



Who will save us?

Alternative Fee Arrangements

Alternative Fee Arrangements (AFAs), in the practice of law, occur when payments to a law firm are based on a method other than billable hours

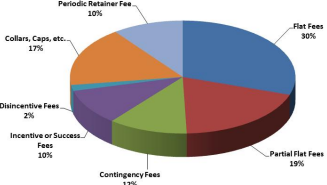






... let's see some "real" data ...

In 2010, 78% of corporate counsel claim to have used some form of AFAs

Types of AFAs used by Corporate Counsel in this survey



why?
who?






Facts are stubborn things ...

FACT: Alternative Fee Arrangements are here to stay

FACT: Less than 10% of all billing is done using AFAs

FACT: Usually the request to consider an AFA comes from the client

so what should law firms do?


BE PROACTIVE



- * Do not let AFAs force you to change your business management strategy
- * Change your business management strategy so you are ready for AFAs





Why are clients demanding AFAs?

- * I don't really know what I'm paying for ...
- * Did I just get overbilled?
- * Matter budgets are seldom adhered to ...
- * Pressure from the CFO's office ...






Why are clients demanding AFAs?



- * AFAs will provide a partner
- * AFAs will ensure that law firms will have to look at financial implications as it plans client matter strategy



The Basic Premise behind AFAs is to improve attorney-client relationships.

How can a law firm be AFA-ready?

TECHNOLOGY

- * Ensure a technology framework to help collect and analyze billing data
- * Verify that time is billed and recorded accurately
- * Integrate matter management and time recording

 Accurate Recording of Billable Time is critically important for a law firm interested in AFAs

How can a law firm be AFA-ready?

TECHNOLOGY

 Accurate Recording of Billable Time is critically important for a law firm interested in AFAs




Is the billable hour dead?



 

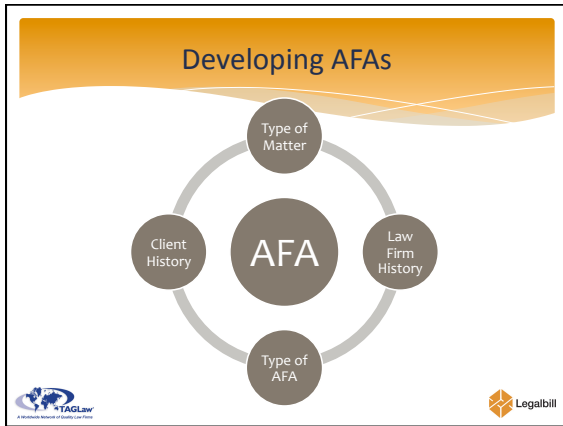
How can a law firm be AFA-ready?

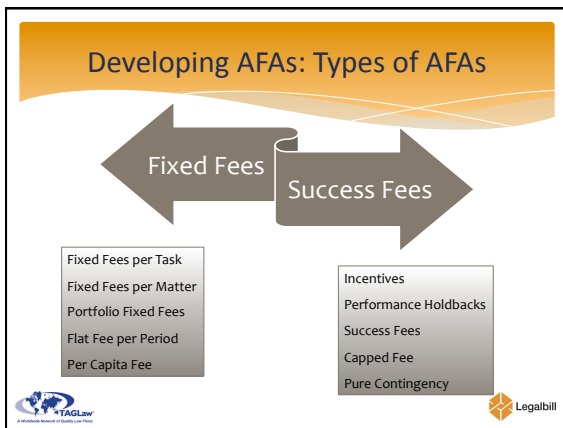
MANAGEMENT

- * Develop a profitability model for the entire firm using billing data, collections, and actual costs
- * Evaluate new matters continually on the basis of profitability, not revenue

 AFAs should always be internally evaluated on the basis of profitability, not revenue


 





Developing AFAs: Type of Matter


- * EASY: Standard, Repetitive Litigation previously handled by law firm for client
- * NOT SO EASY: Standard, Repetitive Litigation previously handled by law firm but not for client or client industry
- * HARD: Complex Litigation with unpredictable outcomes possible



 **Not all types of matters can be EFFECTIVELY billed using Alternative Fee Arrangements**

Logos: TAGLaw, Legalbill

Managing AFAs



- * Develop Risk, Quality, Satisfaction, and Cost Parameters at the beginning of an AFA
- * Continually evaluate the matter for these parameters to determine if management strategy is appropriate
- * Share results with client on a regular basis

 **AFAs should continually be evaluated for Client Satisfaction, Work Quality, and Cost-Effectiveness**


 

Managing AFAs : Win-Win

- * Managing an AFA would require constant attention to matter staffing and leverage
- * Cost-Benefit Analysis is a powerful tool in evaluating the financial aspects of matter strategy
- * Lessons Learnt from previous AFAs are important for developing future AFAs

Summary





Client
spends
LESS

+

Law Firm
earns
MORE

=

Successful
AFA

Expert Panel

Bob Lee
 MAQS; Stockholm, Sweden

Robert Levy
 Kuit, Steinart, Levy, LLP; Manchester, England

Rick Breen
 McLeod & Company; Calgary, Alberta, Canada

John Gisleson
 Schnader Harrison Segal & Lewis LLP; Pittsburgh, PA, U.S.A.




Expert Panel: Questions

- * Your Firm's experience with AFAs
- * Effect of AFAs on time keeping practices
- * AFA profitability
- * Obstacles to AFAs
- * Are AFAs the future of your firm?




Thank You

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