

WHITEPAPER

Transparency in legal

The importance of effective time recording for law firms





Introduction

In an era marked by increasing scrutiny and accountability, transparency has emerged as a critical challenge for law firms. From escalating invoice write-offs to profit leakage through rate discounts, law firms are facing significant pressures to enhance their billing practices.

Law firms operate in an environment where clients, regulatory bodies, and market forces demand greater transparency in their billing practices. Transparency not only helps law firms build trust with clients but also enhances financial stability and compliance with regulatory guidelines.

In this whitepaper, we will dive into the challenges that law firms face around transparency, both within

their own firm as well as with external stakeholders such as clients and regulatory bodies, before looking into ways firms can embrace transparency, including alternative fee arrangements, time capture solutions, and client portals.

We will then explore in more detail the opportunity law firms have to invest in technology solutions that automate billing processes, monitor billable hours accurately, and facilitate transparent communication can significantly contribute to overcoming these challenges. By embracing transparency, law firms can fortify their financial stability, ensure compliance with regulatory guidelines, and build enduring client relationships based on trust and accountability.





Transparency: the clear challenge for law firms

With the availability of information and the advancement of customer experiences across commerce in most if not all industries, particularly as digitisation and e-commerce becomes ever more engrained into our day-to-day customer relationships, law firms are experiencing a wide range of challenges which relate back to needing to be more transparent.

Invoice write-offs are on the rise

Being able to have bills paid on time and without issue is of paramount importance to ensuring effective cash-flow and the smooth operation of any business - law firm or not. With that in mind, it's particularly concerning that a recent report into billing and technology in the legal field found that 10% of revenue was being written off by law firms in the UK and North America between 2020 and 2021.

Furthermore, 75% of North American firms said that they had experienced a rise in invoice write-offs, and not too much less in the UK market. These numbers underscore the need for more transparent billing practices, as financial losses resulting from write-offs can severely impact a firm's profitability and client relationships. By implementing transparent billing processes, law firms can mitigate risks, identify potential billing issues, and proactively address them before they escalate into revenue write-offs.

Rate discounts the largest form of profit leakage

Another significant challenge facing law firms is the leakage of profits through rate discounts. Rate discounts account for a substantial portion of profit leakage in North American firms, with 34% of firms identifying them as the primary source. These discounts erode a firm's financial health, potentially leading to reduced resources for growth and development.

These work in a similar way to invoice write-offs where firms are ensuring that clients pay most of the billable work actioned, rather than engage in litigation or losing a client long term. Removing the element of surprise within billing processes helps firms avoid write-offs and rate discounts.

Understanding the number of hours likely for a case to take, the fees for that, and constant communication with the client to avoid surprise billing will allow for clients to feel more in control of their billing and more likely to pay the amount in full - keeping your law firm ticking over at a greater percentage of profit retention. Not to mention removing the time-costs, logistical burdens, and client satisfaction risks of engaging in negotiations over ad-hoc discounts.



Regulatory pressures

The regulatory landscape adds further impetus for law firms to prioritise transparency. Regulatory bodies, such as the Solicitors Regulatory Authority in the UK, have introduced transparency rules that mandate law firms to adhere to clear billing guidelines in certain areas of law. These guidelines are designed to enhance transparency, accountability, and fairness in billing practices. Non-compliance with these regulations can have severe consequences, including damage to a firm's reputation and fines.

Additionally, the introduction of Outside Counsel Guidelines, often enforced by corporate clients, accentuates the importance of transparency in billing practices. Law firms that can demonstrate adherence to these guidelines will not only strengthen client trust but also position themselves as reliable partners in an increasingly competitive legal landscape.

By adopting transparent billing processes, law firms can mitigate financial losses, enhance client trust, and position themselves as leaders in an evolving legal landscape. Investing in technology solutions that automate billing processes, monitor billable hours accurately, and facilitate transparent communication can significantly contribute to overcoming these challenges. By embracing transparency, law firms can fortify their financial stability, ensure compliance with regulatory guidelines, and build enduring client relationships based on trust and accountability.





