



THE LAW FIRM PROFITABILITY PLAYBOOK

*Practical insights on billing, delegation and growth,
from twenty years running law firms and two years fixing them for others*

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About Jay

Jay Sahota is an ex-City solicitor of twenty years who has run, grown, bought, sold, improved, fixed and set up law firms. He now uses that experience to help lawyers and law firm owners make more money, work smarter and deliver better client care.

Since starting the Masala Mentor, Jay has worked with more than fifty law firms and lawyers, helping them lift billing, fix cashflow and build teams that perform without burning out.

This guide brings together some of the practical insights he shares regularly with law firm owners and partners. It is a starting point, not the finished article. If any of it strikes a nerve, that is usually the part worth following up on.

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Where to Go From Here

1. Client Money, Billing & Cashflow

Cash flow problems rarely start with cash flow. They start earlier, with pricing, billing habits and how a firm treats work in progress. Here is what tends to separate firms that are busy and broke from firms that are busy and banking real money.

IN PRACTICE

“Busy” doesn’t mean profitable.

One managing partner put it plainly: “We’re slammed. But cashflow is strangling us.” The culprit is usually work in progress. High WIP isn’t a badge of honour, it’s a silent tax bill and a threat to the firm’s survival.

- You pay tax on WIP.
- Dead WIP has zero value.
- WIP that never turns into cash is a liability, not an asset.

Firms that get this right don’t obsess over hours. They track four things: Billing, Cash, Debt, Expenses.

The fastest fixes that work in practice: monthly billing cycles with no “undead WIP” left sitting; twice-monthly billing in departments like family law, so clients can budget; fees taken upfront, fixed or phased, but always paid; and unpaid invoices treated as debt and chased like debt, not quietly ignored.

IN PRACTICE

Most law firms fall into one of a few categories. Some have poor cashflow that causes constant stress, usually from a combination of not pricing properly, not estimating properly, discounting, undercharging, not taking money upfront, not charging for extra work, not recording all time, not billing all WIP, and poor debt recovery. That is a recipe for disaster if it isn’t fixed quickly.

Some have cashflow that looks fine, but only because they are busy enough to mask the same underlying issues. They know the problems exist. They just haven’t dealt with them yet.

Some don’t even know they have issues, because they don’t collect the data to see them. That can be worse than knowing.

And some firms are doing well and can still improve, which is true of almost every firm, even the ones already performing.

THE NUMBERS

The pain points that come up most often, in some combination: lawyers who are busy but not making enough money; low billing; write-offs; lock-up; low time recording; time and WIP that never turns into bills; poor debt recovery; poor cashflow; discounting and under-estimating; and any amount of client debt sitting on the books, which should really sit at zero.

Firms that address these properly see, on average, an extra £78,343 in billing per fee earner per year.

IN PRACTICE

Most firms fall into the same trap at month end: a mad scramble to bill everything at once because that's when the cash is needed. The fix sits earlier in the process.

For fixed fees, break the work into manageable phases and take money upfront before each phase starts. For hourly rate work, tie each phase to an estimate, take money on account at the outset, and keep it topped up as the matter progresses. If a client doesn't pay on account, the work doesn't start, which acts as a natural filter on its own.

Even where it isn't the norm in a particular practice area, such as wills, conveyancing or corporate work, it is worth asking for money upfront anyway. The client can only say no. And bill regularly, whenever a stage of work is done or a client is happy, rather than waiting for month end.

One firm that made this shift went from roughly 7 per cent of bills paid before month end to around 90 per cent, cutting stress and improving both cashflow and client care.

IN PRACTICE

Year end doesn't have to be a crisis. In a medium-sized firm, it usually comes down to planning well in advance, delegating the different aspects of the process, and moving the firm's year end if it needs to, so it doesn't clash with everyone else's and create unnecessary payment bottlenecks.

