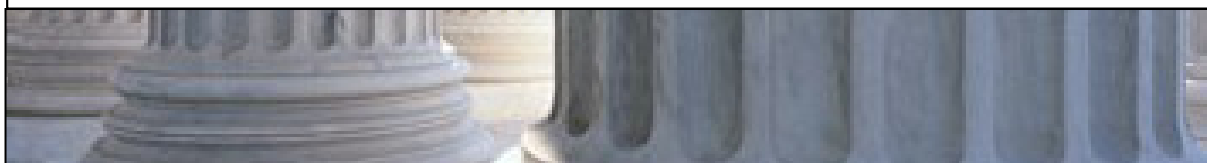


2012
Chief Legal Officer Survey
An Altman Weil Flash Survey



2012 Chief Legal Officer Survey

For the thirteenth 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 report that they are re-negotiating outside counsel fees, shifting work to lower-priced law firms, increasing in-house capacity, opting for alternative service providers and using new technology — all to develop a more cost-effective legal services model — according to over 200 General Counsel who participated in the **Altman Weil 2012 Chief Legal Officer Survey**.

Chief Legal Officers are not waiting for law firms to change their business models. They are taking change into their own hands in 2012 to create a new internal value proposition.

Cost Control and Efficiency

The survey asked Chief Legal Officers what they have done in the last 12 months to control costs – their highest management priority as reported in the 2011 Survey.

The number one answer, from 71% of respondents, was to negotiate price reductions from outside counsel. In addition, 47% of law departments shifted work from law firms to in-house lawyer staff; 41% shifted law firm work to lower priced firms; and, 36% reduced the total amount of work sent to outside counsel. Ten percent of CLOs reported instituting a law firm convergence program.

In addition to outside counsel cost management, law departments addressed internal cost issues in 2012. Sixty-three percent of departments improved the efficiency of their own procedures to cut costs; 36% shifted in-house work from lawyers to paralegals or other paraprofessionals; 35% used contract lawyers; and 25% of law departments outsourced some work to non-law-firm vendors to save money.

The methods of cost control that proved most effective were negotiating price reductions and shifting work in-house, according to the survey.

When asked what actions they had taken to improve internal efficiency in the last twelve months, CLOs identified greater use of technology tools as the most often used method, as well as the most effective. Other efficiency enhancers were greater use of paralegals and other paraprofessionals, project staffing with contract or temporary lawyers, outsourcing to non-law-firm vendors and project management training.

Staffing and Budget

Survey results on law department staffing and spending reinforce findings on the shifting balance of work between law firms and in-house lawyers.

In 2012, 46% of law departments increased their internal budgets, compared to 28% reporting a decrease. Additionally 38% of law departments report that they plan to increase their in-house lawyer workforce in the next 12 months, compared to only 7% of departments that plan to decrease the number of in-house lawyers.

At the same time, 39% of law departments decreased their outside counsel budget in 2012, compared to 34% that increased it. This is the first time in three years that the survey has found more departments decreasing than increasing their law firm spend.

In the next 12 months, 29% of law departments expect to decrease their use of outside counsel, compared to 14% that plan to increase outside counsel use.

These aren't enormous changes, and many departments still plan to maintain the status quo. But there is clear, incremental movement in how CLOs are managing their law departments.

Inside – Outside Relationship

Asked how much pressure corporations are putting on law firms to change the value proposition in 2012, CLOs rated the pressure at a median 6 on a scale of 0 (no pressure) to 10 (intense pressure), up from 5 the previous year. CLOs continue to express deep skepticism about law firms' willingness to change their service delivery model, rating firms' seriousness about change at a median 3 on a 0 to 10 scale for the fourth year running.

Chief Legal Officers have clear preferences when it comes to choosing law firms.

When asked to rate which factors influence their selection of outside counsel, Chief Legal Officers identified ‘demonstrated understanding of your business/industry’ as the top factor and rated it 9.6 on a scale of 0 (no effect) to 10 (extremely positive effect). Other highly rated influencers were referrals from colleagues, rated 8.6; personal contacts, rated 6.7; and written material demonstrating a lawyer’s expertise, rated 6.1. Ten additional factors, including law firm websites, directory listings and social media activity, all rated under 5 on the 0 to 10 scale.

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 2012. Two hundred and four responses were received for the 2012 survey, 15.7% of the 1,297 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/CLO2012.

