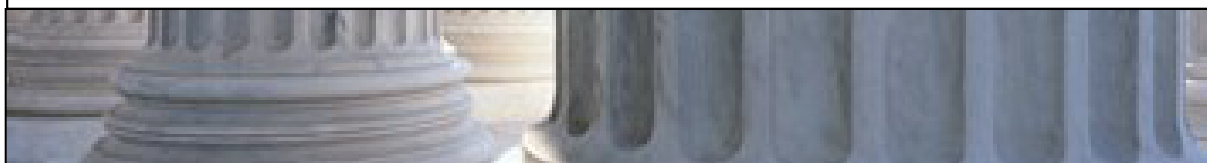


2013
Chief Legal Officer Survey
An Altman Weil Flash Survey



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2013 Chief Legal Officer Survey

For the fourteenth 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 continue to pursue cost control in legal service delivery, with a clear emphasis on internal change, according to over 200 Chief Legal Officers who participated in the **Altman Weil 2013 Chief Legal Officer Survey**.

Chief Legal Officers are trying to find a new, more cost-effective and efficient balance of resources. They are reformulating their mix of in-house lawyers and staff, outside law firms, new technology tools, and non-law-firm vendors, in order to deliver quality and value to their corporate client.

Cost control

The survey found that 78.5% of CLOs negotiate price reductions from outside counsel to control costs. Almost half of law departments (48.1%) receive an average reduction of between 6% and 10%. Twenty percent of departments have negotiated discounts of between 11% and 15%; and 19% of departments get average price cuts of 1% to 5%.

However, when asked about preferred outside counsel pricing scenarios, Chief Legal Officers overwhelmingly indicated that their preference is not simply for the lowest price they can get.

When offered four possible law firm pricing options, 36.4% of CLOs said they wanted 'transparent pricing' in which they understand how and why the price is set and have the opportunity to discuss changes. One-third of CLOs chose 'guaranteed pricing' as their preference; and 20.3% of CLOs preferred 'value-based pricing' that varies based on results. Only 9.6% of Chief Legal Officers say they wanted the 'lowest price' available.

This is very striking. If a rate discount is the only thing offered, law departments will certainly take it, but Chief Legal Officers are saying what they really want is predictability and control. So far this is a challenge that most law firms have been slow to address.

A new balance of resources

The 2013 survey reports 42% of corporate law departments plan to add in-house lawyers in the next 12 months, compared to only 5.4% who plan a decrease. At the same time 29% of law departments plan to decrease their use of outside counsel while only 15% plan an increase. Of those who plan to decrease their use of outside counsel, 82% say they will shift the work to in-house legal staff.

As part of their efforts to control costs, law departments report an array of efforts to move work from higher to lower priced resources. Along with shifting work from law firms to in-house lawyers, corporate law departments are also shifting law firm work to lower-priced firms, reducing the overall amount of work given to outside counsel, shifting in-house work from lawyers to paraprofessionals, using contract lawyers, using technology tools to increase efficiency, and outsourcing to non-law-firm vendors.

Reflecting these shifts, 47% of law departments surveyed report they decreased their outside counsel budget in 2013. This number is up from 39% of departments that reported decreasing their outside counsel spend in last year's survey, and 25% that did so in 2011.

Inside – Outside Relationship

When asked to select the service improvements and innovations they would most like to see from their outside counsel, three of the top four CLO responses involved costs and pricing. CLOs' first choice for change in law firm services was improved budget forecasting, followed by greater cost reduction, more efficient project management and non-hourly based pricing structures.

However, Chief Legal Officers appear to have little hope that law firms will rise to the challenge. For the fifth straight year, the survey asked CLOs to rate how serious law firms are about changing their legal service delivery model to provide greater value – and for the fifth year, the median rating was a dismal '3' on a scale of 0 (not at all serious) to 10 (doing everything they can).

To balance the picture, CLOs were also asked how much pressure corporations are putting on law firms to change the value proposition. CLOs rated themselves at a median 5 on the scale, as they have for four of the last five years.

After five years of similar responses to this pair of questions, it's seems pretty clear that Chief Legal Officers have decided to tackle these problems themselves, rather than rely on outside counsel to partner with them on change.

The survey offers some additional insight on the inside-outside relationship. In a final question, respondents were asked to comment on who has the harder job – Chief Legal Officers or law firm Managing Partners. Sixty-four percent thought CLOs have the greater challenge, citing the breadth and complexity of their role.

However, just over a third of survey respondents think Managing Partners face a harder road, for reasons that include the current law firm business model. One Chief Legal Officer commented “Structural changes impacting law firms are intense. CLOs have more options to traditional law firms today than ever before, and more are becoming available all the time.”

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 2013. Two hundred and seven responses were received for the 2013 survey, 16.3% of the 1,269 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/CLO2013.

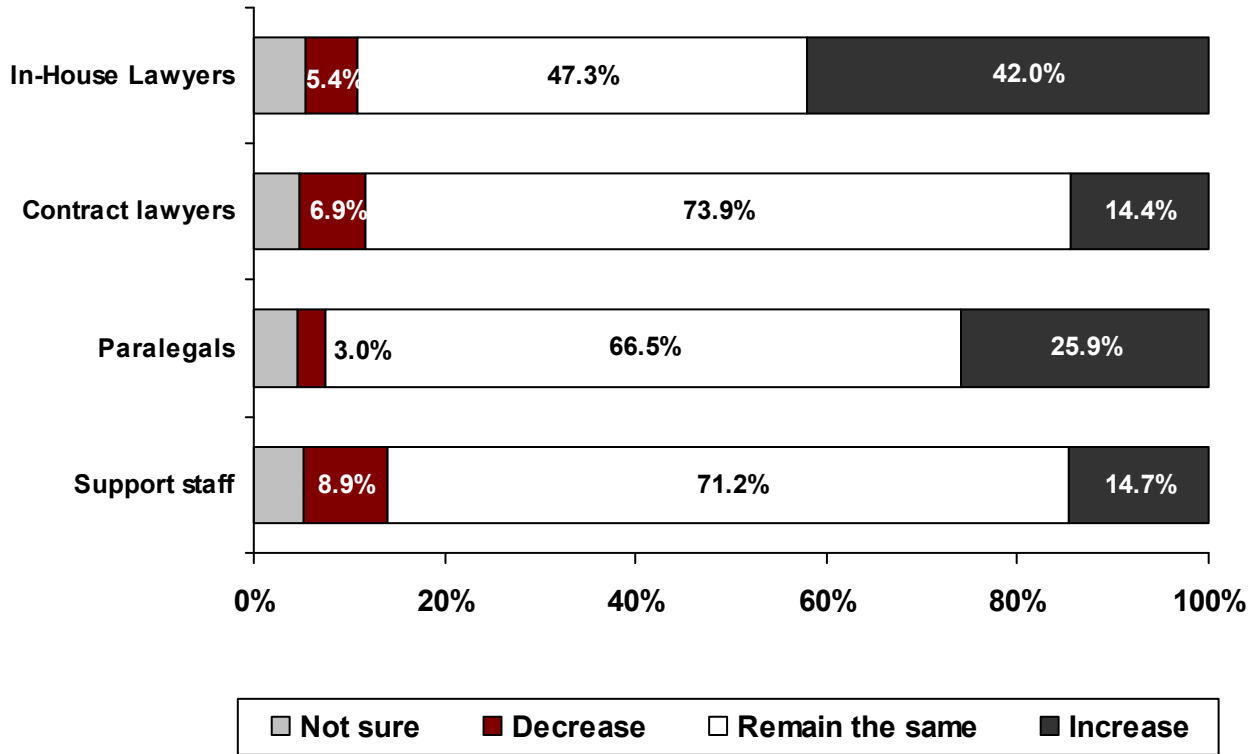
About Altman Weil

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.

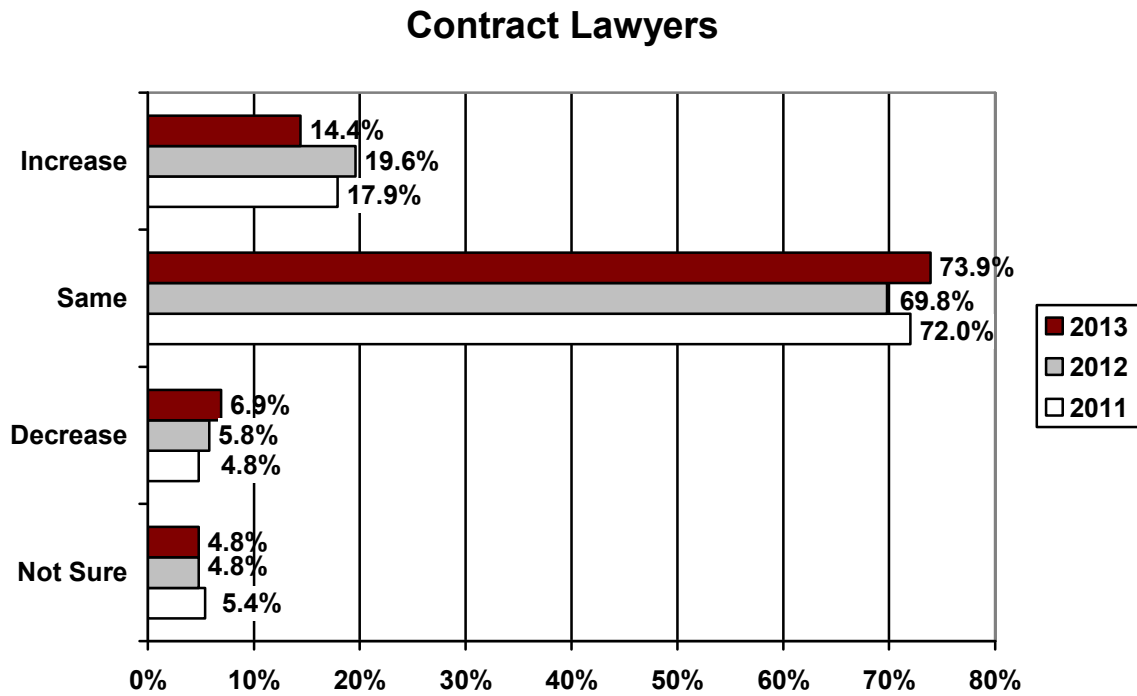
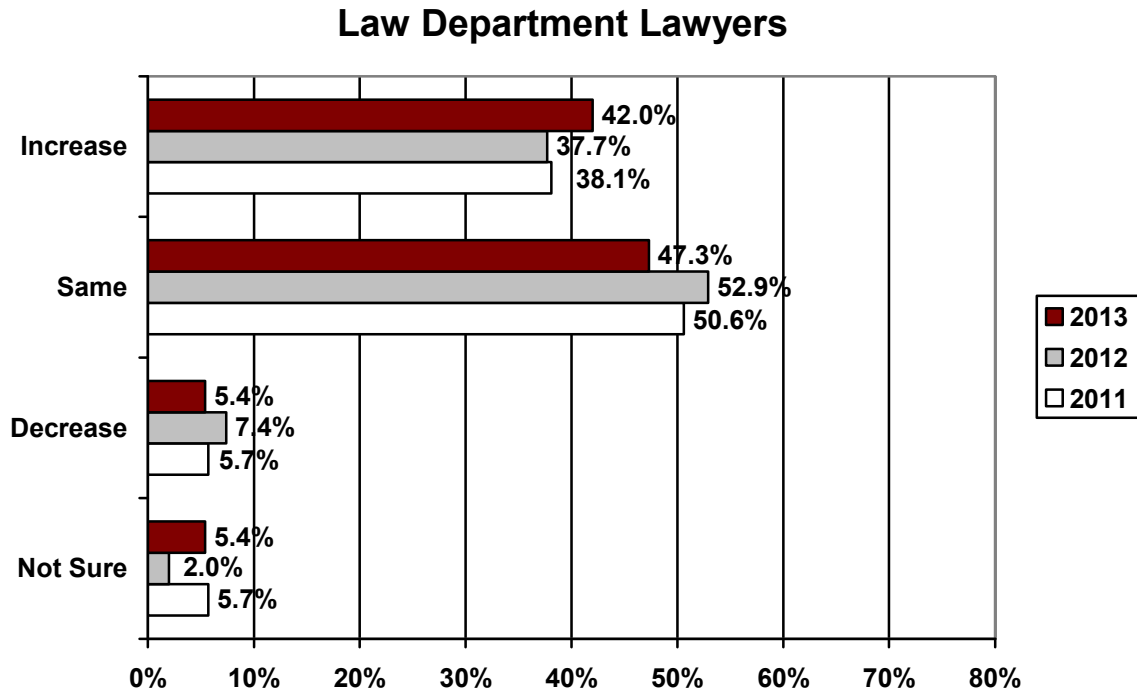


