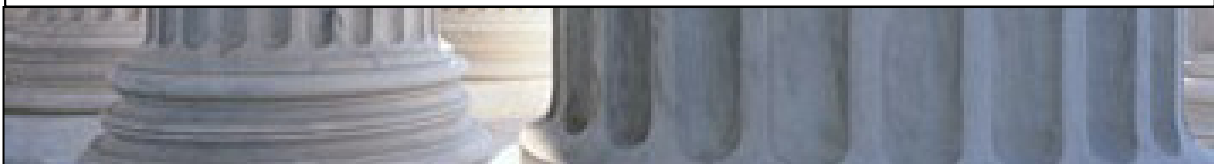


**2010**  
**Chief Legal Officer Survey**  
**An Altman Weil Flash Survey**



## 2010 Chief Legal Officer Survey

For the eleventh 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 are increasing their internal budgets, hiring more lawyers and paralegals to staff those departments and decreasing their use of outside counsel according to the newly released **2010 Chief Legal Officer Survey**.

Sixty-three percent of Chief Legal Officers (CLOs) surveyed in September and October 2010 indicated that they had increased their internal budgets from 2009 to 2010. Forty-one percent plan to hire new in-house lawyers in the next twelve months and 32% will increase the number of paralegals on staff. In the same time period, 29% plan to decrease their use of outside counsel.

These results highlight a shift of perspective among CLOs. Law departments are still going to rely on outside counsel for many things, but they are increasingly serious about finding more cost-effective ways to serve their clients – and that includes adding more internal resources.

Law departments continue to increase their use of alternative fee arrangements (AFAs) according to the survey. In 2009, 77% of CLOs used at least some alternative pricing for work done by outside counsel, while, in 2010, 81% report that they will do so. On average, 11.9% of outside counsel fees were based on non-hourly pricing in 2009. CLOs estimated 14.5% of fees will have a non-hourly basis in 2010.

When asked why they don't always request alternative fee arrangements, almost half of CLOs replied that non-hourly pricing was not appropriate for all types of matters, including litigation, specialty work, and urgent matters. Another 17% cited times when the scope of a matter was too unpredictable. Fourteen percent indicated that they either don't believe non-hourly pricing saves money, or they don't yet understand how AFAs work. Only 3% reported that law firms were resistant to alternative fees.

The use of AFAs continues to grow, but they are still not as well understood or as effective as they might be. Not until law departments develop robust analytical data on costs will they have the structure, discipline and confidence to routinely engage law firms on a non-hourly basis.

For the second year in a row, CLOs were asked to rate how much pressure corporations are putting on law firms to change the value proposition in service delivery, and in turn how serious law firms are about changing their service delivery model. The survey found no change from the 2009 results. Law departments assessed their own desire for change at a median of five on a scale of zero to ten and scored law firms at a dismal three on the same scale.

Clearly CLOs believe there is still a long way to go to change the traditional business model that has been practiced by law departments and their law firms for decades.

The survey also measured various emerging trends making news in the marketplace in 2010 and found:

- 61% of law departments have preferred provider lists.
- 32% plan to decrease the number of law firms they use in the next twelve months
- 23% of departments are currently providing project management training to their lawyers or plan to do so in the next twelve months.
- Corporate purchasing professionals are involved in 19% of outside counsel selection decisions, although only in an advisory role.
- 15% of law departments are offshoring legal work and 12% are offshoring non-lawyer functions.
- Only 5.4% of CLOs report that they do not allow first and second year law firm associates to work on their matters.

### **The Survey**

The **Chief Legal Officer Survey** has been conducted and published annually by Altman Weil, Inc. since 2000, most recently in September and October 2010. One hundred and seventy four responses were received for the 2010 survey, 14.4% of the 1,210 corporate law departments invited to participate.

The survey report follows and is available online at [www.altmanweil.com/CLO2010](http://www.altmanweil.com/CLO2010).

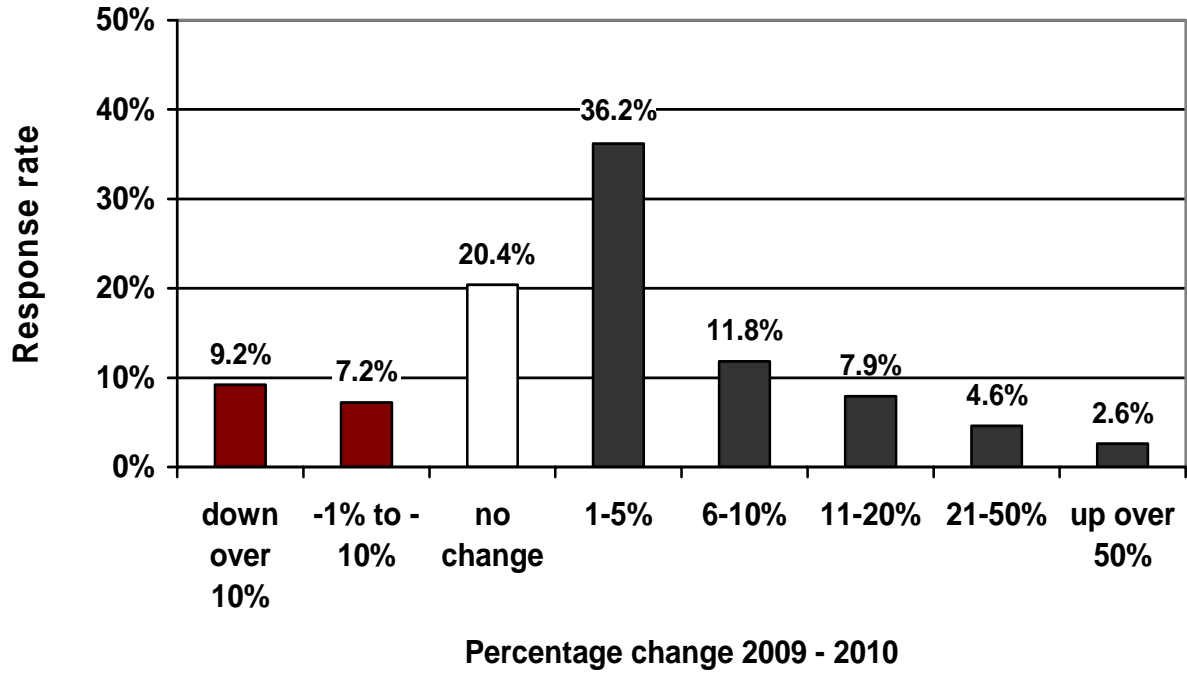
### **About Altman Weil**

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).

