KPI: What’s Behind the Numbers

Presented by:

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Key Performance Indicators

- Categories
  - Lag Metrics
  - Imports/Exports
  - Trending
Key Performance Indicators

Come Away With

- How the Numbers are Derived
- What the Metric Means
- How to Best Use the Metric
- Environment best suited the provision this capability
Key Performance Indicators

- Distinction Between Raw Numbers and Metrics
  - Good Purposes for Both
  - Metrics turn raw numbers into performance indicators
  - Metrics change concrete reports into KPIs
    - In Executive Inquiry System, put side by side

- Metrics are Relative
  - Raw numbers are exact
Lag Metrics

- Concept is to take a weighted average of the delay or lag (in days) between two points in the billing cycle.
- Some choose to be positive and call it “speed”.
- Weighted average is important to be fair.
  - Also makes it easy to aggregate.
Lag Metrics

- Time Lag
- WIP Lag (Avg Days in WIP)
- AR Lag (Avg Days in AR)
- Billing Lag (Billing Speed)
- Collection Lag (Collection Speed)
Time Lag

- Weighted Avg from Time Worked to Time Posted
- How long does it take someone to enter their time
  - \( \frac{\text{SUM}(\text{Hrs} \times \# \text{Days})}{\text{SUM}(\text{Hrs})} \)
  - Some use worked date to released date
  - Some use worked date to post date
  - Must use Hours because time doesn’t have a value before it is posted
- This turns Missing Time into a Metric
### Time Lag

<table>
<thead>
<tr>
<th>Time Date</th>
<th>Entry Date</th>
<th>Hours</th>
<th>#Days</th>
<th>Weighted Avg</th>
<th>Weighted Avg/Hrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/10/2008</td>
<td>1/10/2008</td>
<td>2.5</td>
<td>7</td>
<td>2.5 * 7 = 17.5</td>
<td></td>
</tr>
<tr>
<td>1/25/2008</td>
<td>1/25/2008</td>
<td>1</td>
<td>10</td>
<td>1 * 10 = 10</td>
<td></td>
</tr>
<tr>
<td>1/15/2008</td>
<td>1/15/2008</td>
<td>.2</td>
<td>5</td>
<td>0.2 * 5 = 2.5</td>
<td></td>
</tr>
<tr>
<td>2/28/2008</td>
<td>2/28/2008</td>
<td>.5</td>
<td>4</td>
<td>0.5 * 4 = 2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.2</td>
<td>32</td>
</tr>
</tbody>
</table>

### Time Lag - Business Case:

- **Missing Days Report vs. Time Lag**
  - Missing Days is concrete – what’s missing
  - Time Lag evaluates performance
  - Provides a target to improve
  - The sooner time is entered, the less time is lost

\[
\frac{32}{4.2} = 7.62 \text{ Days}
\]
WIP Lag

- Weighted Avg from Worked Date to Today
  - \( \frac{\text{Sum}(\text{WIP Amt} \times \# \text{Days})}{\text{SUM}(\text{WIP Amt})} \)
- Only for billable time
- This turns Aged WIP into a Metric
- Also popular is the % of WIP over 60 Days
## WIP Lag

<table>
<thead>
<tr>
<th>WIP Date</th>
<th>Today</th>
<th>WIP Amt</th>
<th># Days</th>
<th>Weighted Avg</th>
<th>Weighted Avg/WIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/3/2008</td>
<td>8/15/2008</td>
<td>400</td>
<td>225</td>
<td>400 * 225 = 90,000</td>
<td></td>
</tr>
<tr>
<td>6/15/2008</td>
<td>8/15/2008</td>
<td>1,800</td>
<td>61</td>
<td>1,800 * 61 = 109,800</td>
<td></td>
</tr>
<tr>
<td>7/10/2008</td>
<td>8/15/2008</td>
<td>1,500</td>
<td>36</td>
<td>1,500 * 36 = 54,000</td>
<td></td>
</tr>
<tr>
<td>7/24/2008</td>
<td>8/15/2008</td>
<td>600</td>
<td>22</td>
<td>600 * 22 = 13,200</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,300.00</strong></td>
<td></td>
<td></td>
<td><strong>267,000</strong></td>
<td><strong>267,000 / 4,300 = 62</strong></td>
</tr>
</tbody>
</table>

### WIP LAG – Business Case

- **Aged WIP vs. WIP Lag**
  - Aged WIP tells which clients haven’t been billed
  - Lag evaluates attorney on billing practices in general
  - WIP that is billed sooner will have a higher realization

