

GROWTH TARGETS

Why it pays to read between the lines.

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To those who have attended workshops run by LegalBestPractice most will have heard our opinion on the one primary Key Performance Indicator (KPI) that shows the overall 'health' of a law firm – The change in fees billed per partner in relation to the Consumer price Index measured over a complete year. In our view the change in fees should grow at a rate equal to or higher than the CPI, otherwise the firm is in decline. A surprising number of firms are not able to achieve overall growth relative to CPI.

Most readers will work in firms with proprietary practice management systems and will receive a range of KPIs with every management report. Taken alone they are not very informative, as comparison with other firms' KPIs is the only sure way to answer the three key questions:

- How well are we performing in comparison to others?
- What performance standards are applicable for us and our clients? *And*
- What could we do to improve our bottom line without compromising the quality of our service?

The only sure way to get an answer to these and other similar questions is to benchmark your performance. In New Zealand there are only three ways to achieve this and for one of them you have to be a large firm willing to part with a very substantial fee to participate in and receive some 'aged' data. Another alternative is to wait until for the two yearly cycle to recur and join another manual survey. If, on the other hand, you seek to measure your performance in real-time and receive two reports instantly, one setting out your statistical performance against your peers and a second with details on how to improve any identified 'sub-optimal' performance, join the increasing number of firms who use LegalBestPractice's benchmarking service. Our unique metrics-based system does not, unlike the alternatives, require disclosure of any sensitive data.

To learn more contact our offices +64 9 520 5360 or Paul Steele, at Thomson/Brookers on 0800 10 60 60.

Here is an example of why performance-based measurements taken in isolation are not a reliable indicator of overall achievement. Below are some public domain data covering year on year fee increases for some of the top firms operating in London. Non-London revenue has been excluded:

Name of firm	2004 – 2005 Fee income (London only)	Growth rate (decline)
Linklaters	£410M	8.3%
Clifford Chance	£402M	4%
Slaughter & May	£257M	19%
Allen & Overy	£358M	(1.4%)
Freshfields	£320M	(6%)

The relatively dramatic shifts in growth rate/decline are straightforward and are not, on their own, significant indicators of overall performance. To understand the full picture comprehensive performance data has to be available and factored in. For example, Slaughter's apparent dramatic change in fortunes is explained by the success of their M&A practice in a year that saw an enormous number of new issues/IPOs and public company mergers go their way. Linklaters took top London fee spot after a comparatively lacklustre previous year, Clifford Chance were 'steady as she goes'. It is trend data taken over time that indicates true overall performance and benchmarking is the only way to get the whole picture. It doesn't cost a fortune and the benefits are profound.