

The original All-in-One®
Software Suite for
Case and Financial Management

Back Office Product Sheet

BizRadar® - Financial Business Intelligence

Unique Benefits

- BizRadar® features allow users to study law office operations using financial statements, journals, charts and reports for almost any combination of individual timekeepers, attorneys by type, clients by practice area, etc. over a variety of time periods.
- Adjusting financial metrics automatically for overhead allocations gives deeper, more accurate insights into complex situations, such as mergers, divestures, billing rates and compensation formulas
- Comprehensive 36+ month historical pictures support more effective forecasting, estimating, tactics and strategy.
- Keeps financial KPIs at your fingertips using visual graphics and dashboards

Most business intelligence systems for law offices only provide metrics for production performance such as hours worked, bills rendered, receipts collected, writedowns, etc. but miss the critical financial metrics of profit, overhead, and direct cost.

This is because calculating accurate financial metrics requires advanced processing found in few General Ledger packages (see PerfectLaw's® Allocated General Ledger spec sheet). Yet accurate Financial BI is the key to fair and profitable decision making, since it motivates and pushes things in the right direction, while less accurate, weak metrics often give poor answers.

BizRadar® not only mines and consolidates data from the firm's transaction database and supports historical analyses, but enhances decision making by forecasting. Each BizRadar® metric is a complete picture, i.e. a relationship table that ties the metric, such as profit, directly to key business entities, like timekeepers, partners, and clients, over an extended time period (at least a 36 month history plus a few month forecast).

Critical decision making in the face of uncertainty is often a worrisome and stressful part of managing any firm. Since partners must shoulder a great deal of this responsibility, a quality financial BI system is essential for promoting better business decisions and taking the guesswork out of profit making.

Functions

- Presents a comprehensive financial picture of the firm via journals, ledgers, and financial statements in terms of any and all combinations of key business entities such as timekeepers, partners, clients, departments, practice areas, etc.
- Allocated journals, ledgers, and statements are adjusted for overhead allocations to each and every business entity.
- Financial statements for each and every business entity cover 36+ month histories.
- Displays, prints, and saves fancy financial BI reports and charts.

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Using BizRadar® for Better Decisions

Opportunistic decisions

Some events are sudden and unexpected, such as losing (or winning) a large client, or losing (or having the opportunity to merge or buy) a group of attorneys. BizRadar® provides both client and attorney financial BI including receipts, bills, work hours, direct costs, and contribution to overhead and profits, to help you respond opportunistically to these sudden events by providing “what if” methods and spreadsheets where you can simulate the outcome of your decisions.

Designing compensation guidelines based on the firm's BI

To articulate how financial BI can put a sharper point on decision making, let's consider timekeeper compensation decisions for a ten timekeeper firm. These decisions must take into account the costs associated with running the firm, i.e. overhead, along with the equity partner profit targets.

Overhead allocation methods can be simple or very complex as discussed in PerfectLaw's® Allocated General Ledger sales literature. Let's opt for simple, and make the overhead and profit allocation ratios equal to timekeeper receipts / firm receipts. This method, like the IRS income tax, is based on ability to pay and leads to a simple formula:

$$\text{Receipts} = \text{Salary} + \text{Benefits} + \text{Overhead} + \text{Profit}$$

To develop our model further, we define the following ratios and relate them to timekeeper receipts:

- $\text{Salary}\% = \text{Salary} / \text{Receipts}$
- $\text{Benefit}\% = \text{Benefits} / \text{Salary}$
- $\text{DirectCost}\% = 1 + \text{Benefit}\%$
- $\text{Overhead}\% = \text{Overhead} / \text{Receipts}$
- $\text{Profit}\% = \text{Profit} / \text{Receipts}$

A rearrangement of the above yields a formula for breakeven timekeeper receipts in terms of timekeeper salary; i.e., the receipts needed to cover the timekeeper's contribution to overhead plus direct costs like salary, benefits, etc.:

$$\text{Breakeven Receipts} = \frac{[(\text{DirectCost}\%) / (1 - \text{Overhead}\%)] * \text{Salary}}$$

And likewise, the formula for direct cost receipts, i.e. the receipts sufficient to cover the timekeeper's direct costs:

$$\text{DirectCost Receipts} = \text{DirectCost}\% * \text{Salary}$$

Now suppose the BizRadar® server calculates the following statistical profile for the firm's average timekeeper:

- Receipts 200k for 1000 hours
- Salary 80k or 40% of receipts
- Benefits 32k at 40% of salary
- Overhead 40k or 20% of receipts
- Profit 48k or 24% of receipts

This profile lets us formulate the average timekeeper's receipts including profits as:

$$\text{Avg receipts} = \frac{[(\text{DirectCost}\%) / (1 - \text{Overhead}\% - \text{Profit}\%)] * \text{Salary}}$$

Using the above we can create a table for our hypothetical administrator's salary reviews:

Salary	DC Receipts	BE Receipts	Avg Receipts
60,000	79,200	99,000	141,429
80,000	105,600	132,000	188,571
100,000	132,000	165,000	235,714
120,000	158,400	198,000	282,857

These formulas can also be inverted providing a table showing DC salaries, BE Salaries, and Avg Salaries in terms of timekeeper receipts.

Receipts	Avg Salary	BE Salary	DC Salary
100,000	42,424	60,606	75,758
150,000	63,636	90,909	113,636
200,000	84,848	121,212	151,515
250,000	106,061	151,515	187,394

Optimizing Profits Under Capacity Constraints

There is always a capacity limit or redline for the amount of work a timekeeper or firm can handle. BizRadar® provides guidelines and insights into how to match capacity with workload demand based on each firm's operating history. BizRadar® can be used to find strategies and tactics that optimize profits subject to capacity constraints for the following actions or events:

- Losing/adding clients
- Hiring/firing attorneys and staff
- Matching & setting blended billing rates with skill sets
- Mergers/divestitures
- Marketing investments, campaign tracking and evaluation

This data sheet covers only fraction of the many ways BizRadar® can help improve profits. To learn more call your PerfectLaw® representative.

The BizRadar® Model and its Hyper-cubes Features:

Includes these Metrics:

- Profit and Profit as % of Revenue
- Overhead and Overhead as % of Revenue
- Overhead Contribution and Overhead Contribution as % of Revenue
 - Income - Origination
 - Income - Timekeeper
 - Income - Cost Recovery
 - Income - Unapplied
- Expense
 - Direct Cost
 - Allocated Overhead
 - Hard Cost Writeoff
 - Asset – WIP
 - Asset - AR
 - Realizations

Business Entities Include:

- Client & Matter
- Practice Area
- Office
- Timekeeper, Timekeeper Type
- Cost, Cost Type
- Attorney (Initiating, Billing, or Responsible)

Intervals Included:

- Month-to-date (MTD)
- Year-to-date (YTD)
- Trailing 12-months (TTD)
- For both rolling and yearly calendars

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