

COMPENSATION FOR **BILLING ATTORNEYS**



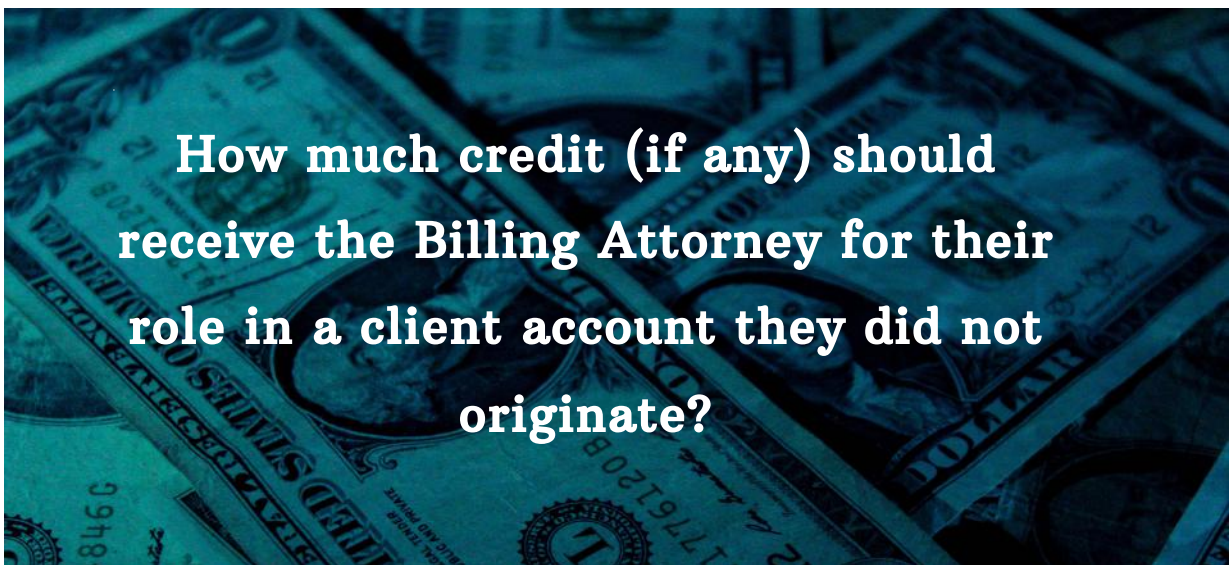
**BLOG
ARTICLE**

Billing Attorney Origination
Credit Essentials



.Getting compensation right in small and mid-sized law firms is challenging but **crucial** for success.

When several attorneys handle a particular client's work, determining the amount of credit to share can be tricky. When faced with decisions about splitting client credit with billing attorneys, it is essential to take into account the factors discussed in this blog focus compilation



Awarding billing timekeeper credit to attorneys who are not completely committed to the success of a client relationship will only mask weaknesses and distract the firm from promoting or recruiting a better person. Awarding origination credit to those who deserve it will spur growth, support retention, and make the firm stronger.

Blog Article:

Billing Attorney
Origination Credit
Essentials



FOCUSING BILLING ATTORNEY COMPENSATION

When faced with decisions about splitting client credit with billing attorneys, it is essential to take into account the following factors:

The label billing attorney is often a misnomer for what lawyers in this role often do. Rarely is their role restricted to reviewing and sending out bills. Attorneys in this role may serve as first-chair trial lawyers, engage in client relationship activities, directly interact with clients, handle case assignments, supervise junior lawyers, and manage files.

Aligning compensation with the scope of their responsibilities can include sharing client credit if the firm's comp plan is geared toward originations. In most instances, we recommend a more expansive compensation plan that aligns incentives with the value provided. For example, compensating for the supervision of junior lawyers is better when based on the economic and professional success of those lawyers.

Considering these factors, you can make informed decisions regarding compensating and recognizing "a billing attorney's" contributions.

