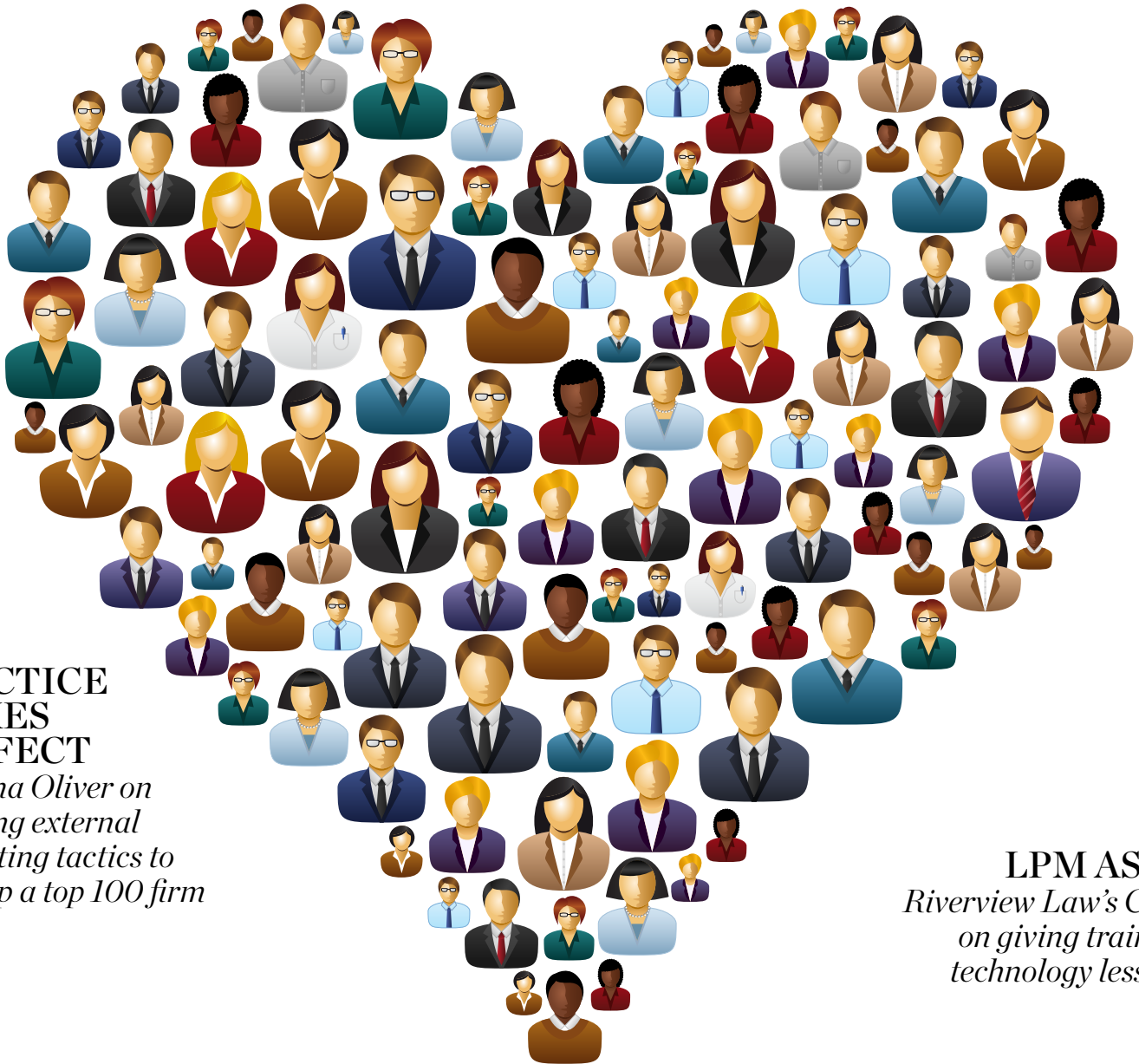


DECEMBER 2017

LPM

LEGAL PRACTICE MANAGEMENT

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Love your clients

The secret to consumers' hearts is adding value to their experience. Can SME firms learn to improve service delivery and become truly client-centric businesses?

ON THE BENCHMARK

GRAHAM MOORE, THE DATA GURU



Benchmarking is the practice of comparing an organisation's performance metrics with those of similar organisations, to understand how they compare with best practitioners and identify where improvements are possible and desirable. Several benchmarking surveys, usually conducted by banks or accountants, are well established in the legal sector and focus on easily measurable financial measures such as chargeable time recorded and profit per equity partner.

But while such surveys have provided a useful tool for management leaders in the past, and still have some value in the right circumstances, I would question whether they offer the right sort of benchmarking for progressive law firms in the future. The first limitation with this approach is the narrowness of the scope. Benchmarking law firms was all well and good when the sector was made up of homogeneous partnerships that all delivered the same mix of legal services in the same way. In that scenario it makes absolute sense to compare such firms on the basis of the measures they monitored and cared about themselves – but in today's landscape, it makes less sense.

How does any benchmark involving the concept of equity partnership make sense when, according to the SRA (Sept 2017), 43% of law firms are now incorporated? Even assuming many of these are pseudo-partnerships with a similar ownership and management model to the traditional partnership, many are not.

As ownership structures continue to change, and the concepts of ownership and management are separated out in more law firms, the ratios of interest change. Surely, in an incorporated firm, standard financial measures such as return on investment and cash conversion cycle are key for owners, just as they are for any other business?

Benchmarks are usually presented as averages. That is great for an assessment of the sector overall and is therefore loved by accountants, bankers and advisors to the sector. But how does that help individual practices? Is the limit of the ambition of every law firm just to be better than a sector-wide average, even if that's the average of top percentile firms?

One of the problems with benchmarks is that they can set artificial limits on expectations of what can be achieved. Just because the upper quartile debtor days in SME legal might be 26, does that mean that is what we should aim for? In the future there will be legal services delivered on a business model based on zero debtor days, as with most consumer products and services.

Surely any organisation should benchmark itself in the context of its own objectives. Benchmarking is just a comparison, and should be focused on the things that matter. And what matters to your firm? If it's clients, how do you compare with your peers in terms of net promoter score? If staff engagement is important, how do you measure up on your employee turnover or your Bradford factor score?

It's less easy to organise both the measurement of these factors and the comparison with other organisations – but just because you can't pass a set of accounts to your accountant and let them work it all out for you doesn't mean it's not worth doing. In business, very few things worth doing are easy. If they were, everyone else would already be doing them and the competitive advantage would be lost. **LPM**

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