

A Short Guide to the Core Systems

Walker Clark Core Systems Diagnostic

Law firms – even the smallest ones – are very complex organizations. Moreover, each law firm truly is a unique combination of client needs and expectations, individual talents, management structures and procedures, and workplace culture.

Ten systems within law firms tend to have the greatest impact on overall financial performance:

- Client Management**
- Legal Products and Services**
- Governance and Decision Making**
- Internal Communications**
- Finance**
- Facilities and Logistics**
- Files**
- Information Technology Support**
- Human Resources Management**
- Performance Management**



Of course, these core systems are not the only ones that exist in most law firms. However, they are the ones that, for most law firms, tend to have the greatest overall impact. When Walker Clark performs a Core Systems Diagnostic for a client, we start with these ten systems. Each one has a very strong, direct impact on the firm's bottom line.

This paper outlines the ten core systems and provides several examples of the specific questions Walker Clark consultants ask during a Core Systems Diagnostic. An outline like this is the starting point for the Core Systems Diagnostic, as it enables Walker Clark and our client to focus more efficiently on those systems and issues that appear to have the greatest impact on current financial performance and future potential.

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This outline can also be used as a preliminary self-diagnosis, to help law firm managers to identify areas in their own firms that should be the top priorities for further study and improvement. It is critically important to remember, however, that these systems operate independently of the formal organizational or administrative structure of a law firm. Do not confuse systems with boxes on the organizational chart. For example, the most important opportunities to improve the Finance system may involve issues entirely outside the firm's accounting department.

This document uses traditional terminology for law firm professional positions, such as *partners* and *associates*. Of course, these and other similar terms are intended to be interchangeable with *shareholder* and *member*, and similar terms applicable to other business structures, such as professional corporations.

1. Client Management



This core system includes a number of business development, client relations, and marketing functions which in most firms are performed with a wide range of success and, in some firms, not at all.

Client base analysis: To what extent does the firm analyze its client base to identify those clients who produce the greatest revenue to the firm? Does the firm analyze changes in client use of the firm over time? Does it act on what it has learned/

Client intake: How does the firm evaluate and manage the business and professional responsibility risks of new clients and new matters

Definition of client needs and expectations: How does the firm define client needs and expectations, both currently and in the foreseeable future? How frequently does the firm update its knowledge of client needs and expectations?

Client satisfaction measurement: How frequently does the firm measure client satisfaction using methods such as survey, client interviews, and regular ongoing client feedback? How does the firm communicate and respond to the results?

Problem resolution: How do the firm and individual lawyers respond to client complaints, including fee and billing disputes? How does the firm follow up on client concerns raised during surveys or interviews?

Firm, practice group, and individual business development plans: Does the firm have a formal annual or biennial business development plan? Are the general goals of the firm's plan implemented through formal practice group and individual fee earner business development plans? How does the firm identify and address marketing skills needs in individuals and groups?

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2. Legal Products and Services



This system describes the way in which lawyers, other fee earners, and support staff work together to deliver substantive legal products and services to clients. Of all the core systems, Legal Products and Services is most directly related to the daily substantive legal work of the firm.

Legal research: How do assistants, paralegals, associates, and partners research legal issues, reduce the results of that research to writing, communicate the results within the firm, and integrate them into the final legal product delivered to the client? How does the firm provide expert-level assistance and research support to personnel conducting legal research?

Knowledge management: How does the firm share information, prior legal research, precedents, and prior work product internally, with a view to reducing or eliminating the need for duplication of effort?

Matter management: How does the firm record information about the progress of the case, including fees and disbursements, and communicate it as needed to the client?

Document production: How does the firm create, draft, edit, prepare, and deliver documents to the client? Even in this age of word processing, document management systems, and knowledge management applications, the most significant area of waste and rework in many law firms remains the document production process.

Distribution and delegation of work: How does the firm distribute work to ensure a balanced workload among fee earners and support staff? How is work delegated and managed to ensure efficiency, low cost, and quality?

