Eight reports your law firm should run to increase profitability

How will know whether your law office is performing well if you never stop to examine its performance? Every business venture needs regular assessments in order to continuously strive and increase profits, and your legal practice is no different. Regular reporting helps you identify what's working (so you can keep doing it) and what's not (so you can cut it out). Here are eight reports that your law firm should be running to measure performance and maximize profitability.

Case tracking

Case life cycles tell a lot about the efficiency and cost-effectiveness of your firm's processes. Look at the time it takes to take an average matter from intake to final communication with the client. If the time span seems unreasonable, then there is a good chance that there's a glitch or inefficiency in the process.

Perhaps there is an unreasonable delay between intake and the initial court filings. Maybe a lack of communication between attorney and client led to interruptions in the case process. A case tracking report will alert you to a problem so you work to identify what it is and address it quickly.

Case worth

Reports that tell you how much revenue was generated from specific matters also help you identify which cases are most profitable for your firm. Look at how much time a case takes compared with how many hours are billed to the client. You can also use these reports to review the level of cost associated with specific types of cases compared to the amount of profit generated. With this information, you can position your firm to take on more of the most profitable types of matters.

Expenses

You cannot gauge profit without reviewing how much money is being spent on monthly expenses. From office utilities to outsourced legal services, you should have an accurate account of every dime that leaves the firm's operating account on a monthly basis. Once armed with this information, you can look for areas where costs can be cut. Don't be afraid to shop around for more affordable vendors and consider innovative cost-saving measures, like paperless files and energy-saving office devices.

While some costs are inevitable and integral to the success of a thriving law firm, you are likely to find at least one or two expenses that can be minimized. Remember, the less overhead your law office maintains, the more profit you can potentially see at the end of your fiscal year.

Referral sources

Referrals are an important part of business building, especially for law firms. Some firms receive so much referral work, they have little need for traditional marketing. By tracking referral sources, you can identify where most of this work comes from and how it financially impacted the firm. Then, you can make an informed decision about further nurturing that referral source.

For example, is your firm currently paying for membership in a professional organization? If that membership has resulted in thousands of dollars in profit for the firm, then the membership has probably paid for itself repeatedly. However, if you have seen no referrals from this expense, it may be time to cut ties and focus on other referral sources.

Marketing time and expenses

Marketing is a heavy expense for many small and mid-sized legal practices, particularly when having to compete with large law firms. As you spend time and money on advertisement and marketing, it's important to keep track of your efforts. Some firms spend thousands of dollars each month to outsource their marketing efforts, only to see little return. Why would you spend this much of your budget without determining whether this expense is resulting in higher profits for your practice?

New clients

How many new clients did your firm attract last month? If the number vastly differs from previous months, was there some changing variable that led to this increase… and more importantly… can you duplicate it for next month? These are all questions that relate to your bottom line, but you cannot adequately answer them without the data that you will gather from running a new client report.

Collection rates

Billing a client is only half the battle. You then need to actually collect the money for services rendered. By running a collection report, you can identify client accounts that are overdue and determine any common factors. Perhaps one of your attorneys has numerous overdue accounts. You may want to take a closer look at his time tracking and billing practices to see if he is sending timely and complete bills.

Communication deficiencies or a lack of payment options may also impact your collection rates. Clients prefer bills that are straightforward and easily understood, which partly explains why fixed fee billing has become such a trend within the legal industry. If your office hasn't tested the fixed fee waters, maybe now is a good time to see if it will improve your collection rates.

Billable vs. non-billable hours

Nobody has more than 24 hours in a day. When you take away time for sleeping, self-care, and personal responsibilities, you are left with a limited number of work hours. That's why it's important to regularly review how many of those working hours are being spent on billable tasks vs. how many are not.

Don't forget that your law firm is also a business, and it needs to be profitable in order to survive. Too many non-billable hours can lead to less profit and even place your firm in financial jeopardy. Whenever possible, non-billable tasks should be delegated to support staff members, so that the attorneys in your firm can concentrate on completing billable duties.

TimeSolv offers exceptional reporting capabilities

When it comes to reviewing the profitability and wellness of your law office, TimeSolv's reporting capabilities have you covered. With more than 30 reporting options at your hands, you can quickly and easily review billable hours, accounts receivable, expenses, attorney performance, and numerous other metrics. Click here to learn more about TimeSolv's reporting capabilities and all of the features offered through their legal time tracking and billing system.

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Erika Winston is a freelance writer with a passion for law. Through her business, The Legal Writing Studio, she helps legal professionals deliver effective written messages. Erika is a regular contributor to TimeSolv and a variety of other publications.