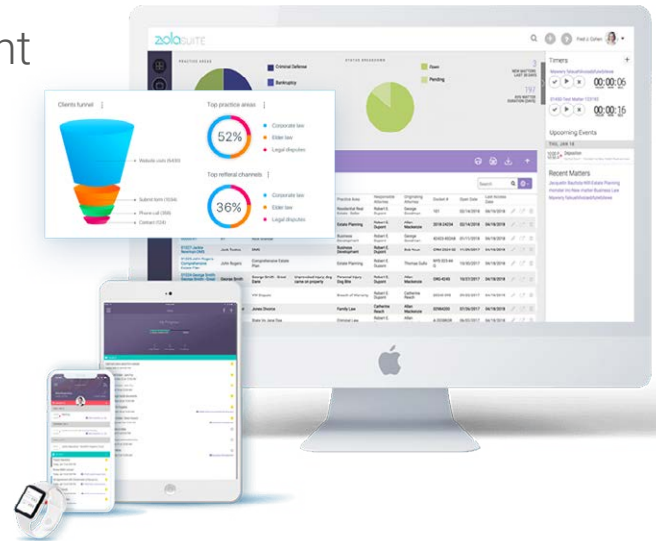


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Beyond the Billable Hour

More than ever, firms need to find creative ways to generate revenue streams. Start by building up your attorneys.



KYLIE ORA LOBELL
Freelance Writer

Since the last recession, the law industry has faced a major challenge: people can't afford attorneys anymore. Coupled with emerging technologies and nontraditional competition, this has forced the law industry to look at how it bills clients, and, specifically, the tradition of billing by the hour.

According to a 2018 Altman Weil survey, law firm partners are underutilized, and nearly half of all firms did not meet their total annual billable hours goal for 2017. When asked, "Do you think lower firmwide billable hour targets will be a permanent trend going forward?" 31.7 percent of respondents said it would be.

Billable hours are not going away, but in light of recent times, firms need to reexamine how they are going to be successful without completely depending upon these hours.

"It's an important metric for determining such things as pricing and profitability," says Katie J. Bryant, CLM, Executive Director for Udall Shumway PLC. She also chairs ALA's Business Partner Relations Project Team. "But a system that rewards billable hours in fact pits an attorney against their client by creating a strong driver for inefficiency. This type of dynamic is on borrowed time and anyone who is still clinging to it must move on."

“Inquisitiveness and a desire to learn and grow in one’s craft may suffer, since those efforts may not be billable.”

If you want to shift away from your primary focus on billable hours, come up with other ways to create revenue, improve attorney productivity and accountability and sustain your firm for generations to come, take the following tips into consideration.

STOP PUTTING BILLABLE HOURS ABOVE ALL ELSE

When getting attorneys to hit a certain number of hours every year is your top goal, the quality of the work may decline, according to David N. Pessin, Founding Member, Pessin Katz Law, P.A. In addition, he says in a firm solely based on billable hours, attorneys aren’t able to allocate time to marketing, building a practice and community or charitable service. “[Additionally], inquisitiveness and a desire to learn and grow in one’s craft may suffer, since those efforts may not be billable.”

FIGURE OUT NEW TIME REQUIREMENTS

While Nicole Sodoma, Managing Principal at Sodoma Law, doesn’t think billable hours are becoming outdated, she did acknowledge that new ideas are out there regarding how to remove these requirements. She says some examples include A) requiring attorneys to produce certain amounts of revenue per month or year with complementing compensation models and B) creating business models that reduce billable time requirements so as to deliver better opportunities for work-life balance.

“Though not favored by most family law attorneys, flat-fee arrangements are also often used for both bundled and unbundled legal services,” says Sodoma.

TEACH EFFECTIVE TIME MANAGEMENT SKILLS

With the billable hour model or any other model, attorneys need to learn how to manage their time. For instance, Pessin says firms need to teach attorneys to schedule telephone calls, rather than taking calls at random times, because it interrupts work and makes them less efficient.

“[Firms could also train attorneys on] thorough editing and proofreading skills so that drafts of documents are not going back and forth between partners and associates, creating tons of billable hours that will never be billed or collected,” Pessin says.