3. Governance and Decision Making



Many law firms that fail to achieve have problems deeply embedded in their Governance and Decision Making system. In many firms, the informal components of Governance and Decision Making are more powerful than the firm's documented management structure and procedures. This core system also points to some of the hardest issues facing most law firms, and how the firm deals with them. Unfortunately, some partners and some firms prefer not to deal with them at all.

Business planning: How do the partners establish, define, and measure the success of business goals and objectives on short-term and long range bases? How does the firm integrate the firm's business plan into practice group business plans and individual lawyer business plans?

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Strategic planning and implementation: How do the partners define and plan for the achievement of long-range goals and objectives? How successful has the firm been in executing plans and achieving goals?

Change management: How does the firm anticipate and manage the effects of organizational and business change?

Administration of firm management structure: How are the responsibilities and accountabilities of the management committee, managing partner, and executive director defined?

Management of practice groups: How does the firm identify, define, and manage practice groups and practice areas? How does the firm adjust organizational structures to meet client needs and new opportunities?

Leadership development: How do the partners provide for the development of leadership skills needed by the firm? How are the current leaders of the firm planning for the transition to the “next generation” of leaders?

Election to partnership: How do the partners decide the admission of new partners, either from among associates or from other law firms?

Partner withdrawals and retirements: How does the firm plan for and respond to withdrawals and retirements by partners?

Values transmission: How do the leaders of the firm communicate and reinforce the fundamental professional and organizational values of the firm? How is the firm’s culture institutionalized through rewards and recognition?

Internal conflict resolution: How does the firm resolve internal conflicts, such as morale issues and problem partner behavior? How do individuals and groups within the firm resolve interpersonal communication problems?

Innovation: To what extent do formal policies and procedures hinder or discourage innovation?

4. Internal Communications



Firms that have trouble implementing their plans often discover that a major reason for their disappointment has been the failure to communicate the objectives, benefits, and responsibilities accurately and in a timely manner. Poor internal communications can also have a disastrous effect on client relations.

Reception: How are incoming telephone calls distributed internally? How are clients greeted and referred within the firm?

Scheduling: How does the firm coordinate and distribute the schedules of individual lawyers to facilitate scheduling of internal meetings?

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Distribution of incoming communications: How are mail and faxed handled? How efficiently is e-mail forwarded when necessary?

Dissemination of strategic and client-related information: To what extent, if at all, is strategic information – such as strategic goals and initiatives – distributed throughout the firm? To what extent is information concerning client needs, expectations, and feedback distributed when appropriate? To what extent can each person in the firm articulate the firm's values, strategic goals, and business objectives, along with his or her role in them?

5. Finance



The financial system is one of the largest systems in any law firm, even though it may contain relatively few people. The financial processes of the firm may be distributed among several divisions or departments in the firm; although the better practice is to consolidate them in one department. Some of these processes are outsourced, partially or entirely, to contractors or vendors.

Financial management of engagements: How does the firm use retainers, engagement letter provisions, and ongoing financial management to protect profitability in each matter?

Timekeeping: How do fee earners record and report billable time? How is non-billable time recorded and reported?

Recording of expenses and disbursements: How does the firm ensure that expenses and disbursements are recorded and billed promptly and accurately?

Invoice generation: How does the firm generate, review, and transmit invoices to clients? How prompt and accurate are the invoices?

Collections: How does the firm monitor and follow up on accounts receivable?

Internal financial reporting: What internal financial reports are generated? How are they distributed and used? Is financial information withheld from someone who needs to know it?

6. Facilities and Logistics



This core system describes the way in which the firm provides business support for the delivery of legal services. Functions in this system include some of the largest operating cost items in a law firm's budget; but poor performance can also affect revenue by discouraging clients from using the firm for future work. The evaluation of the Facilities and Logistics looks for the opportunities to reduce waste at the lowest cost and with the greatest potential for quick results.

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Facilities maintenance: How does the firm manage the acquisition and upkeep of its buildings and office spaces? How are maintenance and repair needs prioritized and addressed?

Work space configuration: How does the firm ensure the most efficient use of available space, while at the same time providing a suitable professional environment?

Equipment and furnishings: How does the firm plan, acquire, distribute, and maintain equipment (other than computer and network equipment)?