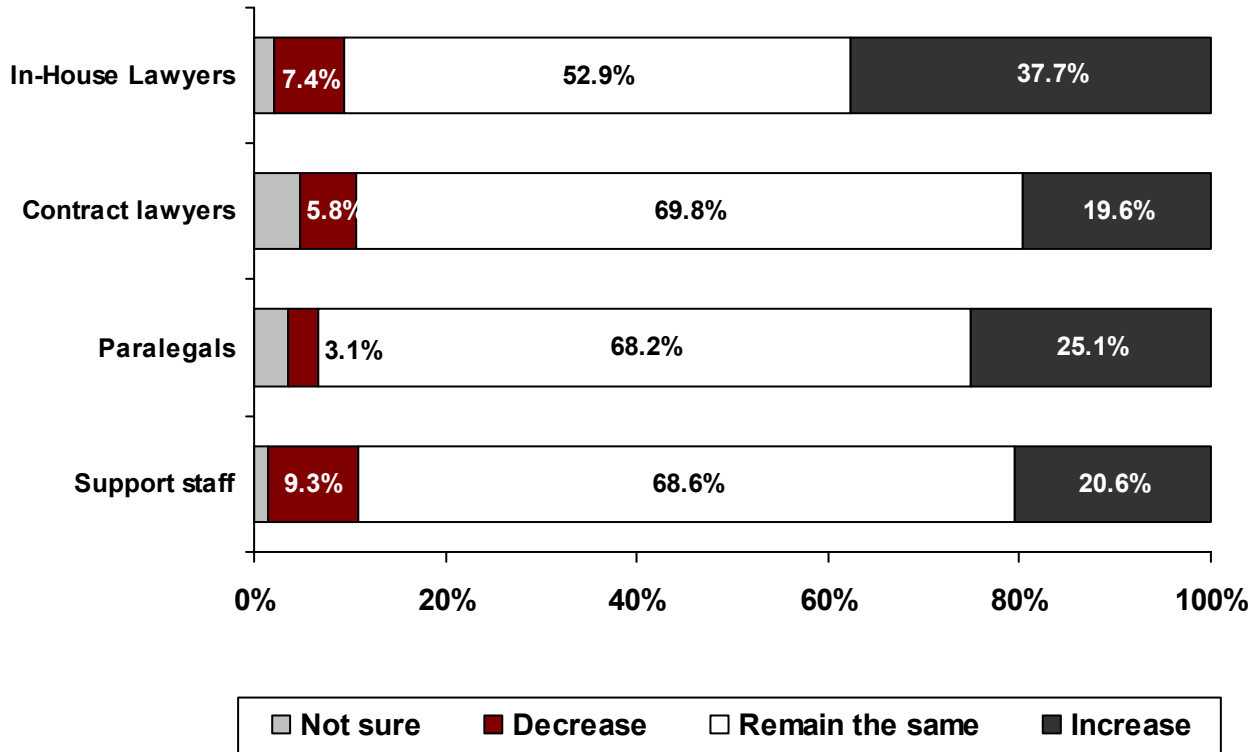
About Altman Weil

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.



