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Ark Group/Managing Partner Magazine presents

Alternative Fee Arrangements—From Theory to Practice

Structuring value-based alternatives that reward positive outcomes — moving the fee discussion from effort and hours to value and results

March 10, 2010

AMA Executive Conference Center
New York, NY

This interactive forum is designed to help you:

- Cultivate a value-focused legal delivery system centered on the true meaning of partnership between law firm and client—sharing in both risk and reward
- Manage risk in experimenting with other fee arrangements by achieving cost-certainty yourself before offering cost-certainty to your clients
- Realize a compensation system built upon the longevity of partners and an open dialogue at the firm—rather than reliance on billable hours
- Approach alternative fees head-on—confronting the key elements that have structurally compromised the modern law firm
- Navigate engagement project stages delivering high client value with controlled costs that maintain firm profitability
- Understand how the experience/results model for quality and efficiency links to superior recruitment, training, mentoring, advancement and retention of talent
- Define value while fostering relationships that reward service

With key contributions and candid perspectives from:

- Nicole N. Auerbach, Partner, **Valorem Law Group**
- Fred H. Bartlit, Jr., Partner, **Bartlit Beck Herman Palenchar & Scott LLP**
- James J. Bender, Senior Vice President and General Counsel, **The Williams Companies**
- Patrick J. Lamb, Partner, **Valorem Law Group**
- Steven B. Levy, **Lexician/Seattle**
- Kenneth Lund, Managing Partner, **Holme Roberts & Owen LLP**
- Patrick J. McKenna, **McKenna Associates, Inc.**
- Arthur M. Nathan, Practice Management Partner, **Haynes and Boone LLP**
- J.L. Novak, Assistant General Counsel, **AOL LLC**
- Edwin B. Reeser, **A Professional Law Corporation**
- John M. Riccione, Co-Managing Member, **Aronberg Goldgehn Davis & Garmisa**
- J. Michael Roberts, Litigation Counsel, **Shook, Hardy & Bacon, LLP**

Researched by:

ManagingPARTNER

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Dear Colleague:

Change in the legal industry with respect to alternative fee arrangements is no longer a question of “whether” but one of *how much* and *how fast* will it occur. The focus upon alternative fee arrangements is now moving towards how to responsibly and fairly match up the risk and reward elements to specific case scenarios. But there is more to the issue than just pricing, and industry thought leaders are going beyond the prelude of this story and looking at what happens next, why it is going to happen, and how.

Alternative fees are not “discounts” to hourly rates, or at their heart another way of pricing the same thing. That is clearly not what clients want any more than law firms want to do the same thing they have been doing—but for ten, twenty, thirty, or forty percent less! There are instead at least two significant components driving the demand for a ‘partnering’ relationship, which are results driven compensation and higher operating efficiencies (which reduce the cost to the law firm of participating in such arrangements). Neither of these were true drivers behind the traditional “cost plus” pricing of the billable hour model.

When given the choice between hourly fees and AFA’s, many clients still opt for the hourly fee model because they perceive that they are indeed getting good value. However, from a competitive standpoint, law firms must develop their value billing capabilities regardless of what their current clients are demanding as the profession begins to shift institutional risk from the client back to the lawyer.

Alternative fee arrangements thus trigger, perhaps for the first time in three decades, a comprehensive review and rethinking of how lawyers should do what they do.

The proposition of delivering “value” for clients calls into question the internal operations of law firms and how to create and deliver legal products and services at a level of quality that both the profession and the clients must have—and at a delivery cost that adequately rewards the lawyers for their efforts.

Ark Group/Managing Partner Magazine’s **Alternative Fee Arrangements—From Theory to Practice**, represents an opportunity for law firms and their clients to take this discussion to the next level—stepping outside of the comfort zone and delving into some of the structural and cultural changes that must occur for value billing to truly be successful.

This forum was developed to move the discussion beyond defining what the dynamics of alternative fees are, the various types and why the transformation from hourly billing to alternative fees is being demanded by more clients. The intent here is to approach alternative fees head-on—confronting the key elements that have structurally compromised the modern law firm.

As soon as one turns inward, and looks at the methods by which law firms construct and operate themselves, the fundamental changes to be made are clear—and profound. The manner in which law firms staff and manage cases in a results-driven model can dramatically change the way in which we approach them.

What changes can be made (in the name of efficiency) that will impact staffing and management of cases, or the manner in which law firms recruit, train, mentor, advance and retain talent? The present process is a massively inefficient and wasteful exercise. There should be little debate about whether (as an industry) it can be done better; there might be some debate about whether it is possible to have done it worse.

