



Week of **December 1, 2009**

## A Law Firm Lesson from Manufacturing

I recently talked with a solicitor from London who said that her firm, like most in the UK, uses only the fixed fee billing model; there is no focus on the billable hour. The solicitor is studying the use of knowledge management databases as a means to improve law firm efficiency and thereby improve profitability. Her firm employs a group of lawyers whose primary function is to improve their knowledge base, organize it and make it more searchable, all with the view to reduce the time needed to create documents for a new transaction and increase the margins of profit. These lawyers do not engage with clients; their focus is on the infrastructure of the firm and its improvement. Since much of the firm's work is based on fixed fees, any improvement in efficiency will go directly to the bottom line.

Increased profit by increased efficiency under a fixed fee engagement agreement is a definite contrast to the American law firm model, where profit is increased by raising the hourly billing rate. As clients begin to revolt at annual price increases, American law firms will need to look at alternative fee arrangements to keep clients. Then their focus might turn to efficiencies in the delivery of those services.

The fixed fee approach is not necessarily a panacea for profitability. With a fixed fee, there is the inevitable pressure to reduce that fee and squeeze the firm's profit margins. But the knowledge management focus of the solicitor's firm indicates where the secret weapon lies: the efficiencies from computer technology. Online database management has the potential to turn a lawyer's or law firm's knowledge into a high volume commodity. With a lower price through fixed fees, client demand could increase volume and profits likewise could rise

The principles of electronic technology are the same as in the industrial world, just the pace is changed.



## Collecting Your Fee: Getting Paid from Intake to Invoice

By Edward Poll

(6x9", 143 pages + with CD of forms soft cover, ISBN: 1-59031-153-1, Published by American Bar Association, 2003)

The CD contains forms for intake, engagement letters, status report, budget, sample bills and collection letters, accounts receivable aging reports and more.

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Increased machine power reduces labor which tends to reduce cost which tends to reduce price which increases volume... and profits. The key to higher volume is partnering with clients; understanding what they need, listening to what they want and bridging the gap between the two by providing value. This is the definition of how to provide value, and longtime readers of these communications know that I am a firm believer in value billing. Ultimately, the client, not the attorney, defines value. But, it's the attorney who must educate the client about "value." Otherwise clients may find it difficult to appreciate how value is provided and measured in a transactional matter or in litigation.

Law firms that can partner with their clients, and can show their clients how they can reduce their legal costs (without reducing the lawyers' per unit fees), will have a strategic advantage in the marketplace as true value-added service providers.

## Personal Commentary

I hope your holiday was as much fun as ours... in addition to one of the most tender turkeys I've ever cooked, we had dressing prepared by my wife. I could have made a meal of just the stuffing and cranberries! Plus, the pleasure of 5 of our 11 grandchildren. The rest were scattered around the country.

Don't forget to join us and post at [LawBiz® Forum](#) and tell us about the challenges and successes you're experiencing as we come to the end of another year.

Best wishes,

Ed Poll

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## What Readers Are Saying...

"Ed Poll has done it again. He's created a down-to-earth guide for lawyer to collect his or her unpaid bills. The book is full of practical advice such as, 'if you don't create a collection policy, your clients will create one for you.'

"The book offers lots of good advice on engagement letters, detailed bills, fee agreements and intake forms. Plus it's loaded with useful forms.

"If you read this book, you'll have a lot less trouble getting paid for your work."

*-Larry Bodine, Web and Marketing  
Consultant*

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