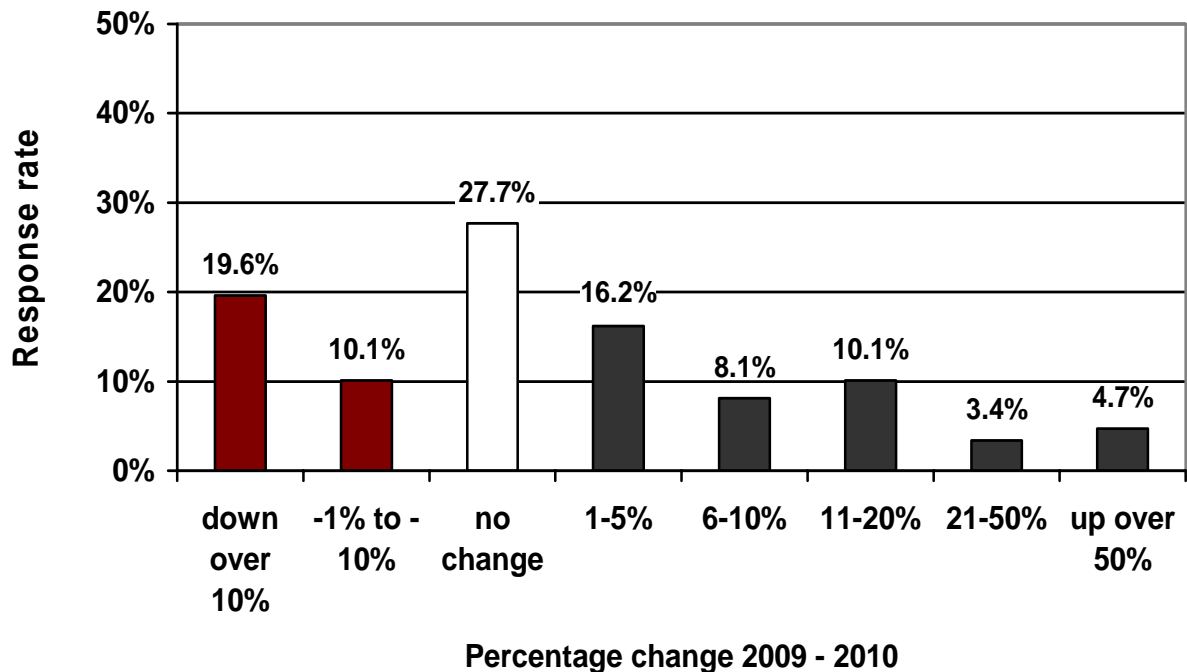


1. Indicate the approximate percentage increase or decrease to your Law Department budget from 2009 to 2010

**1a. INSIDE BUDGET**

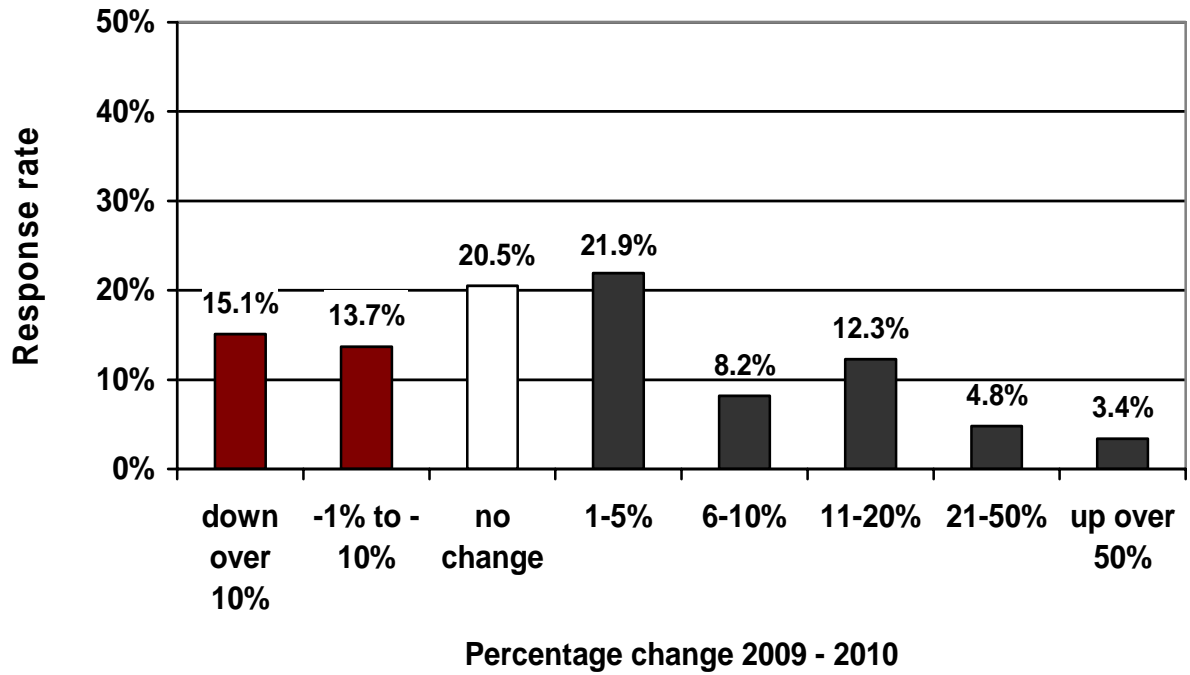


**1b. OUTSIDE BUDGET**

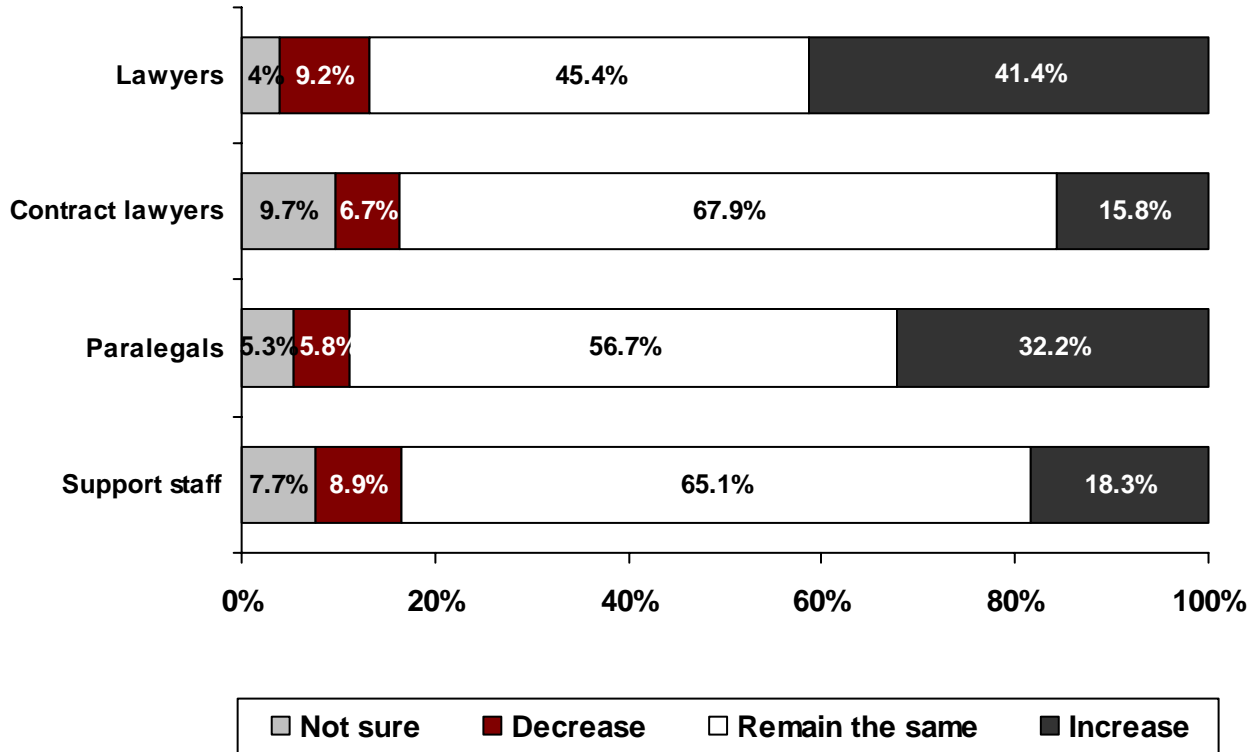


1. Indicate the approximate percentage increase or decrease to your Law Department budget from 2009 to 2010

1c. TOTAL BUDGET

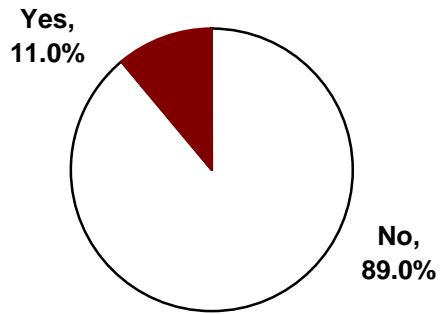


2. Within the next 12 months do you plan to increase or decrease your Law Department workforce?

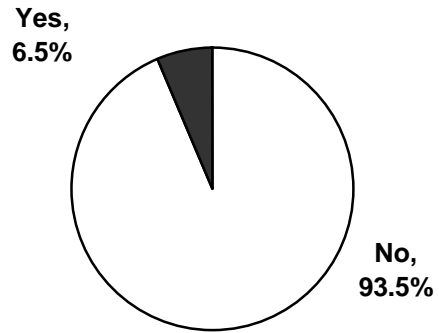


3. Did your Law Department offshore any legal work or non-lawyer functions in 2009? Will you in 2010?

