

50 Shades... of Metrics

(SFW Version)

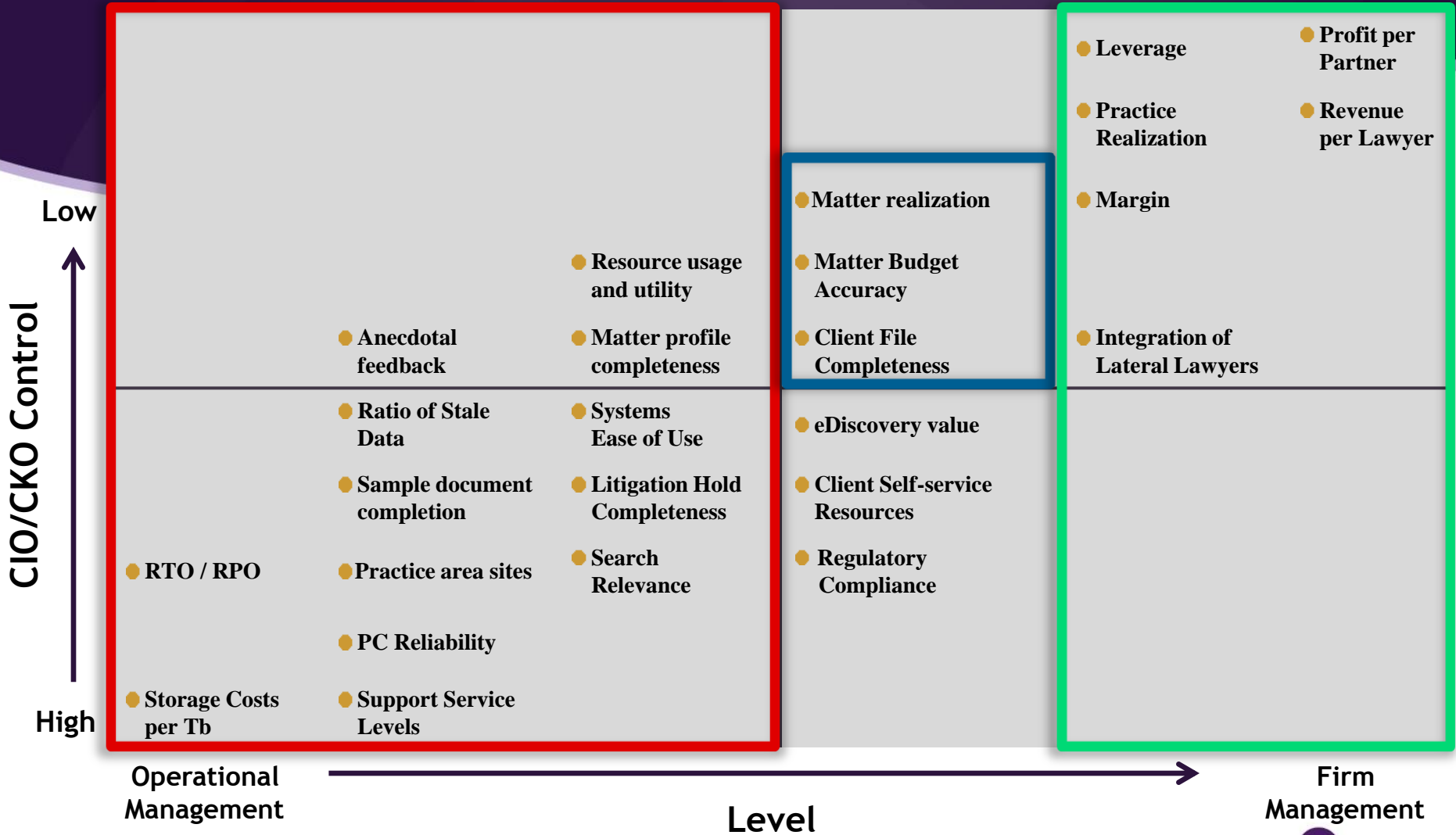
ILTA Annual Conference
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Today's goal

- ◆ Boost your ability to make a metrics-based case
 - ◆ Metrics → projects
 - ◆ Projects → metrics

