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# Measuring Law Firm Performance: A US (Economist's) View

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15 November 2007

# PEP's Unintended Consequences

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- Intended to increase transparency
- It has led to gaming the numbers and obfuscation
  - Intended to measure relative financial strength across firms
- It has led to economically short-sighted behavior
  - Intended to enlarge the discussion around law firm performance
- It has shrunken the conversation to a single cramped point

# The Leadership Challenge & PEP

- PEP is no help on the key question:
  - *“What do I do on Monday morning?”*
  
- In our globalizing, 24/7, hyper-competitive world, leadership matters as never before
  - PEP has nothing to say to leadership
  - QED

# The Leadership Challenge & The Six Factors

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- If the challenges are:
  - Strategy
  - Innovation
  - Clients
  - People
  - Social capital
  - Efficiency
- Do they provide a guide to action?

# Yes: You Influence Behavior

- Deploying people—your firm’s core asset—against the six factors
  - Essentially answers the Monday morning question
  - Who/what/where/when/how
  - And why:
- Incentives
  - “You get what you pay for”
    - [and otherwise recognize and reward]

# Isn't This Lovely?

- And dreamy, evanescent cotton?
  - As an American and an unreconstructed capitalist, I submit not
- Lawyers are
  - Competitive and analytic
  - Skeptical and curious
  - And devout believers in evidence
- Long-run results will out

# But PEP Is Worse Than Mistaken

- It's **irrelevant**
  
- All that matters is “profits per *me*”
  - The value of my human capital in the marketplace for talent
  - A unique, non-fungible asset
  
- And all we have in this life

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Thank You



ADAM SMITH, ESQ.

...an inquiry into the economics of law firms

Bruce MacEwen, Creator & Host