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Modern Practice Feature

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Why and How Law Firms Should Take the Lead in Electronic Billing

In all likelihood, at least one of your firm's corporate clients currently requires that the firm submit its legal invoices electronically. If not, it is likely that you will be asked to do so in the near future. Why should this matter to you? Because electronic billing, or e-billing matters to your clients. According to Law Technology News' January 2006 issue, e-billing ranks as No. 3 on the "GC Tech Wish List for 2006." In the November 2005 issue of Corporate Counsel magazine, William Ohlemeyer, associate general counsel of Altria Group, Inc., cited electronic billing as a service he insists on from his outside law firms.

E-billing is no longer a luxury practiced only by Fortune 100 businesses or the AmLaw Top 20 law firms. Many corporations, insurance companies and government agencies are embracing this efficient technology, and the numbers continue to grow. Legal e-billing was adopted by 6% of the corporate legal market in 2003; 18% in 2004; and estimated at over 25% in 2005, according to an annual survey of law departments by the Association of Corporate Counsel. Any law firm that wants to stay competitive in this current climate should become familiar with the technology. And any law firm that wants to secure a lasting relationship with its clients should initiate the conversation, become an active participant, and even take the lead in the selection and implementation of an electronic billing system.

Despite its popularity with corporate law departments, law firms have been slow, or even reluctant, to embrace electronic billing. For many firms, e-billing is viewed as little more than an additional unfunded requirement imposed by the client for its own benefit. Some law firms have reported difficulties incorporating the use of billing codes in their time and expense entries, long learning curves in the use of the technology, and unexpected initial startup costs. Resistant to change, these firms often fail to recognize and take advantage of the opportunities electronic billing can provide to the firms themselves. Nevertheless, the benefits to firms are real. E-billing can shorten the firm's payment cycle by 20 to 40%, resulting in significant reductions in the firm's working capital expense. Firms can also realize significant administrative savings through elimination of paper processing and transmittal costs, faster identification of billing errors and corrections, and more focused, streamlined billing dispute resolution. Perhaps most importantly, e-billing can foster better client communication thus strengthening the attorney/client relationship.

For those firms already sending electronic invoices, it only makes sense to capitalize on the firm's e-billing experience and to share this knowledge with clients who are considering such an initiative. Many law firms use five to eight different e-billing products. Firms using these products can easily identify which vendor provides the strongest functionality, the most streamlined product, the best customer support, and the highest value from the firm's perspective. Taking the lead and helping a client choose the e-billing system about which the firm is most confident ensures a smooth transition for the firm, minimizes the administrative costs associated with system set up, and benefits the client's other law firms who will be part of the initiative. Most importantly, this type of knowledge sharing allows the firm to demonstrate in a very tangible way the firm's investment in its relationship with the client. Getting involved in your client's e-billing initiative from the

outset shows your firm's appreciation of the client's business goals, and your firm's willingness to partner with the client in its initiatives.

How to begin?

Education is the first step. If your firm is already using electronic invoices, engage your billing administrator or managing partner to assist in analyzing client payment cycle patterns and identifying the benefits of e-billing, both potential and realized. If your firm is using more than one vendor, compare vendor systems so that you will have a good grasp of each vendor's strengths and weaknesses. If your firm has not yet ventured into the e-billing arena, ask other firms about their experiences, search on-line for information about the process and evaluate how electronic billing fits into your firm's billing structure and your client's business models.

The next step is to identify those clients who are or should be considering electronic billing and start a dialogue. Most likely these clients have already contemplated an electronic billing initiative and they will appreciate your input and experience. Those clients who should be considering electronic invoices are clearly identifiable. They consistently hold invoices for three to four months or more before paying; they frequently misplace bills or return them after several months due to a minor processing error such as an incorrect matter number. A well-placed phone call or e-mail communication to the client will assist in problem solving and also highlight your firm's expertise in e-billing. Hosting an electronic billing overview at your offices to provide a system assessment or a demonstration of various e-billing systems is a great opportunity to emphasize your commitment to the client's goals and your firm's expertise, and to further strengthen your overall relationship. Offering to participate in a pilot with a chosen vendor is another way to get involved in the selection and implementation process.

Today corporations are focused on reducing legal costs while concomitantly striving to improve the quality and efficiency of legal services they receive. Corporations are adopting numerous strategies for reaching this goal. Electronic billing is one such strategy. Convergence, the reduction of the number of outside firms they employ, is another tool they use to streamline costs and efficiency. In order to distinguish themselves among competitors – and become invaluable to their clients and therefore safe during a convergence process – law firms must do more than deliver quality legal services at a reasonable price. They must move beyond traditionalist thinking and start acting like legal-business managers. They must be proactive in understanding the client's overall needs and find new ways for both client and law firm to benefit in the attainment of the client's goals. Taking the lead in your clients' e-billing initiatives is a great start, and can result in significant benefits for both parties.

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