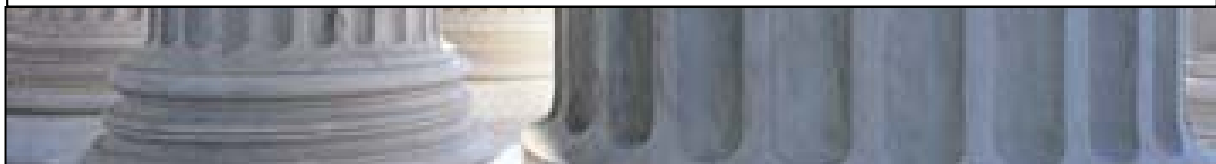


**2011**  
**Chief Legal Officer Survey**  
**An Altman Weil Flash Survey**



## 2011 Chief Legal Officer Survey

For the twelfth year in a row, Altman Weil, Inc. has surveyed Chief Legal Officers (CLOs) on issues of importance in managing their corporate law departments. The purpose of these surveys is to capture current thinking of Chief Legal Officers and share the results with the legal profession, enabling both corporate law departments and law firms to benefit from the surveys.

### Survey Findings

Corporate law departments may be easing up on cost cutting according to the newly released **2011 Chief Legal Officer Survey**. More law departments have boosted their overall budgets in 2011, and more are increasing their expenditures on outside counsel.

Fifty-six percent of Chief Legal Officers (CLOs) surveyed in October 2011 indicated that they had increased their law department budgets from 2010 to 2011, compared to 51% who did so the prior year. The median amount of the increase also rose, going from 6% in 2010 to 7% in 2011. Forty-six percent of law departments increased their outside expenditures, compared to 43% last year.

These are not big changes. It is the shift of direction that's interesting as it may signal some softening of the hard line on spending that corporate law departments embraced in the last few years.

The survey identifies several areas where law departments and law firms are working together on the issue of costs. Fifty six percent of departments say they work collaboratively with law firms on value-based billing arrangements. In addition, among departments that have law firm panels, a majority (58%) report that they encourage the panel firms to collaborate to improve process efficiency, rather than encouraging competition to drive down costs.

The use of non-hourly billing continues to edge up. In 2011, 84% of law departments report using some non-hourly fee arrangements, compared to 81% in 2010. Non-hourly fees accounted for 14% of total fees according to the survey.

Ten percent of law departments offshored some of their legal work in 2011, and 91% expect the amount of work offshored to stay the same or increase next year. An

additional 13% of departments outsourced e-discovery, document review, due diligence and legal research work that they said they would have given to law firms in the past.

Even if law departments are easing up a little on cost cutting, they are still going to explore less expensive alternatives as long as they are reliable and effective.

For the third year in a row, CLOs said they don't think law firms are at all serious about changing their service delivery model, rating them a median 3 on a 0 to 10 scale. However, they don't rate their own appetite for change much higher. When asked how much pressure corporations are putting on law firms to change the value proposition, they assess themselves at a median score of 5 on the same scale.

Most law departments are missing an opportunity to use direct feedback to encourage change in their law firms. Only 35% of law departments regularly and formally evaluate outside counsel, according to the survey, and a meager 17% communicate the results of those evaluations to their law firms.

The survey also provides some insights on the CLO role and perspective. Chief Legal Officers spend 37% of their time managing the global legal function for their corporations and 24% of time advising corporate executives on strategic issues. Other CLO functions include practicing law, handling Board issues, managing other corporate functions, compliance and government affairs.

CLOs said that their number one priority for 2012 will be controlling costs. Other important concerns are efficient delivery of legal services, supporting the business goals of the corporation, providing quality legal service, compliance, risk management, lawyer staffing and managing outside counsel.

Law firms that want to get on a Chief Legal Officer's radar screen for the first time should focus on personal attention and substantive content. The three strategies that received the CLOs' top ratings were personal contact, free training programs and written material demonstrating legal expertise. However, even the highest ranking activity rated only 6.7 on a 0 to 10 scale and a number of other standard marketing efforts scored very poorly.

It's still a buyer's market. CLOs are too busy and too pressured to consider anything less than serious, substantive approaches from law firms.

## The Survey

The **Chief Legal Officer Survey** has been conducted and published annually by Altman Weil, Inc. since 2000, most recently in October 2011. One hundred and seventy six responses were received for the 2011 survey, 13% of the 1,355 corporate law departments invited to participate. Demographic and budgetary data on responding law departments is included in the survey report.

The survey report follows and is available online at [www.altmanweil.com/CLO2011](http://www.altmanweil.com/CLO2011).

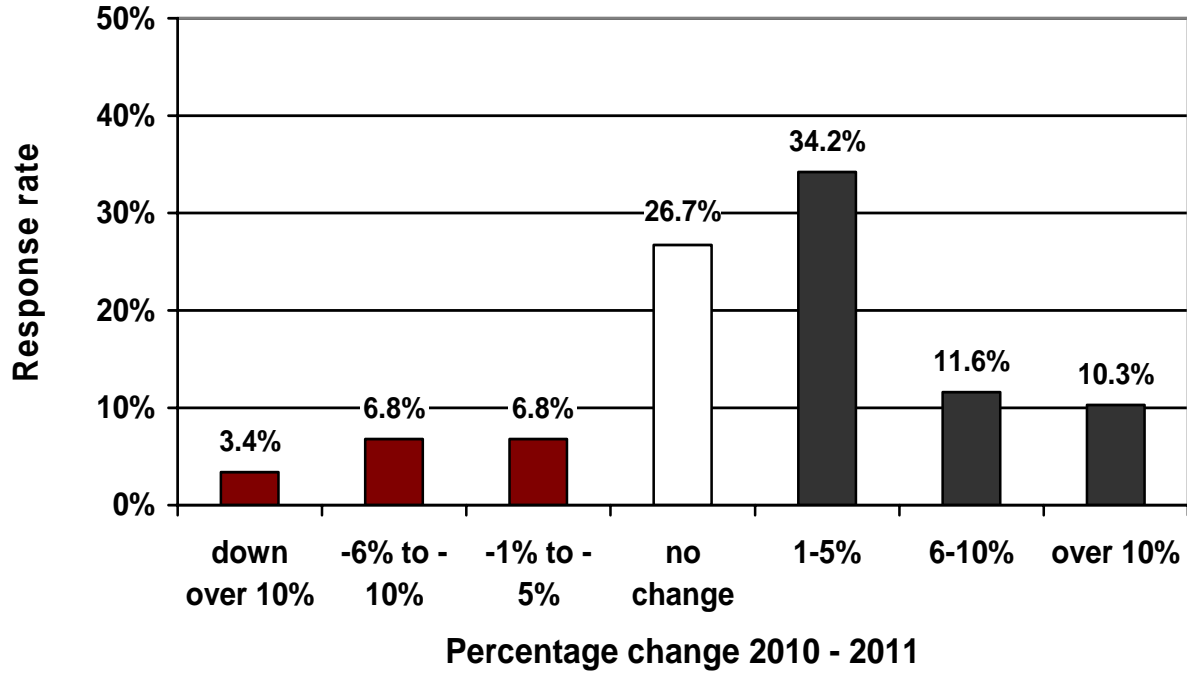
## About Altman Weil

Founded in 1970, Altman Weil, Inc. is dedicated exclusively to the legal profession. It provides management consulting services to law firms, law departments and legal vendors worldwide. The firm is independently owned by its professional consultants, who have backgrounds in law, industry, finance, marketing, administration and government. More information on Altman Weil can be found at [www.altmanweil.com](http://www.altmanweil.com).