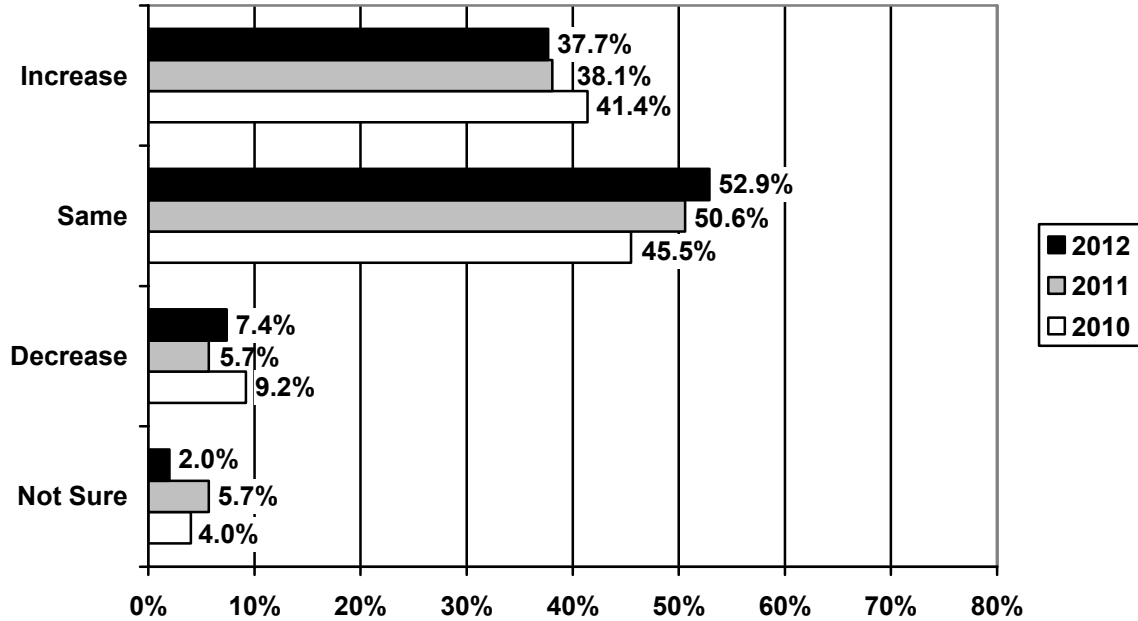
1. Law Department Workforce

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

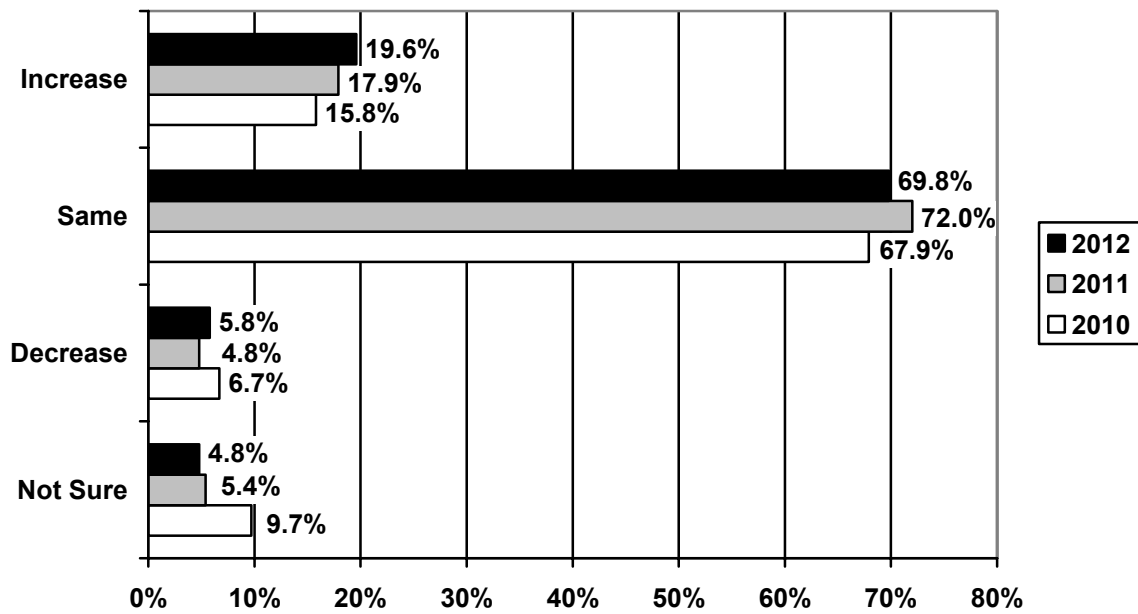


TREND: Increase or decrease your Law Department workforce within 12 months

Law Department Lawyers



