The Ultimate Guide to Firm Utilization Optimization

optimize utilization feature image - bullseye target darts

Utilization optimization has become a differentiator for success firms. Is your utilization rate where it should be?

If you're similar to your peers, the answer is No. It's a difficult question to answer. When it comes to billables, most firms aren't exceeding their own internal expectations.

This is good news.

Because even if it's bad news, it's good news to know.

With utilization there's more bad news

Traditional firms aren't sure how to handle it.

The usual approach, raise prices and cut costs – it isn't working. Productivity, realization and utilization rates have all continued to fall.

growth demand graph

Even worse, demand growth by practice area has fallen considerably as well. With the exception of corporate, tax and IP litigation, every practice area has shown **negative growth**.

Is there a way out of this disaster?

There is. It's firm utilization optimization. The one thing many firms will do their very best to avoid.

That's the one.

Your utilization rate is a reflection of your firm's productivity and billing efficiency. The higher your utilization rate, the more efficient your firm, that's the rationale at least.

There are **two ways** to calculate your utilization rate.

1. *Billable hours* / **total** *# of hours* **recorded** in a particular time period **= utilization rate**

(25 billable hrs / *50 hrs total* **= 50% utilization rate)**

Or

2. *Billable hours* / **fixed # of hrs per wk = utilization rate**

(15 billable hrs / *40 hrs per wk* **= 37% utilization rate)**

You already know where I'm going with this, right?

Attorneys are paid for less than 30% of their day

That's unbelievable.

Several [studies](#) confirms this unpleasant truth.

It's not for lack of trying.

Attorneys are working harder than ever. Client and firm expectations are on the rise, even as realization rates continue to fall. Some attorneys arrive at *6 am* in the morning leave around *5:30 pm* and *still struggle* to produce more than **2.9**

hours of billable work.

It's not their fault.

Attorneys are sucked into filling out timesheets, sending invoices and dealing with document management issues. They're forced to deal with a whole host of administrative and business development problems throughout their day.

Is it any wonder so many are struggling?

Utilization optimization decreases lost time

Even better?

Your firm's performance can dramatically outperform the industry at large. With the right utilization improvement techniques, you'll be able to boost billables, while avoiding non-billable tasks, which will still be completed.

It sounds like a fairy tale.

Here are some strategies you can use to improve the utilization rates in your firm.

Optimize: Your administrative and business development tasks

This should be one of the first things you do. As much as possible, your focus should be on one thing and one thing only.

The advocacy.

Filling out timesheets, marketing, fiddling with invoices, responding to emails several times a day… These details eat into your time. They make it harder for attorneys to generate the inventory the firm needs.

Inventory? What inventory?

Your billables and every single line item on your invoice should be treated as if it were valuable product in your inventory. Because that's exactly what it is.

Manual timekeeping is unwise.

If clients or someone on your team schedules a client interview with you, that should automatically be converted to a time entry. You should be able to

automatically track your time with the push of a button. You should establish policies for the timekeepers in your firm.

All time should be tracked, no exceptions.

Optimize: Financial goals and billable targets

It's common for most firms to do this.

Most firms have billable targets set for each of the attorneys in their firm. Not surprisingly, these targets grow bit-by-bit each year.

The pressure is on.

A growing number of attorneys are expected to [deliver 2,300](#) to [2,500 billable hours](#) each year. These firms place additional demands on performance. Fall below the firm threshold and your compensation and professional future is in trouble.

Here's the question: How many of these firms are doing their best to clear the way for their partners and associates do deliver on their lofty expectations?

Not enough.

If you'd like attorneys to deliver, provide them with the support they need. Offer concierge service, take the administrative work off their hands. Take administrative and business development tasks off their shoulders so they can deliver the incredible results you expect. Set reasonable goals that don't induce burnout.

What about solo/small firms?

Move to immediately fire yourself from these tasks. Work to rapidly build a team of people who can build, support and manage your law firm.

Take the pressure off.

Place it on the shoulders of a trusted support team, where it rightfully belongs.

Then test.

Optimize: Timekeeper work ethic

Test the resolve of your timekeepers.

Your firm needs a manager. A director who's fully capable of managing your team. Is that a partner? A dedicated manager or co-founder?

You'll have to decide.

Your manager needs to monitor your team to properly assess team performance. Your team needs to be segmented into several groups.

- **A players:** reward these top performers with incentives and details that encourage repeated performance.
- **Average:** These timekeepers can become A players if they're moved to another part of the organization or referred to an entirely separate law firm.
- **Laggards:** Should be routinely purged from your firm. They create a significant amount of problems, routinely underperform and consistently struggle to meet firm quotas and goals.

How do you sort these groups of people on your team?

With [Topgrading](#).

Topgrading is a proven hiring methodology that's used by the world's best organizations to find, recruit and retain A player talent. This methodology has a proven track record because it relies on several non-traditional approaches to the hiring process.

1. **The Tandem Interview:** Two interviewers conduct a 30 min to 4 hour interview thoroughly exploring a candidate's career history in exhaustive detail.
2. **Voluntary disqualification:** Candidates are asked to request an interview with hiring managers or partners listed on their resume. A players are excited for the opportunity. B and C players? They remove themselves from the hiring process to avoid being exposed.
3. **Individual development plans:** These employee-led plans give staff members the chance to pursue their professional goals in a way that complements the firm as well. It's a plan they create, so if they fail, they're more likely to hold themselves accountable.

Timekeepers who are a performance and culture fit should be encouraged and nurtured. Average timekeepers should also be encouraged and nurtured to improve.

Laggards, should be released.

Optimize: Client and internal communication

Does your law firm have boundaries?

Is it difficult for attorneys to achieve the kind of focus and solitude they need deliver their best work? Or are they bombarded with demands from other timekeepers with higher status (e.g. partners)?

What's your firms policy on interruption?

At first glance these details seem to be insignificant. [Research](#) suggests the opposite.

"Researchers at the University of California, Irvine, found after careful observation that the typical office worker is interrupted or switches tasks, on average, every three minutes and five seconds. And it can take 23 minutes and 15 seconds just to get back to where they left off."

How many times are timekeepers in your firm interrupted?

- By clients?
- By partners?
- By peers?

Are timekeepers in your firm asked to handle or address non-billable work by peers?

Do you have a plan?

Improving your firm's utilization rate starts here.

Can you see the common thread?

Each of these details are high-level details that produce significant uptick in your firm's utilization rate. But they require broad sweeping changes.

Which makes sense.

These strategies aren't simple, routine tasks. They're macro level changes that take time.

The good news: your firm's utilization rate can be improved

Is your utilization rate where it should be?

The usual approach, raise prices and cut costs – it isn't working. Productivity, realization and utilization rates are continuing to fall. Traditional firms are struggling with the decline.

They're not sure how to handle it.

Your utilization rate is a reflection of your firm's productivity and billing efficiency. The higher your utilization rate, the more efficient your firm.

Utilization optimization gives you a way forward.

With the right strategies, your firm's performance can dramatically outperform the industry at large. You'll be able to boost billables, while avoiding non-billable tasks. Without outsourcing, your non-billables will still be completed.

It's not a fairy tale.

It just takes persistence. This isn't the end of the traditional law firm, it's a whole new beginning. Clients want what they've always wanted from you.

The advocacy.

They want you to fight for them. Utilization optimization makes it easier to accomplish that in way that maximizes your firm's profit and your teams stability.

Utilization optimization is the hard path. Follow it and you'll achieve a utilization rate that outshines your peers.

Try Bill4Time for free.