



Week of **September 16, 2008**

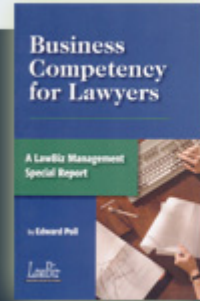
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A Flat Fee Is Really a Guarantee

In a previous issue of *LawBiz® Tips*, we talked about approaches lawyers can use to guarantee quality in the services they provide, and noted contingency fee billing as an example. In fact, virtually any form of billing other than an hourly rate offers clients a degree of certainty suggested by a guarantee. Rather than setting price by a standard unit of time, [billing alternatives](#) focus on actions taken to benefit the client, beyond the time of how that value is applied. Take, for example, charging a flat fee at a volume discount. The billing rate is determined and stipulated in the engagement letter, before the assignment even begins and will not vary by time or result.

For the client, this certainty is a benefit; for the lawyer, it's a two-edged sword. If the flat fee is high enough, it encourages use of technology so that the lawyer can do the work faster and increase the effective hourly rate. However, strictly speaking, it's not possible to make more money while charging less, unless the client is more willing to send more business to the lawyer, assuming that the fee charged is above the firm's break-even level.

The challenge with flat fees is that lawyers, generally, don't know their costs of operation. Thus, the fee figure chosen often is a "by guess, by golly" fee, not one based on a cost benefit analysis. Your firm cannot aspire to set an accurate flat fee unless you understand the operation of the firm as a business (budget, collections, profit, loss), the firm's billing structure, and how each attorney determines firm profitability. A flat fee is only an acceptable [billing alternative](#) [[Click to hear podcast](#)] if the attorney knows the cost structure behind it, and if the client accepts the value that



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A Lawbiz® Management Special Report

By Edward Poll

(5.5"x8.5", 60 pages, soft cover, ISBN 978-0-9654948-5-4, Published by LawBiz® Management, Co., 2006)

This is an easy thirty-minute read for any busy lawyer on the go. You'll learn Ed's A to Z basics for managing and running a successful law business without getting into too many nitty-gritty details, numbers, and long examples.

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the fee represents.

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Personal Commentary

I will have the privilege of participating in ALM's Conference for Law Firm Leaders that will be held in New York on October 22-23, 2008. [Click here](#) for more information. Today's successful law firm leader faces new challenges. To stay competitive, it is crucial that law firm leaders understand recent trends and react accordingly. Law firm leaders from small-, mid-, and large-sized firms will congregate for a special two-day program designed to provide guidance on what your firm needs to do in order to stay competitive in today's changing economy. And if you sign up using code LFLSPK, you will be entitled to a discount of \$100. I look forward to seeing you there, and feel free to contact me if you have any questions.

Best wishes,

Ed Poll

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"I think this book is a must read for any attorney who wants to achieve personal financial success in the practice of law. Many lawyers who are highly capable attorneys are not equipped to be financially successful but this book is a significant tool to change that. The book provides a foundation for further study of the business competencies a successful lawyer needs."

-RW, Minnesota