

How to Bill Every Penny You Earn

by Seth Rowland



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All investments require a careful assessment of return on investment or ROI — all the more so when the investment is in transformative technologies like Practice Management. This white paper explains how to measure this investment so you'll know when it has paid off and how long it took.

Lost Billable Time

Picture your typical day. It began at 8:30 a.m. It's 6:00 p.m. now. The last client has left. It's you, alone in front of your computer, staring at your time sheet. If you worked in most other professions, it would be "Miller® Time," but for you, it's "Billing Time."

Billing Time occurs when you assess all the work you have done in the day, and translate those activities into billing slips. Without this record of the time spent on billable activities, you may as well have taken the day off. If you are going to "bill for your time," it is critical that you have an accurate record of the work you performed.

And so you kick off your wingtip shoes, pull up your "time sheet," and start filling it in. If you were "good," you may already have made a few entries during the day. And yet, try as you can, the numbers don't add up. In your memory, you cannot recall activities totaling 9 ½ hours.

You recall the main matters you worked on: revision of pleadings, a court appearance, the preparation of an estate plan, etc. But what about the 60 email messages you reviewed or the 20 email messages you wrote? What about those 10 client calls you fielded? On two of them you went into lengthy detail on the status of a case and future activities. What about those calls to opposing counsel on the status of their response to your discovery requests? And then there were the letters you wrote to expert witnesses. Don't forget the several interruptions from an associate or paralegal asking you to review their work on other matters before sending it out.

All of it is billable.

The sum of the day is the sum of all hours worked. These interruptions and minor activities are part and parcel of your day. They are "billable time." And in the wee hours, when you would rather be drinking a beer (though perhaps not Miller), you find yourself trying to recall all these activities. What you fail to recall and the time spent trying to recall it fall into the category of "lost billable time."

If you are going to "bill for your time," it is critical that you have an accurate record of the work you performed.

How Practice Management Software Eliminates Lost Billable Time

What if you could close up your office at 6:00 p.m. and go home? What if you could do so knowing that your time had already been billed? What if all your billed time actually added up to the 9 ½ hours you spent in the office? Think of the improvement to your lifestyle. Think of the improvement to your bottom line. This return on investment (ROI) results from the use of practice management software.

If you choose your practice management system carefully, minor tasks are tracked, accounted for, and billed. Lost billable time adds up to real money. This is easy money. One of the primary benefits of practice management is the recovery of lost billable time.

Management of Calls, Email, Messages, Tasks, Events, Deadlines, and Documents

When shopping for a practice management system, make sure it can assign and link details on all calls, emails, messages, notes, tasks, events, deadlines, and documents to a given matter. For example, you should have the ability to open or select a matter to create a new activity record. The link is automatic. Alternatively, you should be able to create an activity record and then link it to a matter.



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Several benefits exist to adding these records to the practice management system:

- When you open a matter you can instantly see all activities on the case such as notes to file, email, internal messages, calendared events, record of phone calls, or documents created or received.
- All activities automatically have a “create date” and a “staff” so you know who worked on the matter and when they started working.
- All activities have a timer so that you know how much time was spent on the particular activity.
- A daily log can show you instantly all activities that you (or any staff member) worked on during the day and their duration.
- The daily log also shows you which activities are “unbilled.” And that is where the real ROI resides.

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Transform Any Item Into a Time Entry

As you enter these various activities in the system, your practice management system should make it easy for you to turn these activities into time entry records for your billing system. It should offer built-in timers on all billable activity records.

Your practice management system should have configurable time entry options. For example, perhaps you would like it to remind you to create a time entry after every billable action. Or perhaps you’d prefer a “send to billing” option to create a time slip

automatically once you mark an activity done. Also, look for a program that lists “unbilled activities” on your dashboard. As a result, you will find yourself billing more time, and with more accurate time slips.

Management of Time and Billable Activities

A practice management system should also include daily reminders such as today’s critical events, advice on managing your task list, suggestions for business development, etc. to help you stay on top of your practice. With these time management features, you will not let potential billable activity slip through the cracks. If a client has retained you to do work and agreed to pay for it, the tickler will remind you to do the work.

More Complete Bills That Get Out on Time

The practice management system you select should post time entries directly to your accounting system. This direct connection means more time captured for the monthly billing cycle. It ensures that bills never go out without all your time on them, and also improves accuracy by reducing human error (e.g., transcribing time entries manually).

Real-Life Scenarios and ROI

With a practice management system you can review all your activities. You can review all calls in a given time period (day, week, or month). You can look at your activities by file type, date range, and more. You can receive alerts when you have forgotten time entries. You can even check how your billable hours for the year compare to your goals.

There are many reasons to implement a practice management solution. And yet, when you try to convince your partners and staff to spend money on software, they will be reluctant to part with their “hard-earned” dollars. Software is often lumped into “overhead expense” with building, utilities, and phone.

The reality is that practice management software is really a “profit center” and not



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an “expense.” The profit comes from the capture of lost billable time. And so, we can calculate the ROI on purchasing practice management software by comparing the cost of the software against the potential gain in earnings from capturing lost billable time. Depending on the assumptions you make, a practice management solution often pays for itself in under a month.

Let’s look at a few scenarios:

Solo Practitioner

Let’s assume a single lawyer bills at \$200 per hour and has a minimum billing increment of .2 hours (12 minutes). Let’s make a conservative estimate that the lawyer currently fails to record one billable phone call and one billable email a day. These two lost activities add up to \$20,000 in lost revenue each year. With a practice management solution, this solo will capture an additional \$80 in billings each day. An investment in practice management software will pay for itself in about one week.

Small Firm

Let’s now assume a small firm with three attorneys and six staff members in a leveraged, high-volume practice with a blended billing rate of \$150, and a billing increment of .1 hours (6 minutes). Using the same assumptions, practice management software would increase annual billings by \$22,500. Even with this relatively low hourly rate and

the six software licenses required, the ROI is about one month.

Depending on the assumptions you make, a practice management solution often pays for itself in under a month.

Midsized Firm

Now assume a midsized firm with 15 attorneys and 10 billing staff members, a blended billing rate of \$250 per hour, and a billing increment of .2 hours. This firm stands to capture \$375,000 more per year with the same assumptions about two lost billable activities per day per timekeeper. While the software expenditure is greater, the practice management system would pay for itself in less than two weeks.

Conclusion

It’s costly to let billable time slip through the cracks. Practice management software makes it easy to create a time entry for everything you do. As a result, a practice management system will pay for itself, and keep paying. Far from being an expense, it will become a “profit center” for your firm. Even with very conservative assumptions (a call here and an email there), most installations will pay for themselves in a few weeks.

Seth Rowland, Esq. was named TechnoLawyer Consultant of the Year in 2002 for his work on document assembly and law practice automation. He is a nationally known technologist whose company, Basha Systems LLC (www.bashasys.com), has helped many law firms build customized practice management and workflow solutions. Basha Systems currently offers consulting services for Amicus Attorney, Time Matters, Advologix, HotDocs, Exari, and DealBuilder. Please visit Seth’s blog (www.bashasys.info).



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