

The Home Depot

Alternative Fee Arrangements: Having Your Cake and Eating It Too

The Home Depot's legal department is all about improvement. The department is a sophisticated user of technology to facilitate management of its legal operations and has recently embarked on an effort to utilize alternative fee arrangements to control costs. Using DataCert's legal spend management solution, AIMS (Advanced Invoice Management System), The Home Depot is able to track savings related to the alternative fee arrangements, justify the program to management and, ultimately, contribute more significantly to corporate cost reduction efforts.

The Home Depot is the world's largest home improvement specialty retailer with stores in all 50 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, 10 Canadian provinces, Mexico and China. The legal department is made up of over 140 associates, located in the U.S., Canada, Mexico, and China. It handles over 24,000 active matters, received over 32,000 invoices during FY 2008, and employs approximately 200 outside law firms.

As evidenced at The Home Depot, alternative fee arrangements are gaining in popularity among corporate legal departments that are looking for new ways to reduce outside counsel spend and simplify the invoice review process. However, a common downside of instituting these types of arrangements is that the corporate legal department loses valuable data at the line-item detail level and, consequently, critical insight into the value that outside counsel is providing.

The Home Depot did not want to lose this insight into their relationships with firms, but they did want to take advantage of the savings afforded by alternative fee arrangements. Libby Troughton, the company's sr. manager, legal IT, devised a way to leverage the technology available in AIMS to do both. In doing so, the department is able to prove the savings afforded by alternative fee arrangements and justify the effort that goes into setting up and supporting these special arrangements between each practice group and its outside firms.

Under The Home Depot's current system, each practice group sets up retainer agreements with law firms working on certain groups of

Challenge:


The legal department needed to be able to prove the savings associated with alternative fee arrangements to management and justify the effort required to develop these arrangements with outside counsel. It also wanted to take advantage of these cost-saving arrangements without losing the ability to conduct detailed analysis of the value they get from outside firms.

Solution:

Using data captured in AIMS, DataCert's legal spend management solution, The Home Depot is able to report on the savings garnered from its practice areas' various alternative fee arrangements, quantify the savings for management, and determine which arrangements are the most successful. At the same time, the legal department still has the ability to conduct detailed analysis regarding the way in which their outside counsel manage and staff matters.

Results:

The Home Depot is now able to quantify the savings realized from the alternative fee arrangements it has in place. This allows management to understand the value of these arrangements and prove the department's contribution to the corporation's bottom line. The department's attorneys are pleased that they are able to retain the detailed data in AIMS about the work provided by each outside firm, something that would normally be lost in a flat-fee arrangement.



cases. Those firms then submit monthly retainer bills through AIMS with a single line-item. They also submit a standard line-item detail invoice with UTBMS task codes for the same work using the LEDES files generated by their time and billing software. The firms apply a 100% adjustment to the standard line-item invoice to avoid double counting the invoice amount in AIMS. This arrangement and the data captured in AIMS allows The Home Depot to continue to analyze how the firm is staffing matters, hours spent on certain tasks, timekeeper information, etc. In addition, the detailed “traditional” invoices provide a baseline for comparison that allows the legal department to clearly demonstrate the additional savings associated with alternative fee arrangements.

“Attorneys are still able to use AIMS data from the standard invoices to analyze the work that firms are doing and how they are staffing our matters,” Troughton points out, “We don’t lose all of that information by instituting a retainer billing policy. We get the cost-savings of a flat-fee without losing the valuable detail captured in a normal AIMS invoice.”

For more information visit www.datacert.com.

“Without AIMS we would have no way to validate the savings from the alternative fee arrangements. That ability to collect the data in the way we want to see it is invaluable.”

*Libby Troughton
Sr. Manager, Legal IT*