Making yourself clear as a law firm

With firms faced with pressures for greater transparency, the problem then transitions to how law firms can become more clear with their clients with their billing practices. Clients want to understand how their money is being spent and ensure they receive value for their legal services. To meet these expectations, law firms must adopt innovative solutions that promote transparency, access, and control. There are a number of key strategies that firms use in order to do this.

Alternative Fee Arrangements (AFAs)

In the realm of transparent billing, Alternative Fee Arrangements (AFAs) offer law firms a powerful solution to meet client expectations and build stronger relationships. AFAs provide clients with predictable and transparent billing options, aligning the firm's interests with those of their clients.

By offering various AFA options such as fixed fees, contingency fees, or blended rates, law firms can provide greater clarity on costs right from the outset of a matter. This approach eliminates uncertainties surrounding billable hours and hourly rates, promoting transparency and trust between the firm and the client.

The benefits of AFAs are becoming increasingly recognised within the legal industry. In North America, there has been a notable 28% increase in demand for AFAs, while the UK has seen a 26% increase. Among law firms that have embraced AFAs, flat fees have emerged as the most preferred option, with over 57% of firms utilising them according to Bloomberg's 2022 Legal Ops report.

As of 2022, more than 40% of law firms across the UK and North America are offering some form of alternative billing structure with clients, and approximately 29% of all billable work is invoiced using an AFA. These statistics demonstrate the growing trend of law firms adopting AFAs to enhance transparency, provide cost predictability, and strengthen client relationships.

Time recording

Accurate time recording is a cornerstone of transparent billing practices in law firms. By diligently tracking the time spent on client matters, law firms can provide clients with detailed breakdowns of billable hours, ensuring transparency and avoiding disputes over invoicing.

Modern time recording tools have revolutionised the way legal professionals track their time. These tools not only ensure accuracy but also cater to the demands of remote workforces. With flexible and mobile time recording solutions, legal professionals can seamlessly track their time, regardless of their location or the device they use. This adaptability enables law firms to maintain transparency and accuracy even in the face of evolving work arrangements.

Moreover, integration between time recording tools, case management systems, and billing systems streamlines the billing process entirely. This ensures that the time recorded translates directly into the billing system, with clear recognition of what the time tracked has been for, reducing the potential for manual errors or discrepancies and to give clients the confidence in the accuracy of their invoices, knowing that the billed hours align precisely with the services provided.



By embracing time recording tools, law firms can not only improve their client communication and billing accuracy but also leverage such data for internal analysis and process improvement. Law firms can identify patterns, analyse resource allocation, and gain insights into optimising their operations. This not only enhances transparency for clients but also drives internal efficiency and productivity. It can also help better guide fixed and capped fees in the future as AFAs become more popular.

Client portals

Client portals are secure online platforms that serve as a centralised hub for clients to access their case files, review invoices, and communicate with their legal team in real-time. By granting clients 24/7 access to pertinent information, law firms empower them to stay informed and actively participate in their legal matters.

It goes without saying as to how this can be leveraged to keep clients apprised of billing and their case matters, but it also gives firms more time doing casework, rather than dealing with queries about outstanding tasks and current invoices. This makes for happier clients, happier staff, and a much more streamlined firm.





How time recording increases transparency and profitability

While legal expertise and client service are undoubtedly crucial, leveraging technology can significantly contribute to a firm's bottom line. As we've read in the previous section, time recording empowers law firms to streamline operations, strengthen client relationships, and optimise billing processes. There are several strategic benefits that time recording offers both firms and their clients:

Performance tracking

Accurate time recording enables law firms to monitor and evaluate the performance of individual staff members and practice areas. By analysing time data, firms can identify areas for improvement, optimise resource allocation, and enhance overall profitability.

