TIMEKEEPING AND BILLING SYSTEMS

Managing the overall financial picture of a firm involves several factors, and time and billing is just one piece of that puzzle. Many software applications on the market are designed specifically to manage your time and billing, but not your overall ledger. They handle your Accounts Receivable, but what about the rest of your accounting? If you choose a program that only manages time and billing, it's crucial to ensure it integrates with your other accounting systems. Otherwise, you may find yourself unable to run the financial reports you need and potentially double-entering data, which increases the risk of errors and inefficiency.

Similarly, when considering law practice management software, it's important to think about its ability to integrate with your time and billing system and overall accounting package. If your firm enters financial data or open matters in more than one system, it might be time to consider a more streamlined and integrated approach, as duplicate entry can lead to significant productivity loss over time.

Your time and billing software, along with your accounting software, collectively form your "back office," which is the core of your business and cash flow. One of the strengths of a legal back-office program is that it is tailored to the needs of a law practice and can be customized for different practice areas. For instance, the ability to customize invoice formats is critical for many firms. An attorney who primarily does flat fee work won't format their bills the same way an hourly attorney will.

Other examples of customization include the ability to use fee compensation rules or "splits" to credit attorneys for their time on files. Some firms may want to assess finance charges for past due balances, while others may not. Additionally, some firms need the ability to split bills between multiple clients, such as in estate work that needs to be divided equally among beneficiaries. These features are available in legal time and billing packages.

USING YOUR TIME & BILLING EFFECTIVELY

One key element within your back-office product, especially in this economy, is knowing where you are making the most money and where you are losing money. If you don't know which types of matters are the most profitable for your firm, it may be time to review your back-office procedures more thoroughly.

Many lawyers who practice flat fee or contingency work feel it is unnecessary to track their time, but we respectfully disagree. If you don't track time on these files, how do you know your effective hourly rate? For example, if an attorney at your firm agrees to a $5,000 flat fee on a matter and spends 10 hours working on the file versus 50 hours, there is a significant difference in their effective hourly rate. This information is valuable for making financial decisions for your firm, especially if you practice in several areas of law.

Another argument for tracking your time on all files, including flat fee and contingent files, is the obligation to provide an accounting of your time if the "reasonableness" of your fee is ever questioned.

Most time and billing software packages offer reports that identify profit by area of practice and timekeeper. These reports help you see if you are consistently losing money in certain areas of practice. If you are, you may need to raise your flat fee rates for some services or shift your practice to more profitable areas, particularly if you handle many types of matters.

Having this type of information can also help you make better marketing decisions. For example, if you practice Family Law, Criminal Law, and Personal Injury Law, and your effective hourly rate is highest in Family Law, you may want to allocate more marketing dollars to that area.

Time and billing software also provides information about your timekeepers, allowing you to set better goals for them. Don't assume everyone is functioning at the same level. The most productive timekeepers should not be rewarded the same as those operating at a substandard level. Use your back-office reports to determine which timekeepers have the highest overhead-to-income ratio, which are bringing in the most new clients, and so on.

You can also track monthly billings and see trends like increasing or decreasing work in progress and accounts receivable. This helps the firm plan better from a cash flow perspective and redirect resources as necessary. If billables are consistently decreasing in a particular area of practice, don't wait until it's too late to spot that trend and act.