- **Percent over 60 Days**
  - Evaluates attorney on what should have been billed
  - Both skew for contingent matters, bankruptcy, etc.
AR Lag

- Weighted Avg from Bill Date to Today
  - \[ \frac{\text{Sum(AR Amt} \times \# \text{Days)} }{\text{Sum(AR Amt)} } \]
  - Typically includes Fees and Disb

- This turns Aged AR into a Metric

- Also popular is % of AR over 60 or 90 Days
## AR Lag – Business Case

### Aged AR Report vs. AR Lag

- **Aged AR** tells which clients haven’t paid
- **Lag** evaluates attorney on collection history
  - How well does the attorney follow-up
  - Quicker collection means higher realization

<table>
<thead>
<tr>
<th>Bill Date</th>
<th>Today</th>
<th>AR Amt</th>
<th># Days</th>
<th>Weighted Avg</th>
<th>Weighted Avg/AR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/3/2008</td>
<td>8/15/2008</td>
<td>400</td>
<td>225</td>
<td>400 * 225 = 90,000</td>
<td></td>
</tr>
<tr>
<td>1/15/2008</td>
<td>8/15/2008</td>
<td>800</td>
<td>213</td>
<td>800 * 213 = 170,400</td>
<td></td>
</tr>
<tr>
<td>2/10/2008</td>
<td>8/15/2008</td>
<td>500</td>
<td>187</td>
<td>500 * 187 = 93,500</td>
<td></td>
</tr>
<tr>
<td>7/24/2008</td>
<td>8/15/2008</td>
<td>600</td>
<td>22</td>
<td>600 * 22 = 13,200</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>2,300.00</td>
<td></td>
<td></td>
<td>367,100</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>367,100 / 2,300 = 159</td>
</tr>
</tbody>
</table>
Billing Lag

- Weighted Average Days From Time Entry to Bill
- How long does it take someone to bill
  - \( \frac{\text{SUM}(\text{Billed Amt} \times \# \text{Days})}{\text{SUM}(\text{Billed Amt})} \)
## Billing Lag

<table>
<thead>
<tr>
<th>Time Date</th>
<th>Bill Date</th>
<th>Billed Amt</th>
<th># Days</th>
<th>Weighted Avg</th>
<th>Weighted Avg/Billed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/3/2008</td>
<td>3/15/2008</td>
<td>400</td>
<td>72</td>
<td>72 * 400 = 28,800</td>
<td></td>
</tr>
<tr>
<td>1/15/2008</td>
<td>3/15/2008</td>
<td>800</td>
<td>60</td>
<td>60 * 800 = 48,000</td>
<td></td>
</tr>
<tr>
<td>2/10/2008</td>
<td>3/15/2008</td>
<td>500</td>
<td>34</td>
<td>34 * 500 = 17,000</td>
<td></td>
</tr>
<tr>
<td>2/24/2008</td>
<td>3/15/2008</td>
<td>600</td>
<td>20</td>
<td>20 * 600 = 12,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>2,300.00</strong></td>
<td></td>
<td><strong>105,800.00</strong></td>
<td><strong>105,800 / 2,300 = 46</strong></td>
</tr>
</tbody>
</table>

### Billing Lag – Business Case

- **Billing Realization Report vs. Billing Lag**
  - Realization shows how much was billed/written down
  - Lag evaluates how quickly it was billed
  - Timely billings will be paid more fully
Collection Lag

- Weighted Average Days from Bill to Collection
- How long does it take someone to collect
  - \( \frac{\text{Sum(Collection Amt} \times \# \text{Days})}{\text{Sum(Collection Amt)}} \)
## Collection Lag

<table>
<thead>
<tr>
<th>Bill Date</th>
<th>Collect Date</th>
<th>Cash Amt</th>
<th># Days</th>
<th>Weighted Avg</th>
<th>Weighted Avg/Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/25/2008</td>
<td>3/15/2008</td>
<td>1,000.00</td>
<td>50</td>
<td>1000 * 50 = 50,000</td>
<td></td>
</tr>
<tr>
<td>2/25/2008</td>
<td>5/15/2008</td>
<td>1,800.00</td>
<td>80</td>
<td>1800 * 80 = 144,000</td>
<td></td>
</tr>
<tr>
<td>5/20/2008</td>
<td>6/15/2008</td>
<td>500</td>
<td>26</td>
<td>500 * 26 = 13,000</td>
<td></td>
</tr>
<tr>
<td>6/24/2008</td>
<td>7/15/2008</td>
<td>600</td>
<td>21</td>
<td>600 * 21 = 12,600</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>3,900.00</td>
<td></td>
<td>219,600</td>
<td>219,600 / 3,900 = 56</td>
</tr>
</tbody>
</table>