Unveiling the Dilemma:

UNDERSTANDING BILLING ATTORNEY CREDIT ALLOCATION



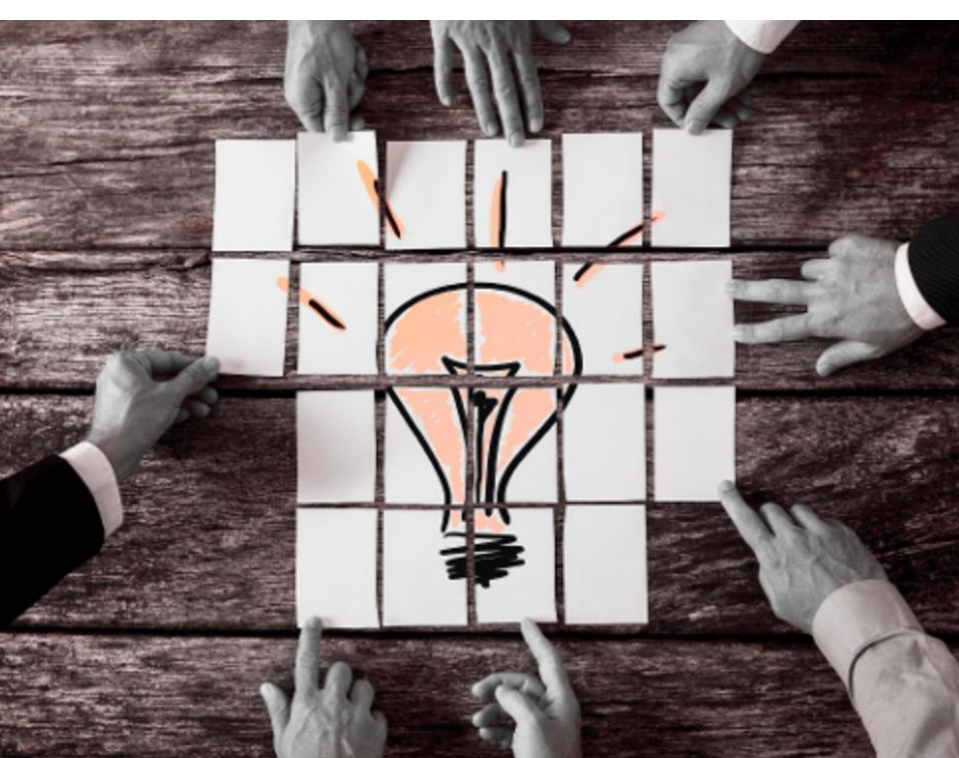
Determining the appropriate allocation of credit when multiple attorneys are involved in a client's case can pose a challenge. Law firms often have specific criteria for categorizing attorney contributions within a client relationship. The organization of a typical client account revolves around the following three key roles - others may exist, and some may overlap:

Originating Attorney: These attorneys are responsible for establishing and nurturing client relationships. Their primary focus is ensuring client satisfaction.

Billing Attorney: Often experienced professionals are selected to assist originating attorneys. They step in when the originating attorney lacks the time or specific expertise to manage all aspects of the client relationship or matter.

Working Attorney: This category encompasses any lawyer who works on a client's file.

Law firms and originating attorneys commonly face challenges when determining how much origination credit to allocate to a billing attorney. One reason is that many law firm compensation systems primarily reward working and originating attorney contributions. Consequently, providing additional compensation to billing attorneys, which is fair, typically requires assigning some degree of origination credit. However, this can create a false impression of business development proficiency that may not accurately reflect reality.



EQUITABLE COMPENSATION STRATEGIES FOR BILLING ATTORNEYS

The compensation level of billing attorneys (or similar labels) is crucial in recognizing their contributions. On average, experienced working attorneys earn between 30-40% of personal fee collections. Compensation above this range may include compensation for additional contributions, but more focused metrics tied to identifiable contributions provide more incentives.

Recognizing Contributions:

We recommend implementing compensation categories that acknowledge the important contributions made by billing attorneys. These categories should include file management, supervision and training, and client relationship support. By recognizing these contributions, law firms can ensure a fair and motivating compensation structure. For example, a bonus of 4% of fees managed (actual % may vary) is an incentive to supervise and train junior lawyers.