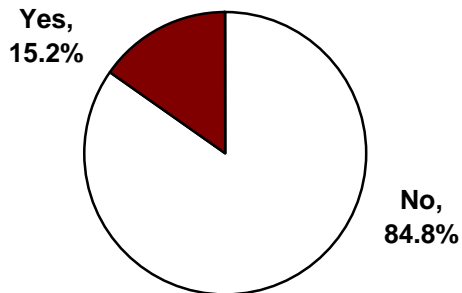
Offshore Legal Work 2009



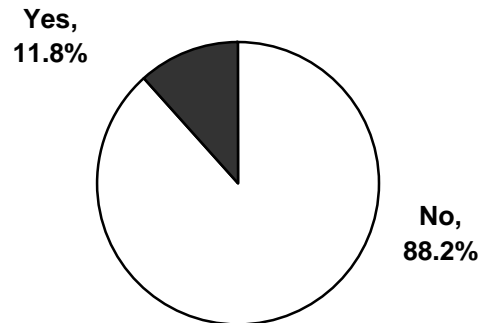
Offshore Non-Lawyer Functions 2009



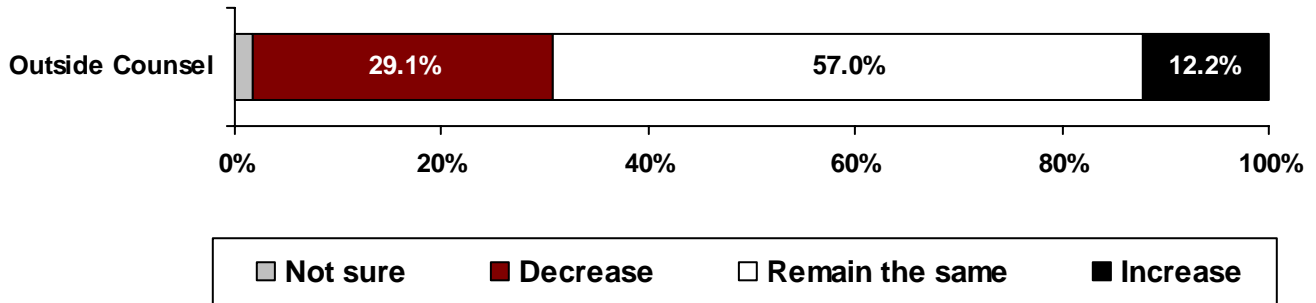
Offshore Legal Work 2010



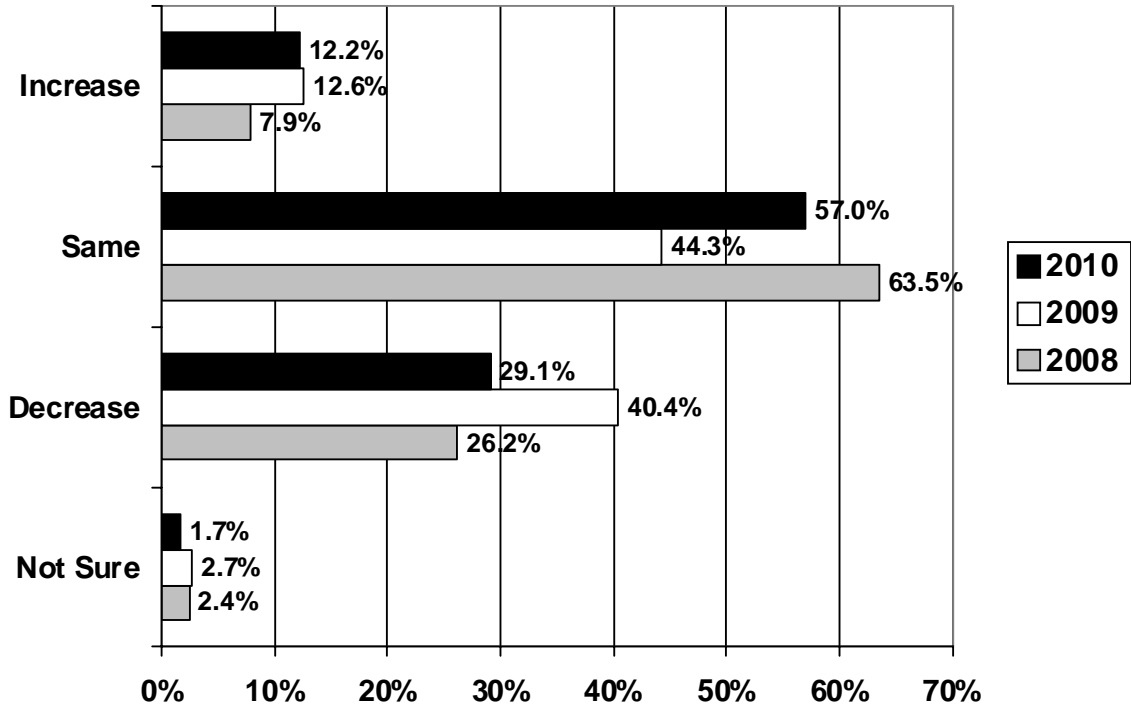
Offshore Non-Lawyer Functions 2010



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

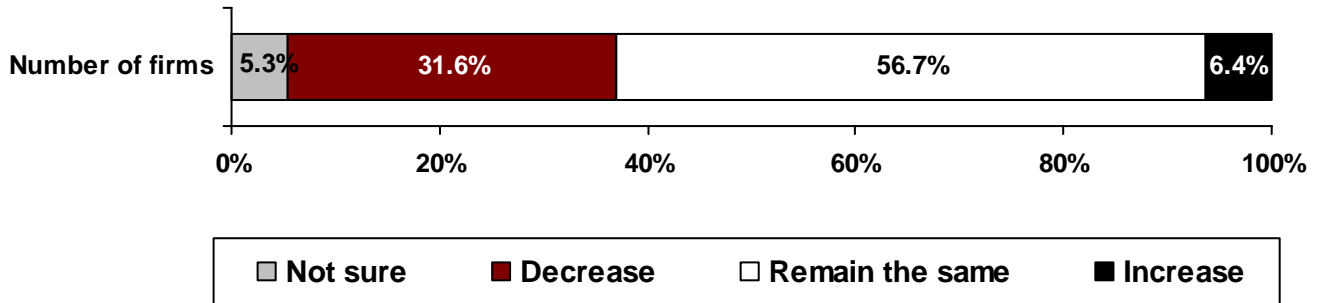


USE OF OUTSIDE COUNSEL - THREE YEAR TREND

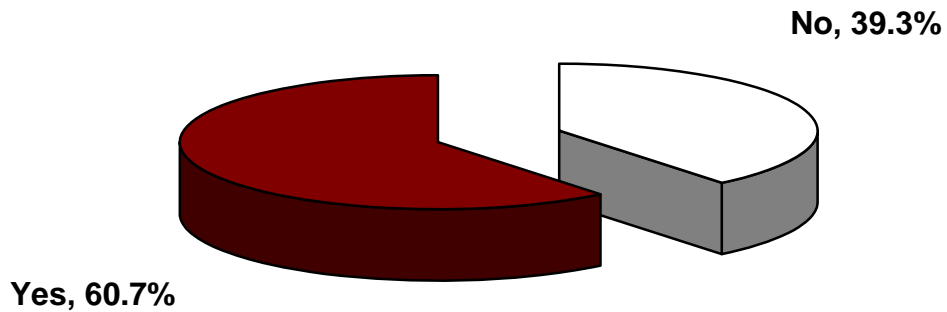


Data compiled from 2008, 2009 and 2010 Chief Legal Officer Surveys.

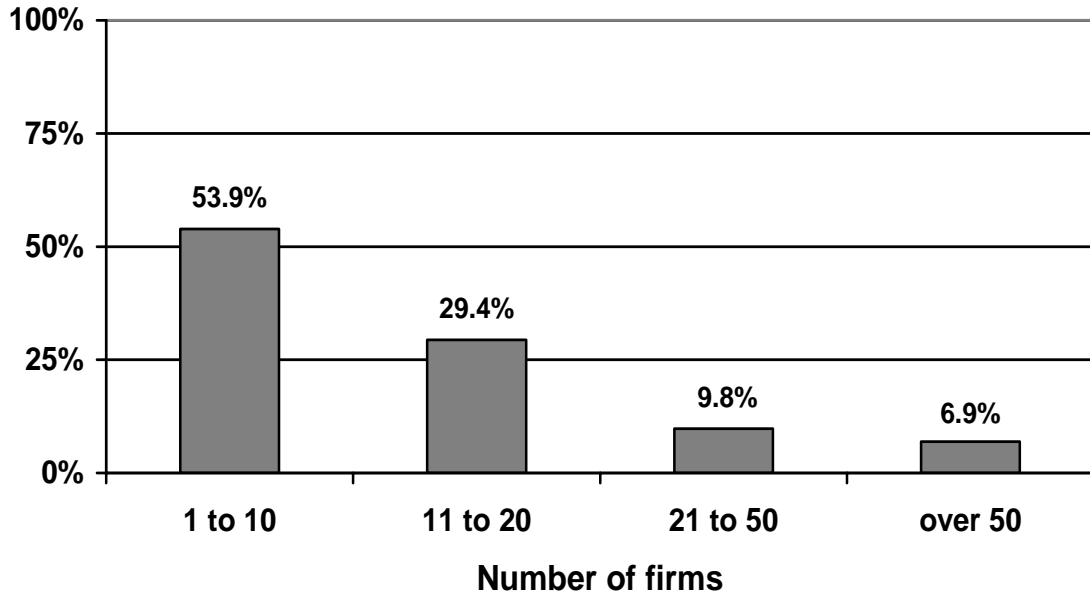
5. Within the next 12 months do you plan to increase or decrease the number of law firms you use?



