How law firms can 2x revenues with time tracking software

Using pen and paper or utilizing a running spreadsheet are the number one ways you may be missing out on revenue. Without the right time tracking software, you’re prone to revenue leakage by not accurately capturing your time.

Here are a few ways time tracking software can help your law firm gain a better scope of work and increase revenue:

Law firms receive a small fraction of revenue

A law firm wins a client. They work hard on their client’s matter, and they produce exceptional. They’re now ready to submit their invoice to the client for payment. The problem here is the fact that invoicing has already gone wrong.

1. Instead of tracking their time as-it-happens, associates in the firm rely on reconstructive billing. Research shows reconstructive billing costs firms 50 to 70 percent of their revenue.
2. They construct their pre-bills, but partners and firm leadership is concerned that clients may complain about the price or reject the invoice altogether.

The pre-bill is discounted, and the firm accepts another minor loss.
3. Invoices are sent to clients who, no surprise, complain about their invoice. If it's a large client, the firm discounts their invoice further, accepting additional write-downs.
4. Fear of losing the business means the firm will most likely set their rates lower to capture new business, then fight to increase those rates over time, until the client feels mistreated and decides to leave.

If invoices are sent late, or they're not received, firm losses are even higher. These mistakes mean billable leakage continues to erode revenue over time.

If your small corporate law firm made $1.2 million last year, a 70 percent increase would bring your total revenue to $2.04 million. That's an additional $840K in revenue!

The ABA shared research outlining the losses.

- 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 this specific case study were submitting their bills at the end of the month. If we're projecting this out, this means a potential loss of revenue to 200 to 280 percent.

How to minimize financial loss

You'll need three ingredients, firm-wide standards, tools that simplify timekeeping, and on-demand accountability. Let's take a closer look at each of these, so we understand what's needed.

1. Firm-wide standards

Are your associates using the same billing increments, or are they all relying on their own formats and standards of measurement? Do attorneys in your firm submit their billable time consistently? Do you have a system in place to audit compliance and performance standards?

Your firm should have a clear set of standards that everyone, support teams to partners, follows.

2. Simplifying timekeeping

The easier it is for timekeepers in your firm to track and manage their time, the more likely they are to do it. Spreadsheets are a standard solution for law firms, but they're also problematic. Spreadsheets siphon revenue away from the firm via duplicate work and double entry.

It's common for firms, with several clients, to use multiple spreadsheets for each client where each associate has their own copy of the time tracking spreadsheet. In scenarios like these (or even single spreadsheet environments), billable leakage is inevitable, but why? Associates are still relying on reconstructive billing.

The best timekeeping option is one that's centralized, with firm-wide standards built-in.

3. On-demand accountability

According to a 2019 Altman Weil report, law firm partners routinely resist change in their organization. What's frustrating about this resistance is the fact that it trickles from the top-down, creating firm-wide challenges that compound over time.

"In 69% 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 shortsighted."

The problem for many firms is the fact that they aren't aware that partners and associates have decided to ignore firm-wide mandates. A centralized time tracking system makes this resistance known throughout the firm, providing built-in accountability, something spreadsheets don't offer.

What sort of system provides this kind of value and minimizes financial losses?

Try the Best Time Tracking and Billing Software for

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The case for contemporaneous time tracking

Time tracking requires discipline to be effective. If you're dealing with manual or insufficient time tracking methods you'll be forced to deal with:

- "Helpful" employees who choose to recreate or tweak existing formulas (i.e., billing increments) in your spreadsheets without permission
- A spreadsheet that's too difficult for novice employees or too simple to capture the data you need to boost revenue
- Billable leakage due to reconstructive billing, missed time entries, over or underbilling, and an increase in non-billable work
- Attorneys or partners who disagree with your methodologies choose to do things differently; maybe they tell you maybe they don't

A contemporaneous billing solution needs to solve these problems directly. If you're looking to increase revenues by 70 percent or more, you're going to need a system that:

1. Verifies and monitors contemporaneous billing in your firm. Timekeepers must track their time automatically, as-it-happens, but it also needs to be simple and easy to do.
2. Provides you with the reporting you need to audit *every* timekeeper in your firm. Your audit and accounting teams should have what they need to verify compliance.
3. Uses a task management system to notify involved parties (e.g., managers, partners, and timekeepers).
4. Provides firm leadership with timekeeping reports at specific intervals (e.g., daily, weekly, monthly, quarterly, etc.) outlining essential metrics and key performance indicators.
5. Verifies billing guidelines are met and that invoices are prepared per client guidelines.
6. Works to minimize/eliminate eBilling errors and mistakes.

If you want to increase your revenue rapidly, you'll need to focus your time and attention on minimizing common billing mistakes. This isn't about aggressive business development, it's about creating the right habits.

This is done by creating habits with a behavioral model. A behavioral model is a collection of data you use to make predictions about future behavior. I'm oversimplifying things here intentionally. I don't want us to get bogged down or lose focus.

BJ Fogg, a researcher at the Stanford Persuasive Technology Lab, created the Fogg Behavioral Model (FBM). The FBM was designed to answer a simple question: "What causes behavior change?"

The FBM shows there are three elements to behavior change.

- **Motivation.** A compelling reason for people to change their behavior.
- **Ability.** The capability to change behavior in the desired fashion.
- **Triggers.** A prompt or call-to-action that tells people to "do it now!"

I break these behavioral models down in detail here. So why is a behavioral model important for your law firm? It's crucial because these behavioral models produce revenue. The better you are at creating and fostering healthy and profitable habits in your law firm, the more income you'll receive.

Get partners and firm leadership to weigh-in, and you have the buy-in you need for them to take a chance. Share the rewards with them (i.e., a large bonus check), and you've earned their continued support.

Clean-up bad habits to double your revenue

Choose a centralized and contemporaneous time tracking system to record your billable and non-billable time. Audit performance and measure compliance, do what you can to record activity as-it-happens. Develop and maintain good habits and you'll find you receive more of the compensation you deserve.