### Collection Lag – Business Case

- **Cash Realization vs. Collection Speed**
  - Realization shows how much was collected/written down
  - Lag shows how quickly it was collected
  - Satisfied clients pay quicker
  - Satisfied clients pay more fully
Imports/Exports

- How much work is one dept/practice group doing for another dept/practice group within the firm

Exports –
- How much work my dept is doing for another dept
- Exporting my work product

Imports –
- How much work other depts are doing for my dept
- Importing work product
Imports/Exports

Matter Dept compared with Working Atty Dept

- Dept, Office or Practice Group interchangeable
- Shows how much you depend on others for work
- Shows how much others depend on you for work
- If done correctly, this is not cross-selling
  - This is multi-disciplinary work
## Imports/Exports

### Imports/Exports – Business Case

- Evaluates Interaction between Departments
  - Reveals strengths and weaknesses within the firm
  - Reveals dependencies

<table>
<thead>
<tr>
<th>Matter Dept</th>
<th>WA Dept</th>
<th>Time Worked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax</td>
<td>Tax</td>
<td>300,000.00</td>
</tr>
<tr>
<td>Tax</td>
<td>Corp</td>
<td>60,000.00</td>
</tr>
<tr>
<td>Corp</td>
<td>Corp</td>
<td>500,000.00</td>
</tr>
<tr>
<td>Corp</td>
<td>Tax</td>
<td>200,000.00</td>
</tr>
</tbody>
</table>
Trends

- Comparing one period to previous periods
  - Typically current and two prior periods
- Apples to Apples
  - Same Period range
    - YTD to Prior YTD
    - Rolling 12 months to Prior Rolling 12 months
    - Month to same month last year
Trends

- Billings
- Collections
- Time Worked
- AR (requires restating)
- WIP (requires restating)
Trends

- Purpose is to evaluate future of firm
- Reveal problems early on
- Typically need to look at 2 or more trends at a time
  - Billings are down (is Time down?)
  - Collections are down (are Billings down?)
  - Etc.
Trends – Business Case

- Need to tell where firm is headed
- Is it a business problem
  - Losing clients/market share
- Is it an execution problem
  - Attorneys aren’t billing
Conclusions - KPIs

- Use Metrics to Improve Performance
- Fair Comparison between Attorneys
  - Consistency is more important than accuracy
- Targets can be Established
- Improvement can be Measured
- Metrics can be Rolled Up
- Numbers can be Given Concrete Meaning
- Some can be applied to clients as well
  - How quickly do clients pay
  - Trends for individual clients
KPI Delivery / BI Solution

Improving organizations by providing business insights to ALL employees, leading to better, faster, more relevant decisions.

- Complete and integrated BI and performance-management offering
- Widespread delivery of intelligence through Microsoft Office
- Enterprise-grade and affordable
Role-based Content

- Executive
- Practice Group Leader
- Office Manager
- Partner
- Timekeeper
- Marketing

- Reports, dashboards, scorecards, etc.
KPIs

- KPI contains
  - Value
  - Target
  - Performance Thresholds
  - Indicator (graphical representation)

- KPIs can be built in the cube or defined outside the cube
  - If built in the cube, the KPI is available to other applications (such as Excel)
Dimensions / Component Analysis

Dimensions

Part of cube definition
Enable the user to “slice and dice” the metrics for business components

Hierarchical

- Firm
  - Office
    - Practice Group
      - Responsible Partner
      - Timekeeper
      - Etc.
Dashboards / Scorecards

- Multiple KPIs
- KPIs can be weighted to give overall score

Forecast Contribution to Corporate

Contribution Margin

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Timeliness / Delivery

- Quarterly / Monthly
  - Reports

- Daily
  - Dashboard / Intranet delivery

- Near Real-Time
  - Dashboard / Intranet delivery
  - Excel (interactive analysis versus packaged analytics)
 Metrics can be delivered side-by-side with other firm intranet content

 Driver can be to extend existing intranet content
Customization

- Firms have different requirements for:
  - Metrics delivered
  - Presentation layer
  - KPI calculations
  - KPI graphical representation
  - Performance thresholds
  - Language
  - Terminology
  - (etc.)

- Your solution should enable and encourage customization
Conclusions – KPI Delivery

- Improve firm performance
- Role-based content
- Awareness / accountability
- Proactive (actionable metrics)