The bigger point: stop billing purely to get money in the door at year end. Billing should be a largely administrative process, because 80 to 90 per cent of bills should already be paid by the time month end or year end arrives, if the earlier billing habits are right. That eliminates the scramble entirely.

PRACTICAL TIPS

- Break fixed fees into phases, and take payment for each phase before starting it.
- For hourly rate work, tie every phase to an estimate and take money on account upfront, topped up as the matter progresses.
- Ask for money upfront even where it isn't the norm in your practice area. The client can only say no.
- Bill at natural milestones, such as a stage of work finished or a client visibly happy, rather than saving it all for month end.
- Treat every unpaid invoice as debt, and chase it with the same rigour you'd chase any other debt.
- Track Billing, Cash, Debt and Expenses every month, not just chargeable hours.
- If year end causes chaos, that's usually a sign billing has been reactive all year, not a January problem.

2. Chargeable Time & Fee Earner Productivity

Ask most law firm owners how many chargeable hours a day their fee earners record, and you will get an optimistic answer. The real number is usually lower, and the fix isn't "tell them to work harder."

IN PRACTICE

The Law Society's Strategic Sector Insights for the Legal Profession found that, for a typical 40-hour week, the average fee earner achieves 50 to 63 per cent chargeable time out of 20 to 25 hours available. That works out at around 2.5 chargeable hours a day, far more common than most firms want to admit.

The reasons are rarely laziness. They usually come down to too much non-chargeable work, time recorded then quietly reduced later, poor scoping and estimating, fear of over-charging, unclear rules on what counts as chargeable, and weak delegation or structure. Understanding the reason matters more than simply instructing fee earners to "record more time," which tends to backfire.

CLIENT RESULT

One client, a medium-sized full-service firm, put it simply after training: "The time recording of all fee earners has significantly improved and we have had our best billing months in years."

Training that works covers more than the mechanics of recording time. It shifts the mindset of fee earners and partners alike, which is what makes the change to profit stick.

IN PRACTICE

A simple switch that makes a bigger difference than it sounds: focus on the input of chargeable hours rather than the output of a billing target. Input can be analysed and improved. Output, on its own, can't.

What tends not to work: internal training run by colleagues, doing the same thing and expecting a different result, and simply telling fee earners to bill more. None of that addresses the actual cause.

One boutique London firm moved from 2.6 chargeable hours a day to 4.1 within three months of properly structured training, and continued improving from there. The gain didn't come from working harder. It came from fixing self-worth around pricing conversations, scoping, organisation and delegation together, since they're all interlinked.

PRACTICAL TIPS

- Ask what's actually happening in the unrecorded hours, rather than assuming laziness.
- Focus on the input of chargeable hours, not just the output of a billing target.
- Don't just tell fee earners to "record more time." Find the specific cause first, then fix that.
- Check that fee earners genuinely understand what counts as chargeable and what doesn't.
- Protect focused working time, so constant email interruptions aren't quietly eating into billable hours.
- Revisit time recording training regularly, especially whenever new people join the team.

3. Pricing, Estimates & Fixed Fees

A huge amount of firm profit leaks away through estimates that are too tight, revised too late, or never revised at all. Getting scoping right protects both the client relationship and the bottom line.

IN PRACTICE

One of the most common complaints heard from law firm owners about their fee earners: they don't know how to estimate properly, they go over the estimate, and they don't charge for the extra work.

Getting it right means scoping properly at the outset, adding a cushion rather than a flat multiple of the hourly rate, and building in assumptions for what's included and what isn't. It means revising the estimate the moment it stops being suitable, not after the fact. It means giving a new estimate for any genuinely new piece of work, rather than squeezing it into the old one.

One case worth remembering: a City firm estimated £5,000 for a letter of claim only, with no other estimate given. Costs came to over £1 million. They recovered £5,000.

IN PRACTICE

Fixed fees aren't a replacement for hourly rates, they're an option worth offering alongside them. Done well, they can be more profitable, more palatable to clients, easier to budget against, and a stronger selling point at the outset.

