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## Why Poor Timekeeping Could Be Costing Your Firm (And How to Fix It)

Most law firms live and die by the billable hour. But if time is money, why does tracking it tend to be an afterthought in so many firms? The lack of a comprehensive and consistent timekeeping system may be hurting your bottom line more than you realize.

If you're not watching your money, you're probably losing money. And in a post-COVID-19 world with more attorneys and clients working and interacting remotely, timekeeping is more critical now than ever before.

### WHY TIMEKEEPING IS IMPORTANT (BEYOND THE OBVIOUS)

OK, so we all know the straightforward reason why good timekeeping is critical for a lawyer (or any professional) who bills by the hour: it's how revenue is generated. However, there are additional benefits to instilling a good timekeeping culture that law firms can't ignore.

- » **Accurate timekeeping is a matter of professional ethics:** The American Bar Association's Model Rule 1.5 lays out the guidelines for fees in a lawyer-client relationship, which includes proper consideration of "the time and labor required" for a matter. Detailed and systematic time recording is a way of abiding by this rule.
- » **A comprehensive record of time creates an audit trail you can rely on in the event of questions or discrepancies:** Whereas block billing ("3 hours spent on discovery") doesn't inspire much confidence in the client, a more granular approach ("1 hour spent researching legal precedents, 15 minutes spent responding to email from opposing counsel") makes it easier for clients to understand the breakdown of costs and how it reflects the work performed.

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» **Good timekeeping practices guide your firm’s strategy and business decisions by revealing the profitability and efficiencies of specific practice areas:** Even if it’s nonbillable time, or if your entire practice is centered on fixed-fee billing, accurately capturing the time firm employees spend working on a matter provides valuable insights into the different types of matters, clients and practice areas that your firm handles.

When time is tracked accurately and properly, it reinforces ethical transparency in your billing that benefits both the firm and its clients. Clients are less likely to pick apart a detailed invoice and dispute how much time certain activities took, especially compared to a traditionally vague “block billing” approach. And with fewer hours slipping through the cracks, you’ll likely increase the amount that you bill — and ultimately collect.

But how can you instill a better timekeeping culture within your firm?

## PRACTICAL TIPS TO IMPROVE YOUR FIRM’S TIMEKEEPING PRACTICES

Of course, securing buy-in from attorneys and staff won’t happen overnight. It’s essential to frame the change as an opportunity to improve the practice and increase revenue, not a bureaucratic policy that will make their lives harder — because when you implement the right system properly, their lives will only get easier.

Here are a few tips to help your firm transition to a sound timekeeping practice:



**Timeliness:** At a minimum, firm employees should be tracking their time daily, if not more frequently throughout the day. Don’t wait weeks or months to record hours. Waiting until the end of the day to record your time can cost you 10%–15% of your

potential billable hours due to inaccuracies caused by trying to remember time spent on each activity. Waiting 24 hours can lose you about 25% of your time, and recording time weekly can result in about a 50% loss of your billable time (and a questionable guesstimate for your clients). How can this have such a large impact? If you under-record your time, no client will complain — time spent on a matter that is not captured is just lost revenue for the firm, not them. If you overestimate the time spent, clients will notice, and you may end up having to write down your hours to keep them happy. Your firm loses both ways.



**Ownership:** The most accurate time is the time you record yourself. After all, who knows better how you spend it than you? It’s important to instill an ownership culture in the firm when it comes to timekeeping.

Don’t just pass off your time recording to someone else. Again, billing isn’t just a financial issue. Attorneys can’t delegate ethical responsibility to others and not be accountable for their work, so is it really worth taking that risk?



**Tools:** Implementing a timekeeping system or billing software is a must for tracking time correctly. A simple, intuitive interface will increase adoption. You might be surprised at the number of firms where attorneys are still recording time manually

and then handing it off to a paralegal or assistant, in some cases as infrequently as weekly or monthly! Ultimately, investing in a reliable timekeeping platform is investing in your firm and its client relationships.

## DEVELOP A SUPPORTIVE, NOT PUNITIVE, CULTURE AROUND BILLING

Some accounting firms lock employees out of their system if their time isn’t logged by Monday mornings! As with most initiatives, forcing new protocol upon employees with little to no input or context is rarely successful. So how can you foster a culture of good timekeeping without becoming a billing overlord?



Promoting self-ownership of timekeeping, instead of a top-down dictatorial approach, is a significant piece of the puzzle. Particularly when it comes to nonbillable or “administrative” tasks like time tracking, busy lawyers will almost always take the path of least resistance. Therefore, you should make it as easy as possible for employees to track their time.

If you’re employing the right tools, timekeeping should be an easy part of the workflow, not a dreaded chore. A platform that can help you track time (and even prompt you on how to allocate it upon entering) removes a substantial administrative burden, especially compared to tracking on paper or in a spreadsheet and then adding up hours after the fact.

Ideally, your timekeeping system should also be used to streamline the prebill review and invoicing process. Housing both of these processes within one platform streamlines the front end and back end of the process, making billing as a whole more efficient, ethical and effective.

Accurate timekeeping is the lifeblood of any law firm, yet many aren’t following simple practices that would make it much easier and accurate. At a time when every scrap of incoming revenue is needed, cleaning up a firm’s approach to timekeeping can go a long way to improving the bottom line.

**ABOUT THE AUTHOR**

**Scott Brennan** is Chief Executive Officer and **Tom Boster** is Chief Financial Officer/Chief Operating Officer of Lexicon, a provider of practice management software and legal support services in one integrated platform. This includes a full suite of videoconferencing support for law firms and lawyers, as well as training.

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