

Measuring Law Firm Success: Analytical Framework

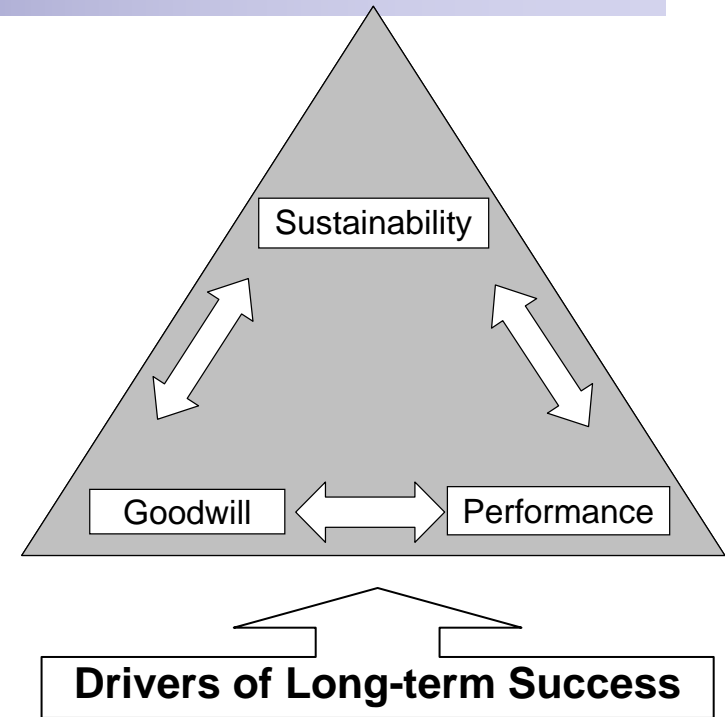
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ALLEN & OVERY



- Project background & history
- Key project objectives
- Where we are now
- The purpose of this presentation



How have we approached this challenge?

Research of measurement best practice for the legal profession

Outside the legal industry

- Balanced scorecards and rankings used by other PSFs and service industries
- Measures of human capital, innovation, client investment in other industries

Within the legal industry

- A&O's own experience in developing *internal* balanced scorecards across its functions
- Existing surveys in the legal profession
- Interviews with legal profession stakeholders

Measuring Law Firm Success: Analytical Framework

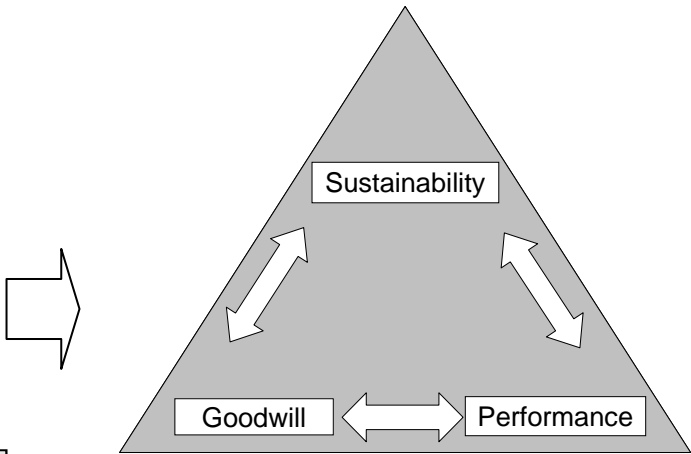
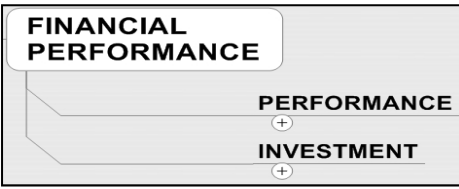
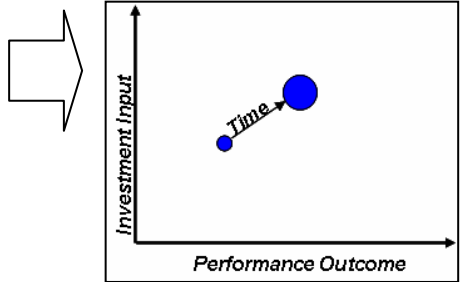
We have developed a model for law firm performance measurement that:

1. Relates the firm's investments to its performance across several key categories
2. Provides a framework for strategic insight into industry developments
3. Provides a framework for an *internal* **balanced scorecard**

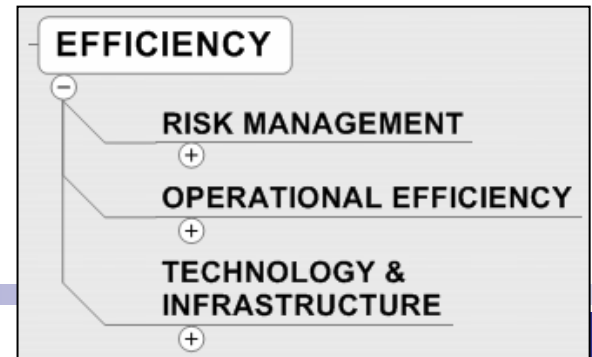
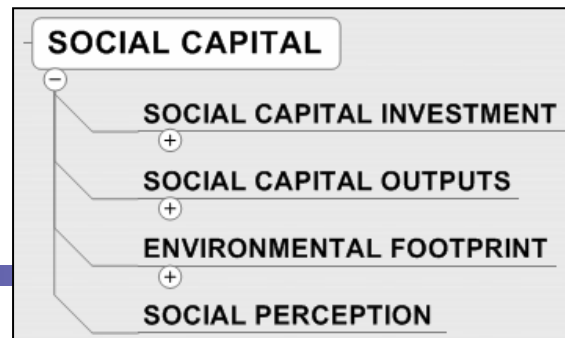
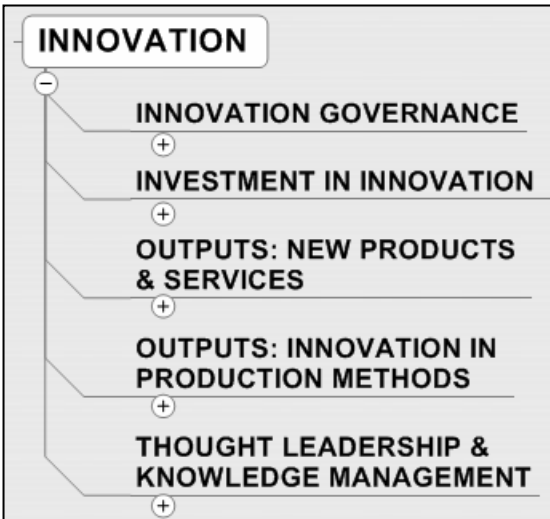
Framework design considerations

- Broad
- Dynamic
- Realistic & Measurable
- Communicable
- Comparable

The framework consists of a measurement framework, strategic insight, and 3 key drivers of long-term success



Underlying the 6 framework categories there is a diverse set of measures focused on the firm's *investment* and *performance*



Consider a set of metrics under the PEOPLE category where:

- Different metrics measure the firm's investment and performance
- Metrics are gathered from different data sources
- A mix of methodologies is used to gather the data