Compensation system changes immediately come to the foreground as one of the most effective, and that shall require some very candid, and at times difficult, re-evaluations of what it is that the law firm should recognize, measure and reward. The compensation piece is a very powerful (and toxic) topic. And just like spent nuclear fuel rods, it is going to have to be dealt with. If we take billable hours off the table, or at least reduce their importance and add others...how can we do that and keep the operation together?

Both client success and firm profitability (not to mention long-term survival) depend on delivering AFA work within a budget. Partner compensation—as well as properly pricing or budgeting for the work itself—must be brought into line with what delivers the best results for clients—or the journey is compromised.

How can alternative fees lead to improved stability and solidity of the enterprise as contrasted with today’s business model? How do we make sure that the culture of the firm, perhaps the single most important component of a thriving organization, is not only tolerant of this change, but in fact complements and is reinforced by this change?

This forum brings together a speaking faculty willing to share their perspectives, experience and ideas that will help you to explore and deal with the change that is not just coming our way, but already upon us.

Together, we plan to explore these strategies and opportunities—taking into consideration viewpoints from both sides of this equation. This is not intended to be a program to just attend and listen. Bring your own ideas, concerns, experiences, and yes your doubts and reservations—as we work together to address this highly charged and quickly evolving subject of central interest not only to the success, but survival of firms over the next decade.

I sincerely hope you’ll join us in New York this March—
Edwin B. Reeser, A Professional Law Corporation

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Forum Agenda: Wednesday, March 10, 2010

8:30AM Registration & Refreshments

9:00AM Opening Remarks and Introductions, Conference Chairperson:
Edwin B. Reeser, A Professional Law Corporation

9:15AM Keynote

Approaching Alternative Fees Head-On: A Confrontation of Key Elements that have Structurally Compromised the Modern Law Firm

Hourly billing has engendered inefficient delivery of legal services by law firms. Law firms considering moving to the experience/results based business model will face profound structural and cultural changes that must occur in order to achieve operating efficiency and strong profitability. This opening discussion will illustrate several components that must be re-engineered as law firms move toward a more client value-driven delivery model, including:

- Understanding how the experience/results model for quality and efficiency links to superior recruitment, training, mentoring, advancement and retention of talent
- Cultural and other changes within a law firm that are essential to switching to the experience/results model, including size and type of facilities, infrastructure, structure of management and leadership and decision making, and capitalization of the enterprise (equity and debt)
- Compensation of associates and partners, performance based and bottom line profit driven as opposed to gross revenue driven
- Staffing and managing litigation and transactional cases and the mechanics of the experience/results model

Co-Presenters: Edwin B. Reeser, **A Professional Law Corporation** & Fred H. Bartlit, Jr., Partner, **Bartlit Beck Herman Palenchar & Scott LLP**

10:00AM Panel Discussion

Are AFA's Becoming the Rule — and Not the Exception? Why the Billable Hour Won't Go Away Overnight...

When given the choice between hourly fees and AFA's, many clients still opt for the hourly fee model because they perceive that they are indeed getting good value. Alternative billing, while attractive in theory, won't necessarily displace the billable hour in the near term as many clients still feel that this is not a broken system. However, from a competitive standpoint, law firms must develop their value billing capabilities regardless of what their current clients are demanding. This interactive panel discussion will debate some of the merits of the billable hour as the profession begins to shift institutional risk from the client back to the lawyer and respective law firm.

Panel:

J.L. Novak, Assistant General Counsel, **AOL LLC**

Arthur M. Nathan, Practice Management Partner, **Haynes and Boone LLP**

Nicole N. Auerbach, Partner, **Valorem Law Group**

11:00AM [Networking Coffee Break](#)

11:30AM Case Study

Compensation Based on Criteria Other than the Billable Hour

Relying on the billable hour as the primary metric impacting compensation both dissuades client service and innovation while encouraging a focus on short-term revenue. But how can you assess the subjectivity of partner performance? This case study will illustrate the design of a compensation system that depends upon longevity of partners and an open dialogue at the firm—rather than reliance on billable hours. We will also examine the potential impact current law firm compensation structures may have on a firm's flexibility to move away from the billable hour. Attendees will hear about real-life situations where alternative fee arrangements have successfully shifted the focus from the billable hour to a more collaborative model that drives a continuous commitment to quality.