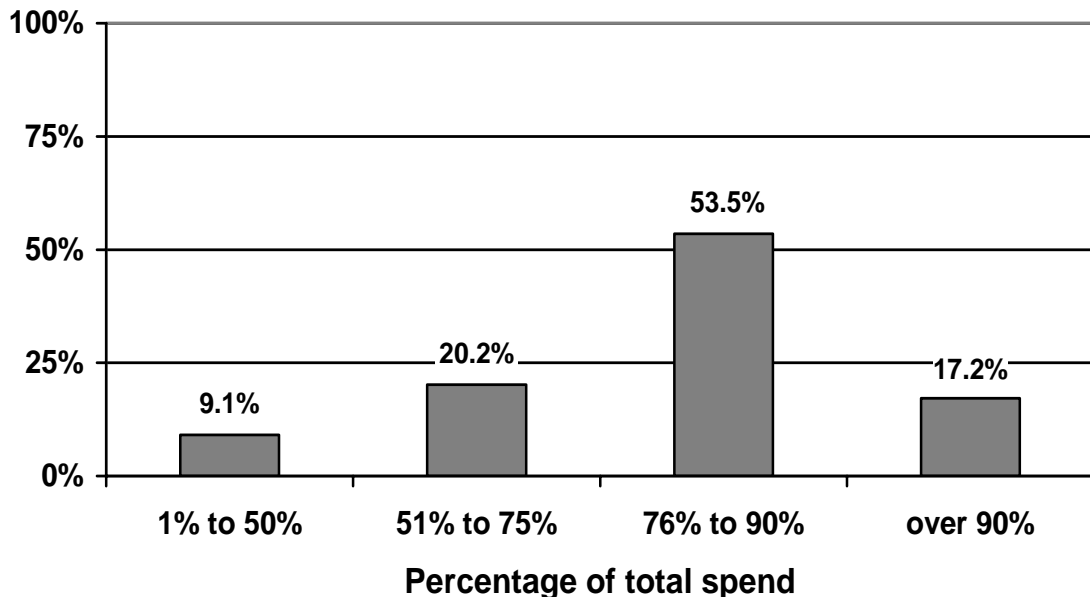
6. Do you have a preferred provider list?



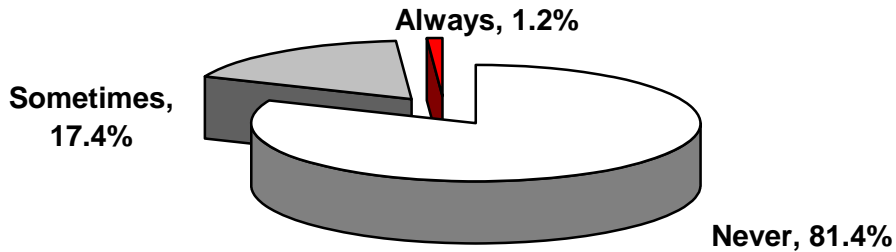
7. If you have a preferred provider list, how many firms are on the list?



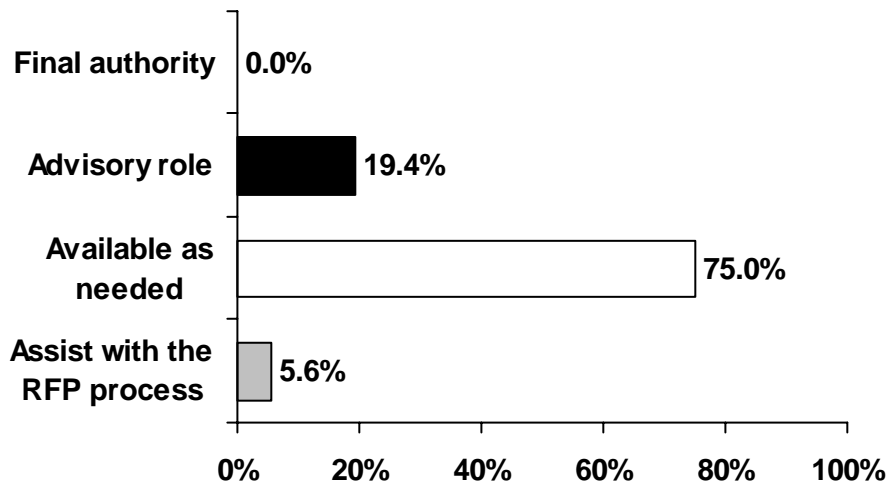
8. Approximately what percentage of you total legal spend goes to preferred provider firms?



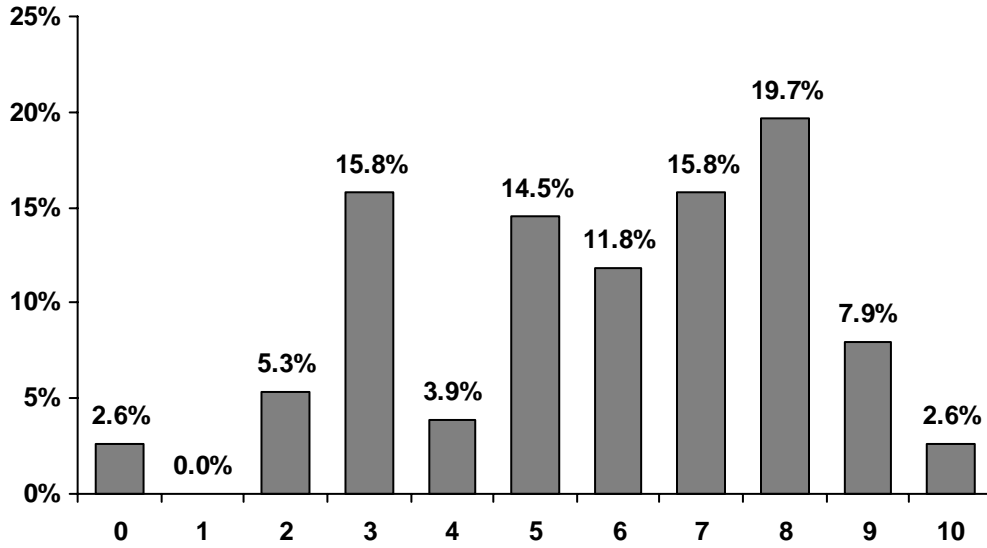
9. Are Procurement / Purchasing / Strategic Sourcing professionals in your corporation involved in outside counsel selection decisions?