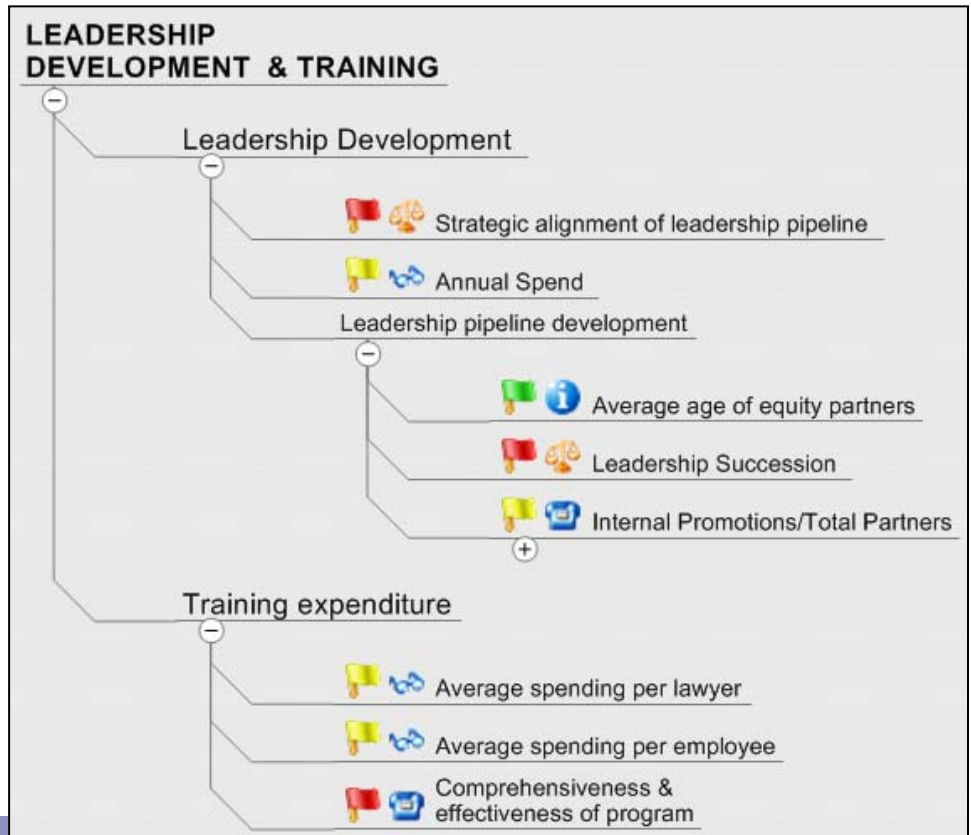
LEGEND

DATA AVAILABILITY

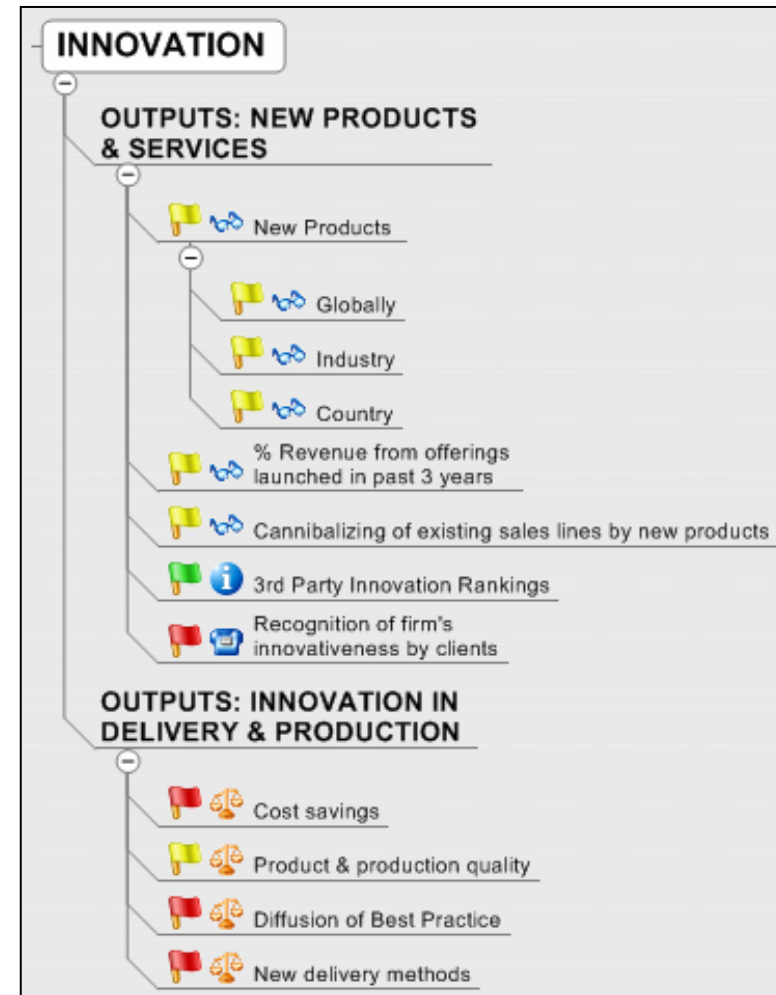
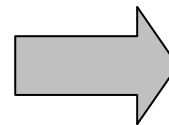
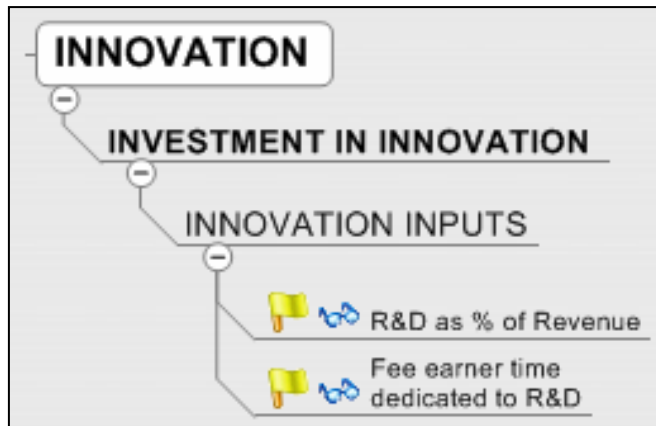
- Public Data
- Internal Data
- Novel Data

METHODOLOGY

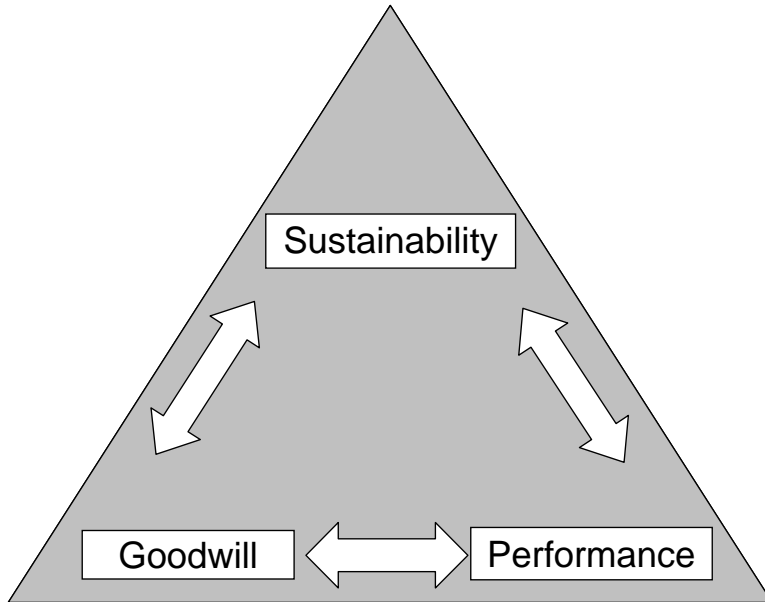
- METHOD: SURVEY
- METHOD: AUDIT
- METHOD: ANALYSIS
- METHOD: DESKTOP RESEARCH



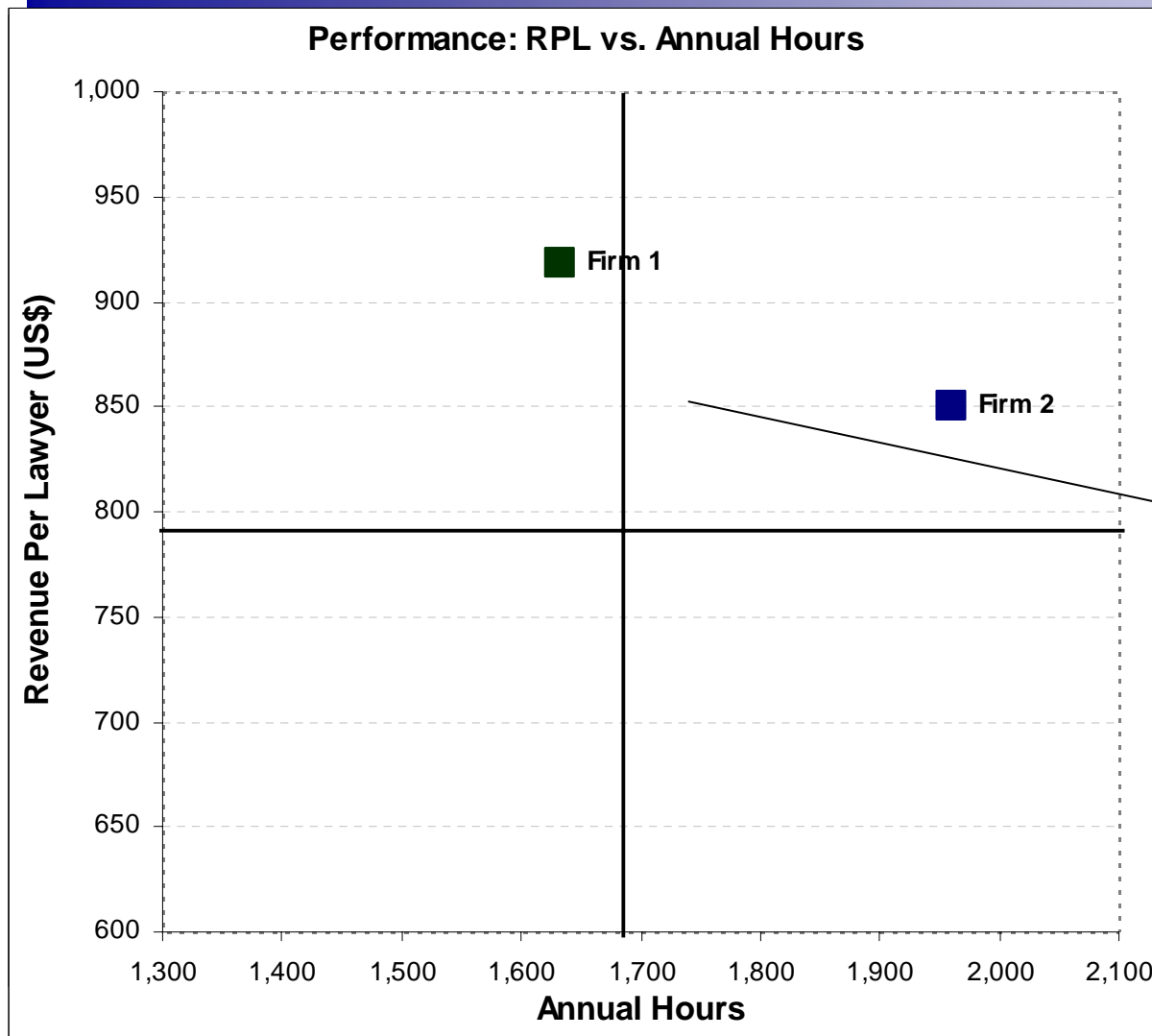
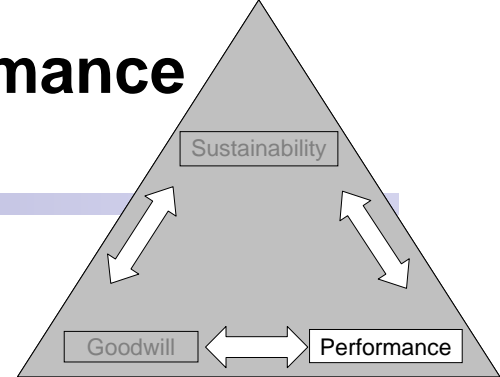
Another example: Innovation Inputs and Outputs



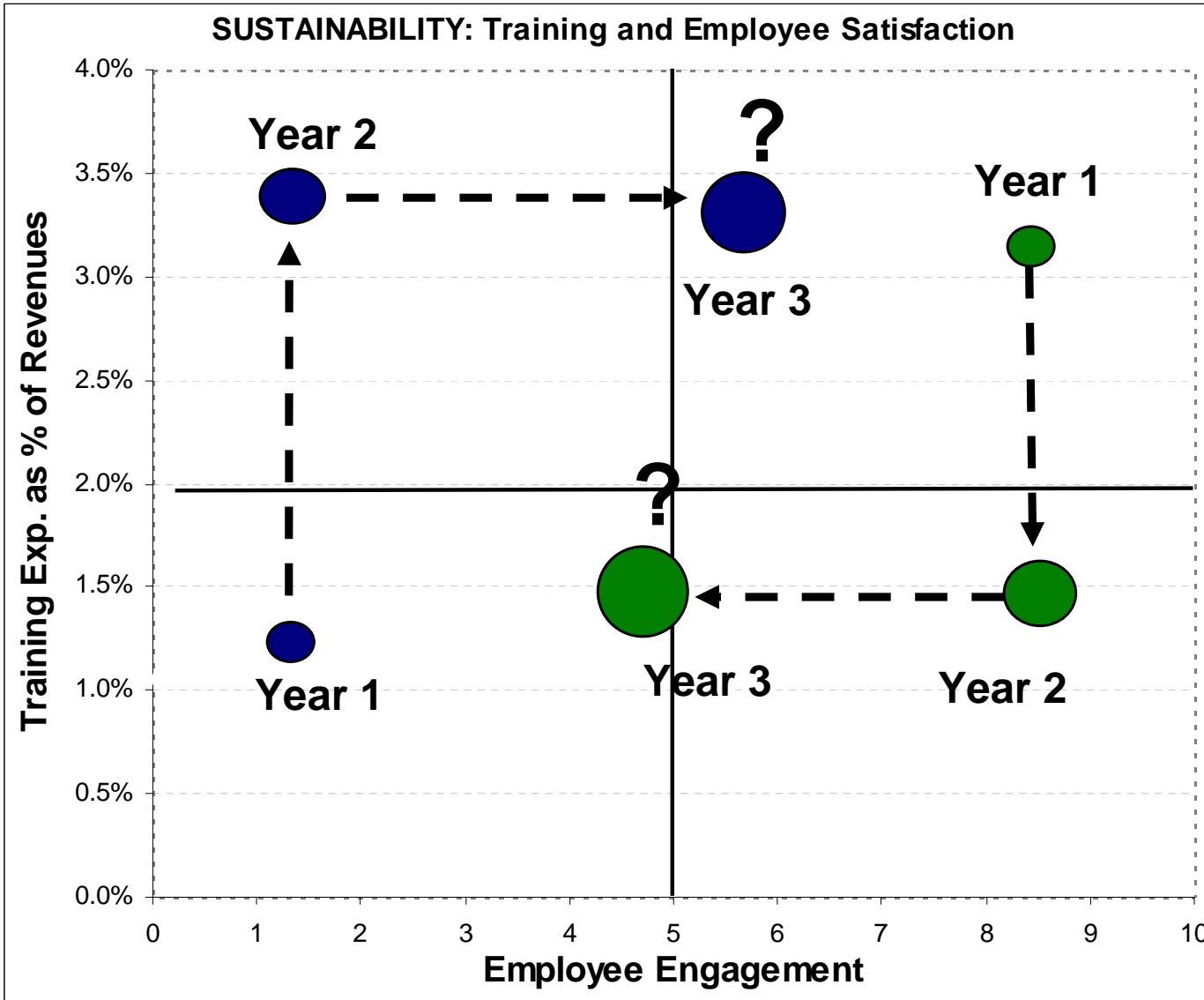
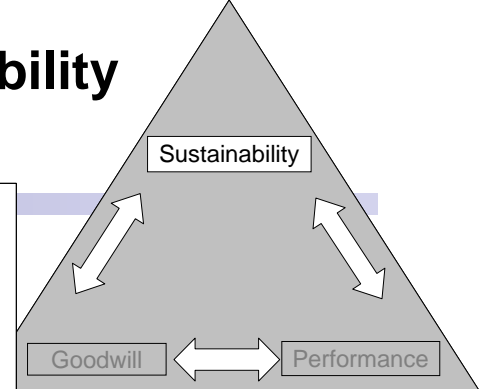
- **The purpose of the Industry Strategic Maps is to help us understand:**
 - **The drivers of past performance of a firm**
 - **Difference in the performance between strategic peers**
 - **Drivers of future movements**

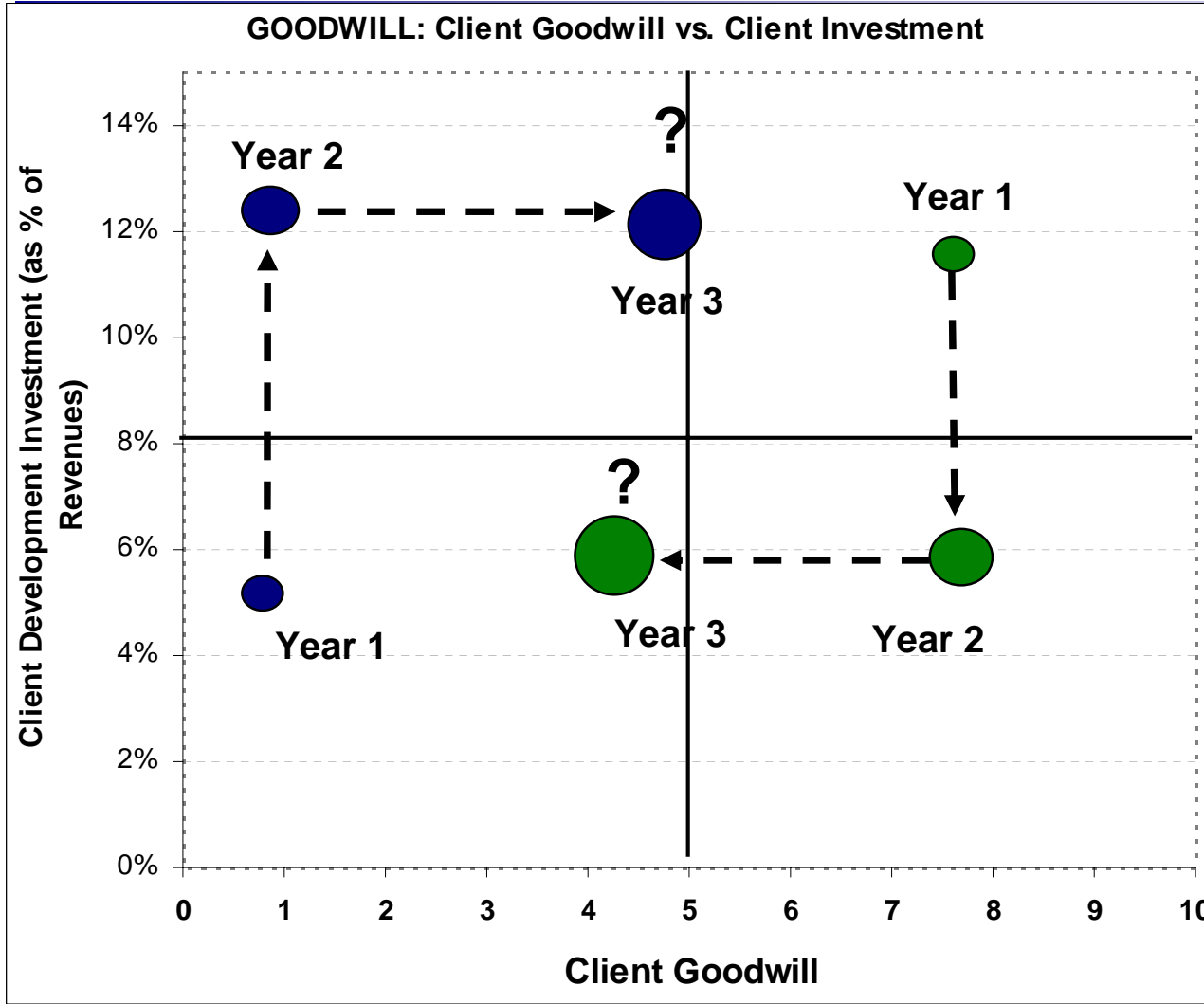
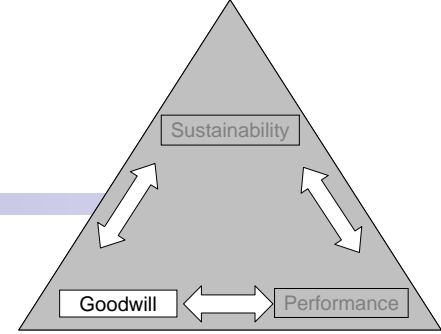


