



BIG DATA

Practice Metrics For The Small Law Firm

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Clio is the leading practice management, time & billing and client collaboration platform for small to mid-sized law firms.

BIG DATA

Organizations across all industries are becoming increasingly aware of Big Data and the value of collecting, storing and reporting on operational, transactional and financial information. The evolution of online technologies and cloud storage systems have made it easier for small firms to derive pertinent information and business value from various datasets. The resultant being a more equitable competitive landscape between large and small organizations and a horizontal dispersal of information readily available to any business looking for insights.

WHAT IS BIG DATA AND WHY IS SO PREVALENT TODAY? THE ONLINE MINUTE

To help put Big Data into perspective, consider this: every minute, 2 million searches are conducted using Google, 1.8 million 'likes' are recorded on Facebook, 15,000 tracks are downloaded from iTunes, \$83,000 in sales are made on Amazon.com and 17,000 transactions are recorded by Walmart. There are 347 new blog posts posted to WordPress, 204 million emails sent, and 571 new websites created.¹

Given what happens online in a minute, one can quickly comprehend how such data accumulates quickly.

According to a recent Get Satisfaction survey, the United States Library of Congress collected 235 terabytes of data in April of 2011 alone. By comparison, 15 of the 17 industry sectors surveyed have collected more data, per company, than the Library of Congress. For example Walmart, founded in 1962, 162 years after the Library of Congress, has collected more data in significantly less time.²

Big data itself isn't new, but the ability to easily access it is. In their book, *The Big Data Revolution*, Jason Kolb and Jeremy Kolb of Applied Data Labs compare big data to the industrial revolution. In essence, big data is simply building on the technology that has come before it, from the light bulb to the printing press to the personal computer to the Internet. With each progression, access to information is simplified so you can more easily track and analyze things like caseload, referral sources, billables and collections.

Big data helps you have a more useful understanding not only of the types of cases you take, but also where they came from and which ones are profitable. Big data has the ability to be beneficial to both the profitability and growth of your law firm.

¹ <http://www.mycleragency.com/2013/07/qmee-find-out-what-happens-online-in-60-seconds/>

² <http://columnfivemedia.com/work-items/get-satisfaction-infographic-the-potential-of-big-data/>

HOW BIG IS BIG?

Every 60 seconds:



2M

Google searches

1.8M

Facebook Likes

\$83K

Amazon sales

240M

Emails sent

571

New websites

15K

iTunes tracks downloaded

DATA RESOURCES, FROM RETAIL LINK TO PRACTICE MANAGEMENT SYSTEMS



In his book, *The Wal-Mart Effect: How the World's Most Powerful Company Really Works -- and How It's Transforming the American Economy*, Charles Fishman explains how Walmart makes its treasure trove of big data available to its suppliers through its proprietary system, Retail Link.



As Fishman explains it, Retail Link “contains a record of every sale of every individual item at every Wal-Mart store, every hour of every day for the last two years.” Its suppliers, therefore, can easily track sales and “understand where, and when, and why their products sell at Wal-Mart.” That’s not much different from tracking the time you spent drafting motions last week, or responding to client communications over the past year. The difference is the access to big data.

For the small firm lawyer, the equivalent to Walmart’s Retail Link is the practice management system. It is where data, information such as client phone numbers and email addresses, matter details, time tracking and billing are stored. Over time, that data accumulates, just like it does in Retail Link. In fact, “the data that pours

out of Retail Link for even modest-sized suppliers is so enormous, so complicated, and so rich that companies now specialize in teaching vendors how to mine the data for insight.” Tracking technology has advanced so significantly since Retail Link was made available to Walmart suppliers in 1991, that it now requires special training to mine all of that data.

As a small firm lawyer, the term “data mining” sounds daunting. [Gartner’s IT glossary defines data mining](#) as the “process of discovering meaningful correlations, patterns and trends by sifting through large amounts of data stored in repositories. Data mining employs pattern recognition technologies, as well as statistical and mathematical techniques.” Still sounds daunting. And it is, for everyone.



The terminology also sounds daunting, and confusing. Repositories? Pattern recognition? Statistical models? What does that have to do with a small law firm? If you ask Micah Ascano, statistical models are one way to help law firms determine how to set appropriate flat fees. [Using an Individual Control Chart](#), small law firms can set an upper control limit, and a lower control limit. Time and billing data pulled from practice management systems can be entered into the formula, plotted on a graph to visualize whether a lawyer is charging too much or not enough, and how that relates to overall revenue and profitability over time. This data is in real-time, and accumulates as a continuous dataset giving both a snapshot of today, a look back at how the firm has progressed and a sneak peak at growth projections.