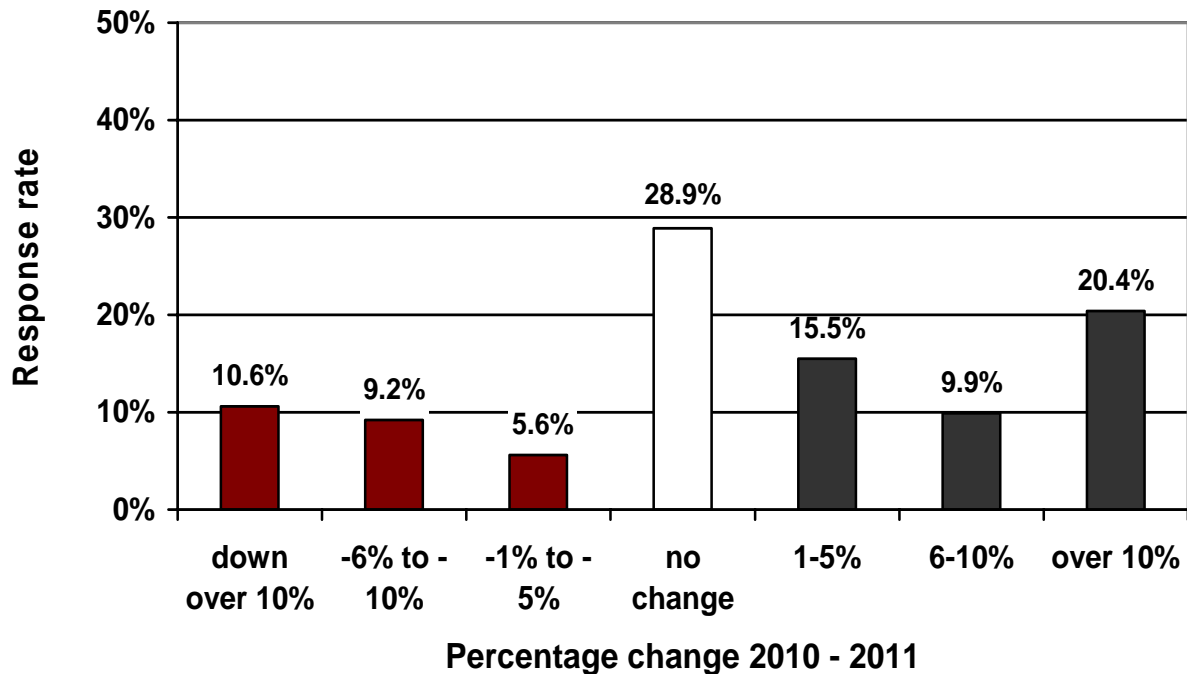


1. Indicate the approximate percentage increase or decrease to your Law Department budget from 2010 to 2011

**1a. INSIDE BUDGET**

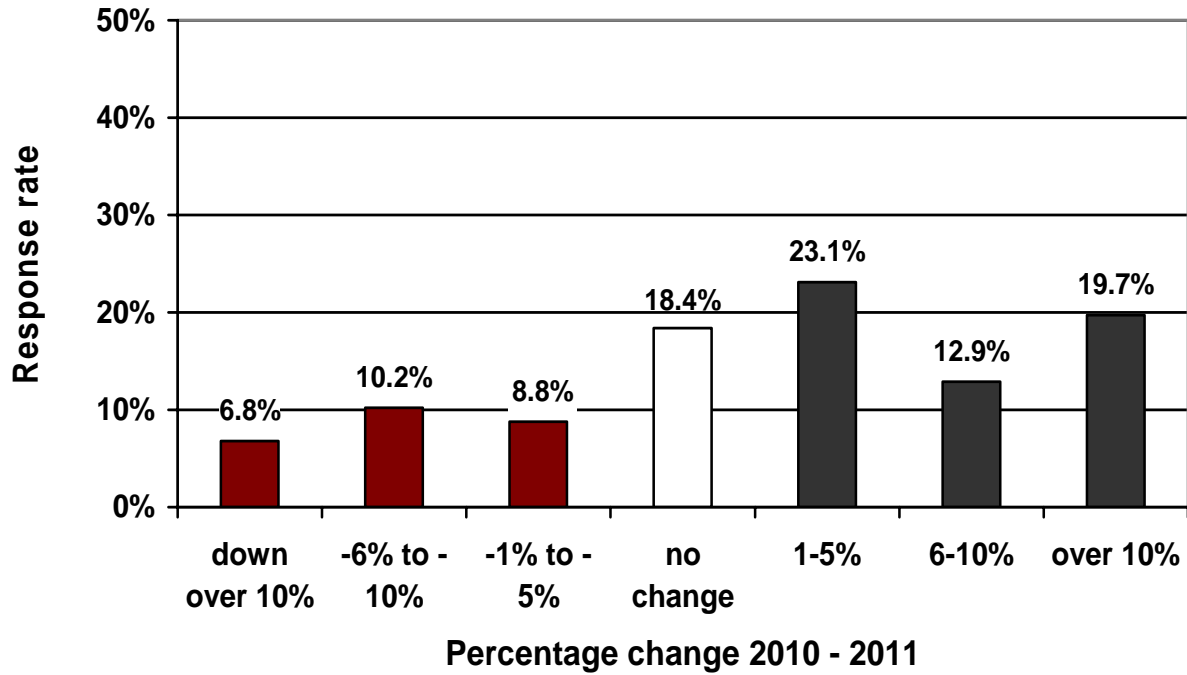


**1b. OUTSIDE BUDGET**



1. Indicate the approximate percentage increase or decrease to your Law Department budget from 2010 to 2011

**1c. TOTAL BUDGET**



**TREND: Percentage increase or decrease to your Law Department budget**

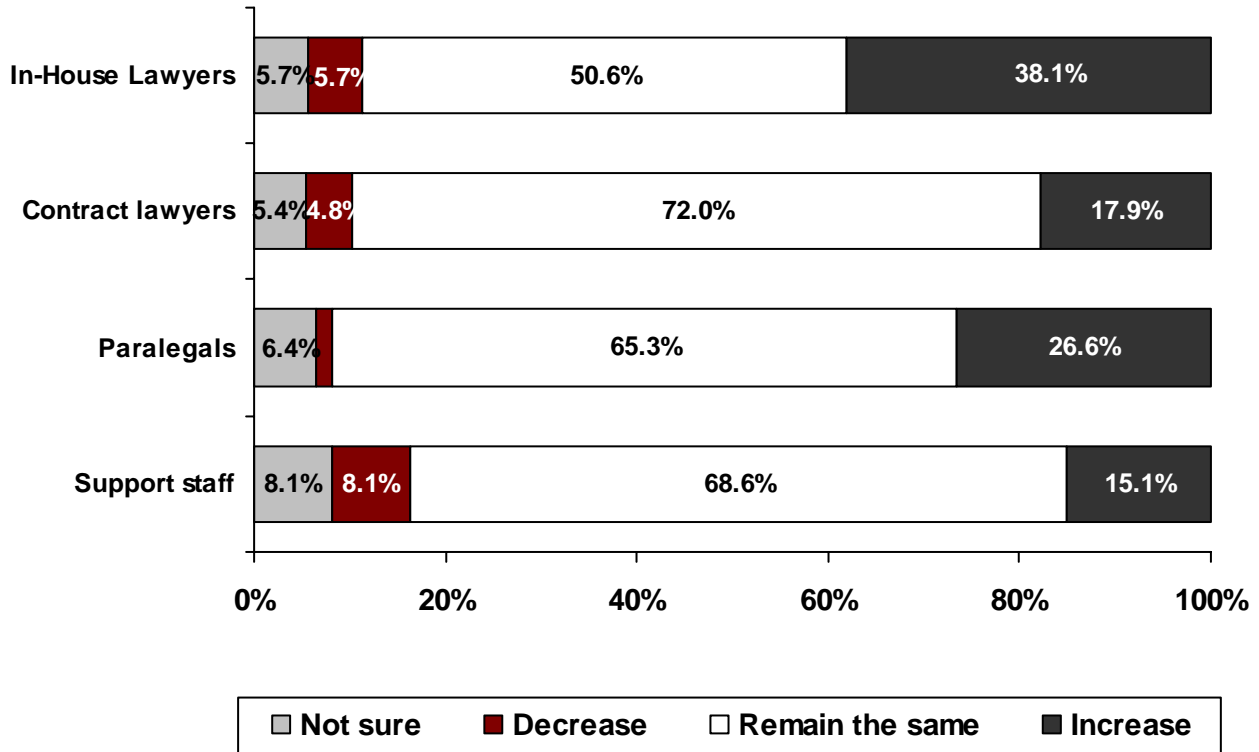
<b>Law Department Inside Budget</b>					
	<b>Decreased</b>		<b>Same</b>	<b>Increased</b>	
	<b>% of Depts.</b>	<b>Median Change</b>	<b>% of Depts.</b>	<b>% of Depts.</b>	<b>Median Change</b>
<b>2009 to 2010</b>	16.4%	-10%	20.4%	63.1%	+5%
<b>2010 to 2011</b>	17.1%	-10%	26.7%	56.2%	+3%

<b>Law Department Outside Budget</b>					
	<b>Decreased</b>		<b>Same</b>	<b>Increased</b>	
	<b>% of Depts.</b>	<b>Median Change</b>	<b>% of Depts.</b>	<b>% of Depts.</b>	<b>Median Change</b>
<b>2009 to 2010</b>	29.7%	-11%	27.7%	42.5%	+10%
<b>2010 to 2011</b>	25.4%	-10%	28.9%	45.8%	+10%

<b>Law Department Total Budget</b>					
	<b>Decreased</b>		<b>Same</b>	<b>Increased</b>	
	<b>% of Depts.</b>	<b>Median Change</b>	<b>% of Depts.</b>	<b>% of Depts.</b>	<b>Median Change</b>
<b>2009 to 2010</b>	28.8%	-10%	20.5%	50.6%	+6%
<b>2010 to 2011</b>	25.9%	-8%	18.4%	55.8%	+7%

## 2. Law Department Workforce

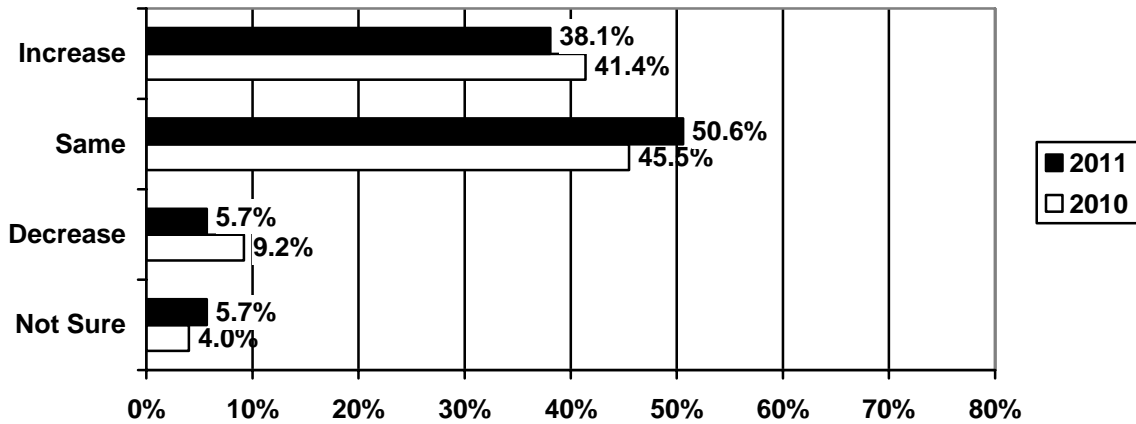
Within the next 12 months do you plan to increase or decrease your Law Department workforce?