John M. Riccione, Co-Managing Member, **Aronberg Goldgehn Davis & Garmisa**

12:15PM [Networking Luncheon](#)

1:15PM Panel Discussion

The Challenges of Living in a Hybrid World of Alternative Fees and Billable Hours

We have already established that moving to a "value billing" model will not happen overnight. There are still plenty of hard-to-structure engagements for which hourly is the easiest arrangement. But what sorts of challenges and obstacles lie ahead as firms and clients begin working in a "hybrid environment" with increased risk largely driven by a general lack of experience in determining how to structure various fee arrangements? There is no question that trust is ultimately the critical ingredient that makes any partnership "work." Achieving the win/win scenario will require patience and a willingness to experiment as law firms engage proactively in two-way conversations with their clients. Value will be defined over time as firms and their clients begin to share in that risk while creating economic incentives to achieve desired results. This interactive panel discussion will anticipate some of the primary challenges both law firms and in-house counsel will collectively face as both strive to define value while cultivating relationships that reward service.

Panel:

James J. Bender, Senior Vice President and General Counsel, **The Williams Companies**, Kenneth Lund, Managing Partner, **Holme Roberts & Owen LLP**, J. Michael Roberts, Litigation Counsel, **Shook, Hardy & Bacon, LLP**

2:15PM Problem-Solving Session

Project Management and AFA's: Achieving Cost-Certainty for the Firm – Enabling Cost-Certainty for the Firm's Clients

AFA's in theory promote and reward "efficiency"—but what does that mean in practice? Both client success and firm profitability (and long-term survival) depend on delivering AFA work within a budget. Corporations have used project management for years, but corporate-style project management maps poorly to the knowledge work and craftsmanship of legal practice. Legal project management combines the working styles and skills of attorneys with the lessons of traditional project management into a discipline well suited for an AFA world. In this session attendees will learn how to create a clear problem statement that drives a focus on critical, outcome-determinative work, such as—

- how to manage scope to avoid runaway projects
- why setting conditions of satisfaction leads to both case/project success and client satisfaction
- how to structure communication to comfortably manage necessary conversations
- how progressing through defined project stages delivers high client value with controlled costs that maintain firm profitability
- properly pricing or budgeting for the work itself

Co-Presenters: Steven B. Levy, **Lexician/Seattle** Author, *Legal Project Management: Control Costs, Meet Schedules, Manage Risks, and Maintain Sanity* & Patrick J. Lamb, Partner, **Valorem Law Group**

3:15PM [Networking Coffee Break](#)

3:45PM Wrap-Up

Adaptive Aspects of Managing Change

The technical (cognitive) work required in learning about various alternative fee arrangements is the easy part. It is the adaptive (behavioral and cultural) issues coupled with risk and discomfort that comes with change—that requires your most critical attention. In this final session participants will explore the many challenges inherent in bringing about sustainable change as law firms and their clients increasingly embrace the application of new economic and structural pillars necessary for the profession to benefit from greater alignment on the issue of value.

Patrick J. McKenna, McKenna Associates, Inc.

4:30PM [End of Forum](#)



Alternative Fee Arrangements—From Theory to Practice

	Attendee 1	Attendee 2	Attendee 3
Name			
Job Title			
Organization			
Address			
Zip Code			
Phone			
Fax			
Email			

Signature

I have read the terms and conditions below

- ☐ Forum Registration Fee (for law firms) \$895
- ☐ Forum Registration Fee (for corporate counsel) \$295
- ☐ I am registering for this event before **February 5th** and would like to claim my 15% early bird discount—

Please note: payment must be received in full prior to the event to guarantee your place



Card number

Expiration Date

Security Code

- ☐ Payment in the mail (checks made payable to Ark Group USA)
- ☐ **Multiple bookings: please invoice separately**

Registration conditions

- Registrations can be submitted at any stage prior to the event, subject to availability. A limited allocation is being held and registering early is therefore recommended, in the event of the registration not being accepted by Ark Group the total amount will be refunded.
- Payment must be received in full prior to the course.
- All speakers are correct at the time of printing, but are subject to variation without notice.
- If the delegate cancels after the registration has been accepted, the delegate will be liable to the following cancellation charges:
 - Cancellations notified over 45 days prior to the event will not incur a cancellation fee.
 - In the event of a cancellation being between 45 and 30 days prior to the event, a 20% cancellation fee will be charged.
 - For cancellations received less than 30 days prior to the event, the full delegate rate must be paid and no refunds will be available.
- All registrations submitted by e-mail, fax, or over the telephone are subject to these booking conditions.
- All cancellations must be received in writing.
- Ark Group will not be held liable for circumstances beyond their control which lead to the cancellation or variation of the program.
- Please make checks payable to Ark Group USA.

Ark Group USA will not use your email address or information for any purpose other than distributing our conference and event notices.