- The sustainability of performance outcomes can be investigated by looking at 3 drivers of long-term success
 - Sustainability
 - Goodwill
 - Performance
- The resulting insights can be used to
 - Inform managers' strategy development and implementation
 - Observers of the profession understand changes in performance of firms

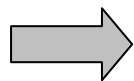
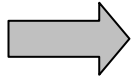


Let us look next at two hypothetical firms from the groups discussed

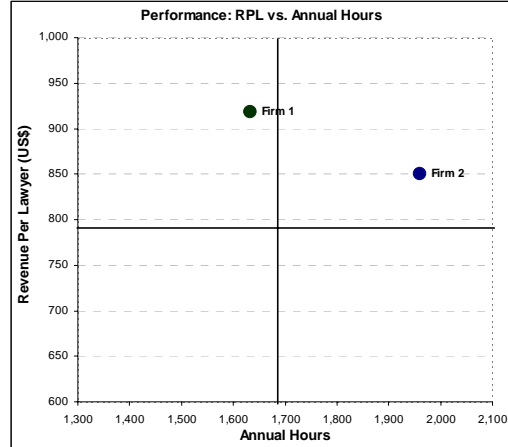




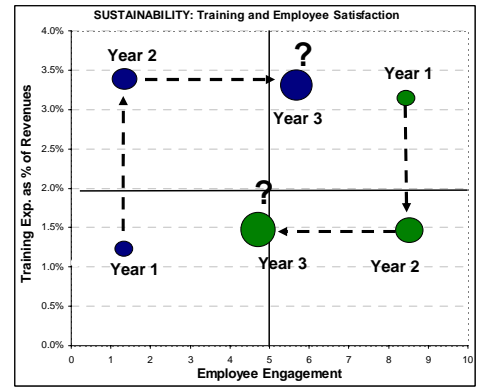
Using the strategic framework enables us to understand industry movements and the sustainability of a firm's success



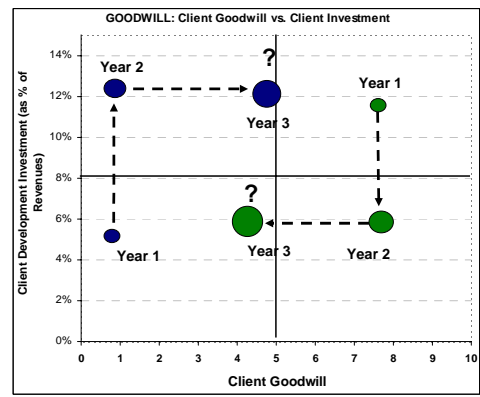
Performance



Sustainability



Goodwill



Summary: “Measuring Law Firm Success” Framework so far:

- A comprehensive measuring framework appropriate across a spectrum of law firms
- Strategic Maps for insight into future direction
- Drivers of long-term success

The framework is still evolving and is open for discussion within the profession

Going forward...

- Measurement framework
 - What gaps can you see? What additions can you suggest?
 - What uses do you see within your own practice?
- Strategic maps
 - What are the key relationships we should focus on?
- Implementation
 - What are the key options?
 - What are the challenges?

Measuring Framework

Strategic Insight

Drivers of Long Term Success