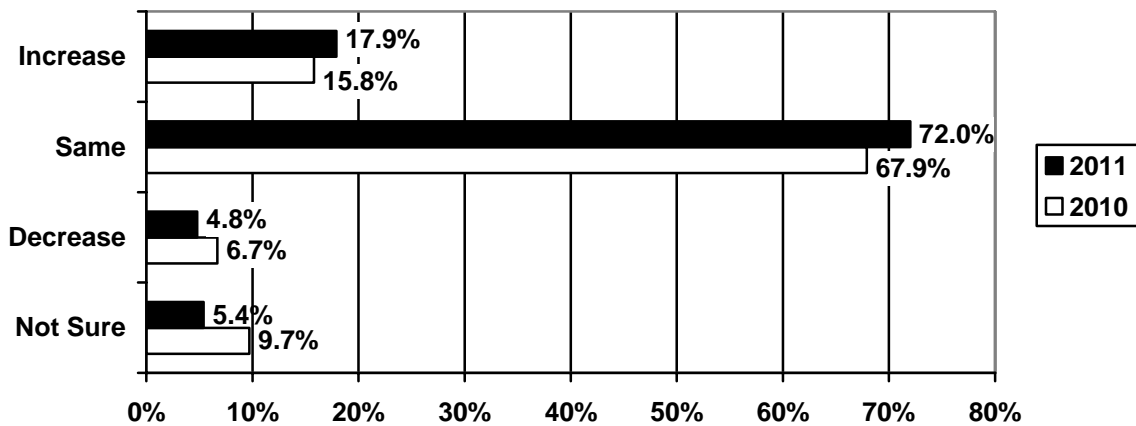


**TREND: Increase or decrease your Law Department workforce within 12 months**

**Law Department Lawyers**

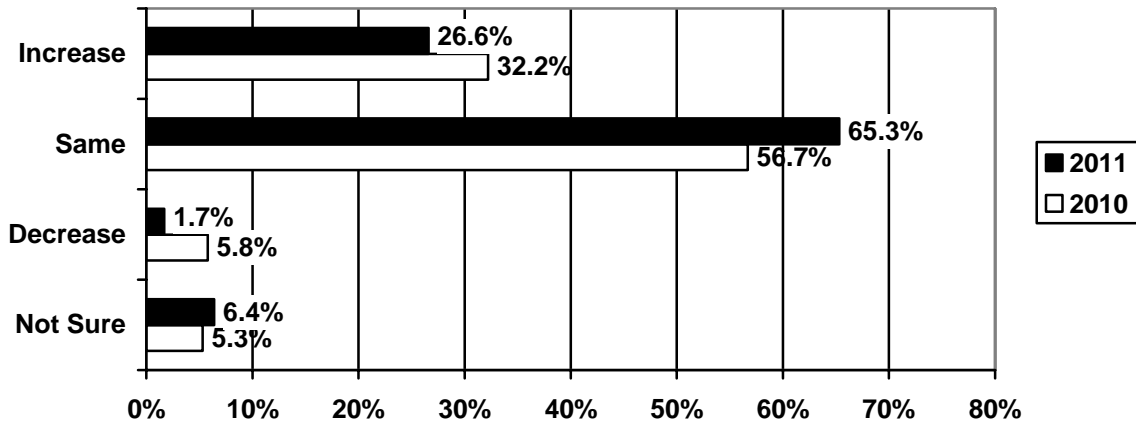


**Contract Lawyers**

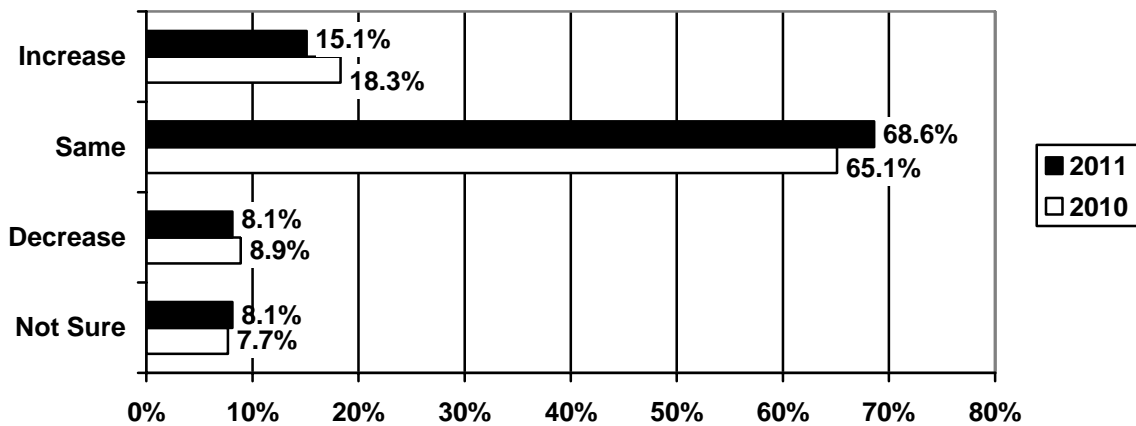


**TREND: Increase or decrease your Law Department workforce**

**Paralegals**



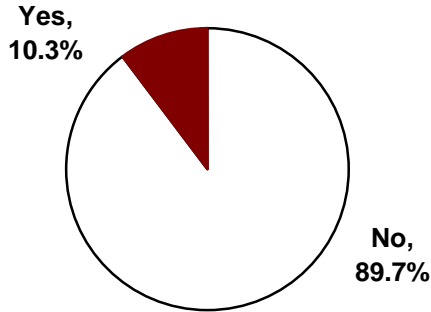
**Support Staff**



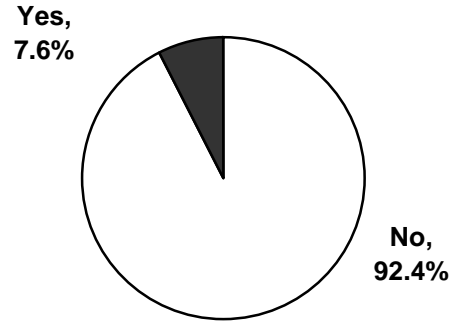
3. Offshoring

In 2011 has your Law Department offshored any legal work?

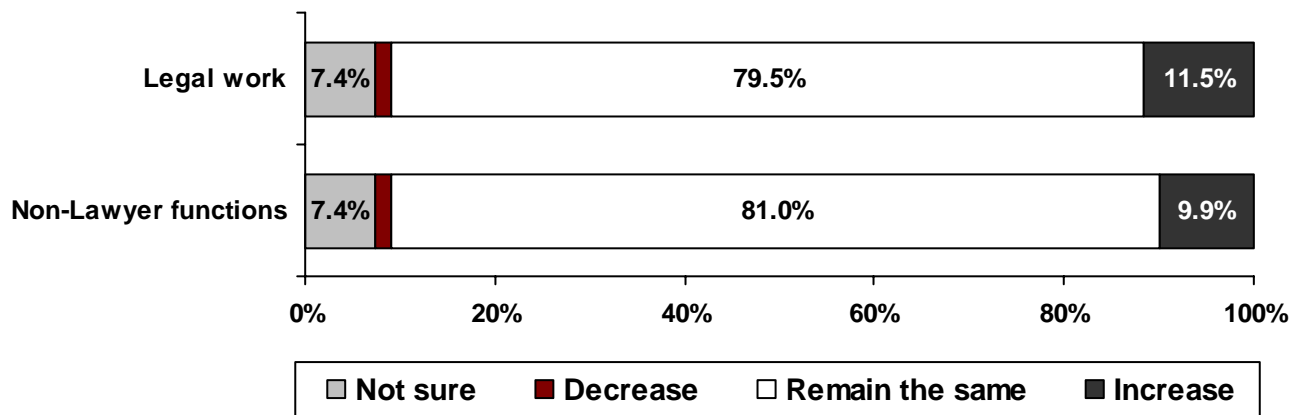
Offshore Legal Work 2011



Offshore Non-Lawyer Functions 2011

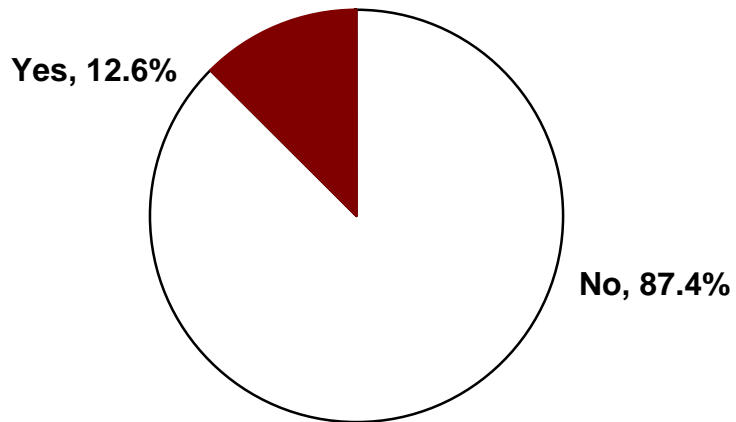


3a. If yes, do you expect the amount of offshored work to increase or decrease in 2012?



