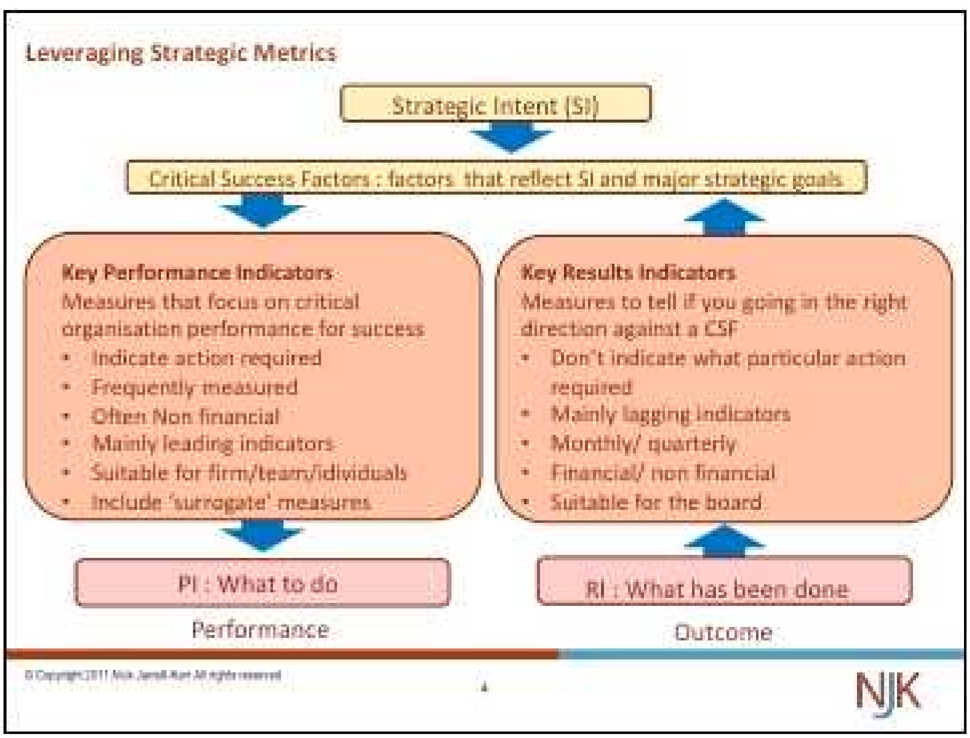
# Leveraging Strategic Metrics

**When complacency about real issues provides a false sense of security.**

***By Nick Jarrett-Kerr***

Many law firm partners get obsessed with the wrong measurements. The firm's position in the league tables, its growth and relative size in terms of revenues, people and offices may be interesting but they are often not totally relevant to clients. I know of firms that have declined to divest an unprofitable practice group on the simple grounds that they would lose some revenue and thereby several places in the league table of top firms for their jurisdiction.

The choice of metrics provides considerable challenges for many firms. The headline is that measuring organizational activities with reasonable frequency ensures that progress is achieved, provided always that the right things are measured.



**The Metrics Journey Starts with the Strategic Plan**

In refining the indicators to help the firm move to the next level, the best approach is top-down. Strategic planning incorporates a sequential approach which starts with strategic intent (identity, purpose and vision) and eventually translates strategic options into a coherent strategic plan accompanied by a series of strategic initiatives and business objectives linked to critical success factors, results indicators and performance indicators.

Business Intelligence solutions and modern Practice Management Systems come loaded with hundreds of possible metrics captured by the software. What modern software can drive should not, however, determine or limit the choice of the right metric. In any event, it is sometimes hard to convert a myriad of data-driven metrics into the key indicators that will help the firm to achieve its objectives and know when it has achieved success.

The right way round is to start with the firm's strategic plan - not with the out-of-the-box software - and from there to work out a focused group of strategically important and coherent measures. I have identified over 300 indicators in common use in law firms at present.*

Some are Results Indicators which analyze and assess past performance and some are Performance Indicators which encourage appropriate action and behavior. A group of 300 indicators is clearly too many for most firms. As a rule of thumb, a firm might typically observe the 10/80/10 rule for the firm and each subsidiary business unit.

This rule limits the choice of indicators to the best 100 of which ten would be regarded as Key Results Indicators, 10 as Key Performance Indicators and the remaining 80 as worthwhile subsidiary indicators for the firm regularly to monitor.

## Metrics for Boards and Management Committees

A facilitated approach helps to identify the right choice of metrics. When done this way, firms often find that a large number of important strategic indicators do not readily flow from the firm's practice management systems and sometimes have to be measured manually or through surveys and market research. The table below illustrates examples of around 20 indicators (out of many) for a Board or Management Committee to consider. Some of these are surrogate measures (resources and time spent/used) and - like the billable hour - are only useful if the time is spent efficiently and effectively and delivers results.

## What next?

There is then a line of sight between firm-wide objectives and indicators and the day to day activities or partners and the metrics which influence partner performance, behaviors and - ultimately - compensation. As with any journey, the starting point is critical and the measurement journey in any firm should start at strategic level.

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*Just like a keen bird-watcher, I am an avid collector of KPIs so if you have any 'beyond-the-obvious' in your firm, I would love to know about them: please email me.