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Authorization Governance Gap | Legal Market Analysis

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THE PROBLEM

Corporate clients are demanding authorization records that law firms cannot produce.

According to BigHand's 2025 Annual Law Firm Finance Report, **85%** of law firms reported increased client demand for financial transparency in 2025, up from **76%** the prior year.

> *"An hourly report that says 'analysis and advice: four hours' just doesn't cut it."*
>
> **— Andrew Woods | General Counsel, PubMatic | Law.com, June 2024**

A corporation sends a complex litigation matter to outside counsel. Depositions, discovery, multiple custodians. The firm scopes it, both parties agree on a number, the matter opens. Weeks in, the scope grows. The firm does the additional work. The invoice comes in over budget.

The GC wants to know why — what changed, what drove the overrun, what work was added and when. The firm goes back through emails, time entries, and internal notes trying to reconstruct the decision trail. That reconstruction is nonbillable time. Senior attorneys spending hours piecing together why a matter ran over budget instead of billing on new work.

That reconstruction starts with the billing team.

> *"Special approvals are often not clear and the timekeepers are in a pinch to get the approvals to do the work but forget the billers need the details."*
>
> **— Billing Team Lead | Am Law 200 Firm**

At the end of that process, if the firm still cannot produce a clean answer, it negotiates the charge down to close the conversation. Nobody logs it as a systemic problem. It quietly compresses realization rates every billing cycle.

"72% of firms reported write-off increases in 2025. 75% predicted more."

— BigHand 2025 Annual Law Firm Finance Report

THE ECONOMICS

The average U.S. law firm operates at 88% realization in 2025 — meaning 12% of recorded billable value never converts to collected revenue. (Clio Legal Rates Data, 2025)

Conservative model — 50-attorney firm, $300 blended rate, 730 captured hours/attorney/year	
Firm-wide recorded billable value	$10.95M
Realization leakage at 12%	$1.31M / year
Capacity leakage from reconstruction	$80K / year
Total conservative exposure	**$1.4M / year**

Not all of that 12% is recoverable. Strategic discounts and relationship concessions are intentional. The addressable category is narrower: defensive write-downs caused by missing authorization records — scope that expanded without documented approval, work that cannot be defended because the execution-time record does not exist.

According to BigHand's 2025 Annual Law Firm Finance Report, 25% of firms admit to poor scoping of work with clients or not agreeing on scope at all — up 10% year over year. Applying that 25% to the $1.31M in annual realization leakage produces

approximately $325K in addressable exposure per firm annually — recurring, with no changes to billing rates, staffing, or client relationships required.

That $325K is not new revenue. It is revenue the firm did the work for and gave back because it could not produce a record to defend the charge.

EXPOSURE BY FIRM SIZE

Firm Size	Total Annual Exposure	Addressable Annual Impact
50 attorneys	$1.4M	**$325K**
150 attorneys	$4.2M	**$975K**
300 attorneys	$8.4M	**$1.95M**

Every assumption in this model is the floor. The $300 blended rate sits below Clio's 2025 market average. The 730 captured hours per attorney accounts for administrative drag and lost time capture.

Calculate your firm's specific exposure at calculator.yavardi.com

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SOURCES

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