#### 4. Outsourcing

In 2011 have you outsourced any work to non-law firm vendors (either on-shore or off-shore) that in the past you would have given to law firms?

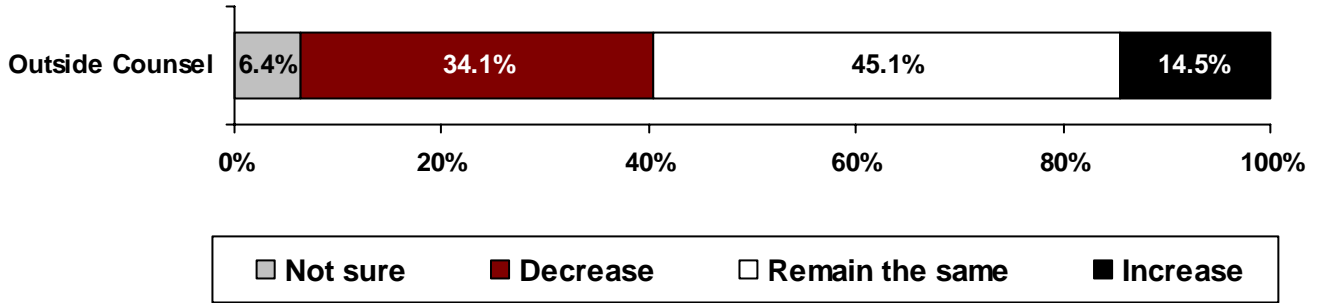


#### 4a. Please describe (Responses listed in order of frequency)

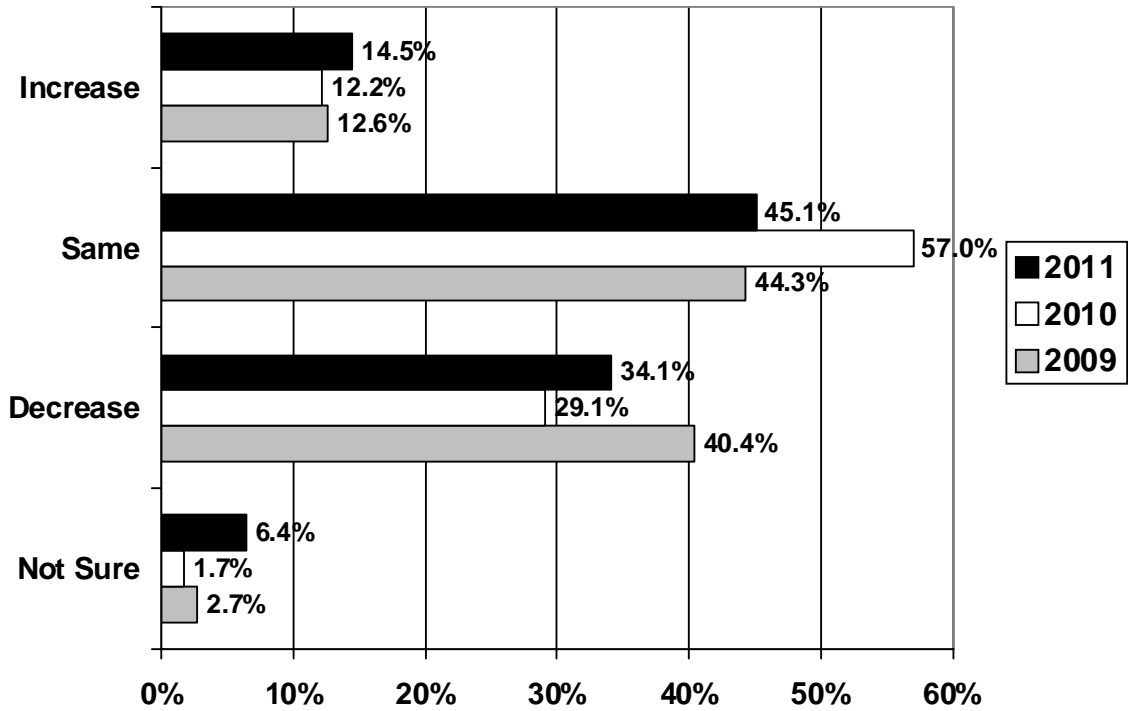
- E-discovery
- Document review
- Due diligence
- Legal research
- "Will never send work to non-law firm vendors whether in US on offshore"

5. Outside Counsel Use

Within the next 12 months do you plan to increase or decrease your overall use of outside counsel?



**USE OF OUTSIDE COUNSEL - THREE YEAR TREND**

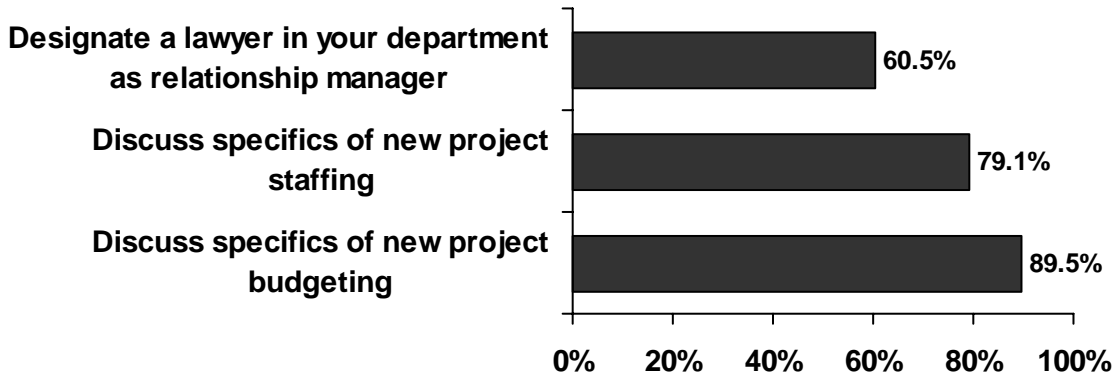


Data compiled from 2009, 2010 and 2011 Chief Legal Officer Surveys.

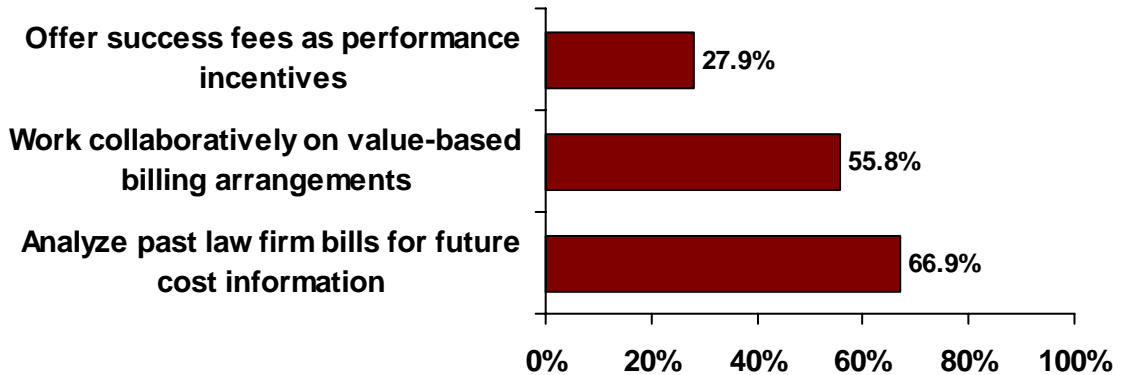
6. Outside Counsel Interaction

As part of your interaction with outside counsel, does your Law Department routinely do any of the following?

