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Give Your Law Firm a Competitive Edge with Legal Analytics and Reporting

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As a lawyer, you're no stranger to legal research and analytics. Data drives your practice and law firm as you review dockets, draft briefs, search SEC filings, and find deeds. But is your firm intelligently conducting research on and reviewing the analytics related to its bottom line? If not, it's time to get started.

Your law firm likely already has some kind of reporting system, or at least a CRM, in place. The question to ask yourself now is whether your system is working and whether you're taking full advantage of and properly reviewing all the data it produces. By putting the right tools and systems in place, your law firm and its administrators can have aggregated key performance indicators (KPIs) on important data at their fingertips. Reporting and legal analytics will give your law firm real-time, actionable insights into your productivity and profitability.

We understand that these concepts may be new to you. That's why this article offers helpful tips that will help your firm maximize the value of your law firm data with the right legal analytics tools.

What is legal analytics?

Legal analytics is the process of collecting, organizing, and then applying data to the practice and business of law. The goal is to use the data you have to make more informed decisions that enable you to better manage your firm's performance.

With the right analytical tools, your law firm can assess its own data and numbers to create helpful reports on all aspects of its business model and then take actionable steps to streamline workflows and increase its profitability. In sum, data analysis is a magic wand that can help your legal practice sort through the chaos and drive toward better performance.

How can analytics give my law firm a competitive edge?

Analytics gives your firm a competitive edge because you'll be able to unlock the value within your data and gather business intelligence that you otherwise wouldn't have. Your administrators will be given that magic wand to help maintain, improve and, if needed, transform your law firm.

For example, legal analytics can help you, your law firm, and your legal professionals and administrators forecast the ebb and flow of certain matters, strategize financially based on facts,

and manage internal resources and teams more intelligently. You can view user-friendly data visualizations that graphically represent billable hours, money going in and out, and invoices.

We already know your next question. This all sounds great, but how does it apply practically to the nuts and bolts of my law firm's practice and operations?

How can law firms use legal analytics and reporting?

[Legal reporting software](#) offers adaptive, real-time reports. Basic data points for legal reporting include [billing](#), [accounting](#), productivity, and compensation.

Through reporting and analytics, your law firm will be able to identify, for example, its highest paying clients and matters, figure out where the money is being made and where it's being lost, manage staffing and track lawyers' billable hours, ensure accuracy in origination credit and compensation matters, and use other raw data points to build complex spreadsheets and pivot tables to aid your firm's decision making.

This translates to using legal analytics and reporting to set pricing, stick to realistic financial performance standards and targets, make informed hiring and employment decisions by knowing which specialty groups are growing and need more help and which are falling behind, track key client relationships, and allocate resources between departments appropriately. [Financial reporting](#) helps your firm reduce risk and identify cost-saving opportunities.

By reviewing internal data and creating customized reporting, law firms can use analytics in nearly all of their day-to-day operations, improving their profitability and functioning in both the short term and long term.

What types of reports should my law firm be running?

Each law firm has unique needs. A real estate boutique will need something different than a large litigation firm, and the types of reports run will vary based on those individual needs (and also show why customization is so very helpful).

Below is a list of examples of the types of reports your firm should consider when building out your reporting structure across all departments and practice specialties. For more detailed information regarding what these reports include and how often to run them, check out our [legal analytics and reporting guide](#).

- **Billing and accounting:** These reports provide a detailed look at your firm's finances, including cash flow and other assets. Given that the longevity of your firm hinges on its financial position, paying close attention to what these reports have to say is pivotal. Law firms must know whether they are cash positive as well as whether business expenditures are benefitting or hurting their bottom line. With regular financial reporting, your firm can track important value [metrics](#), including bank account journals, accounts payable, accounts receivable, timekeeper and matter budgets, and bank reconciliations. Keeping close weekly, monthly, or yearly tabs on these matters can make or break your firm.
- **Firm productivity:** Lawyers are a firm's biggest asset, and monitoring their productivity and efficiency is important. Your law firm should proactively track billable hours, and reporting will help you do that intelligently and objectively. In addition to monitoring straight billable hours, reporting and data analytics will also help your firm keep tabs on nonbillable hours, timekeeping

procedures, matter timelines, billing processes, attorney profitability, and matter origination and production. These issues matter to law firms and their employees alike. Reporting can help you track performance for yearly bonuses and ensure the retention of your firm's key talent and high billers. All of the above will aid your firm in promoting efficiency, finding cost savings, and maximizing profitability.

- **Law firm marketing and business development:** Intelligent business development and [marketing efforts](#) are the future, and reporting and analytics can help your firm get there. Many law firms spend substantial amounts of money on their marketing strategies and campaigns without collecting, retaining, or analyzing any data on effectiveness. Your firm's long-term growth is intrinsically tied to gaining new clients, which itself is tied to marketing and business development. The following market performance indicators should be part of your law firm's regular reporting processes: source of clients, client retention and referrals, website conversion and hits, return on investment, and production and origination. Monitoring this data will empower administrators to evaluate which approaches are working and which should be adjusted.
- **Practice area performance:** Law firms have learned a lot from COVID, including that they must be malleable and able to evolve. Many firms started new practice areas in response to pandemic-related market changes, including health, employment, and bankruptcy. Your law firm should review the performance of its practice areas at least annually (and ideally quarterly) to determine their profitability levels. Reporting can help your firm review both internal and external data to make these determinations and help guide your firm's practice of law.
- **Custom reporting:** Building custom reports is a powerful skill. With customized reporting, your law firm can create financial, calendar, matter, and client reports specific to its business and key functions. Your administrators will feel empowered to combine and review raw data to build new spreadsheets and tables, leading to specific, actionable insights.

Legal analytics and reporting can support your law firm's financial success

The right reporting and analytics will help your law firm administrators evaluate the health of your firm. They must be able to identify KPIs that speak specifically to the firm's unique needs and determine how often these metrics should be monitored: weekly, monthly, quarterly, or annually. Firm leaders will be empowered to make more strategic decisions because they'll know just where the firm can and should grow and where it should scale back.

Legal reporting and analytics will undoubtedly help your law firm optimize its performance. [Choosing smart legal analytics solutions and reporting tools](#) makes it easy to develop a competitive advantage and keep your firm running smoothly all year long.

Once you implement the right analytics tools, you'll find your firm is running smoothly and efficiently. To accelerate your progress, download our [legal analytics and reporting guide](#), which will give you a deep dive into different types of reporting so you can choose the right reporting options for your firm.

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