

The Value of Tracking Non-Billable Time: Many Voices, One Conclusion

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In recent years, we have found that more and more law firms are taking a greater interest in how timekeepers spend their time when they are not billing. And we're not talking those days when timekeepers are on vacation or feeling under the weather. What we're referring to is those hours spent on business development, marketing, giving or taking a training course, or managing the firm, a team or department.

As every timekeeper knows, accurately recording billable time is a necessary evil, whether it's done contemporaneously or by reconstructing the day. So, adding the burden of making a record of what timekeepers have done to further the well-being of the firm brings its own particular issues.

A large percentage of lawyers justify not recording non-billable time with a shrug of the shoulders and a throwaway comment: "It's not billable so why does it matter?" Other issues with this type of activity is that it often happens outside of core hours. Timekeepers might review management reports on the journey to and from the office; firm or departmental review meetings are often after hours, and of course business development or discussions with members of the team happen over lunch, dinner or a beer. It's a disciplined (bordering on obsessed!) person that fills out a time record there and then!

Nevertheless, we think non-billable time has real, but often hidden, value.

The Question

To get a sample of what firms are doing regarding non-billable time, we asked this question to a number of LinkedIn Groups focused on law firm management and profitability: Does your firm ask timekeepers to post non-billable time, such as business development, administration, recruiting, etc.?

Below you'll see the voices of many firms—in their own words—discuss whether and why they capture non-billable hours.

The Answers

ALL law firms should track their billable and non-billable time. Always capture time for non-billable events, like marketing, reviewing pre-bills, attending CLE, etc. Without this information, how can you really analyze your staffing needs? You might also find that associates are not billing for things that they SHOULD be billing for. Or perhaps they are doing work that could easily be done by a non-billable support staff member, opening them up to do more billable work.

Our firm tracks non-billable time on a number of levels. Like the others who have commented, we have dedicated codes under which the non-billable time is inputted and tracked. Some of the tasks inputted as non-billable are client-specific and are simply not "charged" to the client for a

variety of reasons. Other tasks are more specifically related to the management of the firm, continuing education, business development, etc. All of these are analyzed by the principals on an ongoing basis and reviewed with the non-equity partners and associates on at least an annual basis in order to determine how the non-billable time is being used and whether or not any of the firm's policies related to non-billable time should be revised.

Tracking all time is appropriate. We ask all partners and associates to track all time. We break reporting into "billable" (to client) and "chargeable" (to internal projects) categories. All time is reported generally among the attorneys monthly. This allows attorneys to see if they are meeting their personal goals and also allows them to measure performance against other attorneys, whether peers or not. We also try (not always successfully) to meet with associates quarterly to keep them on track with meeting goals such as billable hours, marketing, pro bono services, firm management and projects. We find transparent reporting removes barriers between partners and associates. Associates feel they are being treated fairly when everyone is measured and the results published. These reports are also circulated to our non-lawyer management team.

We do [ask our attorneys to post non-billable time]. It helps them to see how their time is utilized throughout the day, week, month, year. There are targets and a chart they are given to work with to see how they are doing each month. They get their stats from our practice management program reports. It also helps with workload assessment and work distribution plans.

All our fee earners are required to post 7 hours each day. In our previous system, this requirement was not always visible. When we implemented a new accounting system, our COO wanted to be able to identify and quantify the amount of time spent on such non-billable matters. We also tightened our controls around the ability of fee earners to create non-billable matters.

There is no doubt that if people are asked to enter all their time that they will increase the time captured. Only by entering non-billable time can one effectively chart a day and determine gaps. That being said, the system must be sophisticated enough to allow the tracking of both.

Conclusion

Based on this sampling, the most obvious takeaway is the fact that it appears the majority of firms are tracking and analyzing non-billable time, or, at the very least, they see the value in doing so.

The data captured over a timekeeper's entire day – billable or not – contains volumes of information that can help a firm strategize, incentivize and otherwise improve management over both the employees and the resources of the firm. We think it is worthwhile and recommend it as a best practice.