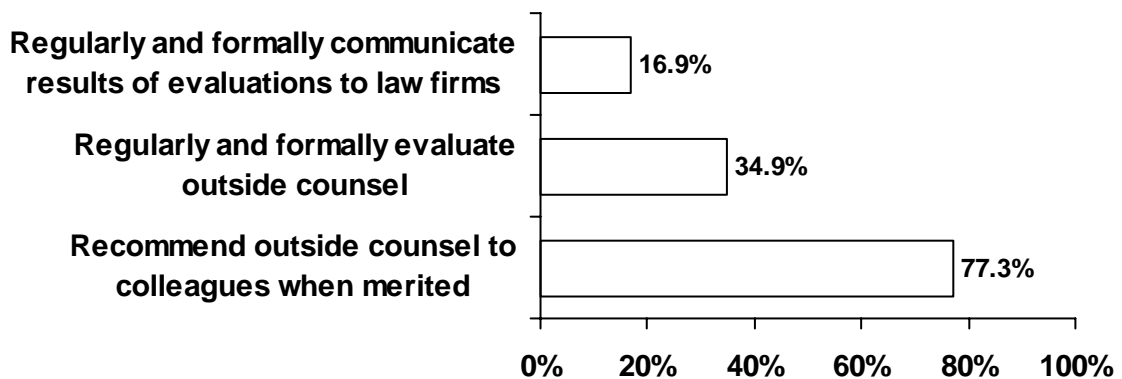
**PROCESS**



**PRICING / FEES**

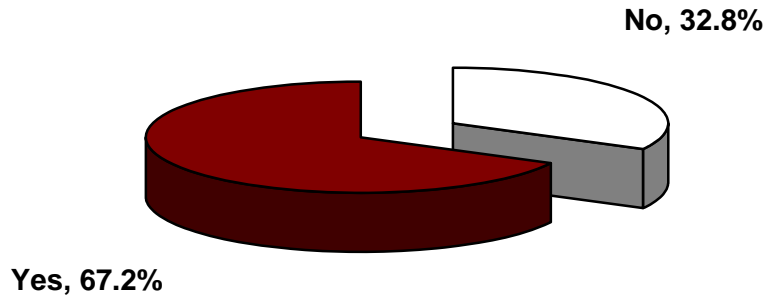


**ASSESSMENT**

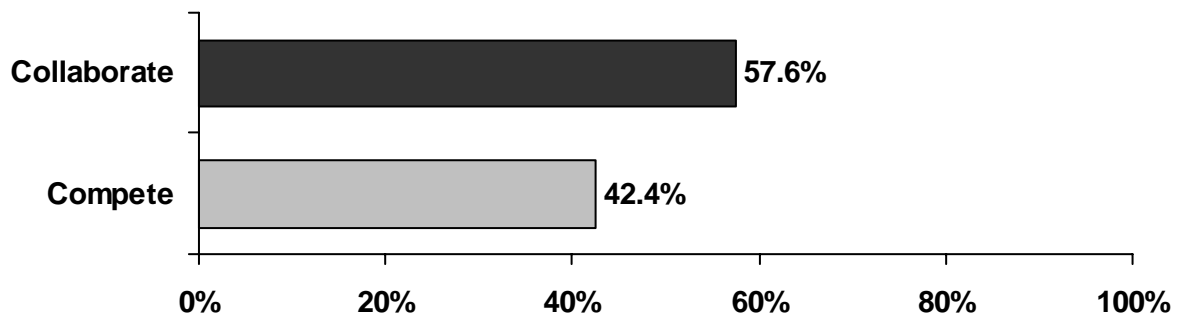


### 7. Law Firm Panels

Does your Law Department have either a formal or informal panel of firms?

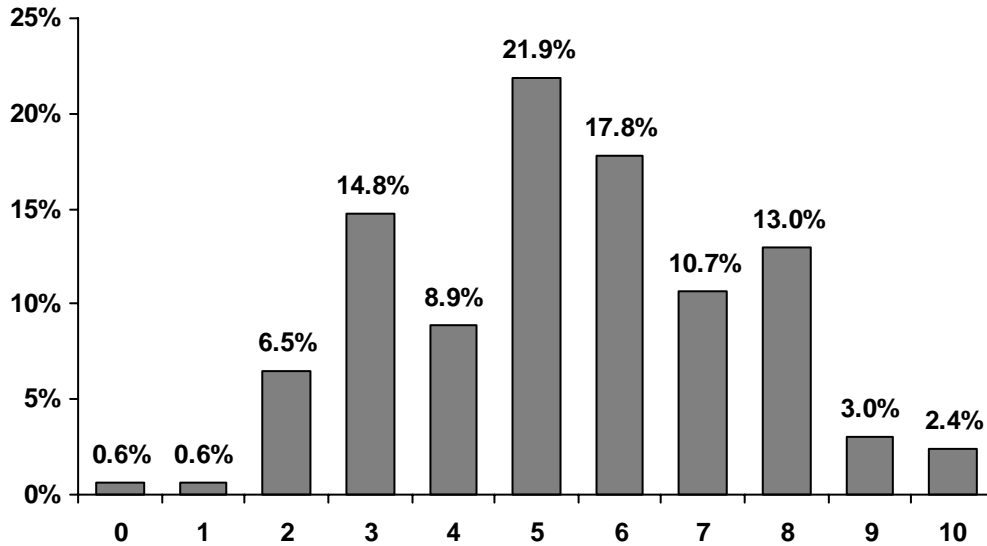


7a. If yes, do you primarily encourage your panel of law firms to compete (to drive down costs) or to collaborate (to improve process efficiency)?



**8. Corporations Pressuring Law Firms to Change Value Proposition**

In your opinion, in 2011 how much pressure are corporations really putting on law firms to change the value proposition in legal service delivery (as opposed to simply cutting costs)?



0 = No pressure

10 = Intense pressure

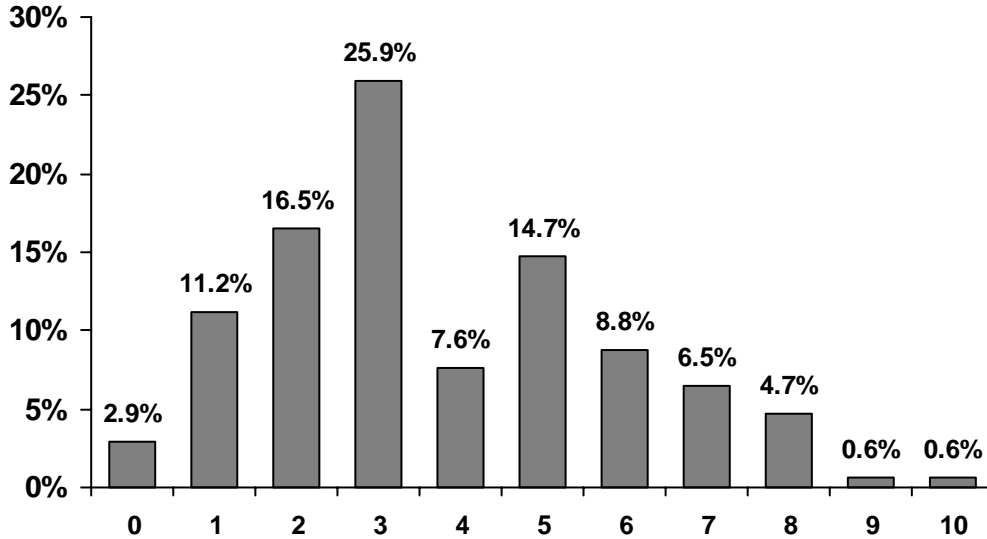
<b>TREND:</b> Pressure from Law Departments for Change		
	<b>Average</b>	<b>Median</b>
<b>2009</b>	<b>5.5</b>	<b>5</b>
<b>2010</b>	<b>5.3</b>	<b>5</b>
<b>2011</b>	<b>6.4</b>	<b>5</b>

*Data compiled from 2009, 2010 and 2011 Chief Legal Officer Surveys.*



**9. Law Firms Serious About Changing Service Delivery Model**

In your opinion, in 2011 how serious are law firms about changing their legal service delivery model to provide greater value to clients (as opposed to simply cutting costs)?



0 = Not at all serious

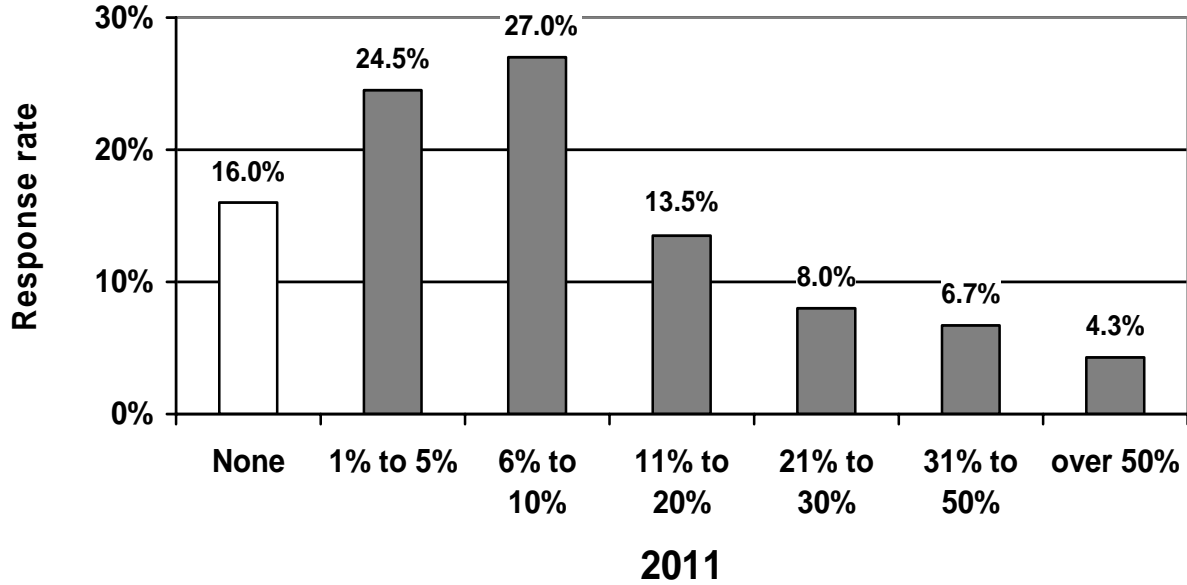
10 = Doing everything they can

<b>TREND:</b> Intent of Law Firms to Change		
	<b>Average</b>	<b>Median</b>
<b>2009</b>	<b>3.4</b>	<b>3</b>
<b>2010</b>	<b>3.7</b>	<b>3</b>
<b>2011</b>	<b>4.7</b>	<b>3</b>

*Data compiled from 2009, 2010 and 2011 Chief Legal Officer Surveys.*

10. Non-hourly Fees

Approximately what percent of fees paid by your Law Department in 2011 do you estimate were for non-hourly\* work?