Time recording software allows for comprehensive tracking of billable and non-billable hours, enabling managers to identify productivity trends, allocate resources effectively, and identify potential bottlenecks. This data-driven approach helps firms make informed decisions to enhance operational efficiency and profitability.

Accurate billing

Building client relationships means billing correctly. Accurate time recording ensures that invoices reflect the services provided to clients. By tracking billable and non-billable time accurately, law firms can reduce billing errors, minimise disputes, and improve cash flow by eliminating the need for fee discounts and write-offs.

With time recording software, lawyers can track their time easily and accurately, ensuring that every billable minute is accounted for.



Optimise resource allocation and streamline matter management

Time recording software provides valuable insights into how resources are allocated within a law firm. This information helps in making informed decisions regarding staff workload distribution, optimising team efficiency, and reducing unnecessary costs. When resources are allocated optimally, law firms can increase productivity, decrease operational inefficiencies, and ultimately boost profitability.

Effective time recording software facilitates streamlined matter management, allowing lawyers to focus on core legal tasks. By automating the time recording process, legal professionals can minimise administrative burdens and allocate more time to billable work. Time tracking features integrated with matter management systems enable seamless tracking of tasks, deadlines, and milestones. By eliminating manual timekeeping and administrative inefficiencies, law firms can enhance productivity, meet client expectations, and achieve better profitability.

Better forecasting and pricing strategy

Time recording data provides valuable insights into the true costs of legal services. Law firms can analyse historical time data to forecast future workloads accurately and set pricing strategies accordingly. By understanding the time and resources required for specific types of matters, firms can make informed decisions regarding fee structures, ensuring profitability while remaining competitive. Accurate forecasting and pricing strategies help law firms strike the right balance between client value and profitability.

Time recording software is a powerful tool that can significantly increase profitability for law firms. By leveraging accurate time data, firms can monitor performance, strengthen client relationships, optimise billing processes, and streamline matter management. Through enhanced operational efficiency and better resource allocation, law firms can drive profitability while providing exceptional client service. Embracing time recording technology is not only a smart business decision but also a means to stay ahead in the ever-evolving legal landscape.



The challenges in recording time properly

Efficient and accurate time recording is a critical aspect of running a successful law firm. However, many firms face challenges in getting their fee-earners to record time effectively and properly. Here are a few issues raised by those we talk to about time capture:

It's a tedious task to undertake

Time recording is often viewed as a time-consuming and burdensome activity that diverts valuable resources from core legal work. Fee-earners may perceive it as an administrative chore that takes away precious hours from serving clients. To overcome this challenge, law firms need to embrace technology-driven solutions that simplify and automate the time recording process.

It's often a pressurised task

The billable hour is a longstanding metric used in the legal industry to assess productivity and profitability. Fee-earners face external pressures, such as billable hour targets or partner expectations, which can create stress and compromise the accuracy of time recording.

Striking a balance between meeting productivity goals and ensuring accurate time tracking is crucial. It is essential for law firms to promote a supportive work culture that values accuracy over mere quantity. By emphasising the importance of diligent time recording while providing adequate resources and support, firms can alleviate the pressure and ensure accurate timekeeping.

Inconsistent recording practices

Within a law firm, different timekeepers may adopt varying approaches to recording time, leading to inconsistencies and discrepancies in billing. This inconsistency can result in disputes with clients and negatively impact the firm's reputation.

To address this challenge, law firms should establish guidelines and install clear and uniform instructions on time recording methodologies, codes, and categories can help ensure consistency across the organization. Regular training sessions can further reinforce these guidelines and cultivate a culture of standardised time-keeping practices.

Fee-earners often miss out some key billable time

Human error and oversight can lead to inaccuracies in invoices and missed billable time. Fee-earners may unintentionally fail to record time for certain tasks, resulting in lost revenue opportunities for the firm. To mitigate this challenge, law firms must implement effective quality control measures.