PROMOTE A GOOD WORK-LIFE BALANCE

Often, employees chasing billable hours do not have a good work-life balance, which may actually make them less productive. “Firms should remember that billable time is important to the firm, but personal time is important to the attorneys,” says Sodoma.

One of the programs at Sodoma Law sets forth a manageable time requirement, and if an employee meets that requirement within a 40-hour workweek, he or she can take the rest of the week off, paid, which she says encourages efficiency, time management and teamwork. “Encouraging and fostering a healthy work-life balance not only develops loyal employees, it also results in productive employees.”

“A system that rewards billable hours in fact pits an attorney against their client by creating a strong driver for inefficiency. This type of dynamic is on borrowed time and anyone who is still clinging to it must move on.”

At Sodoma Law, the firm has monthly meetings. Starting this year, Sodoma says they are promoting a healthy work-life balance by leaving work early once a quarter and meeting off-site “for a chance to leave the work behind and enjoy time with each other.”

PROMPT ATTORNEYS TO MAKE GOALS

Firms should put the power in attorneys’ hands and ask them to make their own goals instead of just doing it for them. Bryant says that each year, attorneys at Udall Shumway create a plan of work for the coming year. “In this plan of work, they put down professional goals and business development goals. As the Executive Director, I meet with each of them twice a year to see how they are doing in reaching these goals.”

ASK ATTORNEYS TO RATE THEMSELVES

Another effective practice, Bryant says, is for attorneys to complete a self-evaluation twice per year. At Udall Shumway,

“[Firms could also train attorneys on] thorough editing and proofreading skills so that drafts of documents are not going back and forth between partners and associates, creating tons of billable hours that will never be billed or collected.”

attorneys are given the chance to rate themselves on things like client satisfaction, client/business development efforts and community involvement. The executive committee reviews these self-assessments and comes up with a final score, or rating, which is used to determine an attorney’s semi-annual bonus amount.

RATE EMPLOYEES ON BUSINESS-GENERATING ACTIVITIES

Along with having attorneys rate themselves, the firms’ leaders have to rate them as well. Brian Johnson, a certified Business Coach with ActionCOACH, says firms could rate attorneys on four things:

1. Results (the quantitative effort vs. the goal)
2. Qualitative impact to the firm
3. Behaviors (or how an attorney represented the firm in relation to the goal)
4. Talent/potential (or how an attorney demonstrates the drive to excel in the firm’s future)

“You could then evaluate the strength of their performance in those four areas based on the goals,” says Johnson. “Determine four or five levels of performance ratings, give value to them and then assess their performance accordingly.”

REWARD ATTORNEYS FOR HARD WORK

Whether you stick to a mostly billable-based system or you shift to an alternative model, you need to reward your attorneys for working hard.

“At my firm we ask our attorneys a basic fundamental question: ‘Do you want to be a lawyer who works for other lawyers or do you want to be a lawyer who works for their own clients?’” says Bryant. “If the answer isn’t the latter, our firm is not going to be a good fit for them in the long run. Part of our succession planning strategy is to assist and reward our attorneys for their various client development efforts.” ■

ABOUT THE AUTHOR

Kylie Ora Lobell is a freelance writer living in Los Angeles. She covers legal issues, blogs about content marketing, and reports on Jewish topics. She’s been published in *Tablet Magazine*, *NewsCred*, *The Jewish Journal of Los Angeles* and *CMO.com*.



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BUILD BUSINESS BY BUILDING UP YOUR ATTORNEYS

In order for firms to thrive and continue on for future generations, they need to look at the long-term goals and incentivize the activities that will hopefully help them achieve those goals. Join Katie J. Bryant, CLM, Executive Director of Udall Shumway PLC and Chair of ALA’s Business Partner Relations Team, as she takes you through the real-time story of how a 53-year-old law firm finally abandoned the incentive on billable hours in favor of a more versatile and strategic approach focused on incentivizing attorneys to become well-rounded with activities to build their own client base. Get more details on this session, LI23: Build Business by Building Up Your Attorneys, and others offered at the 2019 Annual Conference & Expo in Grapevine, Texas. Register today: alanet.org/conf19.