1. Law Department Workforce

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



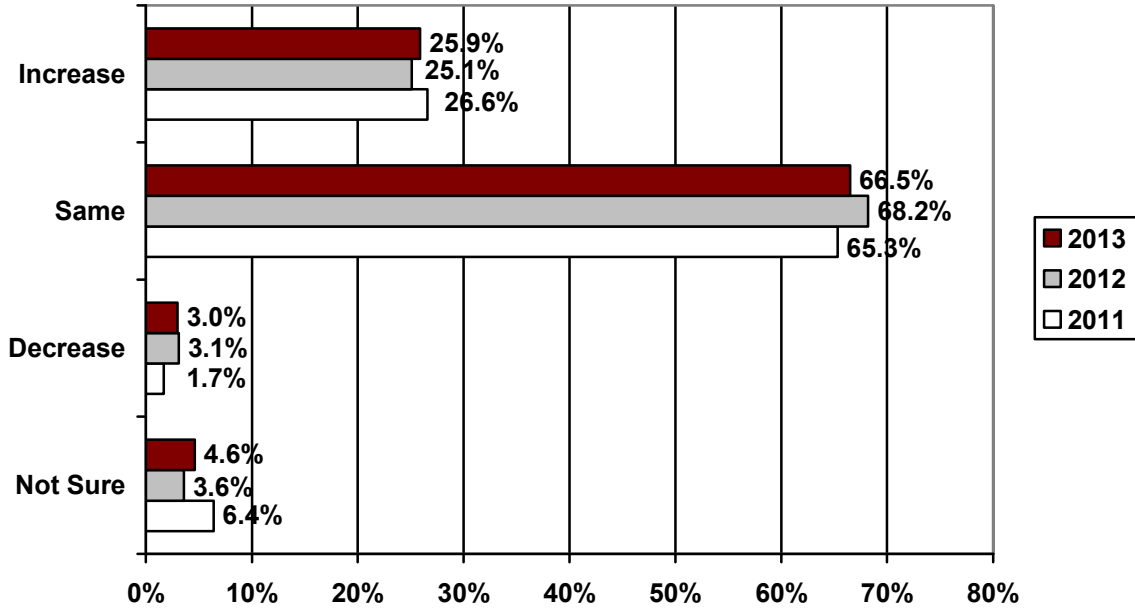
TREND: Increase or decrease your Law Department workforce



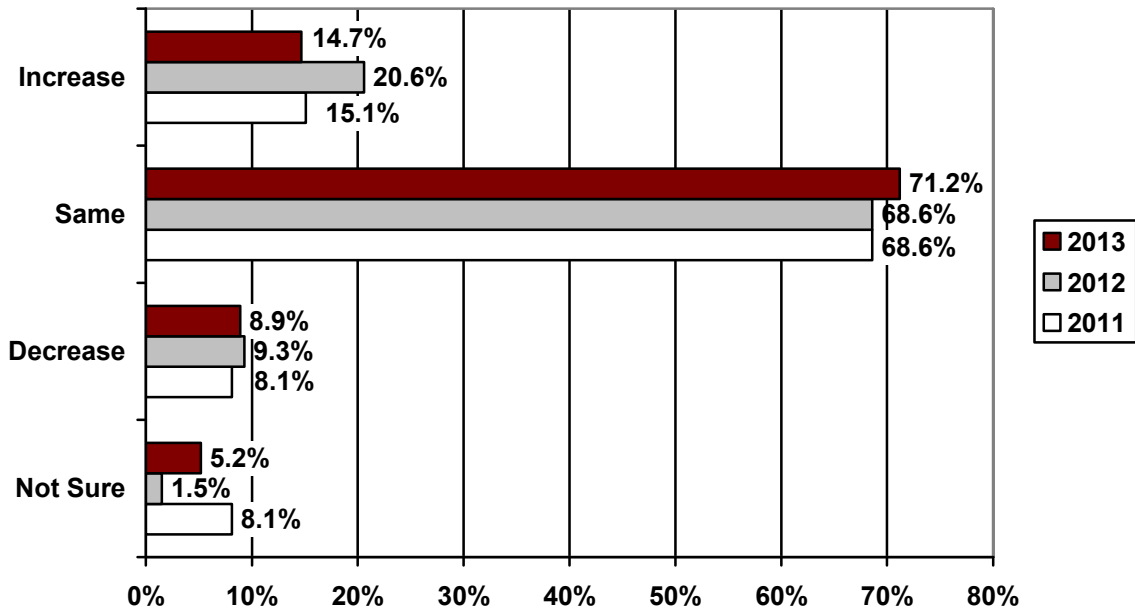
Trend data compiled from 2011, 2012 and 2013 Chief Legal Officer Surveys.

TREND: Increase or decrease your Law Department workforce

Paralegals



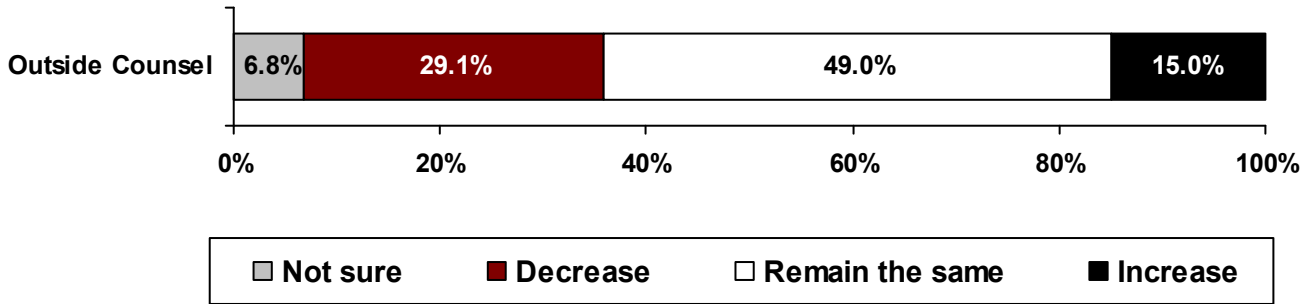
Support Staff



Trend data compiled from 2011, 2012 and 2013 Chief Legal Officer Surveys.

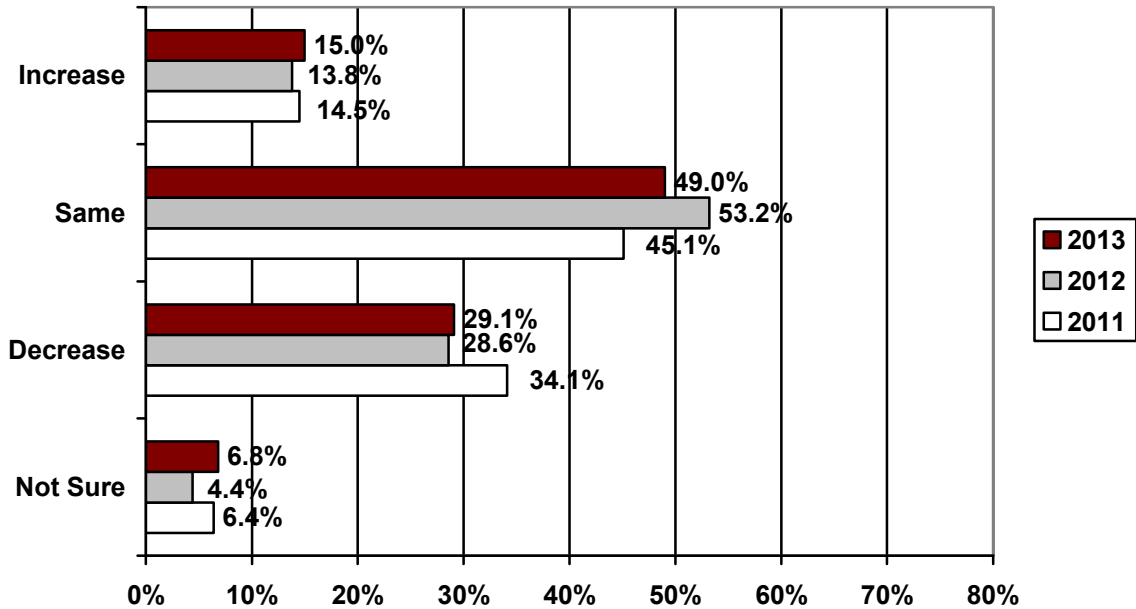
2. Use of Outside Counsel

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



TREND: Increase or decrease your Use of Outside Counsel

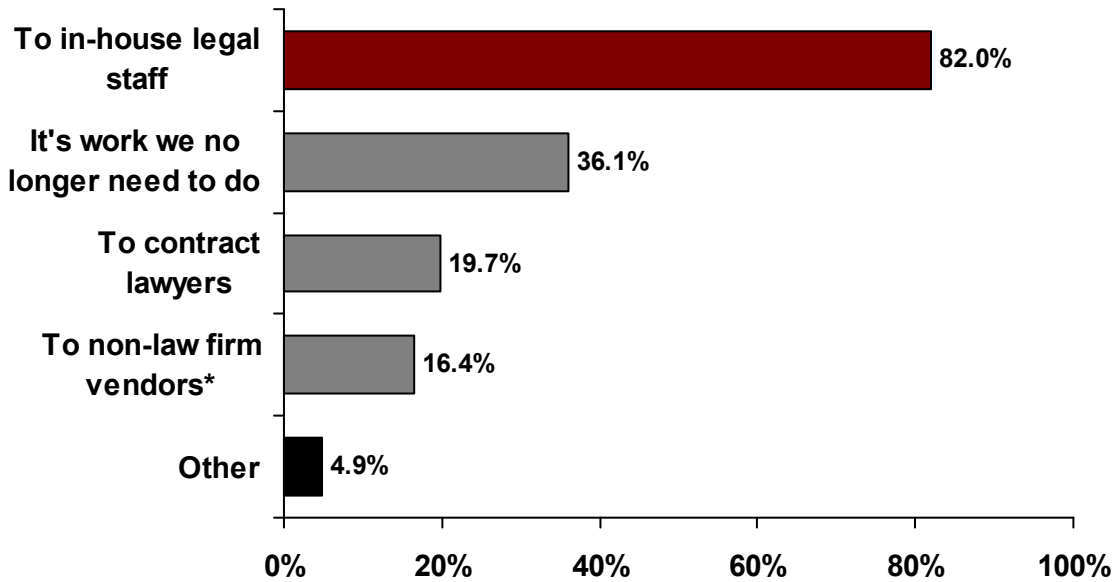
Use of Outside Counsel



Trend data compiled from 2011, 2012 and 2013 Chief Legal Officer Surveys.

