Thought-Provoking Management Metrics

At a recent gathering of the profession, while bemoaning the lack of demand for legal services, the pathetic state of the economy and begrudging the increasing power of clients, one discussion centered around metrics – financial and performance-oriented measures. While we are all familiar with the usual billable hour, collections, matter profitability, and so forth, this discussion provoked me to think about some of the more unfamiliar and unorthodox, but vital metrics that I believe law firm management should be looking at. After all, it wasn't that long ago that the late father of modern management, Peter Drucker, reminded us all that *" if you can't measure it, you can't manage it."*

Here are a few unusual metrics that I think are worth taking a look at in your firm:

Metric #1: Management Time Spent Exploring New Opportunities

If you are a firm leader, look at the issues that are currently consuming your time.

I often ask of managing partners a couple of questions that painfully illuminates where they spend their time. First: *"What proportion of your management time is spent solving problems versus what proportion is spent on exploring new opportunities?"* After a rather awkward reflection period, the answer I usually elicit is about 80% on solving problems and maybe 20% on exploring opportunities.

I suspect that it is really more like 95% on problems and 5% on opportunities, but let's analyze what this division of time infers. This means that as the firm leader, you are spending 80% of your time and energy looking backwards and fixing things, while only 20% looking forward and creating things. Firms operating in this mode will find it hard to lead in their marketplaces.

So why does this happen? Well, it should be obvious that most professionals are veteran problem solvers. We are trained to resolve the issues, put out the fires, correct the underperformance, and generally "fix" the problem. There is a powerful gravitational pull that unconsciously moves us toward fixing things instead of innovating; toward restoring instead of increasing, and toward reacting rather than being proactive.

We need to understand that fixing things, while however noble, simply restores the prior performance or condition, which is comfortable, but limits value. However, if your focus is on improving the condition, on inspiring entrepreneurial endeavors, on being innovative; then your intent is not on restoring the status quo, but on developing a level of performance that exceeds any previous standards.

There is a follow-up question I then pose.

"Of the time you spend on exploring opportunities, (remember it was reported to be 20% of the total) *how much of that time is directed toward pursuing billable production,*

winning the next big transaction or responding to a competitor, (the present) *versus pursuing the development of entirely new skills, new services or new technologies* (the future*)?"*

Again, if I were generous in reporting what I have learned, the average managing partner spends about 60% of his or her time exploring present opportunities and 40% on future opportunities.

That drives a point worth scrutiny: What kind of a future is likely to be created by a firm leader spending about 8% of his or her total management time and energy focused on that future?

And this is in firms that have a managing partner who spends ALL of their available time on management matters!

Those managing partners spending less than full-time usually have next to no time for the future . . . except of course, during that one-day, off-site, annual planning retreat exercise. (AND, is it any wonder why so many of these retreat-generated "strategic plans" are dead on arrival?)

Metric #2: Number of new revenue ideas, practice areas, and/or services launched in the past year

At a meeting of partners I posed a number of questions for the group to both express their views and vote upon. One of the first statements that was posed was: *"We are good at identifying new areas of client demand and establishing entirely new areas of practice and specialized skill in advance of competing firms."* I then asked the assembled partners to identify, by virtue of electronic voting machines (secret vote), the relevant importance to their firm of being able to establish new areas of practice in advance of competitors. No surprise here, in that 92% of them identified this as an important attribute to their future success. When I then inquired as to their feelings on whether they were better than or worse than their competitors at establishing new areas of practice, 81.6 % scored themselves as *"worse than competitors."*

As I explored this further with a number of subsequent questions, I asked the following 'Yes' or 'No' question: *"Do you actually have an idea for a new 'niche' area of client demand that with some modest investment and nurturing could become a lucrative new area of practice sometime in the near future?"* Surprising to any firm (but not to me as I've been asking this question often enough) I will most always elicit an answer of 'Yes' from a significant majority (anywhere from 54% to 71%) of partners. In other words, these talented professionals are most certainly aware of lucrative opportunities out there . . . but are they taking any action on pursuing them?

I then ask: *"Is there an established procedure or protocol within your firm to encourage new ideas or promote the development of entirely new areas of practice?"* And, finally I ask: *"Is there any formal mechanism available to advance new ideas or compensate those who might invest what would otherwise be billable time in developing new practices?"* Both of these questions continue to receive a resounding "No" by anywhere between 71.1to 93.4% of most partners.

Now what should seem obvious from this and what I have learned is that innovation becomes much harder to stimulate when you are swimming upstream against the currents of firm processes that don't exactly encourage it. Structures and processes do make a difference. They may not make innovation happen, but they prepare the ground so that any innovative ideas that exist will have some chance of getting a receptive hearing.

Attention is your most powerful management tool. So if you want your professionals to focus on innovation, nothing speaks louder about what is of bedrock importance than where and how everyone chooses to spend their time.

Metric #3: Defining Distinctive Attributes That Clients Value

One of the most difficult questions that we all face, that is sometimes articulated but always on a prospect's mind is: "Why should I choose your firm (your practice group / you), what makes you distinctive, and what specific added-value do you bring to my particular business matters . . . that I can not get anywhere else? Do notice those last seven, very discomforting words as they go to the heart of – "so what makes you so special?"