Metrics



How Projects Can Improve Operational Metrics

- ◆ Data Cleanup
 - ◆ *Getting the “house in order” for compliance and cost*
 - ◆ *Complement to records; replacement for archive*
 - ◆ *Potential to clean up 60%+ of data; \$1M in savings over time*
 - ◆ *Metrics: \$ per Tb, ratio of stale data*
- ◆ Document Management
 - ◆ *Evolved into strategic resource of documents, e-mail, precedent, research, peer documents, etc.*
 - ◆ *Metric: completeness of and access to client file*
 - ◆ *Metric: regulatory compliance*
 - ◆ *Metric: Integration of lateral lawyers*

How Projects Can Improve Matter Metrics

- ◆ Fees collected / matter realization
 - ◆ Ability to show fees from similar past matters
 - ◆ Internal marketing of fee data
- ◆ Matter budget accuracy
 - ◆ Case and deal metadata
 - ◆ Checklists and precedents
- ◆ Client file completeness
 - ◆ Defined matter tracking process
 - ◆ Incentives for attorneys, paralegals and secretaries

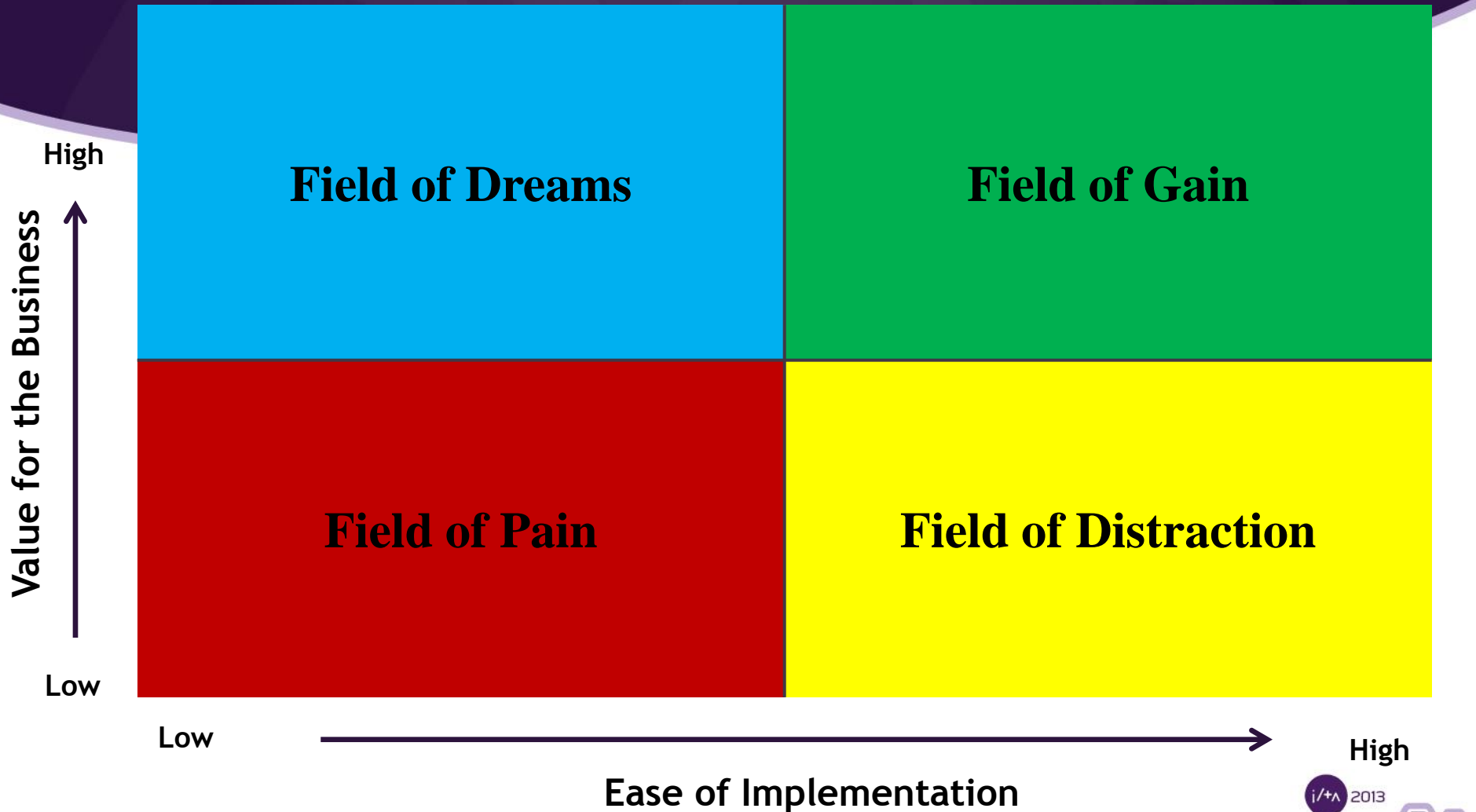
Example: matter budget accuracy

- ◆ The “before”
 - ◆ Actual fees for buy-side M&A deals exceeded estimated fees by 25% on average
 - ◆ Clear loss on fixed-fee deals and likely write-offs on billable-hours ones
 - ◆ Analysis showed that half of the variance occurred because of (a) insufficient deal precedent and (b) inefficient due diligence
- ◆ Potential solutions
 - ◆ Deal profiling process focused on key variables in matter budget estimation
 - ◆ Standardized due diligence checklist, process and output formats
 - ◆ Corps of highly trained, dedicated due diligence specialists

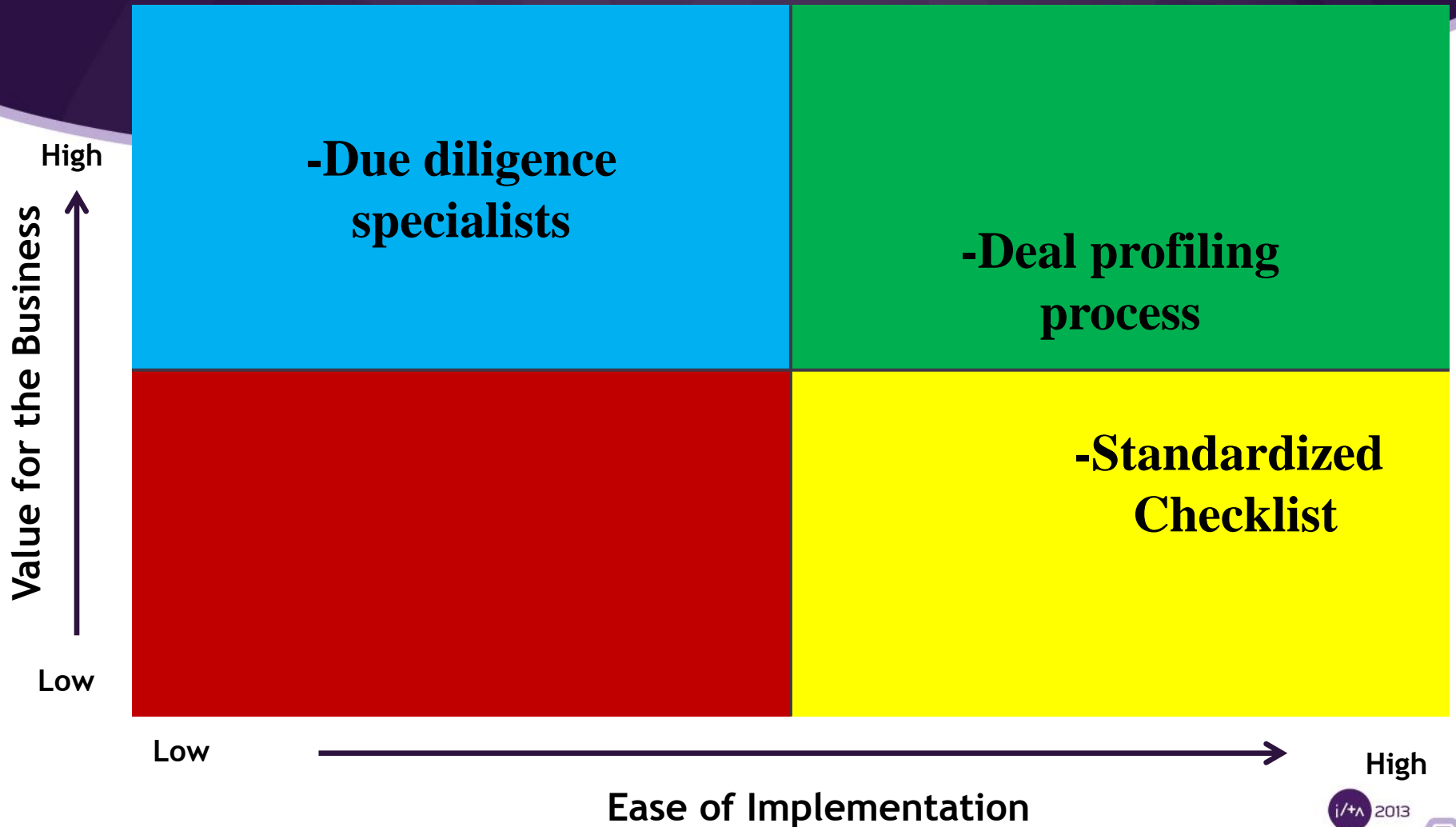
Tying projects to matter budget accuracy

