

5 Solid Reasons to Track Your Law Firm's Performance Data

The following is adapted from Fireproof.



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Think back to the last time you went to a baseball game. There was probably a giant screen that displayed the score, inning, number of outs and other essential information about the game. It displayed pictures of players, presented stats, and showed instant replays.

It was a jumbotron. Players and coaches alike continually glanced up at it because they needed that essential information to make sound decisions.

If your law firm isn't tracking data—settlements, number of active cases, referrals, and more—you're playing without a jumbotron. You're missing out on valuable information that can help your firm make improvements where they're needed most. These improvements can lead your firm to better outcomes and greater success.

There are five key reasons to start tracking your data. In this article, we'll unpack each one so you can see how data will help your firm reach new levels of success.

Reason #1: Data Helps You Make Cash-Flow Predictions

Using data to predict cash-flow is a lot like looking at your opponent's batting order. Sure, you want your pitcher to strike out the player up to bat; but baseball, just like business, doesn't hinge just on what's happening right now. What if the player up next has hit a home run his last three times facing your pitcher? A good manager will know that ahead of time, and have another pitcher warming up in the bullpen to get ready to deal with that future hitter.

Being able to predict your cash-flow works in a similar way. Many smaller law firms struggle to have enough cash on hand to cover day-to-day expenses, from staff salaries to hiring court reporters for depositions. When money gets tight, some of these firms have to turn to funding companies that make high-interest loans. But if these law firms could look ahead to when their

revenue was due to come in, they could plan ahead and avoid the considerable extra expense of borrowing money.

Reason #2: Data Can Inspire Your Employees

Detroit Tiger Hall-of-Famer Al Kaline finished his career with 399 home runs. On more than one occasion, Kaline expressed regret that he didn't know that number when he retired—or he would have played one more year just to get to 400. This would have made him the first player in American League history to have 3,000 hits and 400 home runs.

Data can push your employees to do better by tapping into their competitive nature, drive to improve, or desire to keep a win streak going.

By showing a jumbotron, your employees can see their settlement statistics the same way baseball players see their number of home runs—it pushes them to produce even more. They want to be the best player on their team and eventually lead the league.

At law firms, we generally hire competitive and confident attorneys who don't mind measuring up to their peers. They like being held accountable. Our employees are their own harshest critics; when they see the numbers, it motivates them to work harder. Similarly, when someone sees that they're performing well, they might be inspired to continue their win streak.

Reason #3: Data Shows You the Best Markets for New Business

In order to have a successful draft, MLB teams need key metrics on a prospect's past performances whether it be at a tryout or in actual games.

Likewise, law firms need data to find and evaluate prospects. They need to know the best cities, the highest value case types, and the reliable sources of cases for their firm.

When my law firm analyzed where our cases originated, we found that Detroit was nine times more important to us than the next city on the list. We identified which zip codes were the most productive. We learned that if we wanted to grow our business, our most receptive audience lived in those areas. If we hadn't analyzed where our business was coming from, we might have never known where to focus our search.

Reason #4: Data Allows You to Track Your Referrals

If a baseball team has three high-quality starting pitchers but just one reliable outfielder, it may be wise to trade with another team that has the opposite situation.

It's the same idea when you measure the number of referrals your firm gives and receives. Our firm refers out as many as 100 potential cases a week to about 20 other law firms. We carefully track how many cases each firm takes, how frequently they successfully handle these cases, and their average fees earned.

Most lawyers don't track this sort of thing. They refer out cases and hope one day the money comes in. That's a big mistake. By tracking how many cases you refer out, you can make sure you're getting compensated for the business you share with others.

Reason #5: Data Helps You Spot Superpowers

When the manager studies the jumbotron, he might see that one player has a batting average north of .300, except when facing knuckleball pitchers. Another player may excel at playing the outfield, but he's got three errors today in the infield. In this way, the jumbotron data can help you identify your employees' greatest strengths and weaknesses.

My firm has attorneys who are fantastic in trials but not skilled in finding and building cases. We have others who struggle in court but are experts at working up cases and dealing with everything until trial. The data shows this clearly. As a result, we set up teams so we have attorneys doing only what they love and are highly skilled at.

If you play to your employees' strengths, they'll be happier at work, feel more confident, and perform better in the tasks they're assigned.

Study Your Data Constantly

Just like how the baseball coaches and players are constantly referring back to the jumbotron throughout the game, you should keep a continuous eye on your firm's data. Make a detailed jumbotron (i.e. a dashboard or report) available to your entire staff so they can go in at any time and see how they're doing.

For your employees, this transparent access to data will inspire them to do better and play to their strengths. Both you and your team will be aware of where your business is coming from, what referrals you have coming in and going out, and what your cash-flow will look like in the coming months. Combined, this data enables you to plan where to focus your efforts to get the biggest return.

Accessible data will keep everyone on the same page. You can pull together and keep the team moving toward victory.

For more advice on running a highly profitable law firm, you can find Fireproof on Amazon.

Mike Morse is the founder of Mike Morse Law Firm, the largest personal injury law firm in Michigan. Since being founded in 1995, Mike Morse Law Firm has grown to 150 employees, served 25,000 clients, and collected more than \$1 billion. A household name in Michigan, Mike gets over 20,000 calls per year requesting his services. John Nachazel is the COO of Mike Morse Law Firm. A pioneer in the practice of applying business metrics to law firms, John's precise insights and financial forecasts have been instrumental to the firm's growth. John has an MBA from the University of Michigan and twenty years of sales and marketing experience.