Legal billing has its ups and downs. According to the ABA, clients continue to push back on rate increases aggressively. As attorney rates continue to increase, clients are weighing their options and searching online for lower-cost counsel.

The narrative varies with industry providers. Some industry publications mention strong growth and rate increases but fail to mention increased resistance from clients. Others paint a dismal picture of the future, suggesting the difficulties and problems law firms face with realization.

**Identifying red flags before you invoice your client**
Getting paid has more to do with your firm than it does with your clients. If a client refuses to pay your invoice or they decline to pay on time, it means you’ve missed several vital signals. The problems that created their unwillingness to pay occurred a long time ago.

Let’s take a look at a fictitious firm, Woolford and Woolford SC, to show you what I mean.

1. Woolford isn’t positioned as an expert in their local marketplace, so clients see them as a discount provider.
2. Their business development tactics rely on needy language that attracts price shoppers.
3. They’re desperate for work, so they welcome these clients into their firm.
4. Their intake process is inadequate; they don’t realize they should interview clients, set expectations, or establish/assess billing guidelines.
5. These clients complain about Woolford’s invoices; they refuse to pay for research, administrative expenses, or junior associates in their firm.
6. Partners in Woolford are conditioned by their clients to expect rejection, so they add discounts, write-downs, and write-offs to their client’s invoices preemptively.
7. The partners are desperate to keep their client, so they offer more. Realization rates fall as revenue and profit decline.

Many law firms deal with a similar scenario, in one form or another, daily. Clients, not firm partners, or attorneys, determine what they’ll make. Sure, they set their rates, but ultimately this is meaningless if clients are unable or unwilling to pay.

Follow these legal billing best practices, and you’ll always be paid

These best practices aren’t a panacea. Your clients won’t pay you if there’s a legitimate reason for them to hold back. Implement these best practices, and you’ll find you eliminate virtually all of your non-payment issues overnight.

Let’s take a look.

Best practice #1: Build a powerful brand

Branding is commonly misunderstood by businesses, partners, and even marketers. Many believe that their “brand” is a promise, their product or service, a story, or even your logo — it’s none of those things. Branding is your reputation. It’s the gut feeling millions of people have about your law firm.

This is the problem. Most attorneys and law firms don’t have a brand. They’re all faceless professionals waving frantically at the client shouting, “I’m a lawyer. I’m a
lawyer!” But there’s no pre-existing relationship in place. This is a problem because most clients can’t tell the difference between your firm and its competitors.

Your clients aren’t typically familiar with the legal industry, so they can’t assess another firm the way you can. Because of this, they’re going to rely on other signals to make their decision — personal recommendations, reviews, first impressions, price.

Here’s how you fix this. You build a powerful reputation in the hearts and minds of your prospective clients. There are some simple axioms you can use to guide you:

- **Do what your competitors can’t or won’t do.** Become an expert in a specific practice area, win a large number of cases, achieve the impossible in a real estate negotiation. Find a way to become exceptionally known for something.

- **Create value for everyone, all the time.** Use the Peter Thiel formula, Create X dollars of value. Capture Y percent of X. You can solve problems for those around you by giving speeches, writing articles, hosting webinars and events, serving the community, creating a powerful and valuable resource. Find a need, then solve it like no one else.

- **Promote your achievements.** Share your accomplishments with others in a way that says, “I did this for clients just like you, I can do it for you too.” This is the essential crux of business development, but it’s also the main component most attorneys and firms miss.

- **Build partnerships with kingmakers, influencers, and power brokers.** As you begin to achieve the above items, you’ll start to build a brand (reputation). Use this reputation to develop successful relationships with powerful, like-minded supporters who are interested in the value you provide.

Doing this attracts an avalanche of clients. Your marketing and advertising campaigns outperform your competitors at a lower cost per click/visit. You’re able to attract more clients than those around you.

These clients have seen the value you provide, and they’re eager to work with you. You’ve differentiated your firm in their mind, and they want you. As a result, they’re respectful, hopeful, and willing to pay the higher fees you request. Your brand precedes you.

**Best practice #2: Verify employee timekeeping**

Law firms with poor timekeeping habits bleed money. Without a proper legal billing policy in place, your team is left to track their time on a whim. They’re prone to human error and estimating their time. This is a problem because the longer timekeepers take to complete their timesheets, the more billable leakage their firm experiences. Ann Guinn shared the research in her ABA blog post.

- You lose 10 percent of your revenue (billable time) if you record time entries the day of once a day.
- You lose 25 percent if you wait 24 hours to record your time.

- You lose 50 to 70 percent if you wait just one week.

The attorneys in this particular case study were waiting until the end of the month! If we’re projecting this out, this means firms could be losing 200 to 280 percent of the revenue they should have. Income that’s rightfully theirs simply because they didn’t track their time correctly.

Keep in mind this is before discounts, write-downs, and write-offs. Law firms stand to lose an estimated $86,294 to $106,294 per person, per year. This figure doesn’t even include the financial fallout from leakage/over billing.

Here’s how you fix this.

- **Switch to automated time tracking software:** Tools can provide automatic time tracking that accurately captures time. This “set it and forget it” software limits human error and stops revenue leakage.

- **Appoint a legal billing liaison:** This could be a managing partner, director, or executive that’s responsible for managing the firm and keeping everyone within compliance.

- **Create an incentive system:** Once you have a new legal billing policy in place, it may be difficult for everyone to jump on board. It would be worth-while to create moral with games or awards to take the edge off.

Treat the line items in your invoice as inventory in a store. It’s valuable revenue, and it needs treatment as such.

**Best practice #3: Follow through with your legal billing guidelines**

Once you and your clients have agreed on your billing guidelines, follow them to the letter. Doing this bolsters trust, decreasing the likelihood of a flagged or delayed invoice. Here’s a brief recap of the tactics I mentioned in my [previous post].

1. Shepherd your invoices through an eBilling system. If your estimates are conservative and there’s a particular emphasis placed on accuracy, your pre-bills will be close to the final bill. This attention to detail reduces the need for discounts, write-downs, and write-offs. You will also have the chance to catch billing issues and missed requirements before your client flags them.

2. Pick up the phone and call clients anytime there’s a disparity. Are you drastically over or under budget? Have you run into an unexpected expense? Reach out to your decision-makers and point-of-contact ahead of time. Don’t ambush your clients with a surprise (positive or negative).

3. Resist the urge to discount or write-off your time. Treat your timesheets like inventory. Remember that each line item on your invoice is a unit of revenue. Think of every improvement you make to the quality of your
timesheets/invoices as improving the acceptance and collection realization rates for your firm.

4. **Submit your invoices on time.** Poor communication and law firm sluggishness in publishing invoices is a contributing factor to delayed or decreased payment. Make sure you stick to the schedule and bill your clients on time.

5. **Offer ePayments.** Use alternative fee arrangements that ensure fair compensation. Built-in online payments processors allow you to safely accept online payments. ePayments increase the likelihood that clients will pay you on-time and faster.

Implementing these tips will help boost realization rates, revenue, and profit in your firm.

*Andrew McDermott contributed to this article.*

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