3. Shifting Work from Outside Counsel

**If you plan to decrease your use of outside counsel, where will the work go?
(Check all that apply.)**



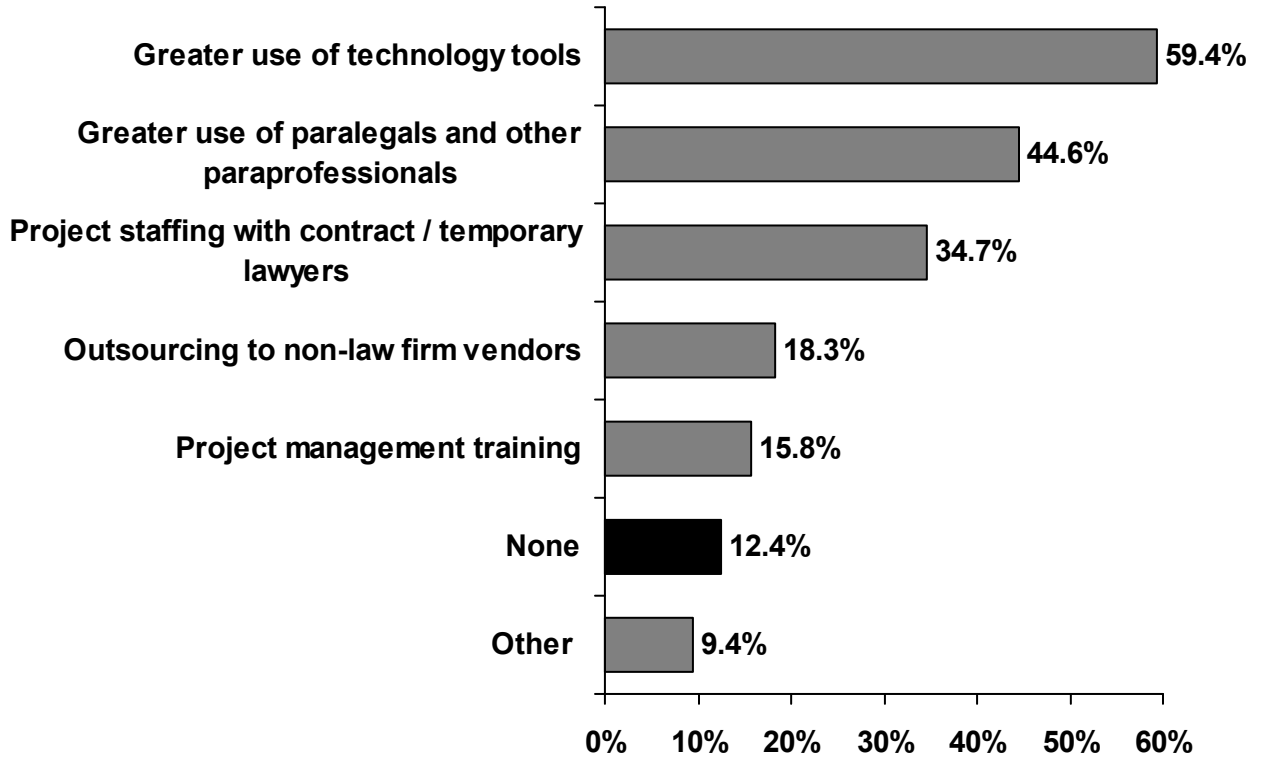
**Non-law firm vendors – e.g. for e-discovery, document review, due diligence or legal research*

“Other” comment:

- We use process control and project management to limit legal work to what lawyers should do -- not what they have done. In addition, proactive, risk-based counseling limits the need for reactive firefighting legal services -- thereby reducing overall demand.

4. Law Department Management - Efficiency

In the last 12 months, have you done any of the following to increase your law department's efficiency in its delivery of legal services? (Check all that apply.)



4. Law Department Management - Efficiency

In the last 12 months, have you done any of the following to increase your department's efficiency in its delivery of legal services?

'OTHER' EFFICIENCY EFFORTS INCLUDE:

People

- Insourcing of outside counsel functions
- Secondments from firms
- Added use of temporary support staff

Process

- Reengineering work processes and standardization
- Restructured dept. roles; improved certain processes
- We use a "play book" of standard operating procedures, as well as a wiki based technology platform to leverage knowledge and streamline process.
- Competitive Excellence/Lean training

Technology

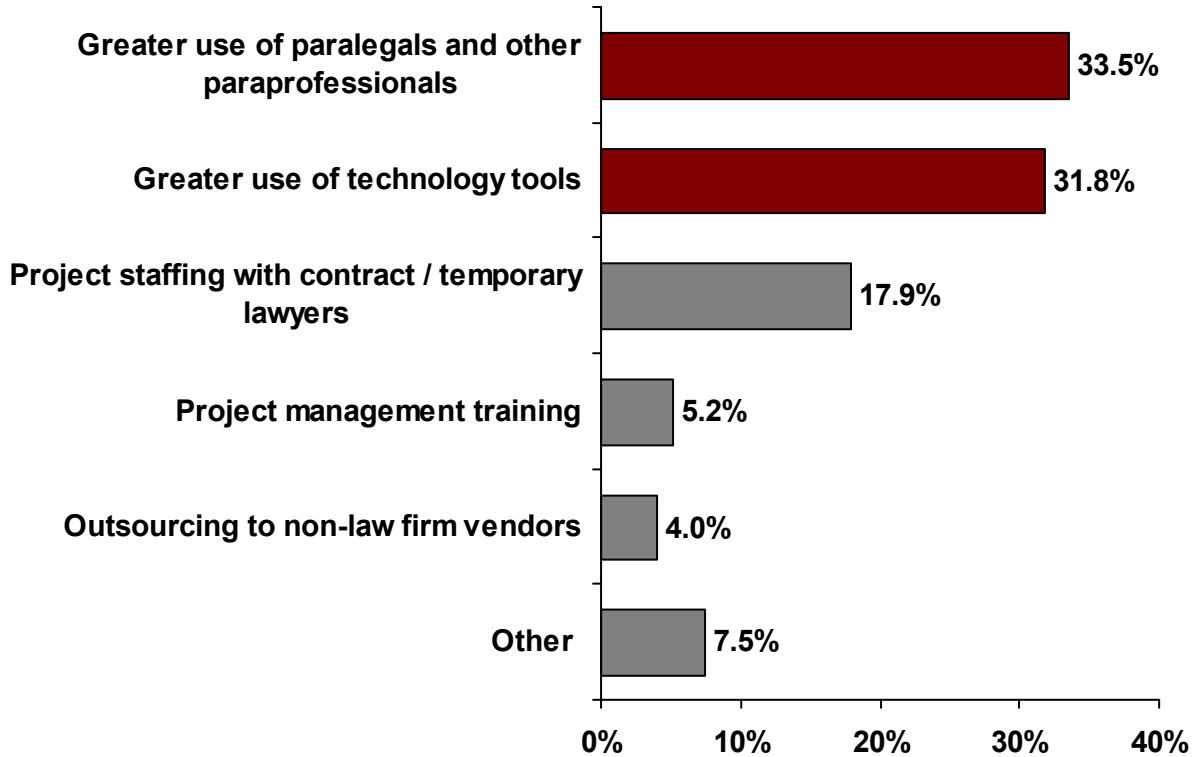
- Implemented use of electronic billing for outside counsel
- Moved to using only electronic document and file storage
- Subscribed to outside legal database

Work Assessment / Assignment

- Analyze work being performed for determination if it is value added
- Not reviewing low risk matters
- Push more to business areas with controls built around it

4a. Law Department Management - Efficiency

Of the efforts you've made to improve efficiency in the last 12 months, which one yielded the greatest improvement? (Select one.)



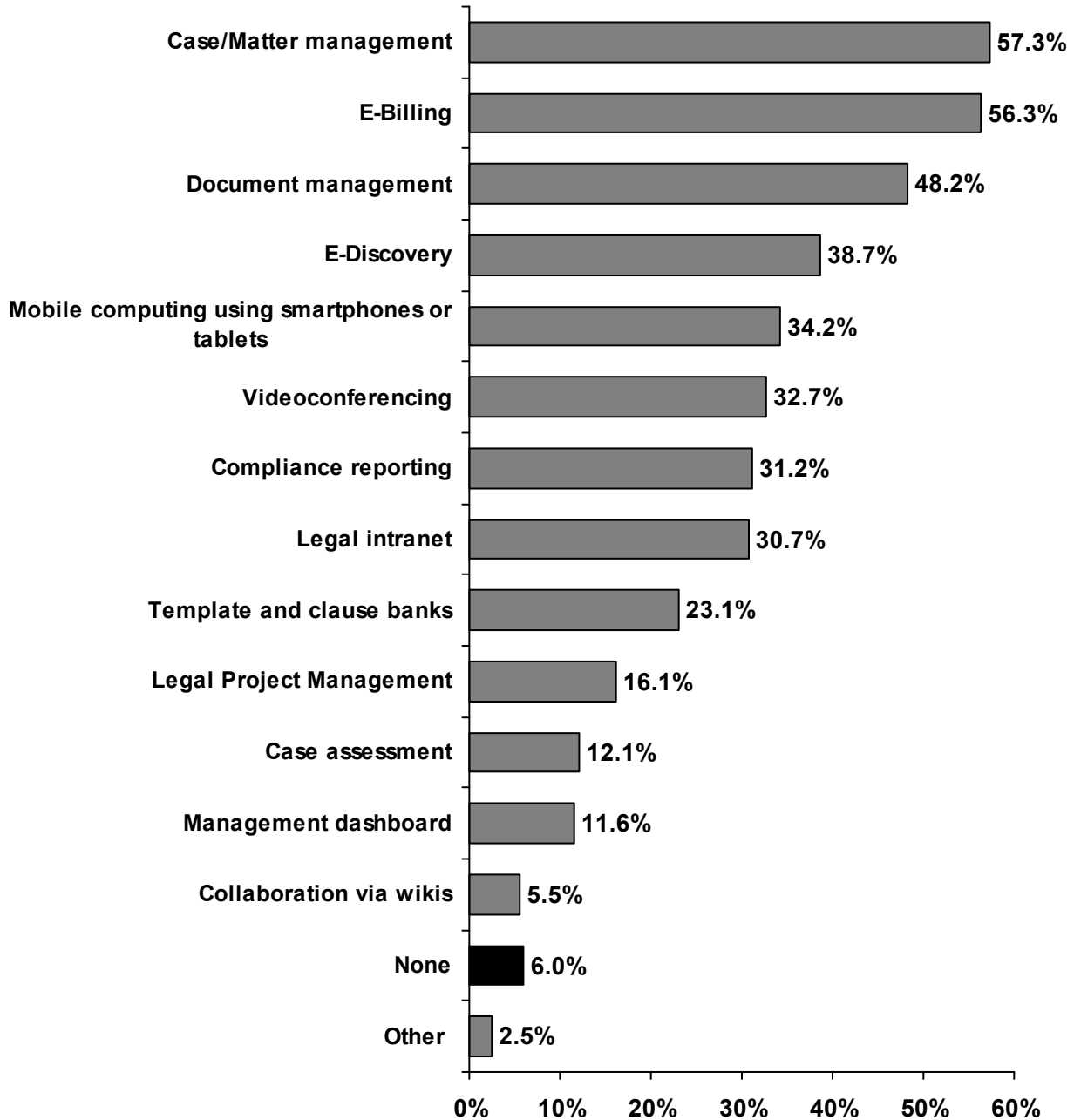
'OTHER' INCLUDES:

- Added use of temporary support staff
- Alternative fee billing
- Bringing legal expertise in-house
- Changes in outside counsel
- Early case assessments
- Not working on low risk matters
- Reduced layers of management
- Reengineering work processes and standardization
- Working with outside counsel to provide greater clarity on roles of inside and outside counsel on specific projects

5. Law Department Management - Efficiency

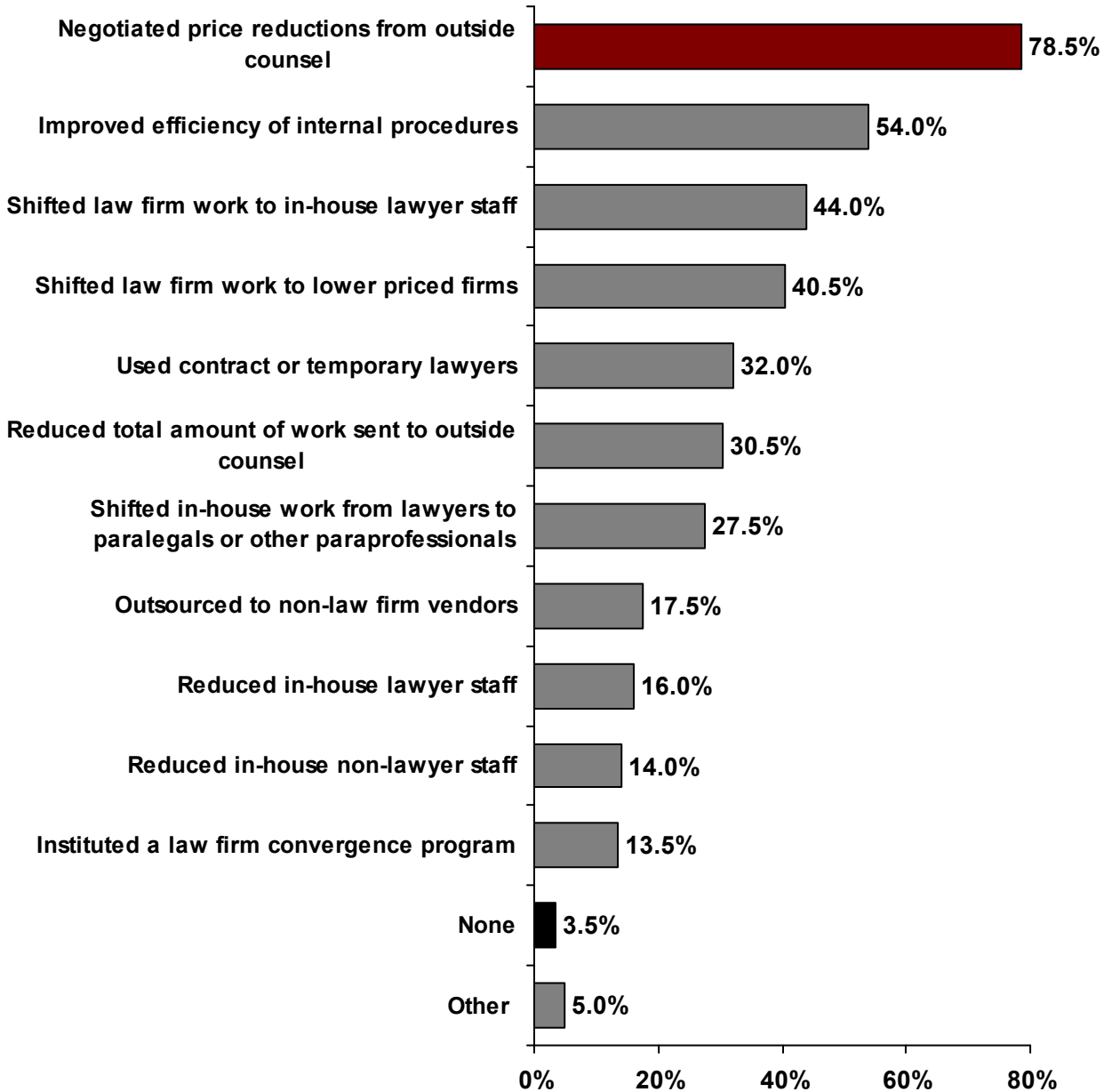
In last year’s survey, “greater use of technology tools” was named as the top method of increasing law department efficiency.

What technology tools is your department using to increase efficiency? (Select all that apply.)



6. Law Department Management – Cost Control

In the last 12 months, have you done any of the following to control law department costs? (Check all that apply.)



6. Law Department Management – Cost Control

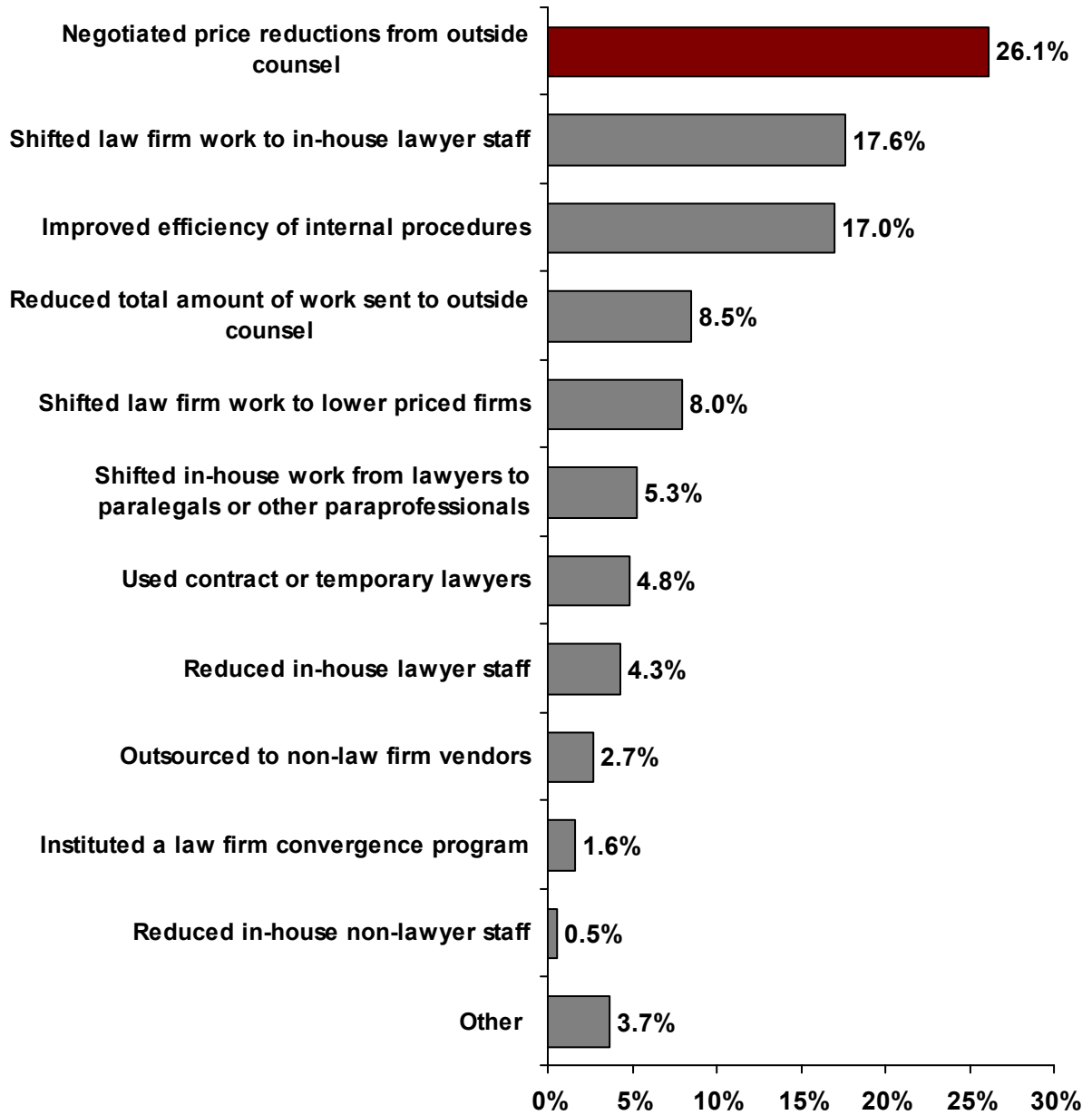
In the last 12 months, have you done any of the following to control law department costs?

‘OTHER’ COST CONTROL IMPROVEMENTS INCLUDE:

- Closer attention to outside firm billing
- Deeper risk discussions with clients on the need and scope of work for outside counsel
- Improved management of outside counsel
- Negotiated alternate fee agreements
- RFPs
- Secondments from law firms
- Set up in-house competence center in low cost jurisdiction
- Utilized alternative law firms

6a. Law Department Management – Cost Control

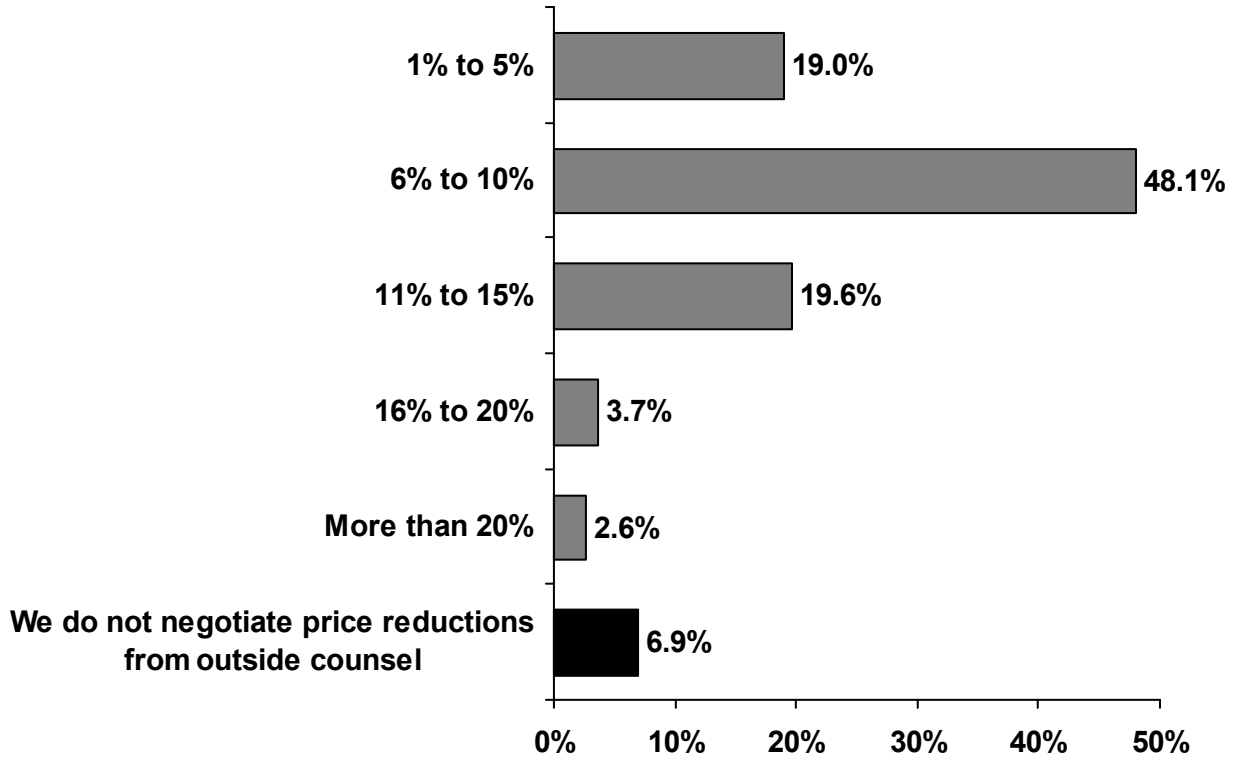
Of the efforts you've made to control costs in the last 12 months, which one yielded the greatest reduction? (Select one.)