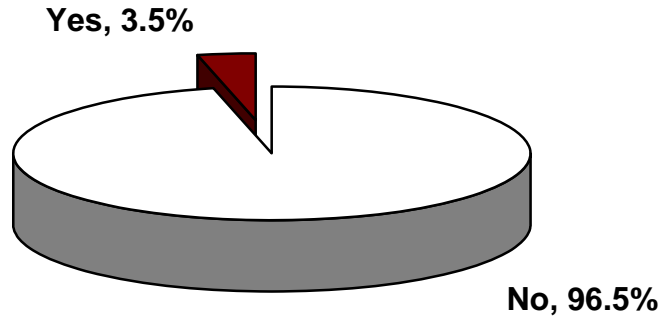
\*Non-hourly pricing does not include discounted hourly rates, blended rates or any pricing based on hourly charges.

TREND: Use Non-Hourly Pricing		
	Use	Don't Use
2009	76.7%	23.3%
2010	81.1%	18.9%
2011	84.0%	16.0%

TREND: Non-Hourly Fees as % of Total Fees		
	Average	Median
2009	11.9%	7%
2010	14.5%	10%
2011	14.2%	10%

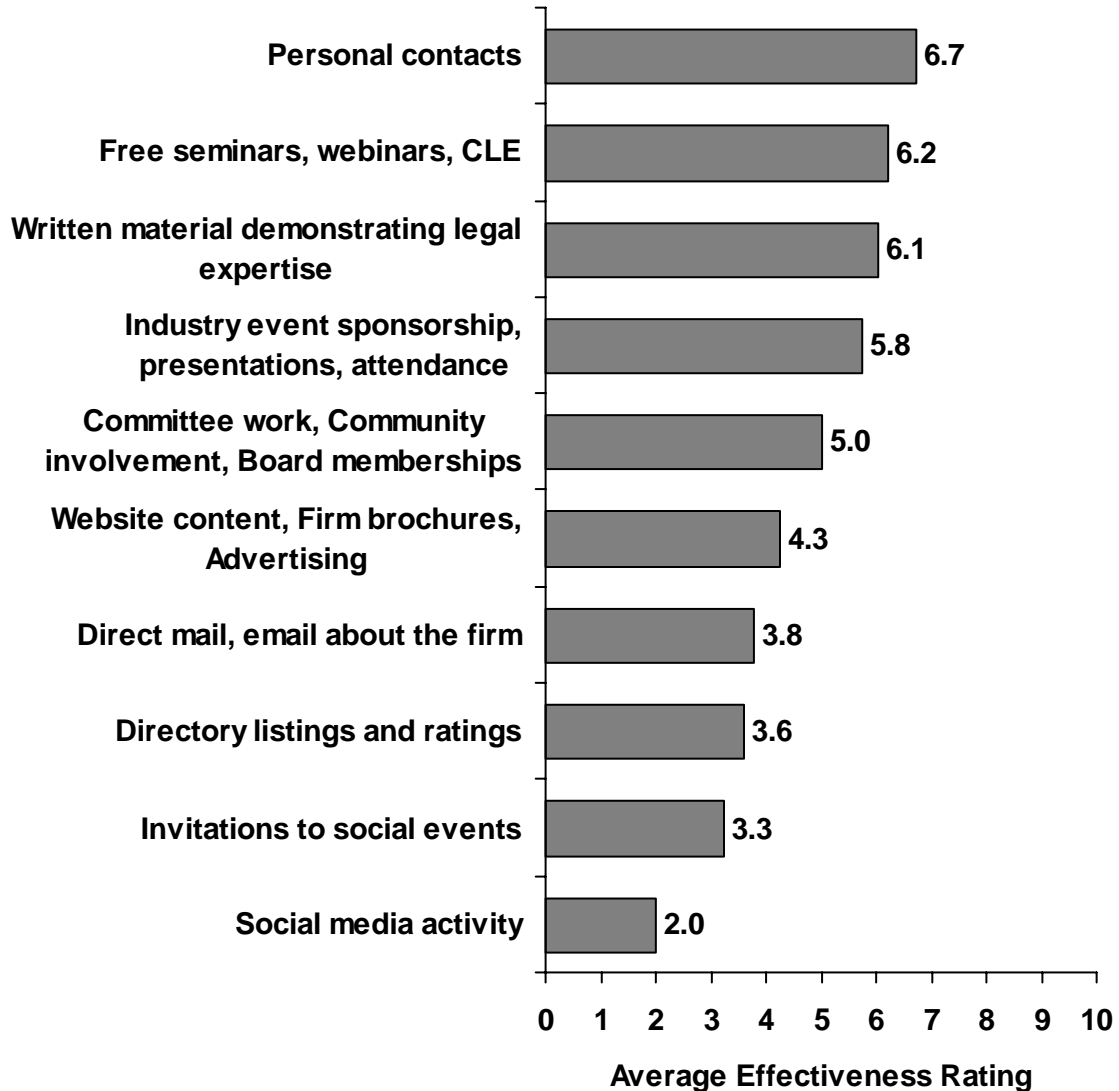
### 11. Online Bidding / Reverse Auctions

In 2011 have you used the online bidding/reverse auction process for any of your legal work?



**12. Effectiveness of Law Firm Marketing**

Please rate the following law firm marketing efforts based on how effective they are in getting a new law firm on your radar screen. Rate on a scale of 0 to 10 in which 0 = No effect and 10 = Extremely positive effect.



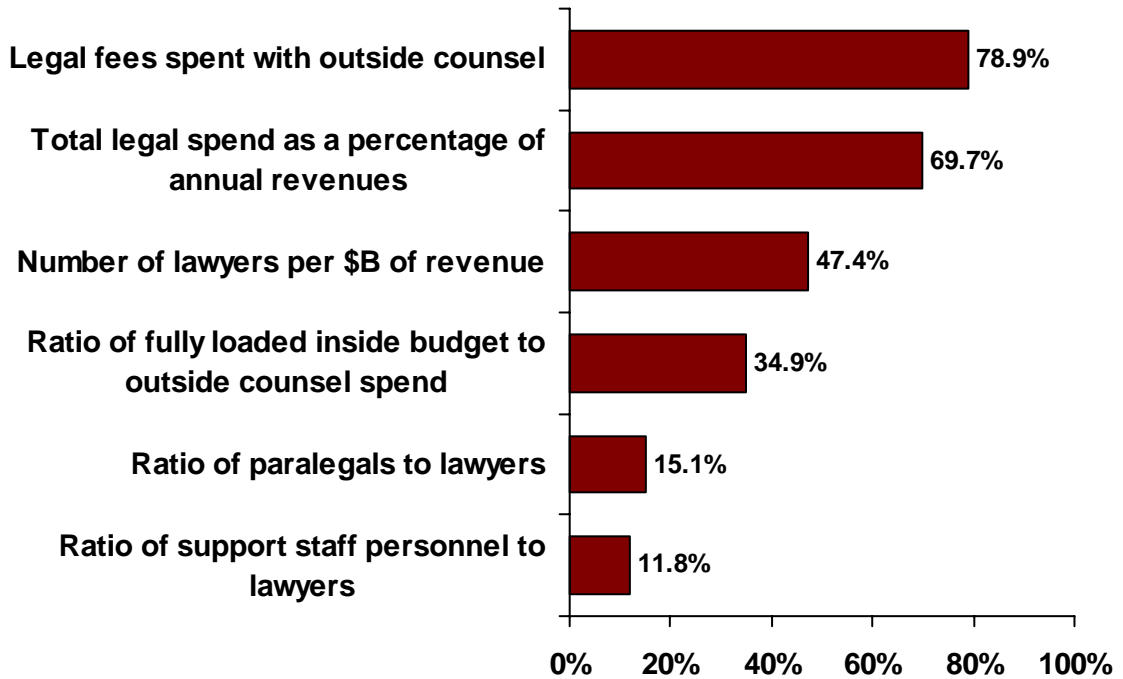
**12a. Identify and rate any other law firm marketing efforts that you find noteworthy.**

**Top two responses:**

- Spending time to understand our business: average rating 9.3
- Recommendations and reputation: average rating 7.8

13. Law Department Metrics

What primary metrics do you use to evaluate the effectiveness and efficiency of your Law Department? (check all that apply)



**13a. Other metrics used to evaluate the effectiveness and efficiency of your Law Department (open ended)**

**Quality and Satisfaction**

- Satisfaction of business unit managers with quality, quantity and promptness of service
- Business unit leader interviews on effectiveness of in-house counsel/staff
- Internal client satisfaction surveys
- Quality of work / extent clients depend on advice, both legal and non-legal
- Success with substantive legal matters

