may have from the past. Don't let the challenge of analyzing past data prevent you from starting to identify your KPIs and collect data moving forward right now. "While this past data may be helpful in some circumstances, chances are your firm has changed enough that it may not be applicable to the way you do things now," says Leonard.

ESTABLISHING KPIs AND THEIR BENCHMARKS

Once you have identified the KPIs you want to track, the next step is to establish benchmarks.

For many firms, establishing a benchmark is challenging because it requires some initial guesswork and the process is often tied to goals your firm may not have set yet. Identifying KPIs is an excellent opportunity to have an open conversation about the key objectives the firm wants to achieve, which will lead to natural starting points for identifying indicators and their associated benchmarks.

If you are unsure how to begin, Leonard counsels firms to start from where they are. "If you don't yet know where you are, make your best educated guess," she says. Try to avoid the paralysis that may come from not seeing a natural starting point — and get started using the information you have at your disposal.

"Much like a science experiment, once you've determined the KPIs that will be helpful to your firm, document them along with your desired result. Make your hypothesis and write it down so that once the data comes back, you'll have something to compare it to," says Leonard.

By comparing the data to your desired results, or goals, you'll be in a better position to objectively determine whether you hit your target — and whether you're measuring the right information in the first place. From here, you can make changes based on real information — not a gut feeling — and use further data to determine what effect those changes had on your results.

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"[Remember], benchmarks are just that," Leonard. "They are marks that guide and help us make determinations and decisions. And as your goals change, so too will your benchmarks."

TRANSLATING KPIs INTO BEHAVIORAL CHANGE

Once you're armed with the information, the most important step is to put that information into action by enacting behavioral change at the firm. In other words — decide how you are going to use the information to identify firm goals, rework processes and procedures, and refine how your attorneys and staff are spending their time, among other things.

When translating information into action steps, Elster believes the key is transparency and accountability. "Firms need to be more open about what is being tracked, measured and why, and make this accessible to more users and stakeholders.

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Measurement and KPIs are still extremely siloed and relegated to specific operational/functional areas."

By increasing the visibility and transparency of the firm's KPIs, a firm dovetails their top priorities into accountability and the willingness, once bought in, to work together to not only achieve specific metrics but also implement results, says Elster.

In addition to transparency, ensure that the firm is translating and memorializing this information in key process and procedure changes. This may mean changing the way something has always been done — but that disruption is an essential element of making progress and implementing the insights the firm has gained.

Importantly, don't overlook the absolute necessity of training all of the impacted employees on how to implement new procedures and process changes. Giving employees new goals and directives without the necessary training and support to help them achieve those objectives will lead to poor results and lack of direction. Always spend time giving your teams the foundational tools they need to achieve the strategic aims of the firm.

Finally, make it part of your firm's management culture to regularly create, track and evaluate KPIs. Make it an essential part of your management meetings and assign individuals ownership over implementing and reporting back on progress that's been made. ■

ABOUT THE AUTHOR

Drew Amoroso is the Founder of the legal tech start-up DueCourse, a professional development platform that helps lawyers achieve their performance and productivity goals and develop practical skills through customized video courses and other technology-based learning methods. Prior to founding DueCourse, Amoroso was a Senior Associate at Reed Smith and was the owner of his own law firm where he practiced fitness law — representing innovators in the fitness and health and wellness industries.

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If you're interested in a deeper dive on KPIs, look no further than ALA's 2019 Annual Conference & Expo in Grapevine, Texas. Frederick J. Esposito Jr., MBA, CLM, the Chief Operating Officer of the regional law firm Rivkin Radler LLP, will comprehensively examine performance metric dashboards as a management tool used to track key performance indicators (KPIs), metrics, and other key data points relevant to the law firm, a practice group, or specific process, dashboard design and implementation. Register today: *alanet.org/conf19*!