Regular audits and reviews of time records can help identify errors or omissions. Firms should also provide ongoing training to enhance the accuracy and attention to detail of fee-earners.



Many are unable to leverage real-time time tracking with their current solutions

Traditional time recording methods often involve manual entry and retrospective time logging, making it difficult to capture time accurately. Fee-earners may struggle to recall the exact duration spent on each task, leading to estimations and potential inaccuracies.

To overcome this challenge, law firms can adopt real-time tracking solutions that integrate with their existing systems. By using mobile apps or browser plugins, fee-earners can conveniently record time as they work, capturing every billable minute. Real-time tracking provides more accurate data and allows for immediate invoicing, enhancing both accuracy and efficiency.

Effective time recording is crucial for law firms to optimise billing, measure productivity, and improve profitability. By addressing the challenges associated with time recording, firms can streamline the process, enhance accuracy, and minimise administrative burdens.

Through the adoption of user-friendly technology, standardised guidelines, ongoing training, and quality control measures, law firms can overcome these challenges and establish a culture of efficient and accurate time tracking. Embracing innovative solutions will empower fee-earners to focus on their legal work while ensuring that every billable hour is accurately captured and accounted for.





How cloud-based time recording can help

Cloud time recording solutions, such as OneAdvanced's Time Capture software, offer a range of benefits that can significantly improve time capture processes. By harnessing the power of the cloud, law firms can increase revenue, reduce overheads, improve efficiency, and future-proof their operations.

Increase revenue and capture every moment

One of the key advantages of a cloud-based time recording solution is the ability to capture and record higher levels of billable time, ultimately leading to increased revenue. Cloud-based providers offer fee-earners with the flexibility to record their time from any location, on any device, whether through a web browser or through a native app. With 'smart timers', fee-earners have instant access to capture every moment, ensuring no billable time slips through the cracks, regardless of their location.

Increasing efficiency through integration

Modern cloud-based time recording software is built on an API-first approach, enabling easy integration with other solutions at your firm such as with your case management, billing, and document management solutions. This flexibility allows you to enhance the value of your investment in several ways, including ways you may not have considered such as importing fee earners' annual leave from your HR system, as well as some that are vital, like seamlessly exporting time data to your accounting system. These integrations streamline processes and boost overall efficiency, making it a valuable asset to your firm.

Flexible mobility with remote time recording

Mobile apps with time recording capabilities enables fee-earners to record time remotely, both online and offline. This flexibility allows fee-earners to capture their time on the go, ensuring accurate time tracking and enhancing user engagement with recordings uploaded straight to your integrated case management system.



Closing thoughts

Transparency is no longer an optional feature but a necessity for law firms aiming to meet client expectations and navigate a complex regulatory landscape. By prioritising transparency in billing practices, law firms can strengthen client relationships, enhance financial stability, and position themselves as leaders in the legal industry.

Throughout this whitepaper, we have examined the challenges faced by law firms in achieving transparency and provided insights into strategies and technologies that can help overcome these challenges. From escalating invoice write-offs to profit leakage through rate discounts, law firms must proactively address these issues to ensure their long-term success.

By embracing alternative fee arrangements (AFAs), law firms can provide clients with predictable and transparent billing options, fostering trust and aligning their interests with those of their clients. Accurate time recording is another crucial aspect of transparent billing practices, enabling law firms to provide detailed breakdowns of billable hours, enhance communication with clients, and improve internal efficiency.

Implementing client portals and offering regular reporting further strengthens transparency by providing clients with access to case files, detailed invoices, and timely updates. These tools empower clients, promote open communication, and enhance the lawyer-client relationship.

In conclusion, transparency is a clear challenge for law firms, but it is also an opportunity for growth and differentiation. By adopting transparent billing processes, leveraging technology solutions, and prioritising client trust, law firms can thrive in an increasingly competitive legal landscape. Embracing transparency not only benefits law firms but also contributes to a more fair and accountable legal industry as a whole.



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