10. If yes, to what extent are they involved?



11. If you use Requests for Proposal (RFPs) for new work, please rate how effective they are in yielding cost savings.

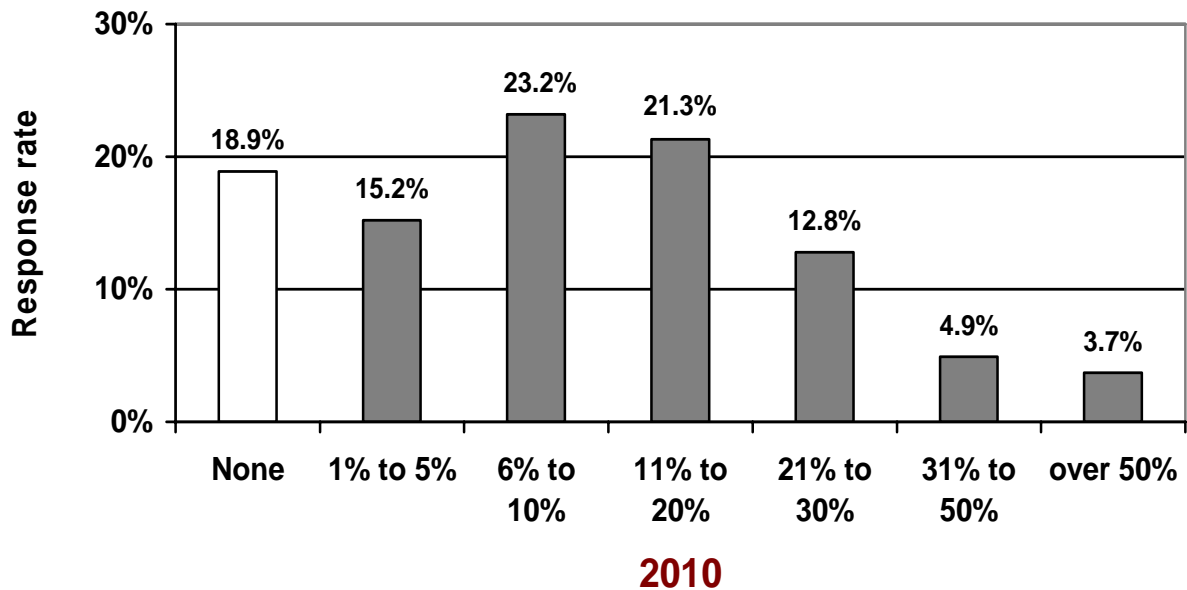
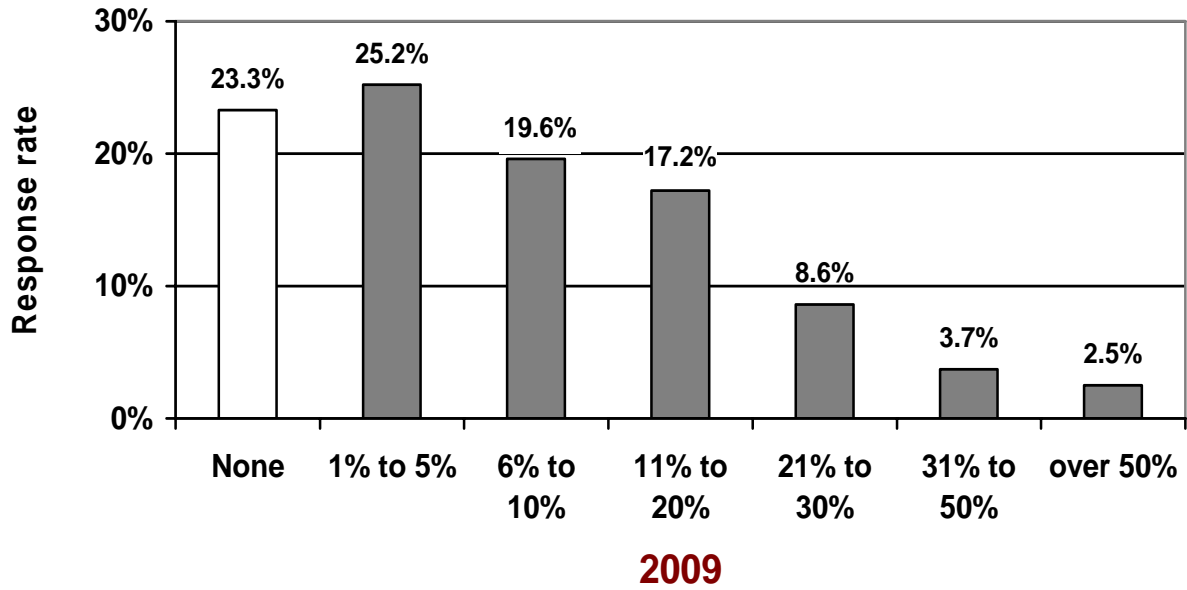


0 = Not at all effective

10 = Very effective

SNAPSHOT: RFP Effectiveness		
	Average	Median
Cost Savings	5.8	6.0

12. Approximately what percent of fees paid by your Law Department in 2009 do you estimate were for non-hourly\* work? What do you anticipate for 2010?



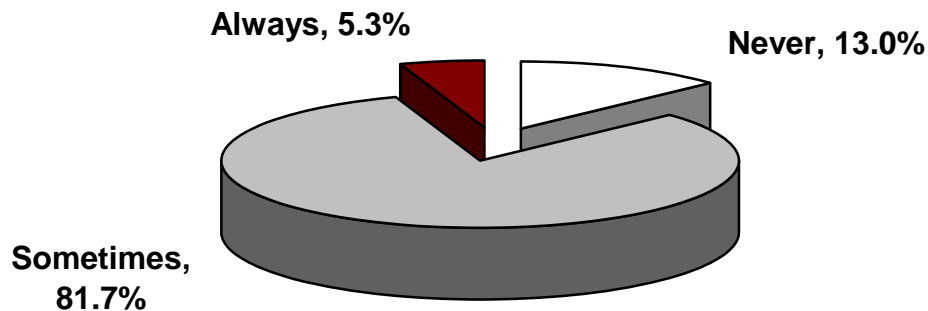
\*Non-hourly pricing does not include discounted hourly rates, blended rates or any pricing based on hourly charges.

12. Approximately what percent of fees paid by your Law Department in 2009 do you estimate were for non-hourly\* work? What do you anticipate for 2010?

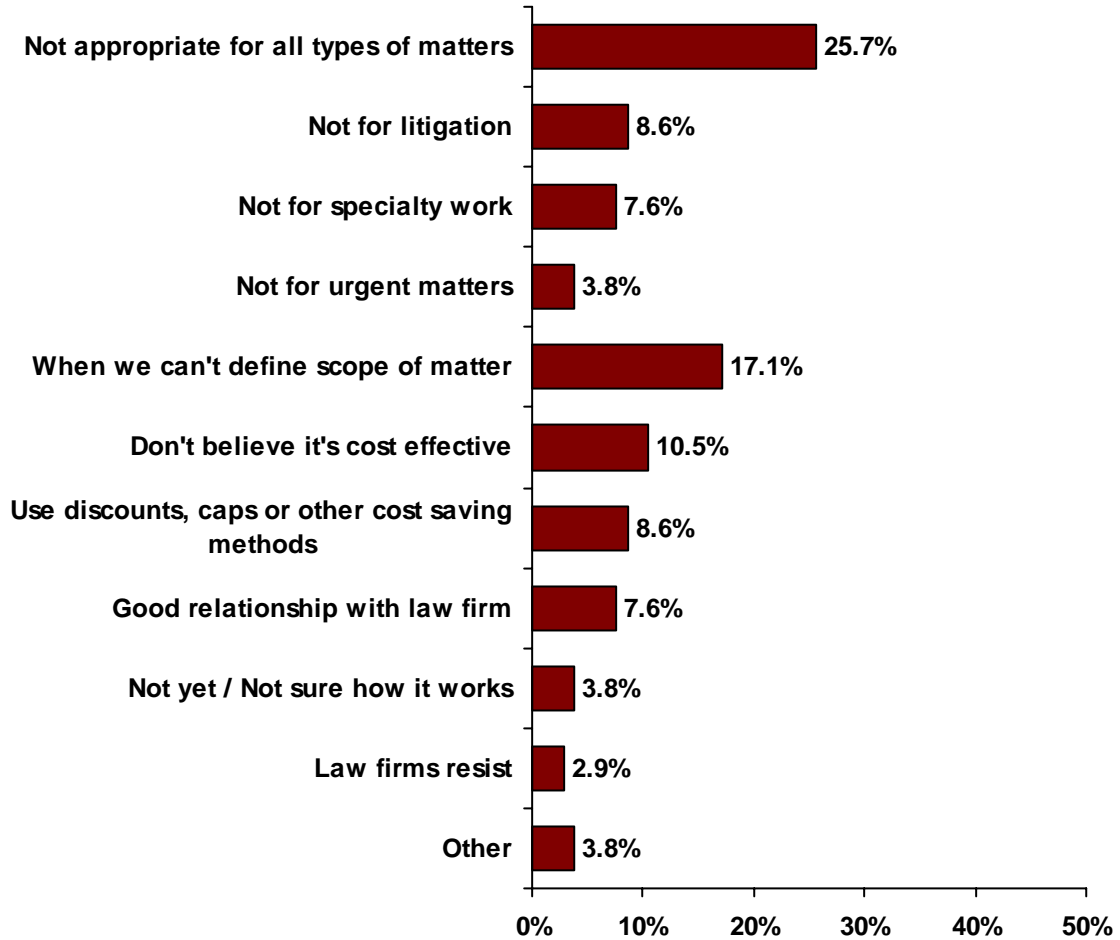
<b>SNAPSHOT:</b> Law Department Use of Non-Hourly Pricing		
	<b>Use</b>	<b>Don't Use</b>
<b>2009</b>	<b>76.7%</b>	<b>23.3%</b>
<b>2010</b>	<b>81.1%</b>	<b>18.9%</b>

