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16 Financial Metrics Your Law Firm Should Track With Dashboards

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We've talked before about the importance of legal analytics and [legal technology](#) for law firms. If you've already made the leap to using a cloud-based legal management system, you might be overwhelmed by all the data it's collecting. After all, most lawyers don't moonlight as statisticians.

It's difficult for leaders to know what metrics are the most important for the firm's success in the long term and how to use those metrics to make higher-level decisions that help drive law firm profitability. The best way to start is by tracking the metrics with a convenient and easy-to-use tool that keeps them organized all in one place.

That tool is called a [dashboard](#). Every law practice can use dashboards to easily track financial metrics, make informed decisions, and grow their business.

What is a dashboard?

A dashboard is a customizable page that uses simple graphs and visuals to monitor key performance indicators (KPIs) in real-time.

Usually, a dashboard is a landing page and part of a larger cloud-based law firm management platform. Dashboards provide law firm management with an easy-to-digest snapshot of the metrics and relevant data for their goals. Instead of struggling to understand the big picture, dashboards provide much-needed perspective and turn raw data into actionable information.

Dashboards are a tool to help law firms increase productivity and stay on track. They empower law practice management to monitor progress and make informed decisions that drive firm strategy, hiring, staffing, pricing, and more.

Dashboards aren't just for law firm management. They can also help lawyers and staff monitor appointments, tasks, and individual metrics. Access to dashboards helps employees stay on task and improve their collaboration while allowing management to do a deeper dive into individual employee productivity.

What are data points?

Data points are raw numbers without any context. Data points are the building blocks for the information that is displayed on the dashboard. Data informs metrics and KPIs and the graphics

that appear on your screen.

Legal technology platforms constantly collect data. For example, when timekeepers input data (like their billable hours or completed tasks) into a case management system, it is automatically populated and incorporated into other aspects of the software and may also interface with other technology solutions.

A great example of a data point is the number of employees in your law firm, the number of daily website views, or an employee's time spent on a particular task, like billing. Data points are different from metrics because you can't influence them. Data is data, no matter how you spin it.

What are metrics?

Metrics add meaning and context to data sources and inform KPIs. Metrics measure the overall health of a law firm. Law firms track key metrics to create KPIs that measure progress toward achieving a larger business goal.

Some examples of metrics are the actual minutes or hours that lawyers spend on particular billable tasks per week (instead of just a raw number), the lawyer turnover rate in the office, or the percentage of new clients who view the website and request a consultation.

What are key performance indicators (KPIs)?

KPIs reflect a law firm's progress (or lack of progress) toward achieving a particular goal. They are forward-thinking data collected to analyze productivity.

KPIs are based on specific metrics related to different aspects of a law firm's functionality, including budgeting and billing, education and training, overall client satisfaction, and internal processes. The law firm's leaders identify a goal based on the metrics and then use KPIs to measure progress toward that goal.

KPIs based on our example above include reducing the time that lawyers spend on billing processes by 25% each month, generating 30% more clients in the upcoming year, or retaining employees for at least 3 years.

Data points are the foundation for a metric, which gives data meaning. Then the metric (or multiple metrics) are used to create a KPI and monitor progress towards a particular goal.

What are the best practices surrounding dashboards?

Dashboards are only as helpful as the information that they display. Even though they are simple, dashboards require some forethought to set up. Legal practice leaders should take time to customize their dashboards to be the most practical and effective.

Define your KPIs

Before using your dashboard, you'll need to have KPIs. A clearly defined KPI helps you achieve your business goals. It keeps everyone in the office on the same page and makes your dashboard more useful. A well-defined KPI is SMART: it is specific, measurable, attainable, realistic, and time-bound, meaning that it has a specific deadline.

A great example of a KPI is to bill 25% more hours in the first half of the fiscal year. This KPI is clearly defined so that every timekeeper can get on the same page. It is a realistic goal that can be measured and tracked throughout the designated period.

Declutter the dashboard

A dashboard is designed to be a snippet overview of your progress toward reaching KPIs and the health of your law firm. Most law firms have many different business goals that change over time. It is important that you declutter your dashboard and only focus on the most important KPIs for your purposes.

If there is too much information on your dashboard, it takes away from the tool's simplicity. The more data that's displayed, the harder it is to quickly digest important trends and track progress. As time passes and you reach certain goals, you can re-evaluate your dashboard and add or subtract KPIs as necessary.

Use multiple dashboards

The great thing about dashboards is that you can have more than one. Instead of having a dashboard that tracks everything under the sun, you can set up different dashboards for each area of the business. For example, you should have a dashboard dedicated to financial metrics and a separate one dedicated to client metrics.

Using multiple dashboards also lets employees track the metrics as they relate to their own performance and responsibilities. To reach your law firm goals, you'll need to rely on your staff. By giving timekeepers access to their own dashboard and the ability to track their own metrics, it keeps them focused and sets clear expectations for their work. Instead of nagging lawyers about how they spend their time, they can self-monitor and make adjustments along the way.

What metrics should my law firm track with dashboards?

Your law practice can use a legal dashboard to track just about any metric. Law firms should consistently track financial, learning and growth, client services, and project management metrics for every practice area. Each of these categories should have a dashboard that reflects the KPIs related to them.

Of course, many of these metrics tend to relate to a law firm's financials. After all, streamlining internal processes, increasing lawyer productivity, and having [happy clients](#) all affect revenue. An easy way to start is by creating a dashboard to track financial metrics.

What financial metrics should my firm track?

Small and mid-size law firms that want to grow will benefit from tracking some combination of the following financial metrics:

1. Billable hours by timekeeper
2. Average billing rates
3. Revenue per lawyer
4. Revenue billed vs. revenue collected
5. Realization rates

6. Collection rate
7. Utilization rate
8. Law firm debt
9. Operating account balances
10. Annual costs
11. Accounts receivable outstanding
12. Net income as a percentage of the revenue
13. Overhead
14. Fee per ongoing matter
15. Fee per new matter
16. Revenue per employees

Just because law firms should track all of these financial metrics doesn't necessarily mean they should all be included on the same dashboard. Law firms need to take the time to identify the metrics that are specific to reaching their financial KPIs. Law firm management may opt to have multiple financial dashboards that subdivide these metrics even further.

What are the benefits of a good dashboard?

A well-thought-out dashboard can benefit a law firm by driving productivity and helping the overall business development. Dashboards help law firm leaders turn data into usable information to inform decision-making. They are an excellent tool to track financial performance and monitor the [firm's finances](#) without wasting time staring at meaningless numbers. Dashboards can also be used in conjunction with other best practices, like [reporting](#), to increase the bottom line.

Well-organized dashboards can also keep law firm management focused on the big-picture goals for the business instead of getting bogged down in the minutiae. Plus, dashboards can help keep everyone in the office on the same page about firm performance and give them the business intelligence they need to focus on their role in growing the firm.

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