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## 6 Tips for Reducing Outside Legal Bills for Small Businesses

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Controlling outside legal costs can be daunting for even the most sophisticated small business. While many counsel brilliantly represent their clients, at times, some counsel fail to supply prompt, clearly efficient billing statements to the same clients. This can result in frustration, and deplete time and resources that entrepreneurs don't have to spare. The solution is simple: setting clear, written billing expectations – in advance – so that all involved have a clear path.

Creating clear billing standards, however, is not as easy as it may sound. The marketplace is filled with consultants and others who offer varied types of help. Business owners can be barraged by an extraordinary variety of urged solutions: some are well-founded, while others only provide partial help. Pushing past the well-meaning advocates of Alternative Fee Arrangements, e-billing software and various methods of rate control, there are several basic strategies that can prove effective in setting a sensible course for your relationship your legal counsel.

### **1. Obtain a Baseline Measurement.**

As a first step, many companies are in need of greater understanding as to why their outside legal spend is in need of attention. What is not generally helpful, however, is a preoccupation with partner billing rates. This is because most of the truly excessive billing results from the inefficient use of multiple attorneys and other staff, and not from a higher rate at the partner level. In other words, expansive, inefficient billing practices produce far more expense issues than just a higher top rate.

As a result, apart from knowing that outside billings are simply too high, other, more specific reasons for high legal spend may prove informative. For example, an examination of the legal spending for a company in relation to its peers can be revealing. Comparative rates for partners, associates and paralegals can shed even more light. A further analysis of whether current billing rules are clear and enforceable may also be advisable. A total picture of a company's spend brings all of these factors into focus.

### **2. Learn About Best Billing Practices.**

Fortunately, there has been significant progress made in recent years on the formulation of practical, reasonable billing rules. While a small percentage of outside counsel remain resistant to any billing discipline, most firms readily accept the idea that common sense standards are helpful to all concerned. The goal is to create rules that fit a company's culture, and

that advance the attorney-client relationship in a respectful manner.

A well informed consultant should be in a position to easily tailor billing rules to the unique demands that each company places on its outside counsel based upon general best practices that have been widely recognized. In fact, many outside counsel are already familiar with widely accepted best practices, making the consideration and adoption of the practices that much easier.

### **3. Make an Agreement in Advance with Legal Counsel on Revised, Common Sense Billing Rules.**

Once it is clear that your legal bills are higher than usual, and once best practices have been considered, look then to reach an agreement on what billing procedures make sense and which do not. Revised rules should allow a client to easily understand what legal work has been done, and whether the work reflects the efficiency required by the client. For example, counsel should be engaged in a discussion to reach agreement on how many attorneys might be reasonably required for certain tasks, as well as the roles of junior attorneys and paralegals. Other executives who use legal services should also be brought into the process so that the new rules are acceptable to all. Obtaining “buy in” prior to implementation is key.

### **4. Implement Revised Billing Rules with Care, Allowing for Adjustment.**

As with any new processes, it is best that the individuals managing the internal billing process test, revise and modify the rules after implementation, soliciting feedback from both the involved law firms, and from internal users of outside legal services. One important point is to obtain the involvement of law firm billing coordinators in the process, as they must work with the revised rules on a day-to-day basis. Careful implementation allows all parties to gain their bearings before a new billing program is fully operational.

### **5. Consistently Monitor Law Firm Compliance with Billing Rules.**

Monitoring your law firm’s compliance with the agreed billing standards is essential. While this may seem counterproductive, fostering long-term transparency and compliance can save money. This also allows for fair, quick settlement of any bumps in the process, and facilitates measurement of the effectiveness of the revised billing rules, deals with exceptions, and creates a reasonable flow.

### **6. Require Good Faith Fee Estimates, Especially in Litigations.**

Many experienced counsel have the ability to anticipate most of the variations in pace and resources needed to handle complex matters. It is for this reason that many businesses require that law firms commit to at least a good faith estimate of anticipated costs at various points throughout a litigation. While unexpected events can and do present a need to modify a fee estimate, most companies find it useful to have periodic, detailed discussions with counsel regarding anticipated financial developments in a litigation.

In conclusion, while there are many valid approaches to controlling outside legal costs, concentration on a few core areas can yield significant savings. Once such basic strategies are in place, many companies employ other complimentary methods to moderate cost or increase value to an even greater degree.

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