7. Law Department Management – Cost Control

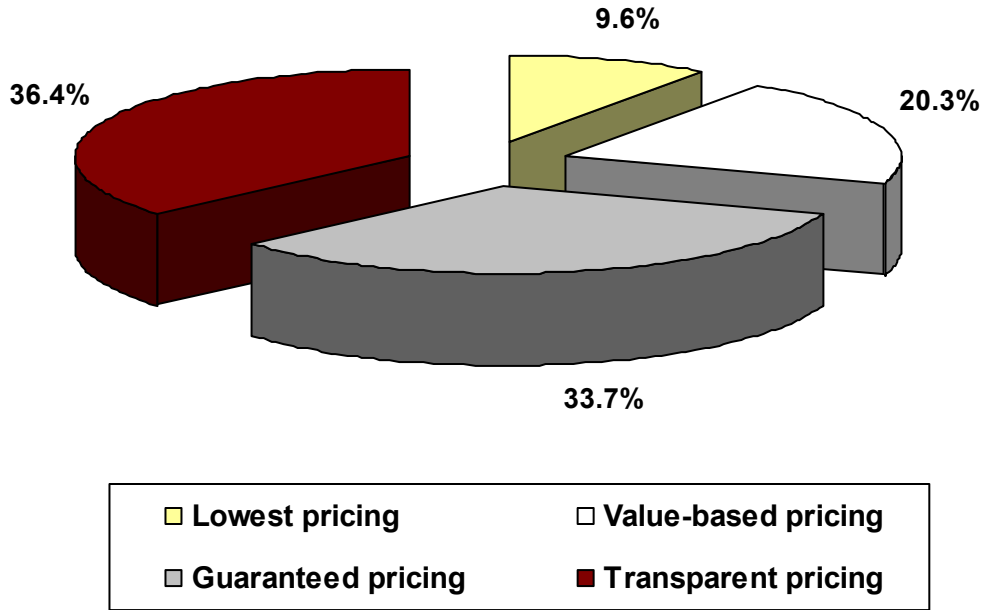
In last year’s survey, “negotiated price reductions from outside counsel” was named the top method of controlling law department costs.

What was the average price reduction negotiated by your law department in the last 12 months?



8. Law Department Management – Outside Counsel Pricing

Excluding ‘bet the company’ matters, if you could select only one of the following outside counsel pricing scenarios, which would you want most? (Select one.)



DEFINITIONS:

Lowest pricing: We want the lowest price available.

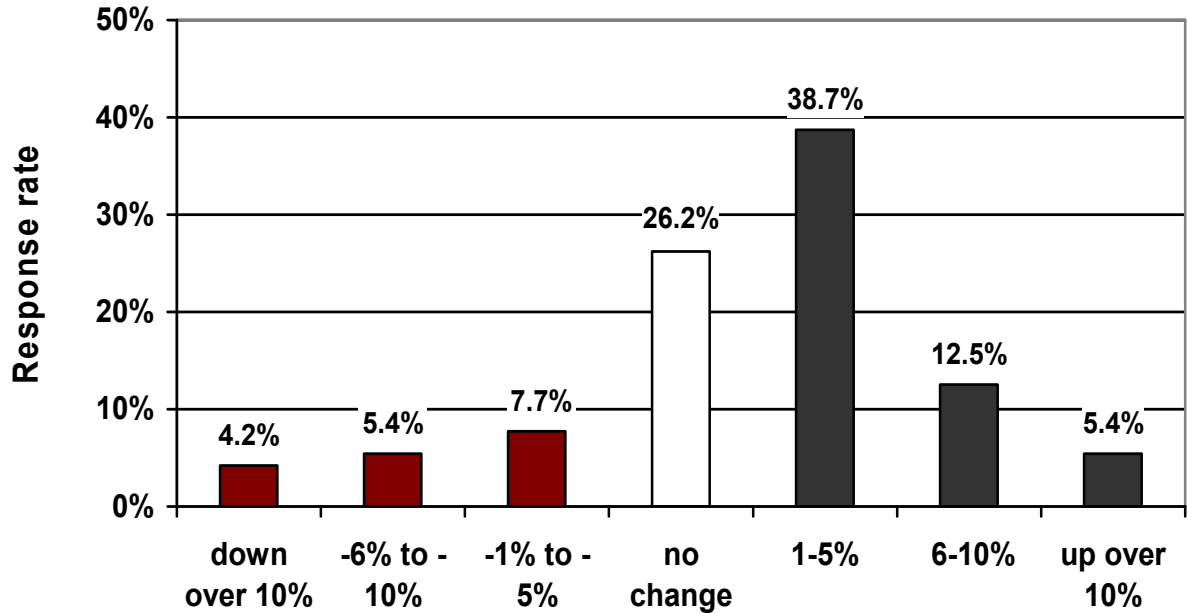
Value-based pricing: We want to pay a variable price based on the results we get.

Guaranteed pricing: We want to know in advance what it will cost.

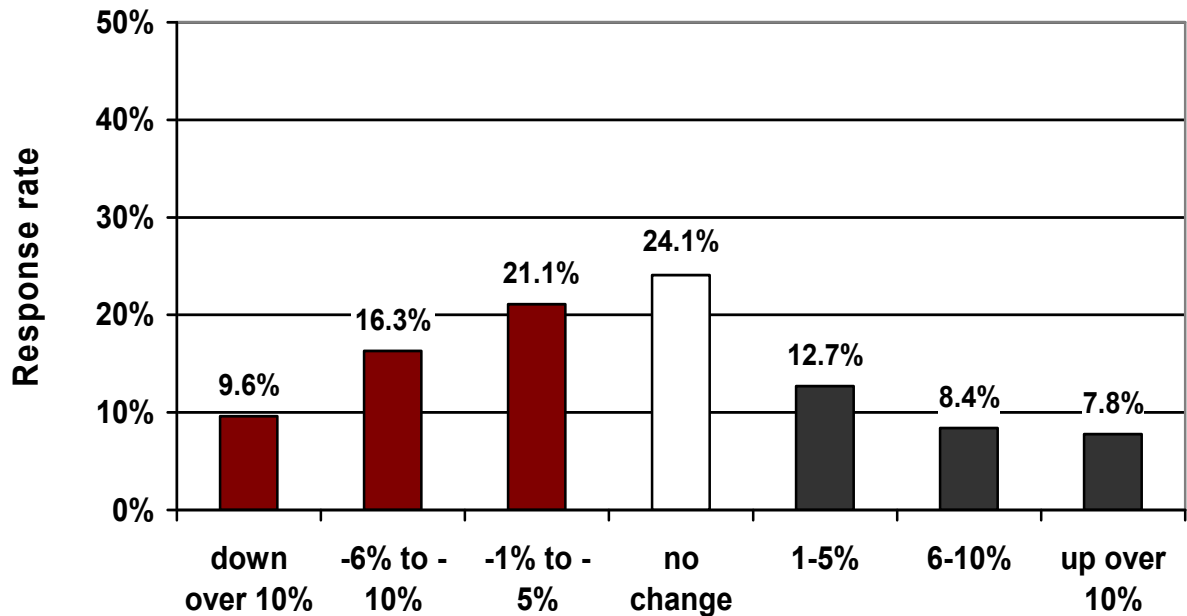
Transparent pricing: We want to understand how/why the price is set and have the opportunity to discuss changes.

9. Please estimate the percentage increase or decrease to your Law Department budget from 2012 to 2013.

9a. INTERNAL BUDGET

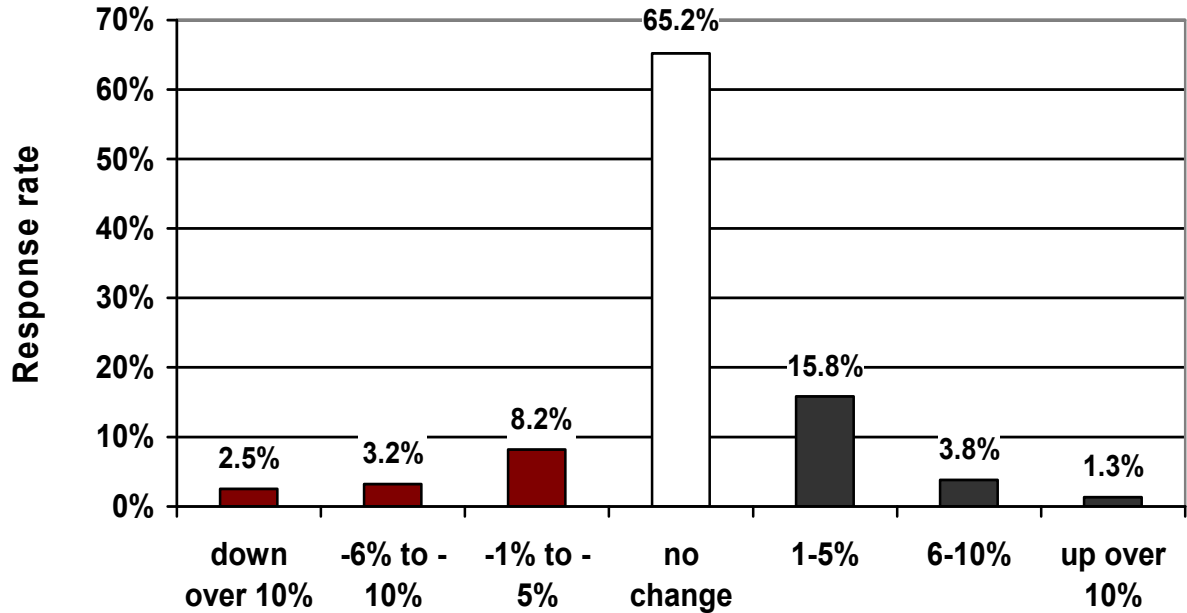


9b. OUTSIDE COUNSEL BUDGET

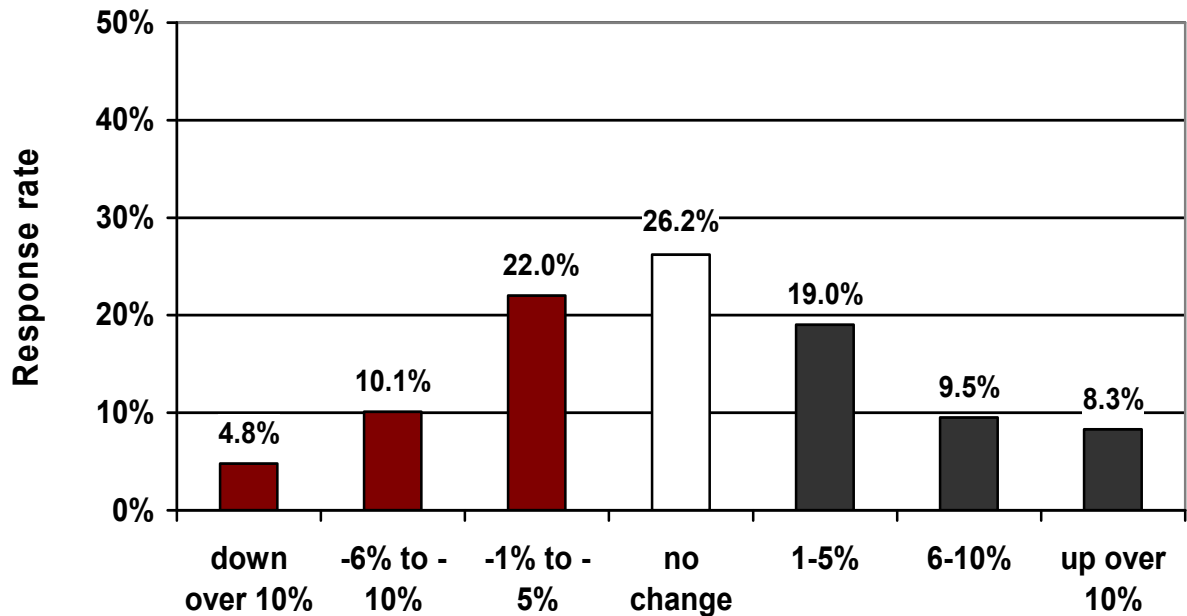


9. Please estimate the percentage increase or decrease to your Law Department budget from 2012 to 2013.

9c. VENDOR BUDGET FOR LEGAL MATTERS



9d. TOTAL LAW DEPARTMENT BUDGET



TREND: Increase or decrease to your Law Department budget

Tables show what percentage of departments increased their budget; what percentage decreased their budget; and what percentage made no change to the budget in each category.

