BUYING LEGAL COUNCIL

# SCENARIO AFA

SQUID TECHNOLOGY's new general counsel is under immense pressure. The CFO cut her budget (and that of most other departments in the company) by 25% and imposed a penalty if the legal department's budget is not met. SQUID TECHNOLOGY's has been using fixed fees for a few years for select smaller matters and the GC now wants to extend the use of alternative fee arrangements (AFAs) to the majority of its external spend with outside firms, alternative providers and ancillary providers.

The budget for external legal fees was $40M per year excluding disbursement and settlement costs, with 60% for litigation. The heads of legal procurement and legal ops suggest that 80% of spend be placed under AFAs, and align with finance on how this spend would be categorized and savings will be captured. They also want to break the trend of using hourly fees as a reference point and instead focus on AFAs for even the most complex matters, creating a global standardized process for external engagements.

How should SQUID TECHNOLOGY go about identifying the most appropriate AFA arrangements and help in-house counsel select which AFA should be used for which project or matter (e.g. fixed fee with risk-sharing collar, flat fee)? How should SQUID TECHNOLOGY go about determining the appropriate should cost fees? How should they transition from time-based assumptions to quantifiable pricing for individual matters and quantifiable tasks and their related costs (e.g. cost for conducting a deposition, filing a motion and reviewing a page of discovery material)? What controls and protocols should SQUID TECHNOLOGY introduce for managing individual matters within budget?