

5 Tips for Growing Revenue and Improving Profit

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Successful revenue and profit goals are behind every successful practice. We've all heard the powerful saying from management expert Peter Drucker, "You can't manage what you can't measure." This holds true for legal practices. You can't grow your revenue or manage your profitability if you're not measuring the factors that affect them.

Below you'll find five tips for helping your firm grow revenue and improve profit.

Establish a process for securing new clients

The No. 1 driver of revenue is work. This means the obvious first objective for most law firms is securing clients. Don't get so busy serving existing clients that you forget to make time for business development. Devote time every month to cultivating relationships with potential clients and track how much time you spend doing so. You also should determine your criteria for selecting clients and understand metrics like your win-loss rate (for example, how often a potential client chooses your firm versus a competitor).

Capture all your time

Once lawyers have the cases they need, it's necessary to record hours and avoid discounting time. This is a serious challenge compared to, say, 20 years ago, thanks to the sheer multitude of tasks on lawyers' plates. Today, many attorneys perform work in microunits of time, contending with literally hundreds of emails, documents, and phone calls in a single day. Lawyering of the past was almost leisurely by comparison.

The demands on a lawyer's increasingly divided day make it hard to track that time. As a result, many firms settle for guesswork and approximations. That's a slippery slope to recording fewer hours than they actually worked and inaccurate invoices that shortchange their firms in increments large and small.

And for smaller firms, the financial disparities relative to larger law firms are stark enough without losing ground due to inefficient billing procedures.

Adopt legal practice management software

Frequently, a law firm's profit picture is clouded by resistance to change. Firms are comfortable with imprecise billing that's counterproductive to a robust bottom line. For law firms that bill hourly, a lack of measurement can be an especially vexing problem; one we at Smokeball call "discounting on discounts." Lawyers discount their services almost unconsciously when they complete work without understanding the value of each hour. And more accidental discounting can occur during invoicing when unwarranted generosity turns into rounding down your billing.

Legal practice management software like Smokeball can help firms improve their profitability overnight. These solutions help firms capture more revenue by generating granular details on billing, spending, staff performance, and other metrics. This software goes far beyond the value of a spreadsheet or simple manual calculations. In fact, firms that use Smokeball's automatic time-tracking features bill more than four hours per day on average, compared to the two hours per day among other firms. The result: An extra \$137,000 of revenue per fee earner, every year.

Invoice clients efficiently and follow up on late payers

Another part of the profitability picture is what Smokeball calls "billing hygiene," or the golden rule of promptness in pursuing payment. If invoices aren't sent out promptly, they won't be paid promptly. Setting and maintaining regular billing cycles sets a precedent with your clients and helps avoid the sticker shock of a huge bill at month's end. And when billing is timely, the value you've provided is still fresh in your client's mind.

Set a goal for profitability

For every dollar you bill, what percentage will be profit? Many small firms have no idea what their profit margins are or should be. If your law firm wants the clearest window into your profitability, your best bet is to track time relative to revenue, minus firm costs.

Legal practice management software that tracks all your work in real-time is crucial to accurately producing these metrics. Productivity analysis that spans matter, practice areas, and other categories whose measurement is important. Time-tracking can even be done on flat-fee cases, showing actual revenue was generated from that work. Over time, you'll gain a view of your most profitable clients and practice areas.

If you're looking for legal practice management software, here are some must-have features:

- **Seamless integration with Microsoft Word and Outlook.** Lawyers spend as much as 80% of their time in documents, emails, and their calendars.
- **Time tracking is also key because it helps firms capture more revenue.** It also can provide reporting to help firms understand which cases, practice areas, and earners are most productive.
- **Reporting and performance tracking features.** Reports are vital because, over time, they provide an accurate view of KPIs, revenue, and profitability, among other metrics.

By setting clear goals, identifying and setting up processes to measure key benchmarks, law firms can generate more revenue and improve their overall profitability.

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