<b>SNAPSHOT:</b> Non-Hourly Fees as % of Total Fees		
	<b>Average</b>	<b>Median</b>
<b>2009</b>	<b>11.9%</b>	<b>7%</b>
<b>2010</b>	<b>14.5%</b>	<b>10%</b>

13. Do you request non-hourly based pricing from your outside counsel for new matters?

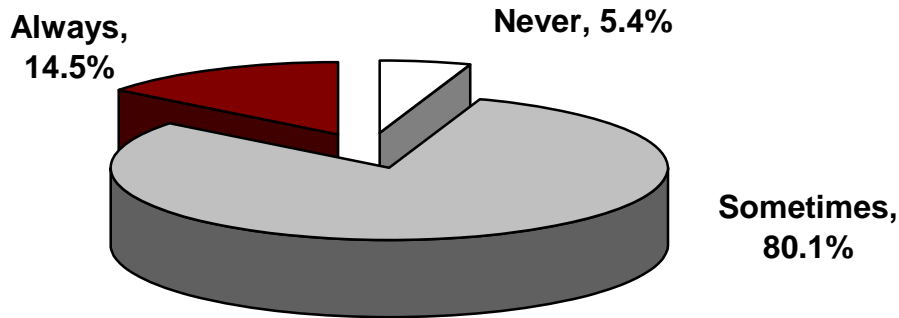


13. If there are times when you do not request non-hourly pricing, what is the primary reason?

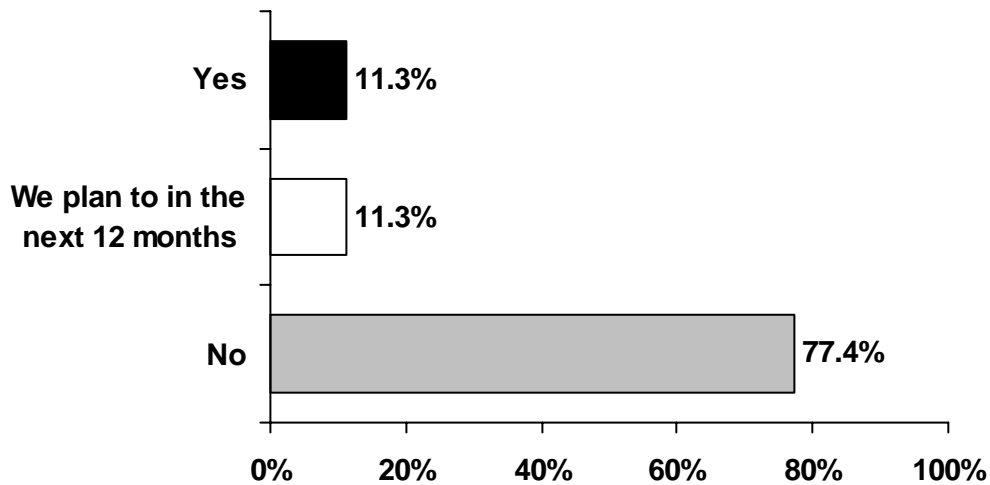


*Free text responses were categorized by topic.*

14. Do you allow law firms to use first and second year associates on your legal matters?

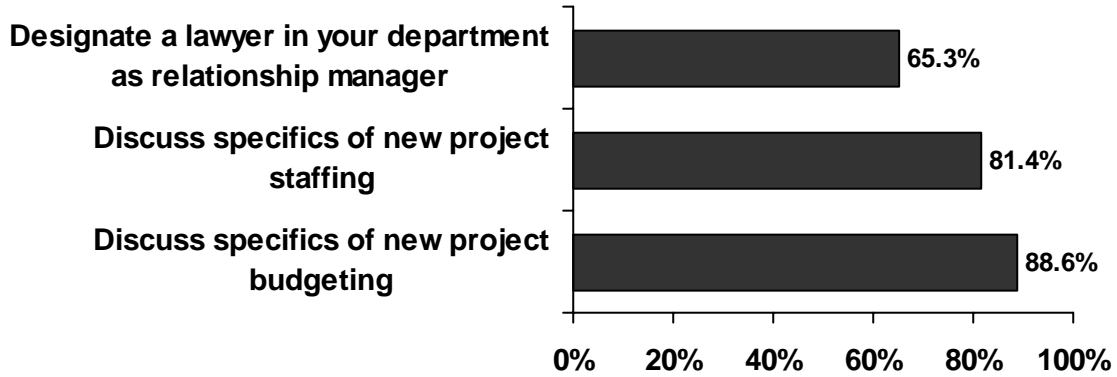


15. Does your organization provide its lawyers formal project management training to improve the efficiency of its legal service delivery?

