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ARE YOU IN DENIAL ABOUT BILLING METHODS?

The following (along with the title to this article) is an abstract by Beverly J. Hedrick, which appeared in the June 2009 Law Practice Magazine, starting at page 48. We have inserted various comments and brackets, where appropriate. We recommend the entire article for your leisure reading. Beverly J. Hedrick is a partner in Cleland Consulting Group, where she advises law firms on growth strategies. (Her e-mail address is bhedrick@clelandconsulting.com).

LEARNING THE NEW HABIT OF ALTERNATIVE FEES ...the sea change in law firm billing methods is already underway. Why? Because clients are demanding it and they will continue to demand it until they find enlightened firms that are able to do it, consistently and accurately. The result may well be that, in just a few years, most law firms will commonly operate outside the traditional billable hour.

TIME VERSUS TIMELINESS: THE PROFIT MARGIN With alternative and fixed-fee arrangements, efficiency and timeliness are the name of the game. When billing by the hour – particularly when the firm mandates the number of hours each lawyer must bill per year, both to make the firm budget and for associates to obtain bonuses – working efficiently isn't the foremost factor in a lawyer's mind.

THE DIFFERENTIATION FACTOR The savvy firms will figure out that moving away from the traditional billable hour will differentiate them from their competitors and put them in a position to attract new clients. Differentiate, especially in a time of lagging economy and fierce competition, is paramount. [The client will] want and need cost certainty, and never more so than in the country's economic situation... Law firms that can help clients have cost certainty will prosper.

[At the conclusion of her article, Beverly J. Hedrick lists a seven-step process for fixed-fee billing, which we recommend you review.]

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207 Court Street, Little Valley, NY 14755
Tel: 716-938-9137 www.tedec.com*