

PANDEMIC KPIs: SOME NEW, SOME OLD BUT ALL RELEVANT

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FEATURED ARTICLE

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Pandemic KPI¹ – Some new, some old but all relevant

We have no visibility into what the “new normal” will look like; the future is unclear. Today, firms are right to focus on survival. We have our hands full just trying to manage our cash flows, support our lawyers and staff, and still create value for our clients.

Unfortunately, short-term optimizations can render your firm at a significant disadvantage in the eyes of your clients, especially if your competitors are moving forward from a place of client focus.

Your business plans may feel obsolete, or at least inadequate, in the face of all of this. Many of our processes and norms have probably started to feel a little off target as well.

While COVID-19 has changed the opportunities to empower your firm, it has not changed the basic premise that has and will be the driver of empowering / growing your practice – client service.

With most lawyers and staff working remotely for some or all the work week, firms will slowly make progress towards judging people on their results and not activity. In the end a little empathy will go a long way in bolstering performance, morale, and ultimately loyalty and retention.

The following list of possible KPI in law firms are examples of various KPIs you might consider adopting / adapting for use in evaluating your firm’s efforts during and even post pandemic period (whenever that is).

¹ KPI – Key Performance Indicators - should meet the following three criteria to qualify as a KPI for your firm:

- It must reflect the firm’s strategy and goals;
- It must be key to the firm’s success; and
- It must be quantifiable

Given the uncertainty of the times, the time frame over which KPI are measured needs to be shortened to quarterly, monthly, and even weekly.

- **Communication Ratio** – the ratio of clients contacted by telephone or video to the total active number of clients (emails are not real communication)
- **Dormant Client Percentage** – the ratio of the number of clients that firm has not handled a matter for in the past quarter or two to the total active number of clients
- **Number of Matters Opened** – ratio of new matters opened in the period being measured compared to previous comparable periods
- **Average Fee per Billed Matter** – ratio of the fee revenue for the period divided by the number of matters billed during the period
- **Participation in Virtual Meetings** – the ratio of the total number of lawyers or staff participating in the periodic virtual meetings to the total for each
- **Lawyer Attrition** the ratio of Associates who have left the firm to the number of full time equivalent (“FTE”)¹ Associates at the start of the period
- **Staff Attrition**- the ratio of staff who have left the firm to the number of full time equivalent (“FTE”)² staff at the start of the period
- **Number of Lawyers per Client** – the ratio of individual lawyers who generate working fee credits billed to clients on average
- **Number of Hours Billed** – the ratio of hours billed in the month to hours worked

¹ FTE reflects how many actual timekeepers or staff your firm had for the period being measured. For example, a lawyer who was with your firm for six of the past twelve months would be treated as one-half of an FTE in determining your lawyer count

² Same as 1

- **Unbilled Days** – the ratio of the fee portion of unbilled work-in-progress to the average daily fee billings for the previous 12 months
- **Uncollected Days** – the ratio of the fee portion of accounts receivable to the average daily fee billings for the previous 12 months
- **Average Cashflow** – the ratio of cash receipts to the number of business days in the period

As any skilled leader knows, you never waste a crisis. Now is the time to adapt and make the necessary changes to an outdated business model. The winners in the post-COVID economy will be those who see the crisis as an opportunity for systematic change.

The transition should be from one that is mainly law-firm centric to a more client-centric model.

Almost 6 years later Cordell Parvin's comment that "*clients cannot always recognize great legal work. But they can always recognize a lawyer and law firm who cares about them and makes every effort to provide exceptional client service*" is even more true today, in great part due to COVID-19.

Stay safe!

Stephen Mabey is a CPA, CA, and the Managing Director of Applied Strategies, Inc. Stephen's focus is on law firms in general and small to medium size law firms. He has written about and advised on, a wide range of issues including - leadership, business development, marketing, key performance indicators, strategic planning, mergers, practice acquisitions, competitive intelligence, finance, mergers, practice transitioning, compensation, organizational structures, succession and transition planning, partnership arrangements and firm retreats. Stephen was inducted as a Fellow of the College of Law Practice Management in 2013 for recognition of his sustained commitment to the highest standards of professionalism in law practice management. For more information, visit appliedstrategies.ca or connect with Stephen Mabey via email at smabey@appliedstrategies.ca