Supporting Alternative Fee Arrangements

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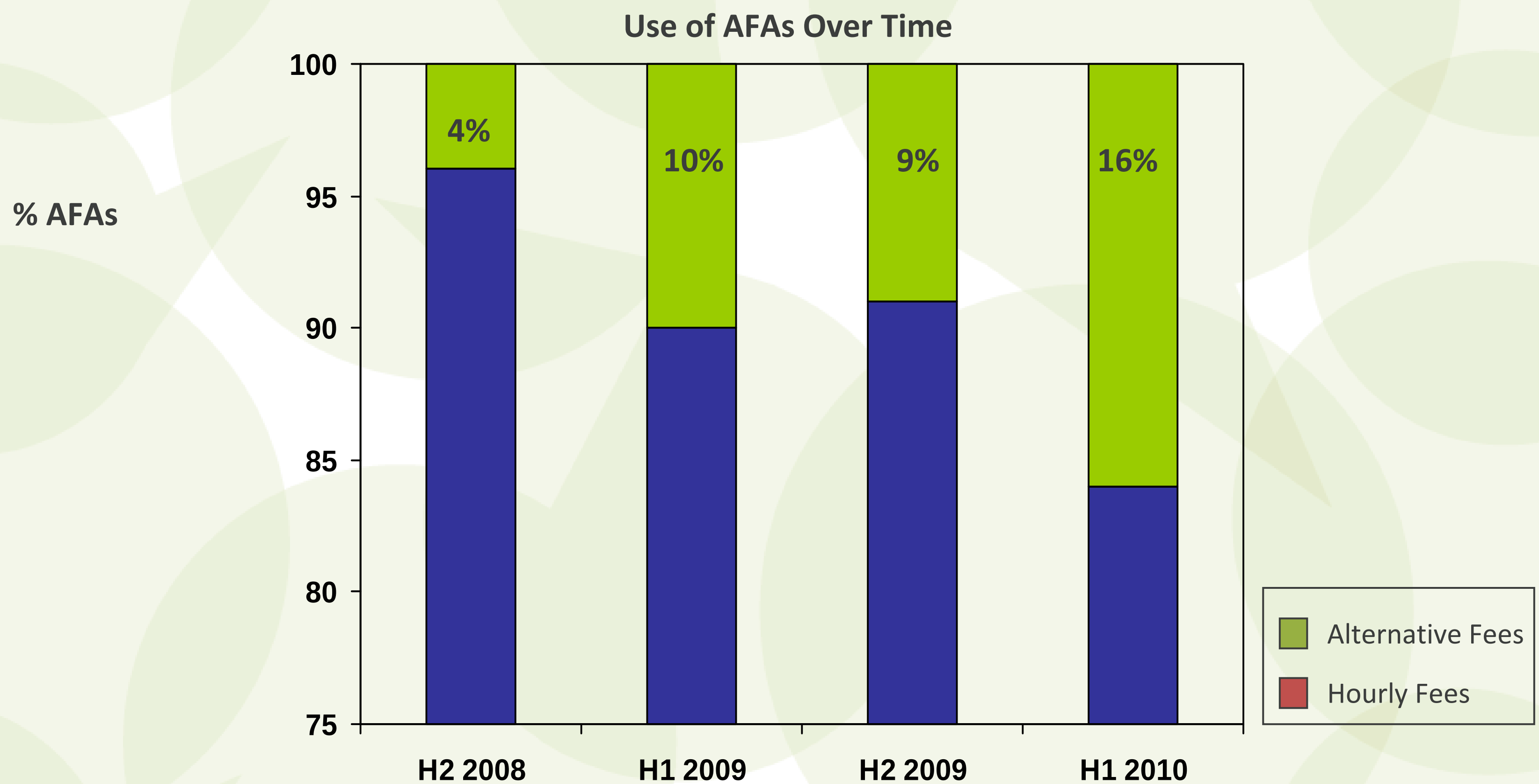
Description

The billable hour may not be dead, but it's going to be taking some serious shots over the next decade. In this session, attendees will learn what processes, practices and technologies (both traditional and next-generation) are necessary to support alternative fee arrangements, including those in accounting and finance, but also extending into KM and other spheres.

Background

1. What are the business and marketplace imperatives that prompt law firms and companies to use alternative pricing models?
2. What are the consequences of not heeding the market's move to alternative pricing?

Are becoming more common? – AFAs Increased From
4% Of All Matters To 16% Over 2 Year Period



Total Fees ($M)	$1,071	$726	$1006	$741

Source: CounselLink data

Note: Matters assumed to be Alternative Fee Arrangements where hourly rate >$2000/hr

How do you define Alternative Fee Arrangements?

i/+a 2010 strategic unity

Hourly – Alternative or no?

Non Hourly – "True Alternative Arrangements"

Hourly-based

- Discounted hourly rates
- Volume discounts
- Blended rates
- Task-based rates
- Retainers

Risk-based

- Contingency
- Success incentives (usually coupled with reduced rates)
- Fixed fees
- Capped Fees
- Collared Arrangements
- Hold backs

Value-based

- Stage based
- Hybrid
- Market priced fixed fees
- Bundled pricing
- Pure value based

Risk vs. Value – Debatable and interchangeable
Many other alternatives and more are added daily

Processes

1. What management processes are necessary to assure that quality, cost and schedule requirements are met when using alternative fee arrangements?
2. Are those processes in place in law firms now? If not, what issues are presented?
3. What role does project management play in assuring the success of alternative fee models?
4. Is there a role for Six Sigma or other quality management processes in managing alternative fee models?
5. What risks are present when using alternative fee models?
6. What risk management steps are necessary in managing AFAs?
7. What has been your experience on the acceptance of both alternative fee models and their supporting technologies?
8. How can firms best manage change in fee models, lawyer reactions to change being what they are?

Technologies and IT Considerations

1. What technologies are necessary to support alternative fee models?
2. Are those technologies best bought from vendors, built in-house, or both?
3. Which choice did you make and why?
4. What is the proper "locus" for alternative fee technologies? Is there more than one?
   – The accounting group? Does that group have the proper focus and traction with lawyers?
   – Finance group?
   – Special management function (e.g. practice group businesspeople)
   – IT?
5. Are there crossover opportunities for IT or other project management professionals to move from that side into the practice side with respect to alternative fee arrangements? How best might such professionals prepare for such a move?
6. What leadership posture should IT managers take in preparing to deal with alternative fees? Wait and see? Early and aggressive action?

Other Considerations

1. What impact on profitability does increased use of alternative fee arrangements have?
2. What is the impact on partner-track professionals of increased use of alternative fee arrangements? On other professionals inside the firm?
   – Bonus structures (hours-based)
   – Alternative staff models (e.g. contract lawyers)