

Elevator Pitch: How Can Value-Based Fee Structures Help Us?

- **Summary:** Thousands of in-house attorneys have participated in ACC Value Challenge events over the past two years. Many report using value-based fee structures to: build stronger working relationships with firms, achieve greater value, and reduce administrative burdens.
- **What Are Value-Based Fees (VBFs)?** They are a way to purchase services based on the value delivered, as opposed to time spent producing the work. These structures typically focus on measuring value in light of outcomes achieved, or the cost of comparable services.
- **How Can They Help Us?** By: focusing on outcomes to align business objectives, improving budget planning and predictability, enhancing efficiency, and delivering savings (estimates range from 15 to over 30%).
- **How do Value-Based Fees Work?** Using a 6-step process, client and firm: define value, scope the work to be performed, assess who is best suited to doing the work, implement the most effective terms, manage the legal work and project coordination, and evaluate the quality of the results and processes.
- **What are Some Sample Terms?** (1) fixed fee per deliverable or matter, e.g. pay X to handle an EEOC charge, Y for each deposition taken, or Z for a draft license agreement; (2) capped fee, e.g. fees to brief and argue this appeal not to exceed Y; fees to handle this transaction not to exceed Z; (3) flat fee per period e.g. monthly flat fee to handle advice and counsel requests of a particular type; quarterly flat fee to review agreements; (4) portfolio fixed fee, e.g. all employment litigation for a fee of Z.
- **Are Other Companies Doing This?** Yes, according to published reports, alternative fees totaled \$13.1 billion in 2009, up from \$8.6 billion in 2008. In 2009, 43% of Legal Departments spent more than one-tenth of their budget dollars via non-hourly arrangements – up from 27% that did so in 2008.
- **Where Do We Start?** Start with a manageable scale and expand your success from there. Many companies have found the following to be good starting points for value-based billing: advice and counsel retainers, fixed fee for template agreements, fixed fees for segments of litigation.
- **What Do We Track?** On a general level, measure results including the quality of the work produced. On a specific level, measure the cost of what you are paying under a value-based arrangement compared with the cost of what you paid before – not in the aggregate, but per project.
- **Do We Need More Resources?** Not necessarily. Existing team members can fill different roles in the areas of project management and financial tracking. Small law departments have successfully executed value-based billing with very lean staffing.
- **Where Can We Get More Info?** Contact ACC at accvaluechallenge@acc.com and download a copy of the more comprehensive ACC Value-Based Fee Primer, which contains additional templates and worksheets. Join an ACC member group to further discuss with your peers.