Clients tend to convert better when offered a choice rather than a single pricing model. There is nothing stopping a firm using fixed fees for some work and hourly rates for the rest.

PRACTICAL TIPS

- Scope every estimate properly at the outset, adding a cushion rather than a straight hourly-rate multiple.
- Build in assumptions for what's covered and what isn't, so scope creep has a clear boundary.
- Revise the estimate the moment it stops being accurate, not once the matter is finished.
- Give a brand new estimate for genuinely new work, rather than absorbing it into the old one.
- Offer fixed fees alongside hourly rates rather than instead of them, and let the client choose.
- Break fixed fees into phases, so cash comes in as the work progresses, not only at completion.

4. Delegation & Firm Structure

Growth rarely comes from partners doing more fee-earning work themselves. It comes from getting the structure right, so the right people are doing the right work.

THREE QUESTIONS WORTH ASKING

- Do non-fee-earning support staff make up more than a third of the whole workforce?
- Is the firm actually busy, or just inefficient?
- How are departments structured and work delegated?

The instinctive answers, “we need more work” or “fee earners aren’t billing enough,” are often not the real problem. The fix usually starts with making sure there are enough paralegals relative to secretaries, so work is genuinely delegated rather than sitting with senior staff. It continues with a proper time and motion study covering all time, not just the chargeable portion. And it means work is delegated by equity partners down through heads of department to fee earners and junior fee earners, so partners can actually run the firm rather than just working in it.

IN PRACTICE

In the year before selling my own law firm, a small Kent practice, we brought in over £1 million of business. Three things made that possible: owners delegating, managing and bringing in work rather than fee earning themselves; building a genuine system for cultivating referrers rather than a suck-it-and-see approach to getting work; and training lawyers throughout the firm to bring in work too, not leaving it to the owners alone.

PRACTICAL TIPS

- Check the ratio of paralegals to secretaries. Too many secretaries and not enough paralegals usually means work isn’t being properly delegated.
- Run a time and motion study covering all time, not just the chargeable portion, before assuming the problem is people rather than structure.
- Delegate work downward from equity partners through heads of department to fee earners and junior fee earners, so partners are running the firm rather than just working in it.
- Delegate year-end tasks specifically and plan for them well in advance, rather than treating year end as an annual crisis.
- Train lawyers throughout the firm to bring in work themselves, rather than leaving business development to the owners alone.

5. Profitability, Beyond the Top Line

A firm can show a profit on paper and still be losing money in places nobody is looking. Real profitability means checking beneath the headline figure.

IN PRACTICE

It is easy to look at figures showing a profit and assume everything is fine, setting aside for a moment that profit doesn't equal cash. In reality, a loss-making department is often masked by the firm's overall profit. Some firms are technically profitable only because their lawyers are working themselves into the ground, which isn't sustainable and isn't smart.

Worth calculating for every fee earner: total firm expenses divided by headcount, adjusted for the ratio of non-fee-earning staff, plus salary, gives a seat cost. Compare that seat cost, converted to an hourly rate, against what's actually charged to clients. Do the same exercise for fixed fee work using actual hours spent, not the original estimate. That comparison tends to be more revealing than the headline profit figure.

HOW TO CALCULATE IT

Forget the rough "three or four times salary" rule of thumb most firms use. A more accurate way to find a fee earner's true break-even figure:

- Total all firm expenses per month, excluding salaries.
- Divide by the number of staff. This gives a raw seat cost.
- For each fee earner, add their own salary to that figure.
- Then add the seat cost and salary of any non-billing support staff they rely on, since the fee earner effectively has to cover that too.

The resulting figure is the fee earner's true break-even point, and it is usually higher than firms expect.

IN PRACTICE

Law firms often look profitable until you look past the headline number at the metrics that matter:

- Seat cost
- Profitability per matter
- Client value, rather than just matter value
- Time actually invested
- Ratio of active to inactive files
- Cash actually collected
- Complaints
- Net profit margin, rather than net profit alone

Looking properly at these often produces a very different picture from the one the headline figures suggest.