Office security: How does the firm prevent loss from weaknesses in physical security?

Disaster preparedness: Does the firm have a disaster plan? Has it been exercised? When and how is it updated?

Management of vendor relationships: How does the firm manage contracts with, and payments to, outside suppliers of facilities support?

7. Files



Most law firms are still mostly paper-based. The way in which the firm manages its files can have enormous impact on its productivity and, ultimately, its profitability, particularly with respect to high volume work.

Opening: How does a lawyer or other fee earner open a new file?

Tracking: How does the firm monitor the physical location of each file?

Retrieval: How does a fee earner or support staff member retrieve a file? How efficient is this process?

Physical management and security: How are responsibilities for file management assigned? Who is responsible for the physical security of the files? How are the firm's management and client files backed up?

Long-term storage: What are the firm's policies and processes for long-term storage of files? How does the firm decide whether to destroy an old file?

8. Information Technology Support

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Information technology is a tool that cuts across all organizational boundaries. Although technology is more usually considered as merely a tool for law firm management and production of legal work, the support of information technology capabilities is an important system by itself. Information technology support is increasingly being contracted to outside vendors.

Acquisition planning: How does the firm identify and plan for current and future technology needs?

Integration with existing systems: How does the firm integrate new systems with legacy and current systems? Does the firm have any processes that involve redundant reporting or multiple data entry?

Maintenance: How does the firm plan for routine maintenance and emergency repair?

User assistance: How does the firm respond to questions and routine problems of users?

Information technology training: How does the firm plan for and provide training in new systems and applications, and to new employees?

Information security: How does the firm protect proprietary and client information? How does the firm respond to breaches of security?

9. Human Resources Management



This is usually the largest internal system in a law firm. Human resources management functions are often distributed among several departments or divisions. Responsibilities and authority for human resources decision making are frequently unclear and poorly documented.

Staff analysis and planning: How does the firm determine current and future staffing and skill requirements?

Recruiting: Who is responsible for recruiting? How are staffing and skill requirements translated into qualifications for new positions or to fill vacant ones.

Hiring and termination: What are the processes for hiring a new employee and bringing him or her into the firm? What are the processes for terminating an employee, for cause or otherwise?

Skills testing: How does the firm test the skill levels of applicants for administrative, clerical, or technical positions?

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Position classification: How does the firm determine the position descriptions and compensation levels for lawyers and support staff?

Employee orientation: How do new employees receive orientation training and, on an ongoing basis, up-to-date information that they need to be fully productive?

Benefits administration: How are employee questions and requests processed?

Payroll: How does the firm ensure timeliness and accuracy in payroll administration? How does the firm respond to employee questions and requests concerning payroll?

Implementation of promotions: How does the firm administratively implement promotions of staff?

Employee relations: How does the firm manage issues concerning the terms and conditions of employment? In firms that employ union members, this process also includes the management of collective bargaining and resolution of grievances.

Legal compliance: How does the firm ensure compliance with employment laws and regulations? How does the firm respond to potential compliance issues?

10. Performance Management



Every core system is important to financial performance; but performance management has become, for some law firms, the most critical system of all. In its most complete and sophisticated form, performance management links its processes to virtually every other system and process in the firm.

Goal setting: How are performance goals, both formal and informal, set for each fee earner in the firm? .

Performance feedback: How does the firm provide formal evaluation and ongoing developmental feedback to each individual?

Performance coaching: How does the firm provide support to each person in the accomplishment of his or her goals? How does the firm address substandard performance, especially among partners?

Mentoring: How do partners involve themselves in the training and professional development of junior lawyers?

Professional compensation: How does the compensation system for lawyers and other professionals in the firm reward the accomplishment of performance goals? How does it provide incentives for behaviors that are consistent with the firm's strategic goals, business objectives, and organizational values?

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Criteria for professional advancement to partner: How do the criteria for advancement to partner reinforce the performance management system? When a new lawyer joins the firm, how does he or she know precisely what he or she must do to become a partner?

Professional development and training: How does the firm provide the career development and training that each person needs to accomplish his or her goals and to succeed in the firm?

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