**Financial metrics**

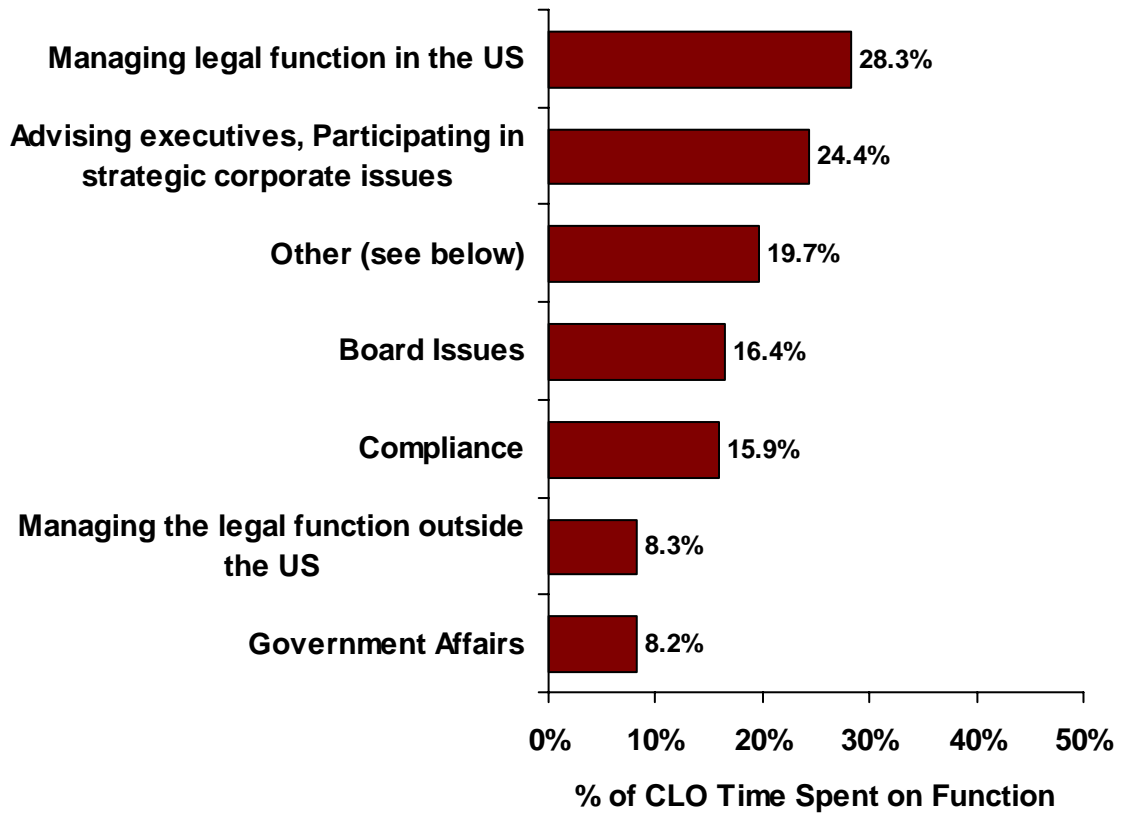
- Overall net costs and litigation reduction
- Inside counsel "replacement cost savings" (of using inside instead of outside counsel at their hourly billable rates)
- Fully loaded inside hourly cost to average outside hourly rate
- Average hourly rates over time and compare with fixed fees we have.
- TLS [Total Legal Spend] year over year
- Legal as a percent of total salaries/benefits

**Other**

- Transaction volume
- Cycle time, after actions conducted, actual/budget spend
- Efficiency and turn-around time
- Our approach is not metric driven directly it is much more holistic, we depend upon our perception of our members' judgment and management of their various areas of responsibility
- Not currently using any metrics, we evaluate based on more direct and personal factors
- Work in progress - I haven't found the perfect metrics yet.

**14. CLO Time Allocation**

Please estimate how you have allocated your time over the last 12 months in your role as Chief Legal Officer.



**Other functions:**

**Top four responses in order of frequency**

- Practicing law / Providing legal services to the corporation
- Litigation management
- Managing other corporate functions that report to CLO
- Professional associations, Boards, Community involvement

## 15. CLO Management Priorities

What is your number one Law Department management priority for 2012? (open ended question)

### Top 8 response categories in order of frequency:

- **Control Costs / Budget** – 24.1% of responses
- **Efficient delivery of legal services** – 16.0% of responses
- **Supporting the business goals of the organization** – 12.3% of responses
- **Providing quality legal service** – 12.1% of responses
- **Compliance** – 10.7% of responses
- **Risk management** – 7.0% of responses
- **Lawyer staffing issues** – 7.0% of responses
- **Managing outside counsel** – 5.3% of responses

### Representative Comments:

- Controlling overall legal spend flat to 2011 while maintaining a high level of service.
- Focusing on process management to streamline processes, leverage resources, enhance consistency, and reduce costs
- Building a strong legal team that works effectively across the enterprise. Reducing the number of law firms used and the overall budget.
- Providing high quality cost effective legal and risk management services that contribute to corporate objectives
- Increased value in an evolving and challenging industry and expense reduction through re-organization of the legal function
- Developing a new service delivery model for our internal clients
- Make sure Legal is not the bottleneck. Add value with well considered business counsel.
- Maximize use of in-house counsel for company legal work where it makes the most economic sense.

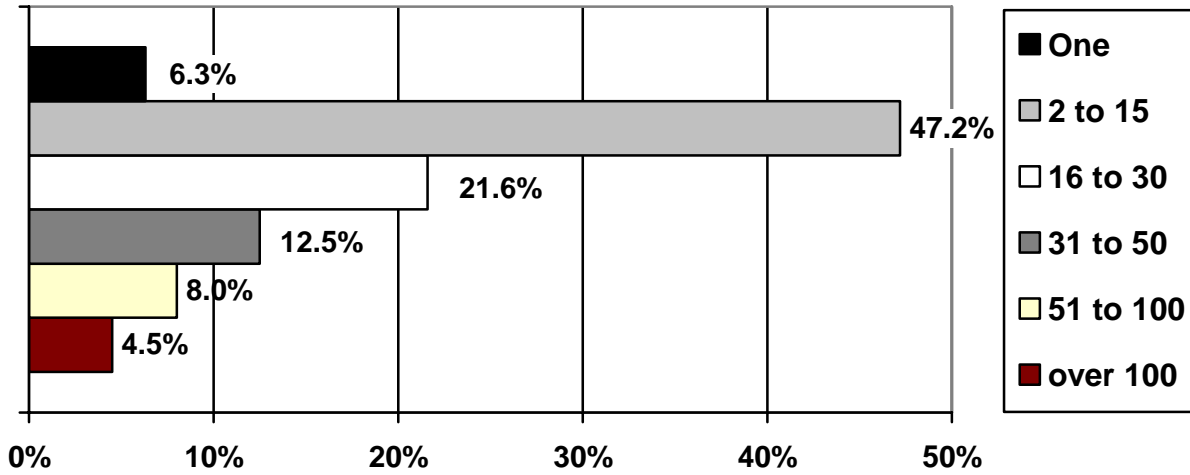


- Supporting global growth initiatives - execution and integration, and associated compliance.
- Containing expenses while dealing with ever increasing regulatory/compliance obligations
- Ask fewer lawyers to do more work--and hoping they don't leave in the process.
- Manage legal department attorneys and staff to most effectively provide legal support and counsel to targeted business unit initiatives.
- Ensure to that we are receiving the best quality of work from our outside law firms
- Managing and collaborating with outside counsel to bring value.

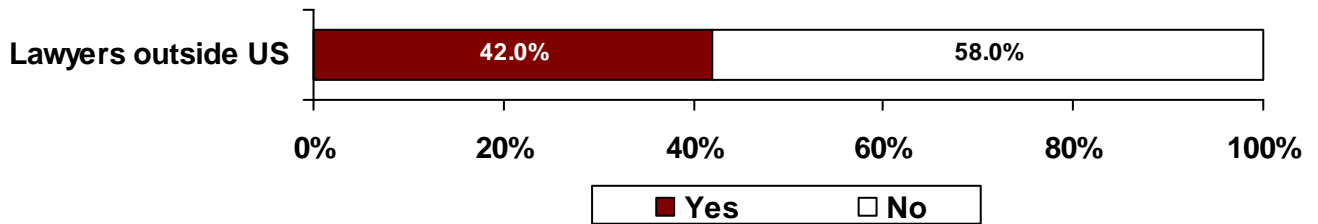
**2011**  
**Chief Legal Officer Survey**  
**Participant Demographics**



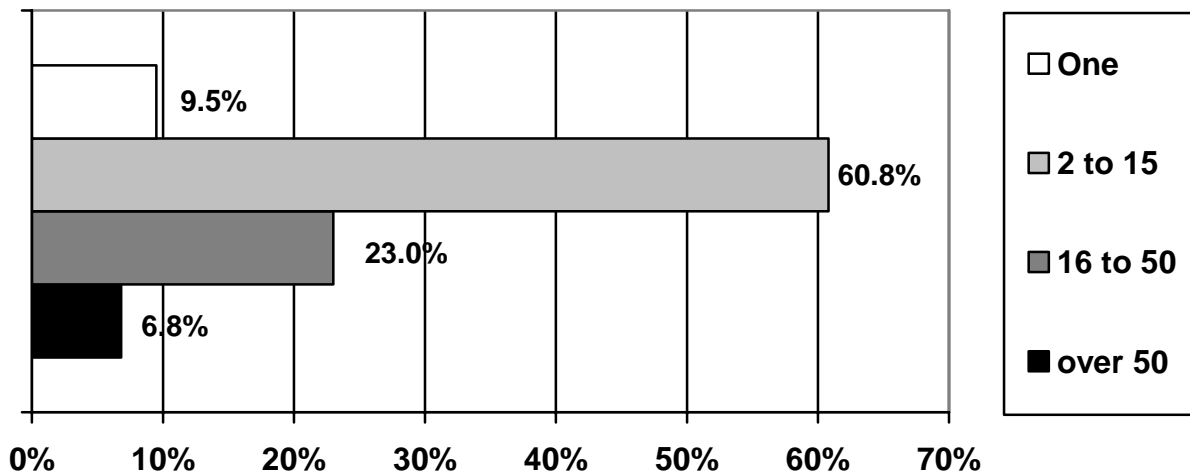
1. How many in-house attorneys are in your department (in all locations)?