PRACTICAL TIPS

- Total all firm expenses per month, excluding salaries, then divide by headcount to get a raw seat cost.
- Add each fee earner's salary, plus the seat cost and salary of any non-billing support staff they rely on, to find their true break-even figure.
- Compare that break-even hourly rate against what's actually charged to clients, not just what the firm bills in total.
- Check profitability by department, not just firm-wide. A loss-making department is often masked by a firm-wide profit.
- Repeat the profitability check for fixed fee work using actual hours spent, not the original estimate.

6. Winning Work Through Referrals

Most lawyers still think of networking as handing out business cards and hoping someone remembers them later. The firms that actually grow through their network do something different.

IN PRACTICE

Most lawyers go networking expecting to meet clients directly. In twenty years as a litigator, the clients met that way were few and far between. What actually worked was meeting hundreds of cross-referrers and building a system of passing work back and forth over the years, often several steps removed from the original introduction.

The approach that works: identify the ideal type of client, then identify the referrers who reach those clients (other professionals such as accountants or other lawyers, for instance), find out where they gather, and go there without trying to sell anything in the room. Follow up with a one-to-one afterwards and build the relationship properly. Ask the useful question directly: how can I help you, and what sort of clients or contacts can I pass your way? Reciprocity is what makes the network grow, not the initial handshake.

IN PRACTICE

“Networking doesn’t work” and “my clients aren’t going to be in the room” are two things lawyers say often. The first isn’t true. The second is only half true.

Networking works when there is a system behind it: attending the right events, knowing exactly who the ideal clients and referrers are, going in to build relationships rather than extract work, and following up properly with one-to-ones afterwards. The real work happens after the event, not during it.

IN PRACTICE

Marketing needs two things working together: presence and activity. Presence means being visible, through a website, SEO, sponsorship, print or social media. Activity means the ongoing work of blogs, content, referrer relationships, direct client contact, a proper database and email newsletters.

Prospective clients usually need a combination of both before they instruct a firm: seeing a firm mentioned somewhere, then noticing its signage, then finally getting in touch. Soft marketing, such as networking, and hard marketing, such as leaflets or ads, work the same way. Most clients need a mix, not just one.

IN PRACTICE

One firm was spending heavily across several types of marketing and couldn't work out why it "wasn't working." The marketing was actually working. The firm just wasn't converting the enquiries it generated.

The causes, in this case: a website that didn't make it easy to get in touch by more than one method; calls answered too slowly or routed to the wrong person; no dedicated person responsible for conversion; too much free advice given away instead of charging for an initial meeting; no training on how to convert an enquiry; and no follow-up process for enquiries that didn't convert immediately.

Fixing the process, rather than spending more on marketing, took the conversion rate from 7 per cent to 45 per cent, with billing up 28 per cent, while the cost per lead stayed the same.

PRACTICAL TIPS

- Identify your ideal type of client, then identify who refers those clients to you, rather than trying to meet the client directly.
- Go to networking events to build relationships, not to sell. The work follows later, not in the room.
- Follow up every useful contact with a one-to-one, and ask directly how you can help them and what clients or contacts you can pass their way.
- Combine presence (being visible) with activity (content, referrers, direct client contact). Most prospective clients need to encounter you more than once before instructing you.
- Before spending more on marketing, check conversion first: the website, how quickly calls are answered, who they're routed to, and whether there's a follow-up process for enquiries that don't convert immediately.

Where to Go From Here

Every insight in this guide comes from direct experience running, growing and fixing law firms, then helping other firms do the same. None of it is theoretical.

If any section struck a chord, that is usually worth a proper conversation rather than another article. The firms that get the most out of this tend to be the ones already suspecting something is off, and wanting a second pair of eyes to confirm where.

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