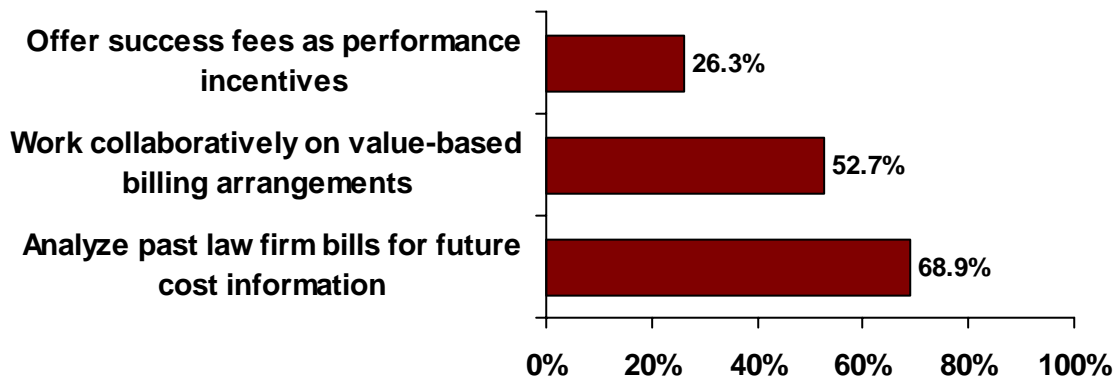


16. As part of your interaction with outside counsel, does your Law Department routinely do any of the following?

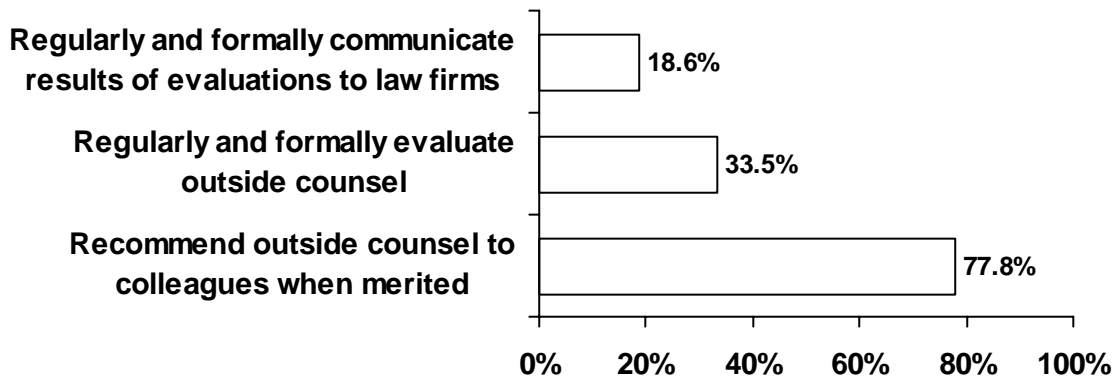
**PROCESS**



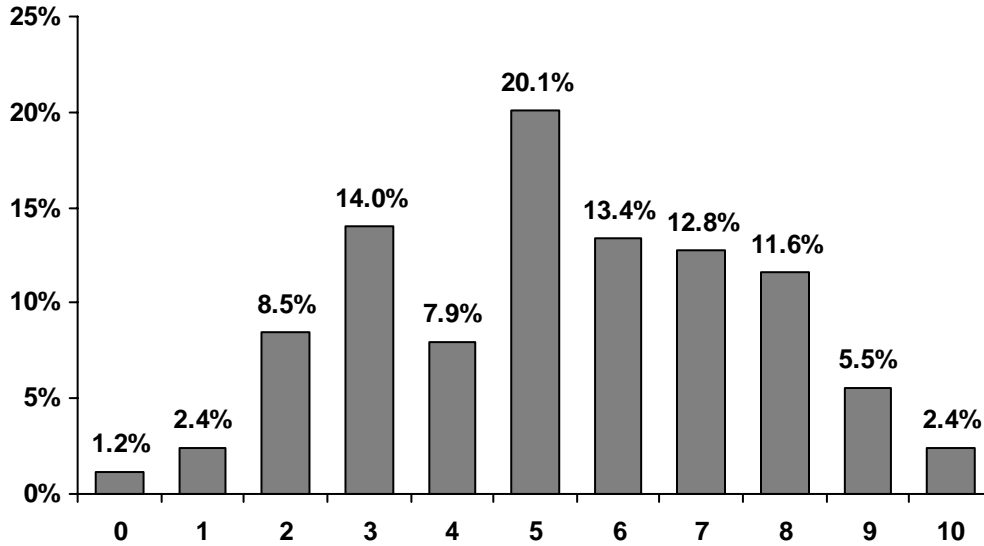
**PRICING / FEES**



**ASSESSMENT**



17. In your opinion, in 2010 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)?



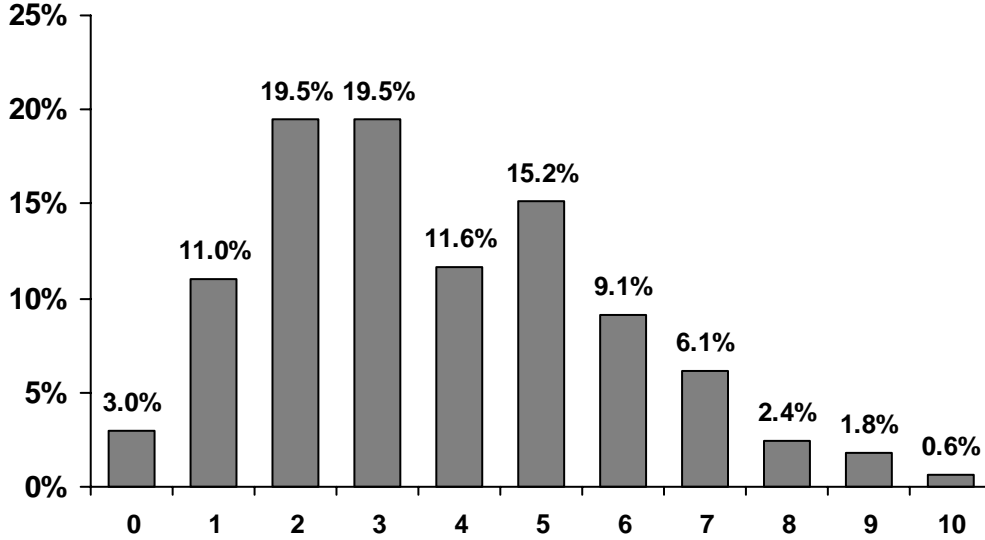
0 = No pressure

10 = Intense pressure

<b>SNAPSHOT:</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>

Data compiled from 2009 and 2010 Chief Legal Officer Surveys.

18. In your opinion, in 2010 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

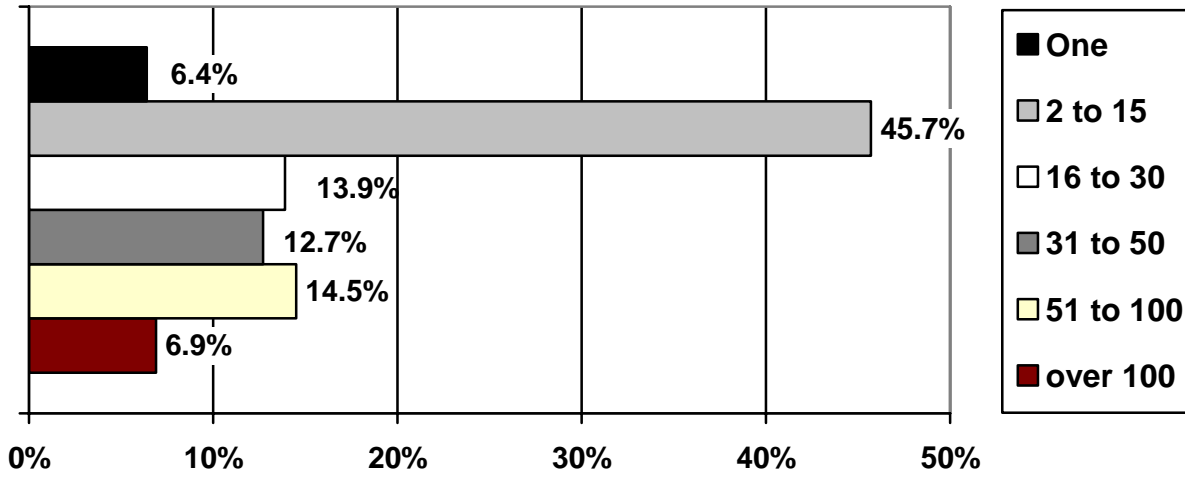
<b>SNAPSHOT:</b> Intent of Law Firms to Change		
	<b>Average</b>	<b>Median</b>
<b>2009</b>	<b>3.4</b>	<b>3</b>
<b>2010</b>	<b>3.7</b>	<b>3</b>

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

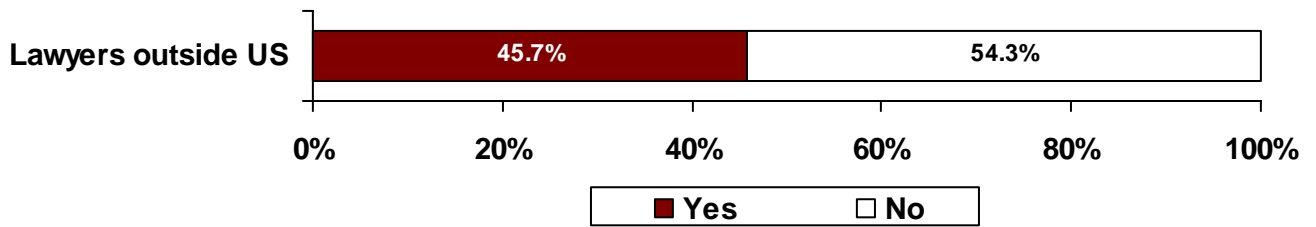
**2010**  
**Chief Legal Officer Survey**  
**Participant Demographics**



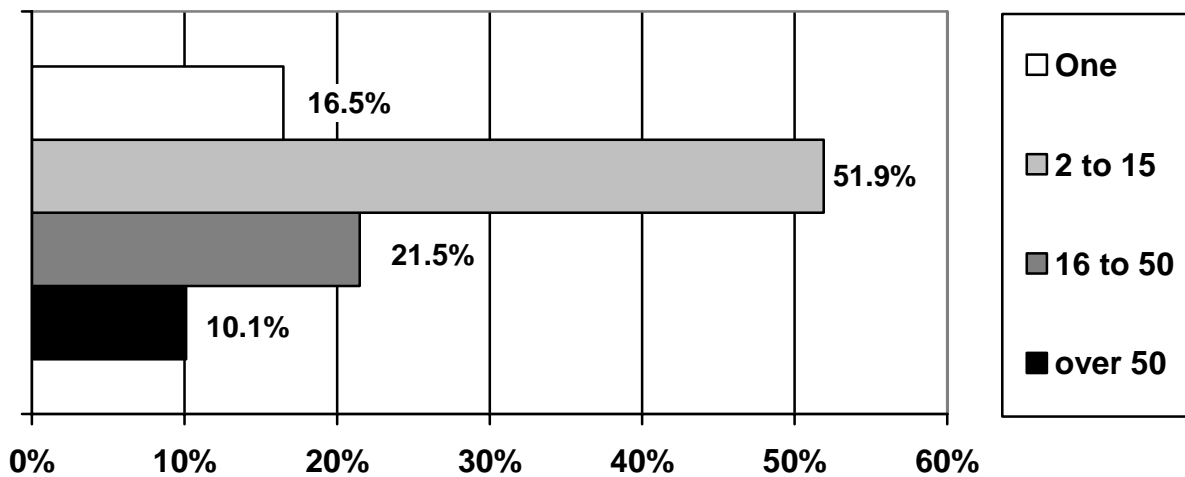
1. How many in-house attorneys are in your department (in all locations)?



