

10 Metrics to Track That Tell the Story of Your Law Firm's Health

With the end of the year approaching, your law firm's financial performance is likely on your mind, both in terms of how your firm fared this year and what the coming year could bring.

But while you likely understand the general arc of your firm's financial well-being, you need to drill down to the details to make informed financial decisions.

The most effective way to gain a holistic view of your firm's health story is by tracking and consistently monitoring the right metrics over time. This is essential for achieving consistent, sustainable growth.

Keep reading for ten specific metrics that will help you set ambitious yet realistic goals, improve your firm's overall health, and pave a path to success.

The top 10 most important metrics to track

So you're ready to harness the power of metrics to grow your firm—but which metrics should you track? (After all, having an excess of numbers to draw upon can lead to decision fatigue.)

Here are our top recommendations—feel free to pick and choose those that are most useful based on your firm's unique strengths and weaknesses.

01. Cash position

Your cash position is the amount of liquidity (cash on hand) your business has at any given time. This metric in particular is worth monitoring frequently, even on a daily basis, if possible.

02. Total revenue

Total revenue is the entirety of your firm's income, including flat fees, billable hours, and more. This metric isn't particularly useful for assessing your firm's health on its own, but you can get great insights if you track it over time (to assess year-over-year growth) or alongside metrics like your profit margin.

03. Profit margin

Your profit margin is the percentage of revenue that represents the firm's profit after deducting expenses. A healthy profit margin means your firm is effectively managing its costs and generating adequate profit.

04. Year-over-year total revenue growth rate

The year-over-year total revenue growth rate is the rate at which your firm's revenue grows on a yearly basis. While a positive growth rate indicates that your firm is expanding, a decline can point to issues at your firm in need of attention.



How to Prevent the 10 Biggest Mistakes Every Law Firm Makes

Are you looking for a simple way to boost your law firm's productivity and increase client satisfaction? Stop committing these 10 common mistakes! watch the webinar now.

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05. Client retention rate

Your client retention rate is the percentage of clients who continue using your firm's services over time. A high retention rate means that your firm is successfully building long-term relationships and maintaining client satisfaction.

06. Number of new prospective clients per month

The number of new prospective clients per month or new "leads" per month is a metric that's most useful for firms actively trying to garner new business, as opposed to those mainly focused on existing client relationships.

07. Number of new clients per month

Knowing how many new clients your firm brings in each month can be helpful information, in addition to tracking prospective clients.

08. Utilization rate

Your utilization rate is a way to measure workload and productivity. It refers to the percentage of your firm's available working hours billed to clients. You can look at this by attorney or as an average. A higher utilization rate suggests that attorneys are using the time that's available to them effectively.

09. Collection rate

A collection rate is the percentage of billable hours that are *collected from* (not billed to) clients; if this rate is high (i.e., above about 90%), your billing and collection practices are generally working as they should.

10. Outstanding accounts receivable

This one can be a thorn in your side. Outstanding accounts receivable (AR) is the amount of money clients owe your firm for services that have been rendered and billed for, but not yet paid for. If your outstanding AR is high, this means there are numerous (or large) invoices outstanding, so your firm must make an effort to collect payment.

A high AR can jeopardize your cash position and profit margins, [so reaching zero AR by the end of the year is a worthwhile goal](#).

Keep an eye on your firm's health with dashboards

Legal-specific software solutions can make tracking metrics a far simpler and more seamless process. When these tools centralize useful data on [easy-to-use dashboards](#), all the better. It means those valuable insights are always right at your fingertips, enabling [informed, data-driven decision-making](#). Here are three types to consider.

Financial dashboards

[Time and billing software](#) often uses dashboards to centralize real-time, up-to-the-minute data and provide a bird's eye view of your firm's health.

This type of [financial dashboard](#) provides revenue, expense, and profitability metrics to simplify decisions and allow you to take action as soon as possible.

For example, if there is a sudden surge in expenses, speak to the attorney who tracked them on the same day. Or, if margins are dwindling, adjust pricing and billing now, rather than waiting a month (by which point the profit-related problem would have become more drastic, and thus more challenging to resolve).

Client dashboards

A client dashboard gives you a high-level view of your client-related data, including billable hours, revenue generated, and outstanding balances. You

can track your progress on matters, identify trends, and make data-driven decisions that drive sustainable growth.

Staff dashboards

Look for other types of specialized and customizable dashboards, such as a staff dashboard that helps facilitate collaboration among your team. This acts as a centralized hub to manage tasks, deadlines, and project progress and is great for fostering transparency and efficiency.

Reporting features

Alongside dashboards, you might benefit from built-in reporting features that can tell you a lot about your firm's health (without having to get a statistics degree to run the right queries).

With a software solution like TimeSolv, you can access [31 automatic reports](#) that include [advanced analytics](#) to improve your time and expense tracking, project management, invoicing, time budgeting, accounting, and more.

(If the array of options sounds too intimidating, the [top six recommended reports](#) are a great place to start.)

Improve your law firm's health with TimeSolv

TimeSolv is an industry-leading legal time and billing software designed to help busy lawyers track time and get paid—without losing billable hours.

With intuitive time tracking, online payments, and financial dashboards, you can alleviate your practice's administrative burdens and focus on client service. TimeSolv also offers law firms access to [outsourced bookkeeping services](#), which can help you maximize your firm's potential for financial well-being.

To see how TimeSolv can help your firm achieve sustainable financial health, [start your 14-day free trial](#).