Change in Law Department Internal Budget			
Year	Decreased	Same	Increased
	% of Depts.	% of Depts.	% of Depts.
2010 to 2011	17.1%	26.7%	56.2%
2011 to 2012	27.6%	26.3%	46.1%
2012 to 2013	17.3%	26.2%	56.6%

Change in Outside Counsel Budget			
Year	Decreased	Same	Increased
	% of Depts.	% of Depts.	% of Depts.
2010 to 2011	25.4%	28.9%	45.8%
2011 to 2012	39.0%	26.9%	34.2%
2012 to 2013	47.0%	24.1%	28.9%

Trend data compiled from the 2011, 2012 and 2013 Chief Legal Officer Surveys.

TREND: Increase or decrease to your Law Department budget

Tables show what percentage of departments increased their budget; what percentage decreased their budget; and what percentage made no change to the budget in each category.

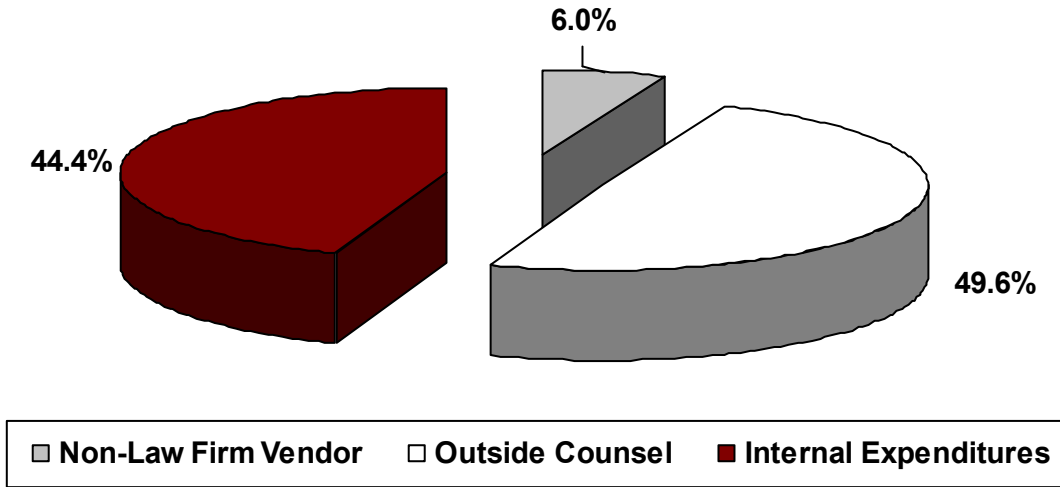
Change in Legal Matter Vendor Budget			
Year	Decreased	Same	Increased
	% of Depts.	% of Depts.	% of Depts.
2011 to 2012	12.8%	65.2%	21.9%
2012 to 2013	13.9%	65.2%	20.9%

Change in Total Law Department Budget			
Year	Decreased	Same	Increased
	% of Depts.	% of Depts.	% of Depts.
2010 to 2011	25.9%	18.4%	55.8%
2011 to 2012	34.1%	19.5%	46.3%
2012 to 2013	36.9%	26.2%	36.8%

Trend data compiled from the 2011, 2012 and 2013 Chief Legal Officer Surveys.

10. Law Department Budget Allocation

Please estimate the percentage of your total 2013 Law Department budget (internal and external legal spend) that each of the following components comprise. (Responses should total 100%.)



Definitions:

Internal expenditures: Department compensation and benefits; contract lawyers, facilities, technology and other operating costs

Outside Counsel: Total expenditures to outside law firms

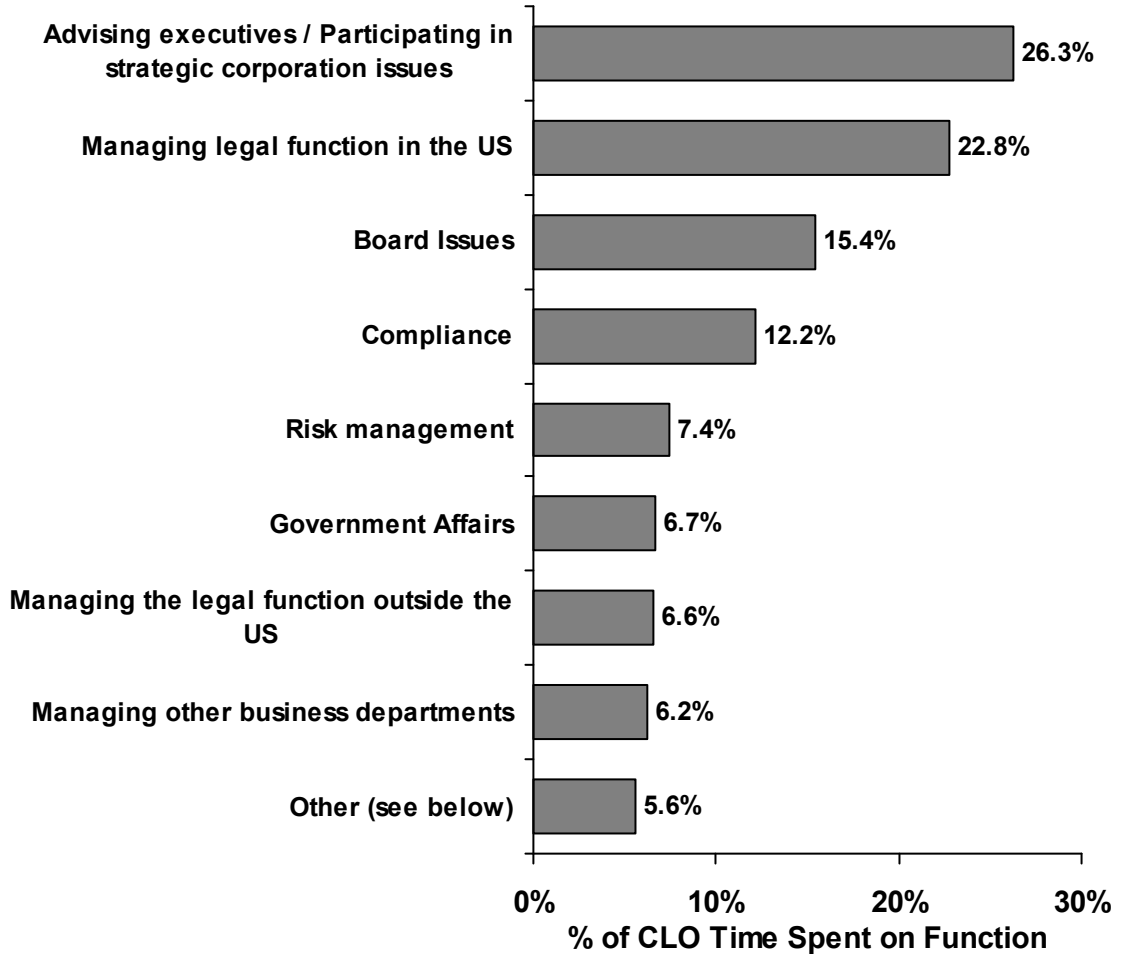
Non Law-Firm Vendor: Expenditures for legal matters, i.e. e-Discovery, document review, legal research, etc.

COMPARISON BY YEAR

Budget allocation	Internal	Outside Counsel	Non-firm vendor
2012	44.1%	52.0%	3.9%
2013	44.4%	49.6%	6.0%

11. Chief Legal Officer – Management Time Allocation

Please estimate how your management time was allocated over the last 12 months. (Responses must equal 100%.)



Other functions:

Top responses in order of frequency

- Serving on Boards
- Community activities
- Personnel issues

12. Law Department Performance – Value to the Corporate Board

SUMMARY

LAW DEPARTMENT ACTIVITY	LOW VALUE	MODERATE VALUE	HIGH VALUE
Supporting company's business objectives	2.3%	23.0%	74.7%
Advising company leaders	2.9%	28.7%	68.4%
Availability and responsiveness	2.3%	41.3%	56.4%
Managing compliance issues	8.8%	50.1%	41.3%
Managing risk	8.6%	56.3%	35.1%
Controlling legal spend	23.0%	52.8%	24.2%

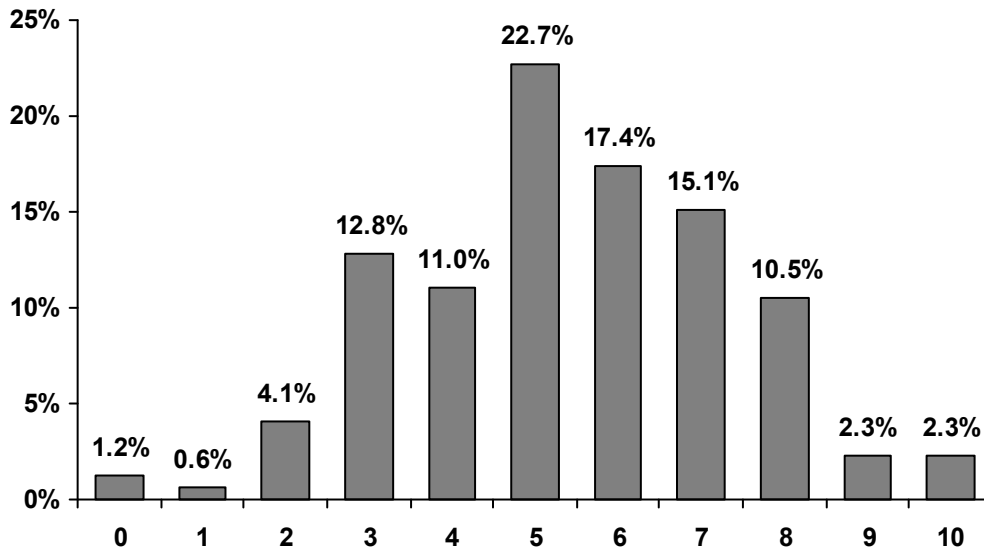
OPTIONAL: Describe and rate other key activities the CEO and/or Corporate Board values in your Law Department's performance.