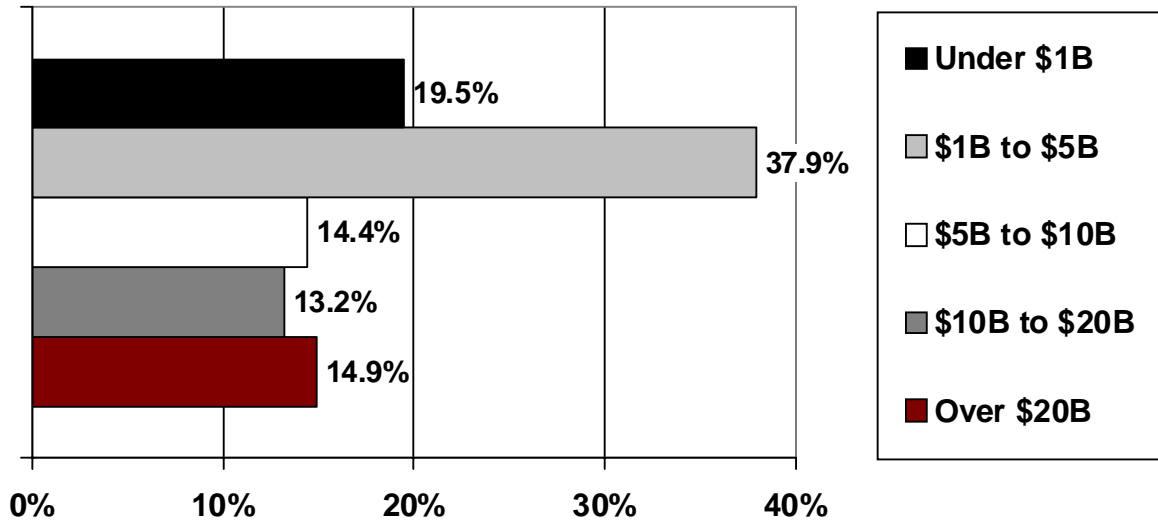
1a. Are any resident outside of the US?



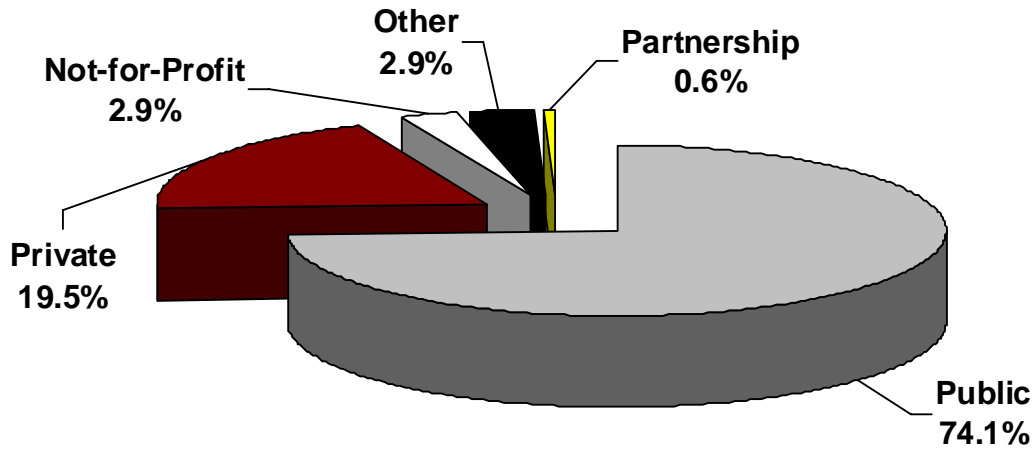
1b. If yes, how many attorneys in the department are resident outside the US?



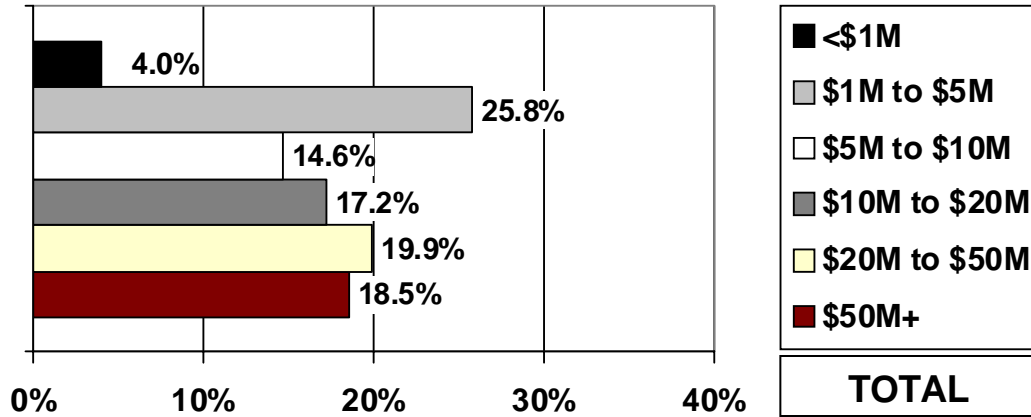
3. What are your organization’s annual revenues?



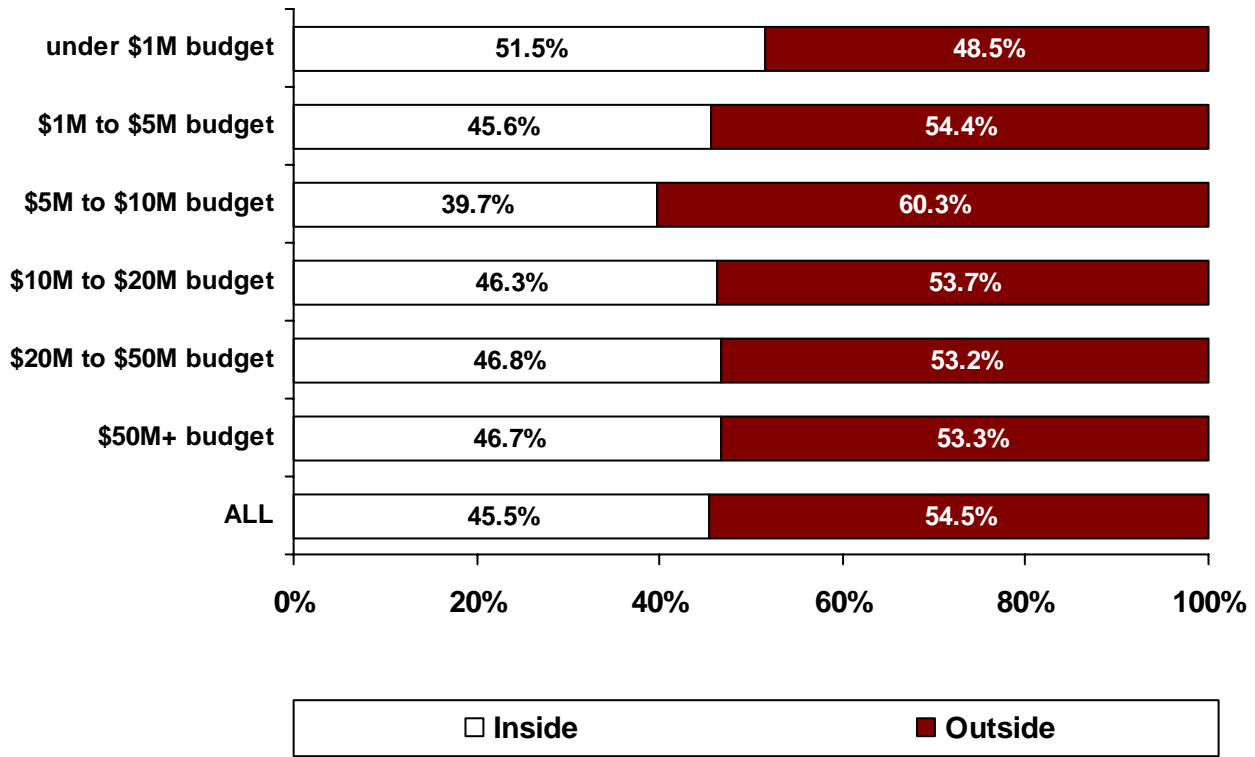
4. Is your organization:



5. What is the size of your 2010 Law Department budget in U.S. dollars?



**PERCENTAGE OF BUDGET SPENT INSIDE / OUTSIDE**



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