

# Can AI end client frustrations over billing?

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In a highly competitive legal services market, law firms can no longer count on simply providing excellent legal service. They also need to make sure they get billing right.

That's especially true as demand flattens and law firms keep raising rates even while invoices do not meet required client guidelines, greatly exceed cost expectations, or lack sufficient detail. Clients today have more high-quality law firms to choose from than ever. They don't need to entrust their bet-the-farm matters with law firms that cannot get their billing correct.

Client frustrations around billing transparency by their outside counsel have been a sore spot for decades, and it remains a persistent challenge; there is still plenty of room for improvement. Results from a recent survey (<https://prn.to/48DgMMt>) from the Association of Corporate Counsel and Everlaw, which provides ediscovery services, show just over a third of in-house teams report satisfaction with the cost predictability of their outside counsel.

As clients receive monthly invoices from their outside counsel this year, a significant chunk of those bills will, at best, not be well received and, at worst, not be paid in full or at all.

Could generative AI help to finally resolve the perennial irritation that blown budgets, non-compliant billing and unexpected charges cause clients? No doubt, the technology represents a huge opportunity to improve how a client experiences legal bills.

For one, AI has the potential to make bills more predictable and accurate. AI's ability to sort and interpret large data sets — like lawyer time needed to complete tasks — has the potential to help law firms predict costs with more accuracy, resulting in fewer surprises for clients by planning upfront. AI also has the potential to improve billing operations more generally. AI can, for example, automate time entries by analyzing a lawyer's calendar, emails and work product. AI can also canvas the detailed outside counsel guidelines, identify relevant client requirements and ensure that invoices meet those expectations. That technology should free lawyers to focus on reviewing outputs and data that can bring value into conversations with clients.

## Beyond hope and hype for AI

AI has already generated high expectations among clients. In a survey (<https://bit.ly/47yzwvi>) from the Blickstein Group and Deloitte, law department operations professionals expect that it will lower their overall spending and help their law firms increase the use of alternative fee arrangements.

Seventy-two percent of respondents say upgraded tech would provide greater transparency on matter progress and status, while 60 percent said it would improve time tracking and billing, and identify cost-saving opportunities.

But law firms should be clear-eyed about the challenges and limits around AI in billing. First, to effectively leverage AI and make accurate predictions about costs to handle matters, law firms will need loads of well-organized data about historical client work. That requires establishing data governance procedures to ensure the matter attributes are gathered correctly and categorized, such as using Standards Advancement for the Legal Industry (SALI) tags and Unified Task Based Management System (UTBMS) codes.

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It can also mean categorizing historical billable hour work and making it easily accessible and useful for lawyers and business development teams. Law firms should be able to assess a client's legal issue and quickly surface data from similar projects in the past that can inform their master plan and pricing decisions. Those first steps are painstaking, but they are crucial first steps. Many law firms are not there yet.

Further, AI will not create the business processes needed to understand client requirements and review and approve them. Nor will AI be able to manage teams to those requirements so there are no surprises for the lead partner or the client. As a result, even with AI, lawyer review and input are still critical.

## Existing best practices and technology

While AI has the potential to be a useful tool to improve billing practices, law firms should not expect AI to magically solve all their challenges. Without effective business processes, client communication, setting clear objectives and expectations, and the

right technology to make tangible improvements now, law firms will not see the benefits.

Proactive communication from partners will always be crucial. Insights published in the Harvard Business Review (<https://bit.ly/4aXt8kd>) from a study conducted by DCM Insights, which helps professional services firms in business development, and Intapp, the author's company, show that the most effective partners at constantly driving revenue think about the issues affecting their clients. Billing is essential to maintaining positive relationships with clients.

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It starts during the onboarding process with a clear understanding of the client's business goals, the scope of the engagement, and the client's expectations on price, service levels, outside counsel requirements, and communication. This information needs to be documented and approved by the client. Throughout the engagement, it will serve as the client team's north star.

Of course, not every engagement will proceed as predicted. A law firm scoping the costs to bring a lawsuit with trademark

infringement claims may not have expected that it would have to defend against counterclaims, for example. Law firms need systems that will trigger client conversations when the scope or expectations shift during an engagement. Those conversations may not always be easy, but they do help improve transparency.

Sometimes the scope doesn't change, but the engagement simply requires more work than predicted. Partners who manage client relationships need real-time access to meaningful data to manage their teams and expectations.

Surprisingly, partners at many law firms still have to hunt internally for data about the matters they manage. That restriction of data ultimately hurts relations with clients, who frequently complain about the lack of transparency in their bills. Partners can't share data with the client they can't access.

While some firms are not ready to fully exploit AI's power, they can leverage it for discrete billing tasks right now. One example is making sure bills meet a client's guidelines. Some guidelines are thick, which can overwhelm lawyers who want to focus on providing legal advice. These guidelines cover everything from grounds for a rate increase to staffing requirements to pre-approved billing language for certain tasks. AI-powered tools help law firms sort through those guidelines to ensure their bills don't violate any prohibitions.

The AI era is upon us, and law firms should be ready to embrace it. But that doesn't mean law firms should think it will solve all client frustrations. It will still require good processes and management.

## About the author



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