- Track actual fees versus budgeted fees
- Identify significant variances and their causes
- Specify potential technology / information solutions
- Estimate each solution's:
 - (a) value to the business; and
 - (b) ease of implementation
- Recommend the best combination of high value and low difficulty

Projects to improve matter accuracy



Projects to improve matter accuracy



Firm Financial Metrics

- ◆ Profits per partner = realization rate x average standard rate x leverage x margin x utilization
- ◆ **Realization rate** = actual revenues / standard rate revenues
- ◆ **Average standard rate** = standard rate revenues / hours billed
- ◆ **Margin** = (revenues - expenses) / revenues
- ◆ **Utilization** = # hours billed / # timekeepers
- ◆ **Leverage** = # timekeepers / # partners

How Projects Can Improve Firm Financial Metrics

- ◆ Utilization and Leverage: Aligning people with revenue, active work, and recruiting pipelines, ERP-style
- ◆ Margin: Efficiency tools on fixed-fee matters

Hypothetical example: margin

- Fixed fee for services: \$40,000
- Average time recorded:
 - Partner: 20 hours @ \$800 / hour = \$16,000
 - Associate: 50 hours @ \$400 / hour = \$20,000
 - Paralegal: 20 hours @ \$200 / hour = \$4,000
- Tools help reduce average due diligence and drafting time by an average of 5 associate hours
- Splitting the savings between the client and the firm:
 - \$1,000 fee reduction for the client
 - \$900 profit increase for the firm (assuming 90% realization and 100% re-use of the saved hours)
- Significant profit increase when multiplied by hundreds of matters

Metrics Infrastructure Checklist

- Rationalize data architecture
 - Make data relatable across the enterprise (any one piece of data can be related to any other)
 - Requires standardization of IDs, naming conventions, etc.
- Adopt standard relational database platforms (MS SQL Server, etc.)
- Impose relational database discipline (rationalize table structures, IDs, etc.)
- Adopt and become expert in analytical and reporting tools (e.g. MS Analysis Services, MS Reporting Services)
- Segment skill sets so that someone becomes expert in analyses and reports that are relatable to firm metrics
 - Shift of some IT mindsets into KM and Practice Management mindsets
- Begin capturing matter historical data for uses beyond marketing
 - Matters experience database on steroids
 - Make historical info relatable to pricing
- Task coding infrastructure
 - Work with practice management to broaden task coding
 - Include tools that can “backward task” work that is uncoded

Further reading

- ◆ John Alber, “Rethinking ROI: Managing Risk and Reward in KM Initiatives,”
<http://www.llrx.com/features/rethinkingroi.htm>
- ◆ Jack Bostelman and Chris Boyd, “Showing the Positive Financial Impact of KM in Law Firms,”
<http://www.wsgr.com/attorneys/BIOS/PDFs/boyd-0413.pdf>
- ◆ Chris Emerson and Amy Wu, “The Pricing Professional’s KM Toolkit,” ILTA KM white paper, July 2013

Questions and Follow-Up



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