OTHER HIGHLY-VALUED ACTIVITIES INCLUDE:

- Active participation in company management
- Corporate governance
- Government relations / policy
- Managing Board Relations
- Managing executive compensation at the board level
- Managing IP portfolio
- Managing real estate
- Providing good leadership to the department
- Providing legal support below the level of the CEO and Board

13. Inside / Outside Relationship

In your opinion, in the current legal market, 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

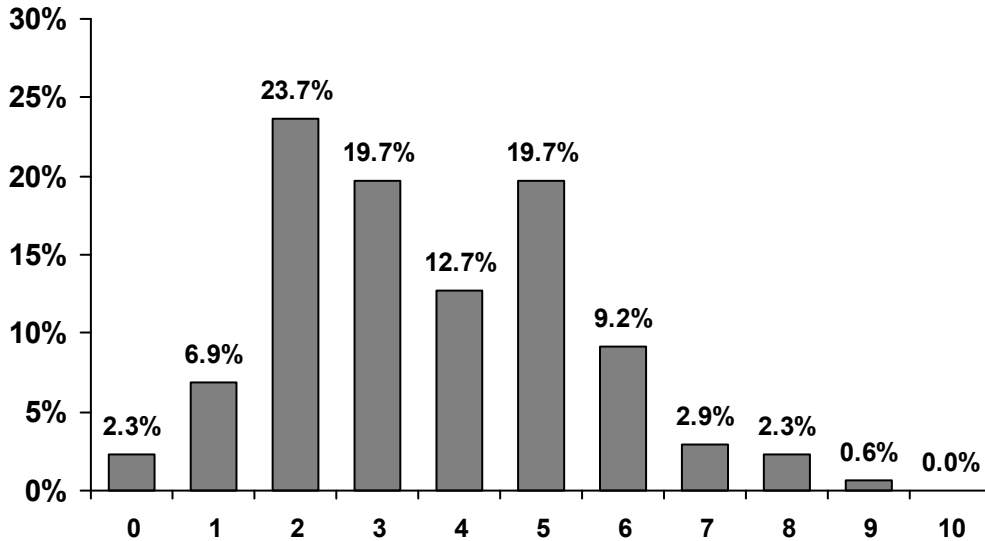
10 = Intense pressure

LAW DEPT PRESSURE	LOW					MODERATE			HIGH	
	0	1	2	3	4	5	6	7	8	9
RESPONSE	52.4%					43.0%			4.6%	

Median rating: 5

14. Inside / Outside Relationship

In your opinion, in the current legal market, 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

LAW FIRM CHANGE	LOW					MODERATE			HIGH		
	0	1	2	3	4	5	6	7	8	9	10
RATING											
RESPONSE	85.0%					14.4%			.6%		

Median rating: 3

TREND: Corporations Pressuring Law Firms to Change Value Proposition

Pressure from Law Departments for Change		
	Average	Median
2009	5.5	5
2010	5.3	5
2011	5.4	5
2012	5.5	6
2013	5.4	5

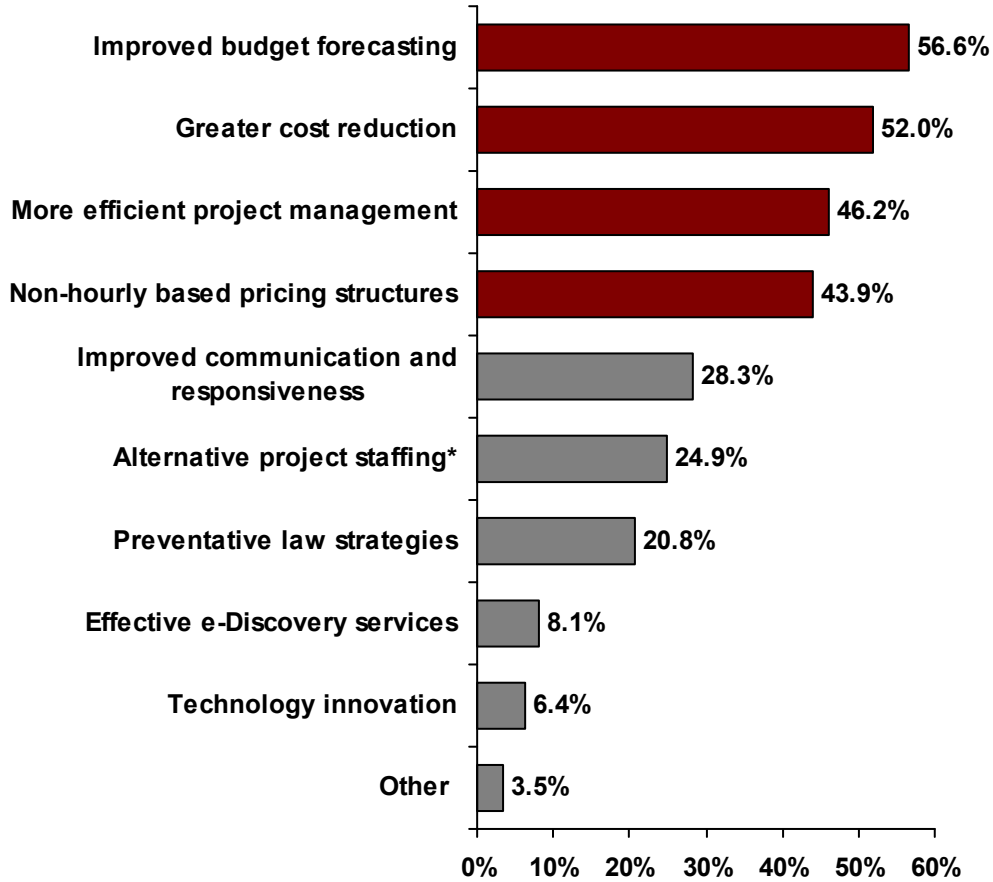
TREND: Law Firms Serious About Changing Service Delivery Model

Intent of Law Firms to Change		
	Average	Median
2009	3.4	3
2010	3.7	3
2011	3.7	3
2012	3.8	3
2013	3.6	3

Trend data compiled from 2009, 2010, 2011, 2012 and 2013 Chief Legal Officer Surveys.

15. Law Firm Service Improvements

Of the following service improvements and innovations, please select the three that you would most like to see from your outside counsel. (Select up to three.)



*Alternative project staffing was defined for this question as “greater use of contract lawyers, paraprofessionals, etc.”

15. Law Firm Service Improvements

Of the following service improvements and innovations, please select the three that you would most like to see from your outside counsel.

'OTHER' SERVICE IMPROVEMENTS INCLUDE:

- Better application of real risk analysis (as opposed to hypothetical risk) to avoid unnecessary actions and associated costs
- Collaboration with our other strategic outside law firms
- Improved collaboration technology for document exchange and management
- More efficient legal work through knowledge management inside the firm
- Thoughtful and early strategies to resolve legal issues quickly and cheaply
- Willingness and ability to provide recommendations rather than analysis

16. Outside Counsel Selection

In last year’s survey, “demonstrated understanding of your business or industry” was chosen as the top influencer in CLOs’ selection of new outside counsel.

Please rate the effectiveness of the following things outside counsel can do to demonstrate an understanding of your business or industry before they have been engaged.

Rate on a scale of 0 to 10 in which 0 = No effect and 10 = Extremely positive effect.

Effective ways to demonstrate an understanding of your business	Average Rating	Median Rating
Successful track record in similar matters	8.8	9
Representing other organizations like yours	7.1	7
Providing timely updates on legal developments in your industry (via newsletter, blog, e-alert, etc.)	6.2	6.5
Writing in-depth analysis of relevant legal issues	5.8	6
Participating in associations related to your industry	4.7	5
Making speeches or presentations on relevant issues	4.1	4
Receiving professional awards or rankings (e.g. Best Lawyers, SuperLawyers, etc.)	2.7	2
Holding specialized credentials (e.g. LLM, MD, PhD, etc.)	2.3	1.5

16a. OPTIONAL: Identify and rate other effective ways to demonstrate an understanding of your business

'OTHER' HIGHLY-RATED RESPONSES INCLUDE:

Do your homework

- Demonstrate a keen understanding of and interest in my industry and key drivers and priorities for my business
- Demonstrate continued thinking about the key issues facing our company through phone, email, heads-up, etc.
- Invest time to learn our industry, read our annual report, visit our major sites, sit with leadership and determine how they can help us
- Taking time at their expense to get to know me and our business

Offer a creative perspective

- Ability to think like a business person and put matters into same context as executives in company
- Creative solutions to problems rather than red letter law
- Give answers that are not qualified with numerous disclaimers
- Use practical experience on similar matters to bring a broader perspective to issues

Have a public profile

- Attend appropriate company and industry events
- Influencing public debate and policy

Show specific value

- Demonstrate an ability to deploy lawyers efficiently
- Employing lawyers who worked regulating the industry or in the industry

17. CLO Management Priorities

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

MANAGEMENT PRIORITIES	2013 RESPONSE RATE	2012 RESPONSE RATE	2011 RESPONSE RATE
Quality and value of legal services	21.2%	13.0%	12.1%
Supporting business goals of the organization	18.4%	8.0%	12.3%
Cost control and reduction	18.0%	23.5%	24.1%
Risk management	10.6%	3.1%	7.0%
Efficiency	8.3%	16.7%	16.0%
Compliance	8.3%	4.3%	10.7%
Lawyer staffing issues	6.9%	9.9%	7.0%

REPRESENTATIVE COMMENTS:

Quality and Value

- Continued improvement in the quality of our legal services - - moving from B+ to A+ -- critically evaluating what we do and how well we do it to drive increased performance and value. Budget cutting is nice, but it's not the thing that provides the most value to our business and our leaders.
- Do it all - Be the best law department possible in all important aspects: Effective legal partner for the business, advance ethical standards and compliance, proactively provide legal support to corporate strategy, aggressively manage costs, provide sound and useful legal advice, provide excellent support for the board and corporate governance matters.

Supporting the business goals of the organization

- Enhancing our effectiveness as being true partners to the business. This includes, the quality and timeliness of the service we provide, our clients seeking our input even in instances when the matter at hand is not purely "legal," and, being known as a team that operates in a proactive manner - - e.g., anticipating next steps/challenges and ensuring the business receives learnings from prior corporate missteps or missed opportunities.
- Integrating in-house lawyers into the fabric of the business so that they understand and anticipate what issues will arise in the next 12 months.

Cost control

- Providing a predictable outcome at a predictable price
- Controlling costs without compromising quality results.

Efficiency

- Identifying, developing, and/or using tools that can drive efficiencies in the provision of legal services to our customers.

