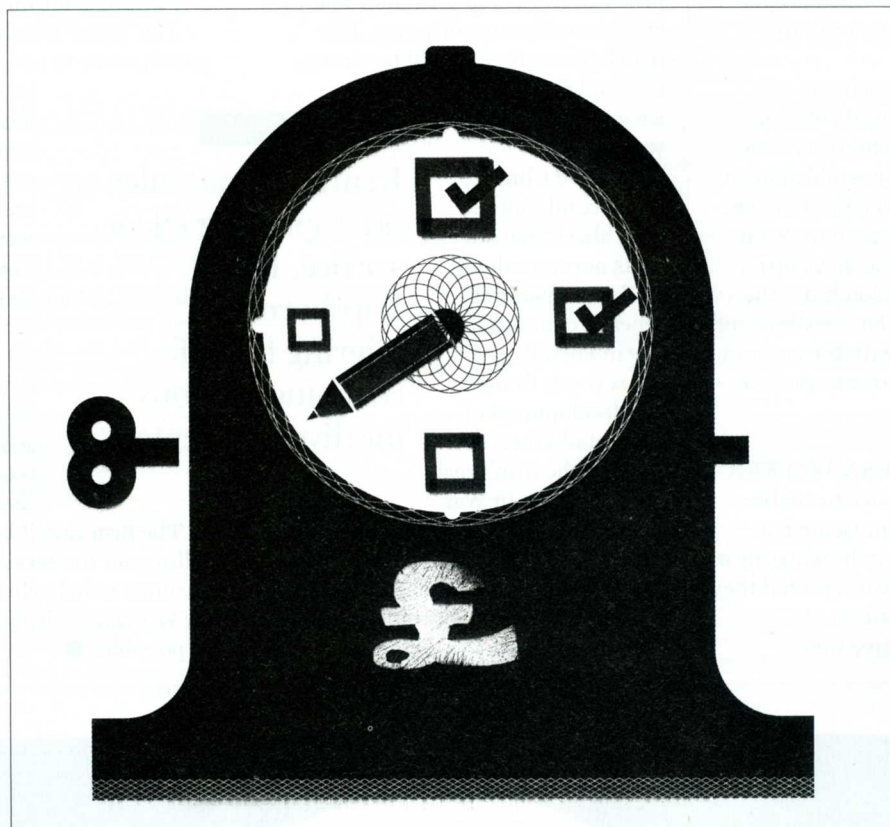


Taking charge

With inventive methods for charging clients being introduced at top firms, hourly billing may soon be a thing of the past. By *Rod Newing*



Traditional billing on an hourly basis has never been popular with law firms' clients, many of whom argue that it rewards lawyers for inefficiency. But many law firms have also become disenchanted with hourly billing, which they feel fails to adequately reward them for the value they can create for clients. A growing number of firms have responded by trying to develop more sophisticated and equitable ways of sharing risks and rewards with their clients.

Standing out among the innovators in the billing and fees category is Eversheds, which has begun offering its clients a range of *à la carte* billing options and has developed a specific arrangement with its client Tyco International.

Eversheds' performance is measured by groundbreaking comprehensive metrics. Hours for all the basic work are extrapolated from the previous year and priced at a fixed

amount on the basis of breaking even. If Eversheds achieves the same level of work with lower hours, it keeps half the difference.

For litigation, Eversheds has a break-even rate. To make money on a case, the firm has to meet four criteria: time, settlement, victory and cost accuracy. If it misses the targets it loses money; if it meets them it breaks even and if it exceeds them it makes 25 per cent.

There are also three six-figure bonuses available, from global client satisfaction surveys, for diversity and for proactive litigation avoidance. The firm competes at hourly discounted rates for work on acquisitions, compliance and litigation.

Trevor Faure, Europe, Middle East and

Africa general counsel at Tyco, says the billing system is unique in being specifically designed to end the "zero-sum game" between firms and clients: the tension between firms wishing to bill high and clients seeking unrealistically low costs.

"Traditional relationships mean that law firms benefit from misfortune or major litigation, which no client ever does," he says. "This [Eversheds/Tyco] arrangement is not designed to generate settlements but to proactively avoid litigation altogether by obliging the firm to analyse the historical causes of litigation and assist the business to root out such causes."

"This also reduces business disruption and customer dissatisfaction. If calibrated properly, paying a bonus for such proactivity is more financial-

'We are carrying the commercial risk, which is pretty unusual for a law firm. But this is increasingly what clients are expecting'

