

9 WAYS TO IMPROVE YOUR BOTTOM LINE

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There is no bad time to review and examine how your resources are being allocated. Here's a quick list of items to address for improving your profitability.

1. **ACCOUNTS RECEIVABLE.** Do you have a policy in place for follow up on invoices older than 60 days? Most attorneys and law firms are reluctant to pursue collections, yet they don't want to operate as a bank. If you are billing every thirty days, your time is already nearing 45 days old when the client sees it. Add another 60 days and you are experiencing about 5 months from the time you work to the time you collect. Set a policy in place for follow up that includes a quick note to verify receipt of the invoice about 15 days after you've sent it. That takes away the first excuse most clients offer - "I never saw it".
2. **INVOICING.** Do you require prebills to be edited and returned to your billing department/person timely? A quick turnaround in your billing process can add dollars to your pocket much faster. Make it a policy to put your bills in the mail by the 10th of each month so that you create an expectation in your repeat clients of receiving it on a regular schedule. That regular schedule gives them opportunity to schedule regular payment to you - a win-win. Consider asking your client the best time to send your invoice for prompt processing, and then adhere to their schedule.
3. **ACCOUNTS PAYABLE.** Do you have your vendors on a net-30 schedule? Many small firms pay their vendors on the day the invoice is received, or whenever they receive payments from their clients. This creates an uneven cash flow position for payables, and makes it hard to predict what monies are available for overhead. Develop a budget which creates a cushion between overhead and profit and adhere to a regular payment schedule for the invoices the client receives. This will even out the time required for entering and paying vendors, and also remove the worry about cash flow.
4. **EXPENSES.** Review your overhead expenses on an annual basis to be sure you are getting the most value for your dollars. If you have an office administrator, this is a good use of their abilities. If not, set aside the time to see you aren't overspending on supplies, insurance, or other services.
5. **MARKETING.** Do you have a plan for growth of your practice? The investment in a business development coach or marketing plan will pay off very quickly, if you choose the right person, and invest the time to develop your plan and follow it.
6. **RESOURCES.** One of the easiest ways to improve your bottom line is to allocate your personnel in the right capacities. As you grow your firm, be sure your secretary isn't also your bookkeeper when she isn't good at numbers, and doesn't even like them. Choose a receptionist who can overlap as a filing clerk, or as a time entry clerk to maximize productivity. Or, better yet, have an automated attendant instead of a receptionist and put an admin clerk at your front counter.
7. **FACILITIES.** Calculate your square feet per attorney by dividing your total square footage by the number of attorneys in the firm. If you are looking to maximize profit, keep your number at or below 500 square feet per attorney.

8. **OVERHEAD.** Determine the overhead per attorney by dividing the total amount of overhead in dollars (take out attorney compensation) by the number of attorneys (count each paralegal as ½ of an attorney). Assign this number to each billing professional (again, divide in half for paralegals) and add to their comp to determine the necessary productivity to create profit. Examine how you can increase this number in looking at realization for both billings and collections.
9. **FINANCIALS.** Set aside an hour a month and review your current financial position. Use key reports to benchmark your position so you can compare month to month, year to year, and practice area to practice area. Whenever possible, opt for graphs and charts instead of pages of numbers.

For more information and further reading on Leadership and Strategic Planning, visit our [online library](#).



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Judy understands teams. And she knows how to help you maximize the potential of yours. For over two decades, Judy has applied her vast knowledge of team dynamics, emotional intelligence, work/life balance, leadership, finance, and legal management to help law firms improve their people, process, performance and, ultimately, profits.

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