Risk management

- Staying ahead of developments in the business to identify legal and other risks and address those risks proactively

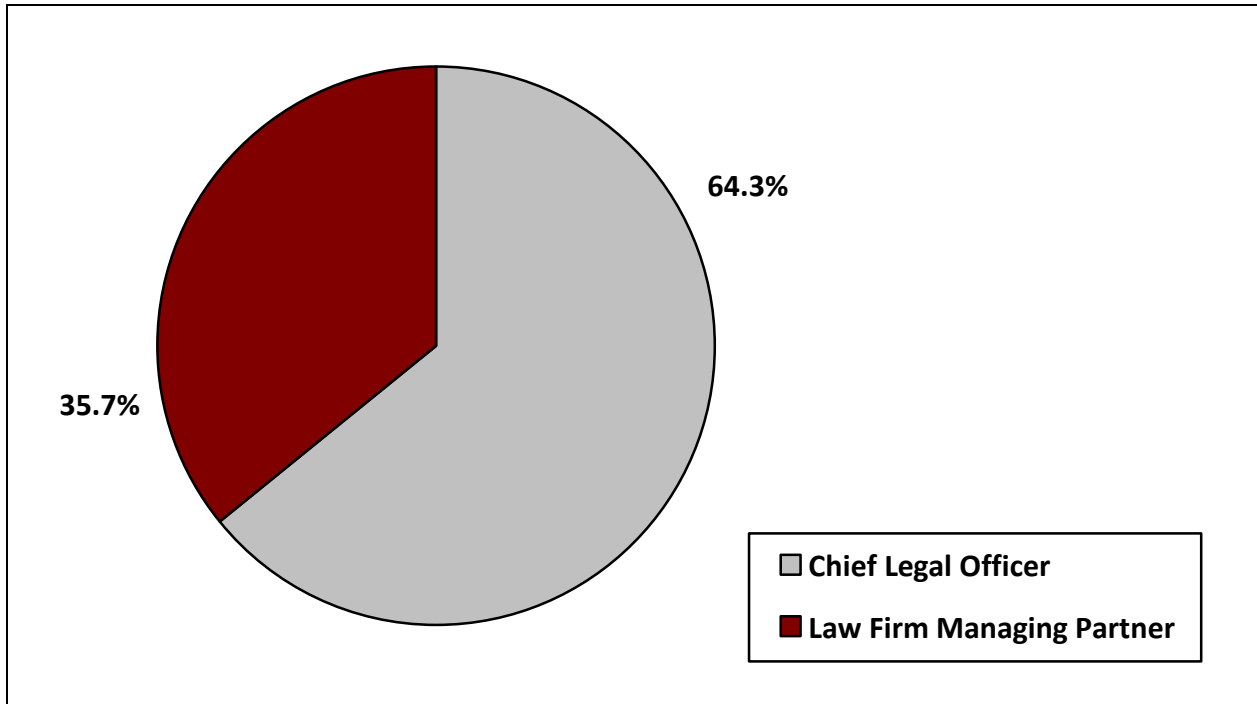
Compliance

- Compliance tools to efficiently enable consistent compliance results without limiting our ability to pursue business objectives

Lawyer staffing

- Developing talent - exposing lawyers to various aspects of the business and improving risk analysis capabilities
- Making sure we are fully and efficiently utilizing the staff we have to meet the priorities of the business.

BONUS QUESTION: In your opinion, who has the harder job? Why?



Chief Legal Officers have the harder job - Representative comments:

A broader range of responsibility

- More numerous and varied legal issues; multiple stakeholders to consider when representing the company; dealing with legislators and regulators from multiple federal, state and local entities; considering business needs as well as legal needs; difficulty in budgeting without knowing the extent of matters that will arise -- just for starters.
- The CLO has to have a significant breadth of expertise and be able to respond to business issues very quickly and then be immediately accountable for them, while at the same time managing a budget and staff.

Balancing legal and business needs

- It's not just about the law, but about running the company. The law is one component.
- CLO must balance between legal services delivery and being a true leader of an operational business. CLO must develop lawyers, advise executives and the Board,

respond to crisis and continually enhance the foundation to help an evolving business avoid pitfalls.

- Jobs are hard in different ways, but CLO needs to consistently balance legal needs with business imperatives, and is held accountable for outcomes of legal decisions in ways that law firms are not. CLO is the "actor," while law firm is the adviser.

Greater accountability

- Ultimate responsibility for every decision law department makes plus requirement to understand and operate effectively in competitive corporate political arena
- Not even close: Hardest part of job is making decisions - not just advising.

Working with non-lawyers

- He or she is largely dealing with non-lawyers, at least in-house. Lay people - even very bright business minds - generally do not understand legal reasoning. In short communication with non-lawyers about legal issues is more difficult than managing lawyers...in my opinion.
- Fundamentally, CLO is a fish out of water. Has to preach the values of legal/governance/compliance to rest of organization with different first priorities even as he helps them also achieve their first priorities as well. Everyone in law firm shares the same business model.

Managing Partners have the harder job - Representative comments:

Managing big egos / herding cats

- A managing partner has to deal with as many big egos as he has partners, all of whom think they deserve more. A CLO has to deal with senior management but that often is a smaller and more reasonable group.
- Our lawyers are united by a common goal - to facilitate our business doing business. That is not the case with law firms where there are competing priorities and interests among lawyers.

- Managing a service organization such as a law firm involves a constant effort at building consensus with typically high ego personalities. In a business, there is a boss who makes decisions--much more efficient.

Broken law firm business model

- Presiding over a business model facing unprecedented change - many firms will not survive in their present form.
- Structural changes impacting law firms are intense. CLO's have more options to traditional law firms today than ever before and more are becoming available all the time.
- Their whole business model is changing on them with no clear answer as to the likely outcome.

Lack of authority

- Law Firm managers have little authority to achieve change that is needed.
- The authority of the Chief Legal Officer and the reporting hierarchy is generally more clear than the role of the law firm managing partner where the role can range from a more administrative/consensus builder position to a more CEO-like position.

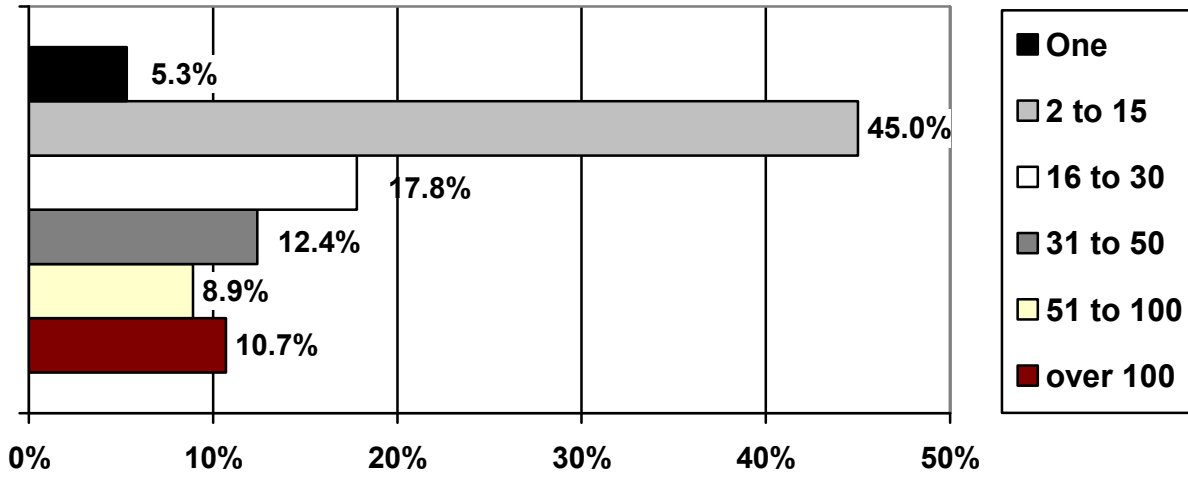
Financial pressures

- Generating revenues in a declining market
- Very competitive and price sensitive environment
- Intense competition, commoditization of most practice areas

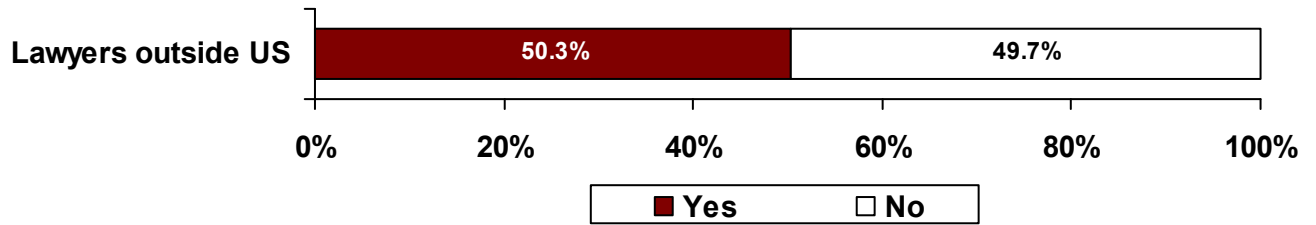
2013
Chief Legal Officer Survey
Participant Demographics



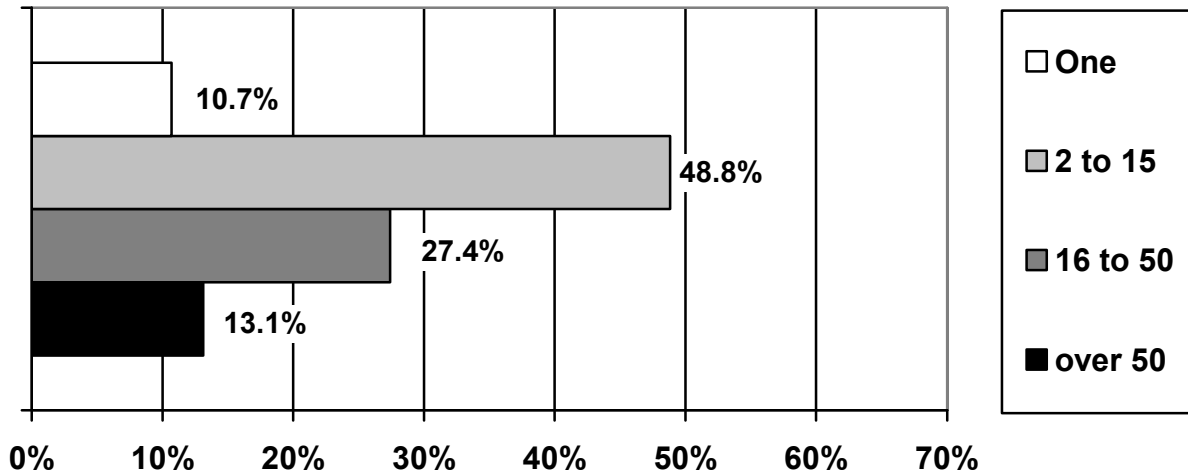
1. How many in-house attorneys are in your department (in all locations)?



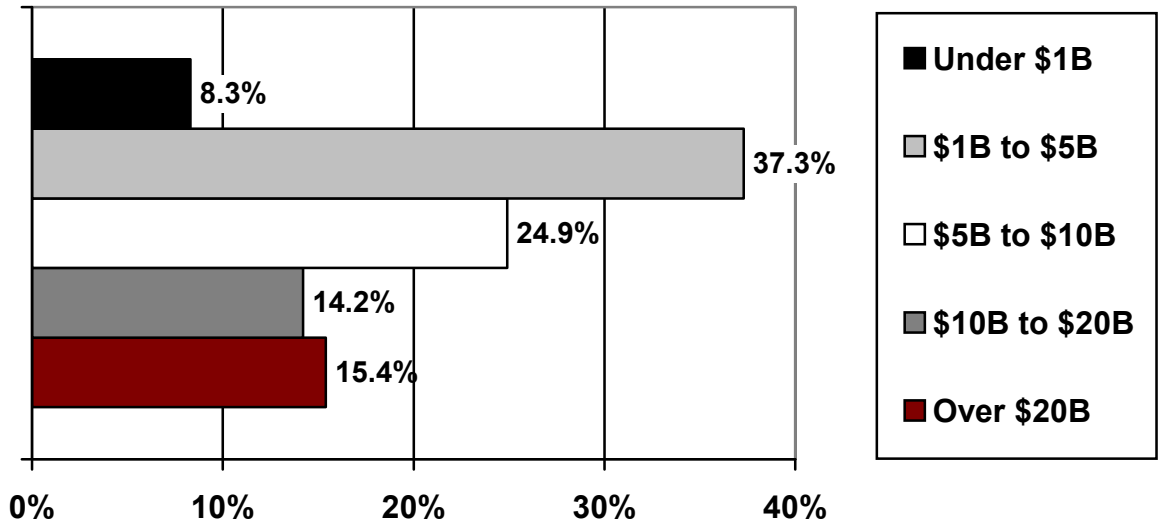
1a. Are any resident outside of the US?



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:

