

By: **Nick McCall**
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Q: *As a chief financial officer, what's your advice as to how lawyers can improve their law firms' bottom line?*

A: **Bill Kunkel**
CFO of Lewis, King, Krieg & Waldrop, P.C.



The answer really involves three things: organization, communication, and financial management/staying on top of the key metrics proactively.

As to law firms' organization, the "old school" model for professional firms of all kinds (not just law firms) was much like a country club. That model doesn't cut it in today's competitive environment. To be efficient, the new model requires the firm to be organized to bring about proactive leadership and promote operating efficiency, utilizing best business practices and accountability for financial returns to the stakeholders.

The next component, communication, is what is lacking in most law firms, from my perspective. The firm's leaders need to paint a clear vision of where the firm is going over the next three years and continuously reinforce that vision to all. Law firms often do not share critical financial information and metrics throughout the organization. Many have a good reason to be exclusionary with this data: they are underperforming at all levels--at the partner and associate level; in their back-end operations; and relative to their competitors. Good law firms are learning that transparency is important to team-building, and knowing the financial score is part of building effective teams. Properly leveraged firms are more profitable than those that are under-leveraged, and communications is a key part of getting that leverage to function at peak performance.

Now, as for key metrics and financial management: If the extent of your firm's financial and operational data is your monthly financial statements, monthly summaries of attorney billable hours, collections and originations, then you are not managing your business, and your firm is falling behind the power curve. Monthly financial data arrives far too late in the operating cycle to monitor key activity and effect attorney performance changes. Successful people skills require action in a timely fashion; waiting for obsolete data after month's end benefits neither the individual nor does it increase the firm's profitability. Key performance metrics at both the practice group/team and individual attorney level on billable time worked, investment time, fees collected, receivables and work-in-progress need to be on the attorneys' desktops on a daily basis. "Dashboards" are a common way of delivering this information in today's electronic world.

Key performance metrics need to be based not just on what was done during the current year, but what is expected. And, what is expected needs to be based on firm standards that are part of a long-range strategic or financial plan. Financial management needs to be in the hands of a CFO who is accountable to the firm's president or managing partner for strategy, execution and results. Too many firms have no idea of what a CFO does and while they may have someone with that designation, more likely than not, he or she has never worked outside the legal industry and probably adds little value outside keeping score. An effective CFO should add value--not just produce financial statements or monthly data that is stale and of marginal use--in managing today's law firm.