How to boost law firm revenue by 70% with time tracking software

Increase Revenue

Hate tracking time?

It’s completely understandable. Attorneys have much better things to do with their time, like defending and protecting their clients. Here’s the problem.

Tracking time is a necessary **evil**.

It’s how attorneys, law firms and support teams get paid. The surprising part about all of this, if you hate time tracking, your managing partner may hate time tracking even more than you do.

Law firms with poor time tracking habits bleed money

This sounds like an inflammatory thing to say. Is it true though? Here’s how Benjamin Lieber, Managing Partner at the Potomac Law Firm, described accepting attorney timesheets.

"Lawyers would send me their time every month by email and would come in all different formats and all different conventions and levels of granularity. And even the units would vary somewhat. Some would use a tenth of an hour or some would use quarter hours, some would use a third of an hour, it was a mess…"

Next, he explains what he did with the data, once he received it.

"I would take all that, put it into spreadsheets and then put it into invoices. That worked okay for the first 10 or 12 clients…"

The amount of busywork Lieber had to deal with was excruciating; it was an absolute nightmare. All of this, just to get invoices to clients on time.

Looking at Lieber's feedback, we know:

1. His attorneys sent their time entries in at the end of the month
2. All of his attorneys were reconstructing their time entries
3. These attorneys used a variety of unhelpful formats and billing conventions
4. Lieber had to sort through these headaches at the end of each month
5. This kind of billing at up a significant amount of his attorney's billable time, as well as his

No wonder attorneys hate timekeeping! Lieber's situation is a recurring problem across the industry. Here's where this gets worse.

Poor time tracking habits *decrease* revenue

The longer timekeepers take to complete their timesheets, the more billable leakage their firm experiences.

Ann Guinn, on her ABA blog, compiled the research.

- **You lose 10 percent** of your revenue (billable time) if you record time entries the day of, once a day.
- **You lose 25 percent** if you wait 24 hours to record your time.
- **You lose 50 to 70 percent** if you wait just one week.

The attorneys in our particular case study were waiting till the end of the month! If we're projecting this out, this means firms could be **losing 200** to **280 percent** of the *revenue they should have.* Revenue that's rightfully theirs simply because they didn't track their time properly.

Does the data back this up?

Absolutely.

Research from Adam Smith, Esq., shows billable leakage is a serious concern for firms that are reliant on reconstructive billing. According to Adam Smith Esq., timekeepers using reconstructive billing (at the end of the month) are failing to report all of their billable time.

This leakage ranges from $20,000 to $40,000 per timekeeper, per year.

That's unfortunate, but it's certainly not enough to fix it.

It gets worse.

This survey also found attorneys spend an average of *3.1 hours filling out timesheets* each month. The survey used an average rate of $438 per hour which means *firms* ***lose*** *an additional* ***$16,294 per person, per year***. So a firm with 100 attorneys *loses an additional $1,629,400 per year*.

The loss for our 100 person firm is now $3,629,400 to $5,629,400 per year.

The bad news?

This estimate is actually quite conservative. In a previous post, I showed how law firms ***lose*** *an estimated* ***$86,294*** *to* ***$106,294 per person, per year***. This figure doesn't even include the financial fallout from leakage/overbilling.

What happens if we plug in the numbers for our 100 person law firm?

The losses climb.

The financial *loss balloons to* ***$8,629,400 – $10,692,400 per year***.

How to boost law firm revenues by 70% or more

Work to eliminate ***the causes*** that produce these financial headaches. This solution is simple on its own, but that doesn't mean it's easy to accomplish.

There's a catch.

Your partners. An Altman Weil survey found law firm partners were the number one impediment to change in the vast majority of law firms.

"In 69 percent of firms, partners' resistance to change is an embedded drag on progress, and recent economic successes may obscure any clouds on the horizon

– at least for the short-sighted.”

Law firm leadership is most likely unwilling to change. If you’d like their cooperation, there needs to be a sufficient amount of pain involved.

- **69 percent** of law firm partners *resisted* most change efforts (up from 44 percent in 2015)
- **66 percent** of law firms experienced *insufficient economic pain* to motivate change
- **60 percent** of partners *were unaware* of what they might do differently

You’re going to need to win buy-in from the partners, stakeholders, and decision-makers in your firm *before* you attempt to make sweeping changes. How do you go about doing that? Patrick Lencioni, legendary business management consultant explains.

The long and short of it?

You have to mine for conflict. That’s right, you’ve got to flush out the disagreements, objections, concerns, risks, thoughts and feelings from key stakeholders in your firm. Notice what he says here. Achieving buy-in:

- Doesn’t mean there’s consensus or agreement
- Does *not* mean everyone in the firm is happy with the decisions made or the outcome(s) presented
- Fosters disagreements and heated discussions, the very things needed to earn buy-in

Earn buy-in, and your firm will work to eliminate these causes. Ignore buy-in, and they may fight you or sabotage your efforts. Okay, imagine that you’ve done it. You’ve earned the required buy-in at your firm. What’s the next step you should take?

Fix the causes.

Here are some time tracking issues that decrease law firm revenue and the fixes you can use to eliminate the problem.

Revenue leak #1: Time tracking via spreadsheets

We discussed this above and in a previous post. Time tracking via spreadsheets is a problem for a variety of reasons.

Spreadsheets introduce a significant amount of unnecessary non-billable time into an attorney's workday. It's unpleasant so most attorneys avoid filling out their timesheets for as long as they can. As a result, the accuracy of their time entries decreases day by day.

Then there's formatting.

Remember how I mentioned attorneys spend an average of 3.1 hours filling out timesheets each month? In reality, that number is much higher. Here's a common example that demonstrates my point about spreadsheets.

