KPI’s Reality in IP Services

Marek Lazewski, managing partner, European patent attorney
HAVE YOU EVER USED ANY METRICS TO MEASURE PERFORMANCE (KEY PERFORMANCE METRICS, KPI’S) OR YOUR FIRM?

IF YES PLEASE RAISE YOUR HAND.
Usage of metrics

76%
Sample description

46

11%  9%  58%  13%  0%  9%

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IP Firms

97%

Size/ Employees

- Up to 5: 7%
- 6-10: 15%
- 11-50: 39%
- 51-100: 17%
- Over 100: 22%
Why not?

55% Too small firm
46% Lack of: time/resources/skills
18% Complication of remuneration negotiations
18% Fear of negative climate
9% Fear of data leakage

Why yes?

73% Optimizing work flow
64% Decision making
59% Internal work flow
55% Allocation of human resources
37% Profit sharing
What is evaluated?

- Financial condition of the firm: 77%
- Use of resources: 71%
- Achievement of business objectives: 68%
- Client satisfaction: 55%
- Attorney (non-partner) compensation: 52%
How?

Frequency
- Monthly
- Quarterly
- Annually
- Ad hoc
- Other

Access to data
- Owners
- Non-equity Partners
- Managers
- Employees
- Other

Measurement level
- The firm
- Partner
- Team
- Business line
- Process
- Employee
- Client
- Case
- Other

Tools
- Special software
- Bookkeeping software
- Timekeeping software
- Manually
- Other

Other
Which matrix?

Revenue and cash:
- Income: 93%
- Cash flow: 68%
- EBIT: 50%
- EBITDA: 43%

Cost:
- Cost level: 73%
- Cost: 61%
- CIR: 34%
- Cost of: 27%

Growth:
- Profit: 91%
- Sales: 71%
- Billable: 66%
- Numbe: 57%
Human capital

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed hours per employee</td>
<td>71%</td>
</tr>
<tr>
<td>Employee profitability</td>
<td>43%</td>
</tr>
<tr>
<td>Working hours per employee</td>
<td>41%</td>
</tr>
<tr>
<td>Remuneration to market</td>
<td>41%</td>
</tr>
<tr>
<td>Employee engagement/...</td>
<td>41%</td>
</tr>
</tbody>
</table>

Customers

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer profitability</td>
<td>52%</td>
</tr>
<tr>
<td>Customer complaints</td>
<td>48%</td>
</tr>
<tr>
<td>Customer opinion</td>
<td>32%</td>
</tr>
<tr>
<td>Customer lifetime value</td>
<td>29%</td>
</tr>
<tr>
<td>Customer attrition</td>
<td>29%</td>
</tr>
</tbody>
</table>
**Process effectiveness**

- None: 54%
- Resource: 27%
- Internal: 22%

**Value for owners**

- None: 53%
- EVA: 40%
- MVA: 13%

**Return**

- None: 40%
- ROI in...: 38%
- ROA: 30%
- ROI in...: 23%
DO YOU THINK COLLECTING KPIS HAS IMPROVED THE WORKING CLIMATE IN YOUR FIRM?

IF YES PLEASE RAISE YOUR HAND.
DO YOU THINK COLLECTING KPIS HAS IMPROVED THE WORKING CLIMATE IN YOUR FIRM?

- Agree: 52%
- Neither agree nor disagree: 41%
- Disagree: 7%
Conclusions

Business model
- Dominates traditional business model with limited orientation on processes and work effectiveness

Goal
- Ongoing monitoring of business performance
- Control of employee time utilization

Data availability
- Data is shared with owners and managers

Method
- Monthly analyses
- Manually combined data from bookkeeping and timekeeping softwares

Matrix
- Income, profit, cost
- Billed hours per employee
Management by results - like driving a car by looking in rear view mirror.

W. Edwards Deming

source: quotes.deming.org/4978
Directions of development

Predictions

- Developing models based on historical data to facilitate decision-making process
- Support of intuition with facts – even in small businesses

Processes

- Going beyond the simple time utilization
- Evaluation of time efficiency
- Identification of tasks with potential for automation and specialization

Clients

- Segmentation of customers based on their behavior as determined by the data
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