

# LawBiz® TIPS

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Week of **October 7, 2008**

## Taking a Glance at the Dashboard

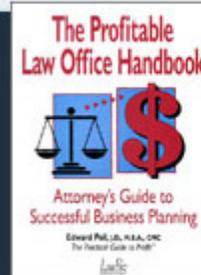
When you take your car to the shop, the mechanic can give you a detailed picture of performance under the hood by hooking up engine analyzers, lab scopes, compression gauges, onboard computers, and a host of other equipment. When you're driving, though, all you want to do is glance at the dashboard and see how fast you're going, whether the engine's running hot or cold, and how much gas you have left.

In a [podcast](#) that can be accessed on our web site, [www.lawbiz.com](http://www.lawbiz.com), Bruce Callow, a C.P.A. and partner in the Seattle, WA accounting firm of Clothier & Head, showed how the "dashboard" concept can be applied to law firm financials. His comments identify the new "digital dashboard" concept of having important financial metrics for a law firm displayed in an easy to understand visual format. Bruce discussed the most meaningful law firm financial measurements and how to show them graphically to law firm management.

These are the basic premises that make a "digital dashboard" effective:

- Be visual and visually appealing, using either bar graph or line chart format
- Do not try to present too much information on one graph.
- Measure against something. The best comparisons for any financial measure are current actual, prior actual and current budget figures.
- Present 13 months of data on one graph: the current 12-month trend plus the same month of the prior year.
- Use longer timeframes where appropriate. A graph of profits per partner, for example, might show five years of results.

What financial information should the "digital dashboard" display? Although there will be some variation by firm, the fundamental data should focus on profitability. Charts should progressively show gross revenue (by client, practice area, the full firm), identify relevant costs, and show how long the firm has to wait for payment. Relevant measures for



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graphing include:

- Billing rates, whether hourly, blended (an average), fixed fee or other measure
- Utilization, the percentage of an average workweek that a lawyer bills
- Realization rate, the percentage of collections and billed fees
- Leverage, defined as the ratio of non-partners (associates, paralegals, staff) to partners
- Expenses, related to both operations and compensation, as a percent of revenues.

When properly displayed in an easy to grasp format, the "digital dashboard" can take the mystery out of financial performance and make it clear whether the firm has a smooth trip ahead—or is about to run out of gas.

## Personal Commentary

I recently returned from speaking on behalf of the Ohio State Bar Association in Columbus, OH which was transmitted by television throughout the State of Ohio. We talked about strategies for transitioning out of the practice of law, including the [sale](#) of one's law practice. See my [blog](#) for further comment on our "second season."

Best wishes,

Ed Poll

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## What Readers Are Saying...

### Keynote speech is the "highlight" of Bar Association training seminar

"Ed's presentation, in my opinion, was the highlight of this series of speakers. I found the information which was presented to be tremendously valuable. Further, it was presented in a format which was both usable and interesting. Since Ed's presentation, I have had an opportunity to speak with several others who were in attendance and it is clear from them that he made our event successful."

*-David R. Hagen, San Fernando Valley Bar Association*