

Kill the billable hour: US expert

A campaign to destroy the billable hour is receiving enthusiastic support from young lawyers.



ISTOCKPHOTO

In August the LIV was delighted to host Ron Baker, a US expert who is seeking to bring death to the billable hour.

Ron is the founder of the VeraSage Institute, an American think tank dedicated to teaching value pricing to professionals around the world.

A key part of the Institute's work is to bury the billable hour and the use of timesheets across knowledge professional firms such as legal and accounting firms.

Ron addressed a group of young lawyers, Council members and LIV staff about the "egregious limitation" of the billable hour.

He commented that law firms are selling knowledge or intellectual capital, not time, to clients.

Time was not an appropriate way to measure the knowledge and skills that lawyers provide to their clients, he said.

"It's like sticking a ruler into the oven to measure temperature. It's completely inappropriate."

Ron rejected the use of timesheets as a staff management tool and this sentiment was supported by the young lawyers present.

Further, timesheets and hourly billing fail to measure the quality of a lawyer's work and lead to lawyers failing to delegate to boost their own financial performance (described as "surgeons piercing ears").

While timesheets enable lawyers to accurately capture time, firms and their clients would be better served by pricing

their services based on the value of those services to the client.

"It's better to be approximately right than precisely wrong," Ron observed.

VeraSage advocates the use of "value pricing". Successful professional firms should be pricing their services according to external value created – as perceived and determined by the customer – rather than internal costs incurred in generating those services.

This also removes the shackle of the timesheet and enables lawyers' performance to be judged by more meaningful objectives, or Key Predictive Indicators, such as client feedback, personal development and HSDs (high satisfaction days).

Ron's views provoked great discussion among the young lawyers in the room, who were supportive of this model.

However, the reluctance of firms to adopt this sensible approach was noted with some disappointment.

"The key to breaking through to firms on this issue is to get them to see the benefit of

value pricing, the rewards it can reap and, most importantly, that firms have adopted this method and are now more profitable than before," Young Lawyer Section president Kate Harry said.

The participants also noted that senior people who have worked their way up the firm hierarchy are not about to risk their position and reputation by championing this relatively unknown cause.

"This is where younger lawyers are going to be absolutely critical to this process: just think of the high satisfaction day that a young lawyer would have if he or she could break through on this issue to their seniors," Ms Harry said.

"Personally, I found the session very inspiring. I encourage all young lawyers to embrace the concept of value pricing and work with their firms to get their seniors to also accept the inevitable change." ●

JAMES FARRELL YLS COMMUNITY ISSUES COMMITTEE

Manager/Principal Lawyer,

PILCH Homeless Person' Legal Clinic

RONALD BAKER

Mission: "To, once and for all, bury the billable hour and timesheet in the professions"

Ronald J Baker is a world recognised leader and forward thinker among professional service firms, best-selling author and founder of the VeraSage Institute a think tank dedicated to teaching value pricing to professionals around the world.

For over two decades in the face of any number of obstacles and opposition from the status quo Ron has toured the world helping transform thousands of professionals and their firms from firms of the past to firms of the future.