And flowing from all of this, to what extent have you fashioned a credible, dignified and believable answer that demonstrates how you are differentiated in a way that clients may actually find valuable?

A curious irony is that most firms go to great lengths to look like every other firm. In fact a common reaction that I'm likely to elicit from the management of any firm when first presenting a new market opportunity is: "Can you please give us a list of the other firms which are doing this." Competitive advantage means getting out in front, by focusing on some area in which you can be unbeatable. By definition, if you are doing what everyone else is, you don't have an advantage.

In answer to the question "Upon what basis is your firm truly differentiated from your competitors?" partners respond, but only after taking some time for reflection. The typical response usually will include some reference to the firm's full breadth of services and high technical proficiency. This pause for reflection is interesting. It doesn't suggest that the question came as a total surprise, as one that had never been asked before; or that this is an issue that this partner has not regularly considered. What it does suggest is that despite any previous contemplation, a wholly satisfactory answer has not been found and that a suspicion exists in the mind of this partner that he or she is offering, at best, only a superficial response.

There are relatively few critical questions that successful practitioners and leaders need ask of themselves, and ask of all of their partners:

• What are we best at?

• What are we world-class great at?

• What makes us unique?

• How are we going to serve our clients in a way that nobody else can?

• What "wow" new services can we offer?

• What are we going to do that will truly lead the market?

And . . . successful firms don't stop asking these questions and they certainly don't stop even after getting a dignified answer.

Metric #4: Time Invested Growing Know-How

Every progressive law firm today is focusing enormous attention on issues related to handling their client matters more efficiently, learning project management skills and exploring various alternative fee arrangements – all very noble and important undertakings.

But is that all that is required to be competitively successful in the practice of law?

Indeed, one might argue that while these programs should not be abandoned, are these initiatives not simply finding ways to be more efficient at making buggy-whips (translation: improving our ability to deliver commodity services)? My point: rather than focusing exclusively on today, where is the balance in time spent investing in your tomorrow – on building your skills, on making yourself more valuable to clients tomorrow than you were yesterday?

What you now know and are able to now do, what your current practice's success is built upon, will unavoidably depreciate in value unless you actively work on learning new things and building new skills. Continual "know-how" development is a lifelong requirement, not an option. Unfortunately, the systematic development of skills, if left unattended will not happen by itself.

The truly gifted lawyers continually ask themselves one question – "What is it that I know today, that I didn't know at this time last year?" Or put slightly differently: "What is it that I can do for clients today, that I could not do for them one year ago?" This question is intended to provoke how we might best make ourselves "indispensable." An answer of: "nothing much" suggest we are slowly making ourselves . . . obsolete!

The most successful professionals are constantly on the grow. Much like in financial planning where one of the key principles is to "pay yourself first," highly effective professionals devote a portion of their time to personal growth and developing new skills. Are you paying yourself first? Make your list of the three most important new skills you need to progress over the next twelve months to specifically develop a higher level of competence.

Metric #5: Effectiveness of Meetings

Most meetings suck, and most often they are nothing more than an information dump ("so George, tell us all, what have you been up to lately?") that could as easily have been communicated by e-mail, or simply an excuse for having the firm pay for lunch. And they're expensive: a one-hour meeting of six of your partners is likely to cost $3,000 at least, in unbilled time. Meanwhile, no one really tracks whether these meetings are useful, or how they could get better. And all you have to do is ask.

Here's a challenging thought: In the last minutes of your very next meeting, ask your partners to each (anonymously – on a scrap of paper) rate from 1 to 10 how effective they candidly thought your meeting was. Look at your scores, figure out the average, and then . . . without getting defensive about why you scored whatever you scored, go to a flip-chart, get a marker and brainstorm with your colleagues the answer to this question: "What, specifically, could we all do to make our next meeting even more effective?"

Notice, please, that this question is only concerned with taking action.

Every firm holds numerous meetings, and every meeting (hopefully) has an agenda, whether written or unwritten. The cumulative content of those agendas clearly signals leadership's priorities and concerns. The conscious management of your input into meeting agendas is a powerful signaling device.

The very best use of the group's time is to review specific learnings and new developments acquired while serving clients, dealing with client problems, or gleaned by researching new and emerging issues that may impact the group's practice. There is a vast difference in the value of hearing a partners talk (in general terms) about a matter that they have been working on, versus hearing about what that partner specifically learned, that might be of use to others in the group, from the way in which a particular situation or transaction was handled.

Therefore, rather than: "*tell* us please, what you are working on?" the question should be phrased: "*show* us please, what have you learned during this past month that may be highly useful to the other members of our group?"

Most meetings are status reports on the present. So, for example, if you are serious about promoting business development make sure that each meeting devotes 25% of the time to listening to ideas for improving client service, generating new revenues or developing new services. Also, the things that get your swift and detailed follow-up will always be perceived by your people to be of the highest importance.

The above represents my latest column for Slaw.ca Slaw identifies itself as "a cooperative weblog on all things legal." Slaw has been publishing for five years and gets 30,000 unique visitors and about 100,000 visits every month. For the past two consecutive years it has been the winner of three different awards as the best legal blog. I'm honored to have been asked to become a regular columnist and invite you to comment on my latest meandering.