

Improving Performance throughout the Business Pipeline

A key theme in our approach to performance management in law firms is to collaboratively set professional standards, together with each key group of fee-earners. Individuals must know what they are expected to achieve, and how their current performance compares to these objectives. This provides the basis for using management information to improve performance throughout the law firm business pipeline.

The crucial point here is that, if “standards” have been established up front, and if all involved have agreed that these standards are reasonable, people can reasonably be expected to adhere to their own standards. “Standards” work better than “targets”, as they imply an expected level of performance rather than an aspiration.

The Individual’s Business Pipeline

It is imperative to produce user-friendly, comprehensible management information that addresses all aspects of the individual’s business pipeline – i.e. not just chargeable hours, but financial and business development related information too.

In terms of financial management, the key areas to address are:

- Amount of unbilled WIP over a certain age
- Amount of uncollected debts over a certain age
- Unbilled disbursements

Charge-out rates and hours billed can be used to establish realisation rates.

Performance can then be identified which does not meet the agreed standards, and can be presented in a report that can be used with fee-earners, team leaders, heads of department, and management staff. Therefore, it is possible to use exception reporting to boost individual and overall performance.

Performance improvement is not a simple task, but by using the Pipeline approach as the basis for analysis, processes can be designed that will identify **what** the exceptions are; **where** (i.e. in which department/team) they occur; **why** they have not been dealt with; **who** is responsible for dealing with them; and **when** and **how** they are going to be eliminated.

Improvement across the Firm

For the firm overall, there should be user-friendly reports created on a daily, weekly or monthly basis. Reports should also contain forecasts for performance this month, in the next quarter, and the year's performance. When it comes to improving the cash position, emphasis should be placed on WIP – it should be fairly straightforward to forecast billings on the basis of (accurate) WIP figures.

Exception reporting and billing overdue WIP turns WIP into debts, which are more visible and can be acted upon – by the accounts department, by the client, and ultimately by debt recovery.

What Gets Measured Gets Better

Whether billing and collection is carried out by the fee earner or by a credit controller is a decision for the firm's management, but in either case they must be suitably trained to perform the task efficiently and effectively. If this is a fee earner's task, then they should be measured upon it.

The key point here is the approach – to measure performance through all the stages in the law firm's business pipeline, not just the number of hours any individual has worked. In this way, standards will improve and so will outcomes – financial, technical and cultural.

Please feel free to [contact me](#) for further advice.

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