- Your firm has multiple clients
- Each **client** has their own spreadsheet
- Each *associate* in your firm has their own copy of the time tracking spreadsheet

Here's where the problems begin.

Don't worry, the problems will jump out at you as soon as we begin asking questions.

1. Which timekeeper (e.g., associate, paralegal, partner, etc.) has the most up-to-date timesheet?
2. You've just added a time entry, did the other associates download the most recent spreadsheet?
3. Did any of the other timekeepers on your client's matter ***overwrite*** your time entries?
4. Is double-billing an issue with any of the clients due to two associates working on the same, exact task?

It's an easy way to lose thousands or millions in revenue that's rightfully yours. A partner added their time to an old spreadsheet overwriting your most recent work. It's gone. The 15 hours of work you spent on your client's matter has vanished.

But you don't know that it's gone.

It also means you're below your firm's quota in terms of billable hours. Thanks to an inefficient time tracking system (spreadsheets) you're working hard, yet you're falling behind. You could have sworn you had more hours than this, but you're too exhausted to audit the timesheets yourself.

You simply add to your existing workload.

Plug the leak: Eliminate timesheets

There are a few simple ways to fix this problem.

1. **Switch to contemporaneous (as-it-happens) time tracking:** Choose a tool that provides automatic time tracking. This encourages good habits and consistent behavior from your timekeepers. The easier it is for timekeepers in your firm to track their time, the more likely they are to do it. Make sure timekeepers know how to use the tool and verify that it's used throughout the day.
2. **Designate a minder to audit timekeeping daily:** If you're like most firms, you already have a minder, a managing partner, director or executive that's responsible for managing the firm. The person responsible for these audits should have adequate power and authority to deal with non-compliance.
3. **Create an incentive system:** This system should have two components: t*he carrot* and **the stick**. Your timesheets are inventory; it's important that your auditor or manager treats them that way. This mindset should be driven from the top down. It's incredibly important, even if you rely on alternative fee arrangements.
4. **Follow your incentive system explicitly:** Resistance should be expected. You should expect resistance from both the top and bottom. You may not be well-liked in your firm at first. Stay the course. Remove chronic non-performers, reward top performers. Show everyone in your firm that you're consistent and true to your word.

You'll want to lay out a system of responses for compliant and non-compliant timekeepers in your firm. How will you handle non-compliance on the first, second or third offense? How will you reward consistent top performers? Are there any other requirements tied to your incentive system (e.g., non-compliant don't receive bonuses, aren't considered for key projects, promotions or partnership?)?

Revenue leak #2: Reconstructive billing

What's the easiest way to eliminate reconstructive billing?

Change your team's behavior.

It sounds simple but it's definitely not easy. Your associates may resist. Your partners will probably resist your change efforts. How do you get your team to voluntarily eliminate reconstructive billing?

With a behavior model.

BJ Fogg, a researcher at the Stanford Persuasive Technology Lab, created the Fogg Behavioral Model (FBM). The FBM answers a simple question.

"What causes behavior change?"

The FBM shows there are three elements to behavior change.

1. **Motivation.** A compelling reason for people to change their behavior. This includes pain (getting fired) and pleasure (a large quarterly bonus). They can be subjective, objective or both.
2. **Ability.** The capability to change behavior in the desired fashion. This encompasses two subcategories, the ability and willingness to change. The easier it is to do, the more likely your timekeepers will do it. The harder it is, the less likely they are to do what you ask.
3. **Triggers.** A prompt or call-to-action that tells people to "do it now!" Triggers come in three flavors:
   1. ***Spark*** – a trigger + motivator (i.e., pain or pleasure + deadlines) that's perfect for those with low motivation, high ability.
   2. ***Facilitator*** – a trigger designed for those with high motivation but low ability. A good example of a facilitator is training that improves team ability.
   3. ***Signals*** – these are simply reminders. They're perfect for those with both high motivation and high ability. These signals are simple, concise and clear.

These are the elements that work whether we want them to or not. This is how you change behavior and results in the long term. Here's a detailed breakdown of the FBM.

This is how you eliminate reconstructive time tracking.

Why bother though?

It's worth the effort to deal with reconstructive billing because it erodes client trust significantly. It creates an environment that encourages underbilling or overbilling.

Remember, a 24 delay in recording time = a 25 percent loss in revenue.

This may not seem like a big deal to timekeepers in your firm. It most definitely is. It's the auditor's job to give this issue the attention it deserves. But that all depends on the system you use.

The right system increases revenue.

A good time tracking system…

- Automatically records time as-it-happens, increasing revenue by 50 to 70 percent.
- Automatically convert appointments into time entries.
- Automatically records billable *and* non-billable time, identifying profitable/unprofitable practice areas.
- Tracks time automatically, independent of location via desktop, laptop and mobile devices.
- Provides daily, weekly and monthly time summaries to monitor and analyze timekeeper performance.

What does this mean?

The timekeepers in your firm are less likely to forget about their time entries. They're motivated, incentivized and reminded consistently.

It's everything they need.

Law firms with good time tracking habits make 70% more

Many attorneys see time tracking as a necessary evil.

These attorneys don't see their timesheets for what they are, inventory. Your timesheets are the lifeblood of your firm, *even if you rely on alternative fee arrangements*. They give you the precious intel you need to improve the financial performance of your firm.

But it all depends on your tools.

The best legal time tracking tools make recording time automatic, enabling timekeepers to record their time as-it-happens. The right tool works with your incentive system, motivating your team to go above and beyond. It provides managers and partners with the data they need to optimize firm performance over time.

It’s one of the best things attorneys can do with their time. With the right tools, systems and approach you’ll find time tracking is an indispensable benefit to your firm.

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