



Best Practices In Realization

In a law firm, getting paid is only half the battle ... getting paid at the proper rate is the other half! (It's a hollow victory to get that lagging client to finally settle up — at a discounted \$150 an hour instead of your standard \$250 rate.)

Like any business, law firms benefit from collecting regularly so that revenue is distributed evenly throughout the year. So consider some of these proactive practices:

1. Bill now, not later. As we discussed in the accompanying cash flow article, billing realization is improved by invoicing a client early enough that the value of your services is still perceived (and appreciated!). You may want to require attorneys to bill a specified percentage of unbilled fees every month (at least 70 percent). And bill as the work progresses — don't wait and issue only one bill at the engagement's completion.

2. Explain write-offs. Require an explanation from attorneys of all fee write-offs in excess of a specified amount or percentage. This can be reported on a write-off form or in a monthly billing meeting.

3. Make billing meetings mandatory. At these monthly billing meetings, partners should be questioned about larger, unbilled amounts left on work-in-process.

4. Schedule time to bill. Set aside specific days each month for billing. Require attorneys to submit all bills by a specific date each month.

5. Reward billing realization. Compensate partners based on their realization of standard fees and not on gross billings. Billing frequency and A/R collections should also be a part of your partner compensation guidelines. Periodically, the firm should compute the number of days in unbilled fees and A/R by partner.