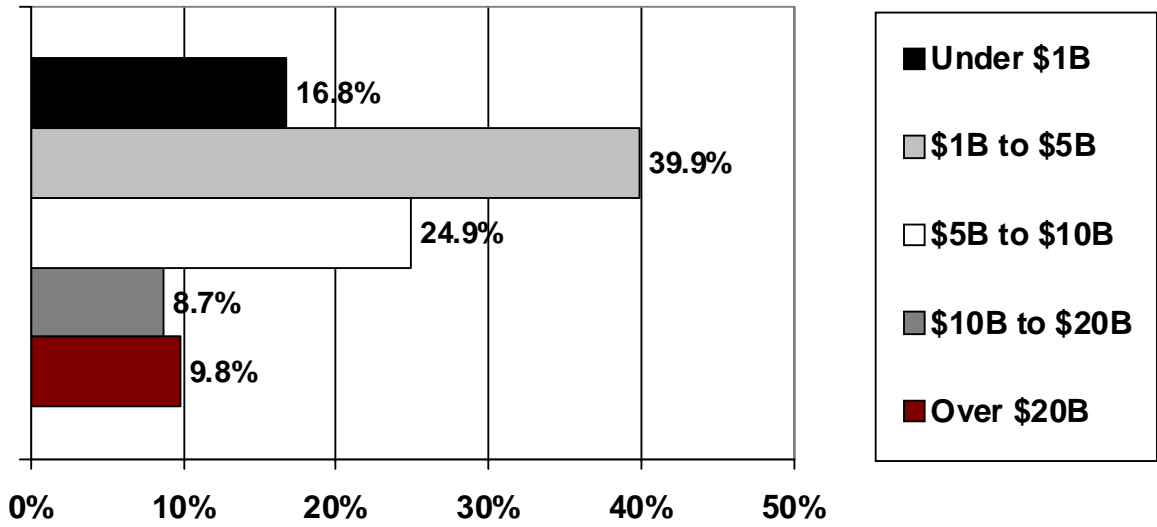
1a. Are any resident outside of the US?



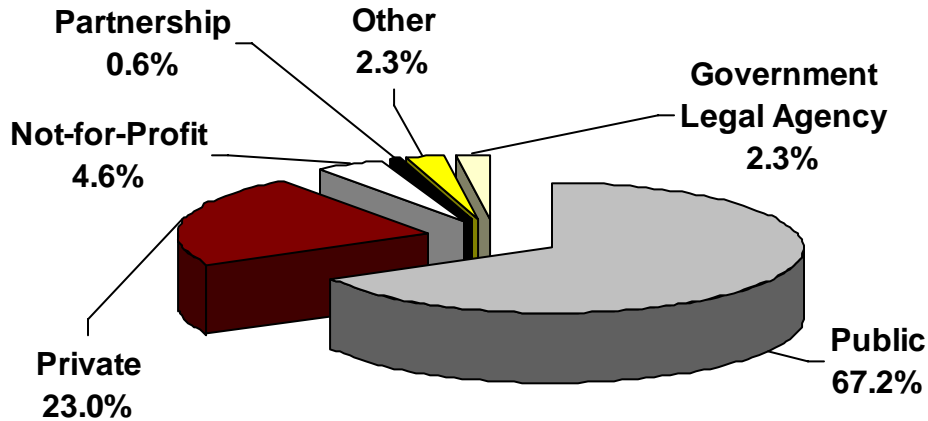
1b. If yes, how many attorneys in the department are resident outside the US?



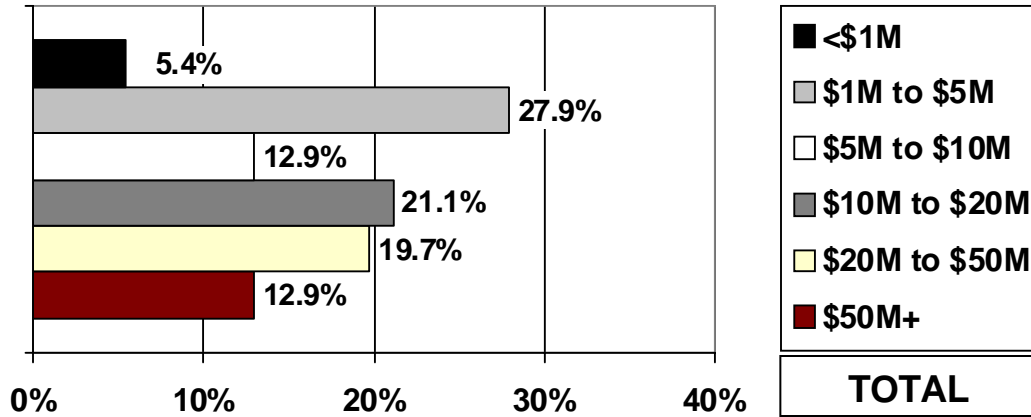
3. What are your organization’s annual revenues?



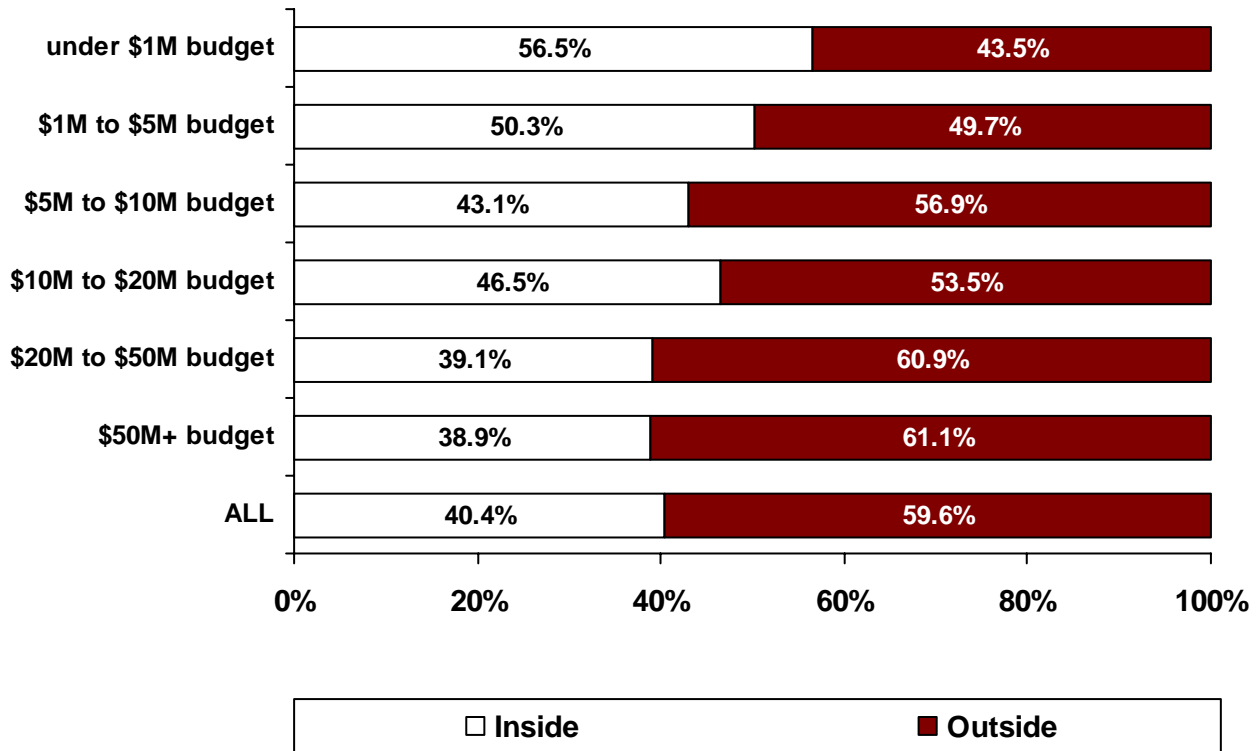
4. Is your organization:



5. What is the size of your 2011 Law Department budget in U.S. dollars?



**PERCENTAGE OF BUDGET SPENT INSIDE / OUTSIDE**



**Contact Altman Weil**

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