Learn More About Individual Control Chart and How it Applies to Small Firms

Whether looking at real-time or historical data, the trick is coaxing out useful insights. That requires two things: knowing what data you have, and what you want to get from analyzing that particular data or data sets. With practice management software, data types like number of cases, types of cases and time are already captured so it is a matter of deciding what you want to get from that data. For example, do you want to know how much time has been spent on all cases? Time spent only on certain cases? Time spent communicating with all clients, specific clients? All hours worked? Only billable hours?

One way to start is by focusing on a specific data set.

Stephens and Carter, for example, not only tracks typical information, like time spent on client matters in its practice management system, but it also tracks time spent on business development. That data is pulled from its practice management system and imported into Excel for additional analysis. According to Corey Carter, his analysis “reveals that there are clients who are substantially more profitable than others. We try to focus our energies on getting these clients.” How? By both tracking time spent on business development, and looking at that data over time. As Carter explains it, “we have even gone so far as to subdivide the business development category into specific networking groups and activities. This provides insight into what our most profitable business development categories are. We can then divert time and energy away from the less profitable business development categories toward the more profitable business categories.” The data collected from its practice management system tells Stephens and Carter what is working well, and, as Carter puts it, “all that is left is executing on the modified business strategy.”



CON'T - DATA RESOURCES, FROM RETAIL LINK TO PRACTICE MANAGEMENT SYSTEMS

Brittany Pitcher, an attorney with McGuiness & Streepy, a three-person law firm focused on labor and employment law, depends on the data produced by the firm's cloud-based practice management system to know if she is balancing her cases efficiently. The firm's practice management system feeds data into a practice performance report, which helps her track billables, time, as well as myriad of other key performance indicators.

Along with case information and communication, she also enters her annual salary, billable targets and time spent on cases into the practice management system. As the year progresses, she can see when she's exceeded, met or fallen short of her goal. The report also helps her track all of her time. While every case is valuable, the report lets her know if she is spending more time on contingency and flat fee cases, hourly cases or if she has a balance.

Since the cloud-based practice management platform helps automate time tracking, she is able to accurately track time spent on all cases. With accurate, real-time information, at the end of each month she can assess if the firm's rates are supporting both firm profitability and growth, and also analyze her caseload, and whether adjustments need to be made. Ultimately, the end data produces a clear snapshot of revenue per lawyer as well as revenue by matter, and if the two metrics are in line with the revenue metrics of the firm as a whole.

For lawyers at virtual law firms, metrics are equally, if not more important since lawyers at virtual law firms do not have the typical fixed costs of traditional firms, yet still have a constant pulse of firm productivity and performance.

Burton Law, LLC, is one such virtual law firm. Its founder, Chad Burton, points out that his virtual firm also uses data from its practice management system to figure out how to allocate "resources to develop new and innovative ways of delivering client service." Chad also uses his virtual firm's practice management data to set up the firm's compensation and incentive model. As Burton puts it, "our attorneys can be appropriately compensated for taking greater roles in particular client matters, a particular client group or practice area or for developing out an entire new area of client service. Revenue generated from the services is then allocated to the attorney or attorneys responsible for the success of the concept."

ACCURACY, ACCESS AND THE NEW NORMAL

Technology and the growth of cloud-based practice management platforms has done two things: It has given lawyers greater visibility into the performance and profitability of their practices, and more insight into operational metrics so they can exercise greater control over the growth of their firm.

Accurate tracking, and subsequent reports, accumulate to encompass years worth of data. Law firms can look back over the data and determine how long certain types of cases take, or how long certain parts of a case last. You can view who has been productive and have a better sense of how their firms are performing.

Analyzing the big data produced by your firm will tell you, just as it tells Stephens and Carter, Burton Law and Pitcher, what's working and what needs attention. Such data analysis allows for more flexibility and control over your time, something that is increasingly referenced as part of the "new normal."

By deploying data reporting principles inherent in Big Data, lawyers using Cloud-based practice management systems have greater visibility into and control of their practices. This, in turn, helps establish operational metrics that guide better decision-making.



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