Considering Opportunity Cost:

An opportunity cost arises when an attorney originates clients and works on firm clients. Understanding the opportunity cost involved is essential in ensuring equitable compensation for all billing attorneys.

EFFECTIVE CREDIT ALLOCATION FOR BILLING ATTORNEYS

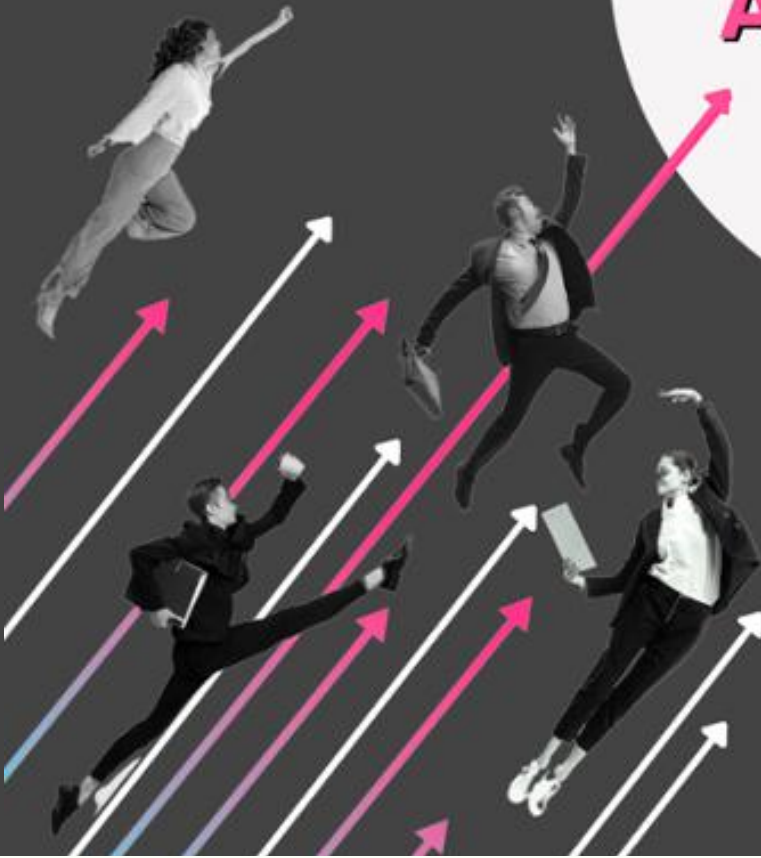


Determining the credit to be shared is best accomplished by carefully evaluating the firm's economic model and the profitability of shared clients. For instance, if market conditions and the firm's financial model indicate a standard compensation of 35% (base before benefits) of collections for the working attorney and 15% of collections for the originating attorney, any additional compensation for the billing attorney would typically come from the origination portion (15%). *It is highly recommended* to implement a client net income system to apply the concept of an economic model to each client.

Understanding client profitability enables a firm to adhere to its economic model on a client-to-client basis, ensuring financial stability.

Inefficient law firms can often trace their issues back to firm-level management decisions or weak management at the file level. Distributing profit credit instead of gross fee credit incentivizes more robust management at the file level, fostering greater efficiency and effectiveness within the firm.

COMMITMENT AND PROFIT SHARING



Balancing The Role of Billing Attorneys in Law Firms

A robust client profitability system can determine, based on a client's profit, whether allocating 2-4% of the fees managed to the billing attorney is feasible. Firms with a well-established client profit system and transparency at non-partner levels can distribute profits instead of gross costs. Both methods can be effective if the underlying economic analysis is sound.

However, awarding billing timekeeper credit to attorneys lacking the total commitment to client relationships only conceals weaknesses and diverts the firm's attention from promoting or recruiting more qualified individuals. On the other hand, recognizing deserving individuals with origination credit stimulates growth, supports retention, and strengthens the firm.



*Avoiding compensation
issues
can destroy a law firm*

It is easy to get off track when considering fair compensation. Almost every law firm struggled with pay and incentives at some point.

PerformLaw specializes in helping law firms optimize their compensation systems.

Whether you need to revamp your current compensation system or create a new one, we can provide the expertise you need.

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