Venue and Accommodations

This meeting will be held at the **AMA Executive Conference Center, New York** - located at 1601 Broadway, New York, NY 10019. For details regarding nearby hotels (most within walking distance to the venue) please contact Peter Franken at — pfranken@ark-group.com or 773.281.4275

Who Will Attend This Forum

Ark Group / Managing Partner Magazine's forum, **Alternative Fee Arrangements—From Theory to Practice** is a highly interactive agenda researched with and developed for both law firm leaders as well as in-house, general counsel and corporate executives involved in the management of outside counsel. This is an ideal forum for thought leaders involved in the pricing of legal services rendered as well as those involved in the development and execution of client service strategy.

Exhibition & Sponsorship Opportunities

If you are interested in exhibition or sponsorship opportunities for this (or any) Ark Group event, please contact Kevin Klein for more details at kklein@ark-group.com or by phone at 708.386.3868

ALTERNATIVE FEE ARRANGEMENTS—FROM THEORY TO PRACTICE

THIS FORUM WILL BE HELD AT:

AMA Executive Conference Center

1601 Broadway
New York, NY 10019
212.586.8100

<http://www.amaconferencecenters.org/new-york.htm>

March 10, 2010 — New York, NY



The Executive Conference Center is conveniently located at 48th & Broadway (inside the Crowne Plaza Hotel) in the heart of New York City's bustling Times Square. Please see the list below for some suggestions pertaining to nearby hotels (most within walking distance to the Conference Center).

Belvedere Hotel

319 W. 48th Street
New York, NY 10036
212.245.7000 > Reservations

<http://www.belvederehotelnyc.com/>

Crowne Plaza Manhattan

1605 Broadway
New York, NY 10019
212.977.4000 > Reservations

<http://www.cpmanhattantimesquare.com/>

Sheraton Manhattan

790 7th Avenue
New York, NY 10019
212.581.3300 > Reservations

<http://www.starwoodhotels.com/sheraton/property/overview/index.html?propertyID=425>

Marriott Renaissance New York Times Square

714 7th Avenue @ W. 48th Street
New York, NY 10036
212.765.7676 > Reservations

<http://www.marriott.co.uk/hotels/travel/nycrt-renaissance-new-york-hotel-times-square/>

If you would like information on current New York City events, shows, tours, etc., simply call the New York Convention and Visitors Bureau at 800-NYC-VISIT or 212-397-8222. Or visit <http://www.nycgo.com/> for more information. Tell them the dates you will be in New York City and they will send you more information. If you or your family would like a customized tour of the city we recommend the Big Apple Greeter Program. For a free tour, call 212-669-8159.

Directions and Maps

New York Executive Conference Center

1601 Broadway

New York, NY 10019

The following can be used as a guide for your visit to the Executive Conference Center, New York. If you should have any further questions, please do not hesitate to call us at **773-281-4275**.

Directions

American Management Association (is located in the same building as the **Crowne Plaza Hotel**) at 1601 Broadway at 48th Street near Times Square. Entrance is on 48th Street.

From PENN PLAZA to 1601 BROADWAY (Fastest Route):

1. Going west on W. 33rd St. toward 8th Ave. 0.11 miles
 2. Turn RIGHT onto 8th Ave. 0.85 miles
 3. Turn RIGHT onto W. 50th St. 0.12 miles
 4. Turn RIGHT onto BROADWAY. 0.06 mile
- For additional driving directions and maps click here <http://www.mapquest.com/>.

Transportation

Airport Transportation:

Transportation to/from the airport is available for a fee via Super Shuttle. Upon arrival at the airport, proceed to the Ground Transportation desk located near baggage claim, the Super Shuttle agents there will assist you. For your return trip to the airport, contact Super Shuttle at least 24 hours in advance at 1-800-BLUE-VAN x3. New York taxi cabs are also available and rates can vary depending on the airport.

These three airports serve New York City:

John F. Kennedy International Airport, approximately 15 miles (estimate one hour travel time) from mid-Manhattan.

LaGuardia Airport, approximately 8 miles (estimate 30 minutes of travel time) from mid-Manhattan.

Newark International Airport, borders on the cities of Newark and Elizabeth, NJ, approximately 16 miles (estimate 45 minutes of travel time) from mid-Manhattan.

Parking:

There are parking garages available on 48th and 49th streets, as well as at the **Crowne Plaza**.

Bus:

From Uptown: **M 7, M 10, M 104**, exit at 50th St. and Broadway.

From Downtown: **M 10, M 104**, exit at 49th St. and 8th Ave.

M 5, M 6, M 7 exit at 49th St. and 6th Ave.

SUBWAY



To 47th-50th St.-Rockefeller Center



To 50th St. & 8th Avenue



To 50th Street



To 49th Street



To 51st Street