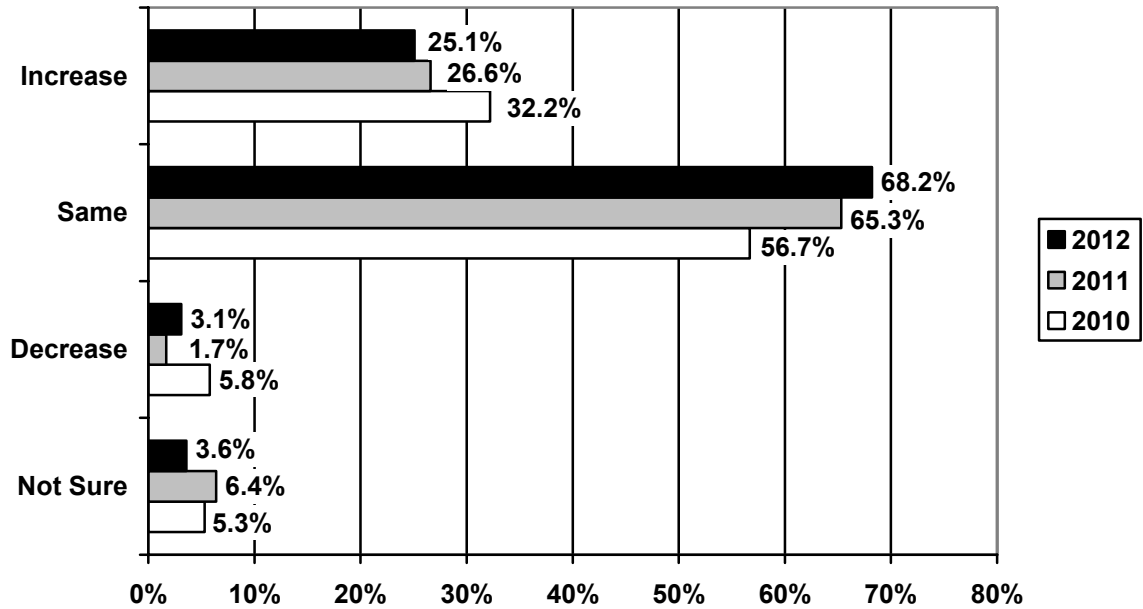
Contract Lawyers



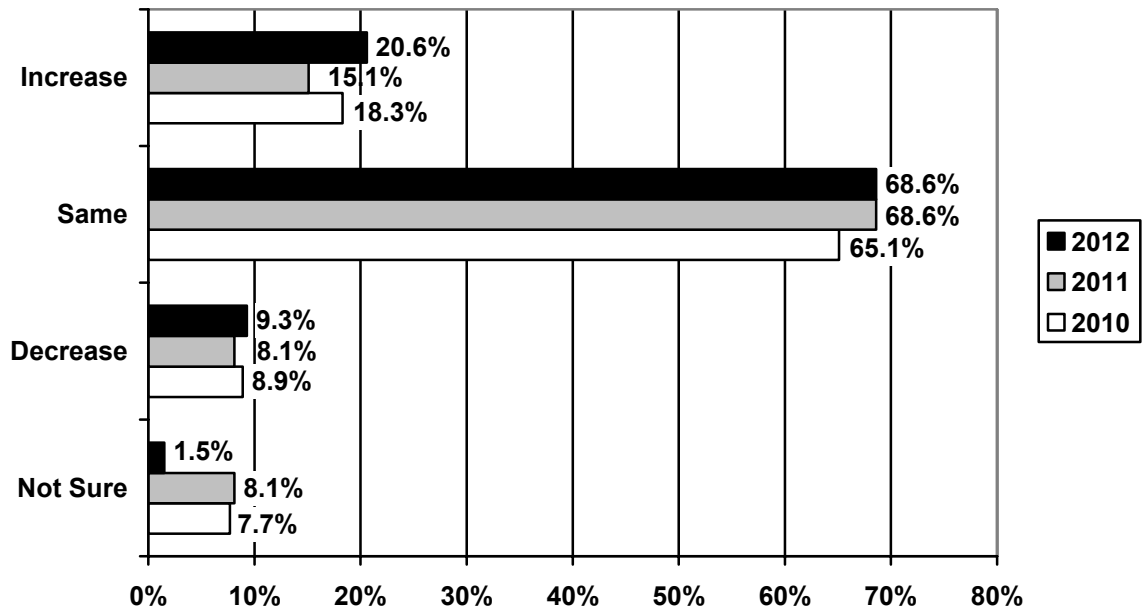
Trend data compiled from 2010, 2011 and 2012 Chief Legal Officer Surveys.

TREND: Increase or decrease your Law Department workforce

Paralegals

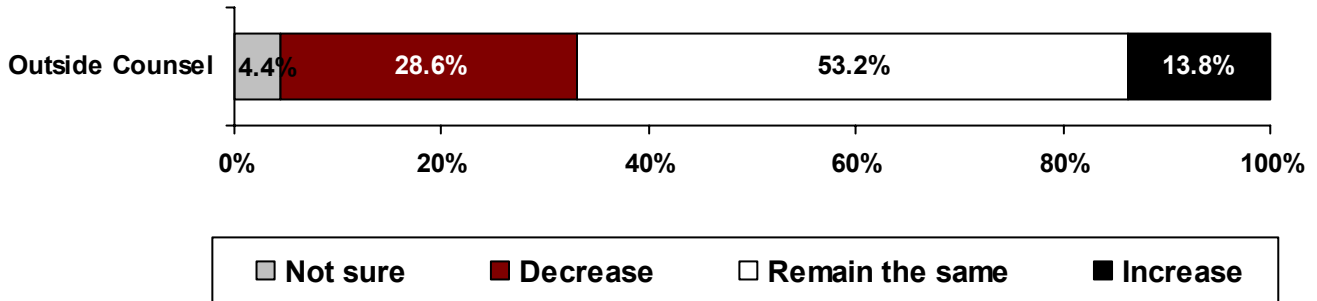


Support Staff



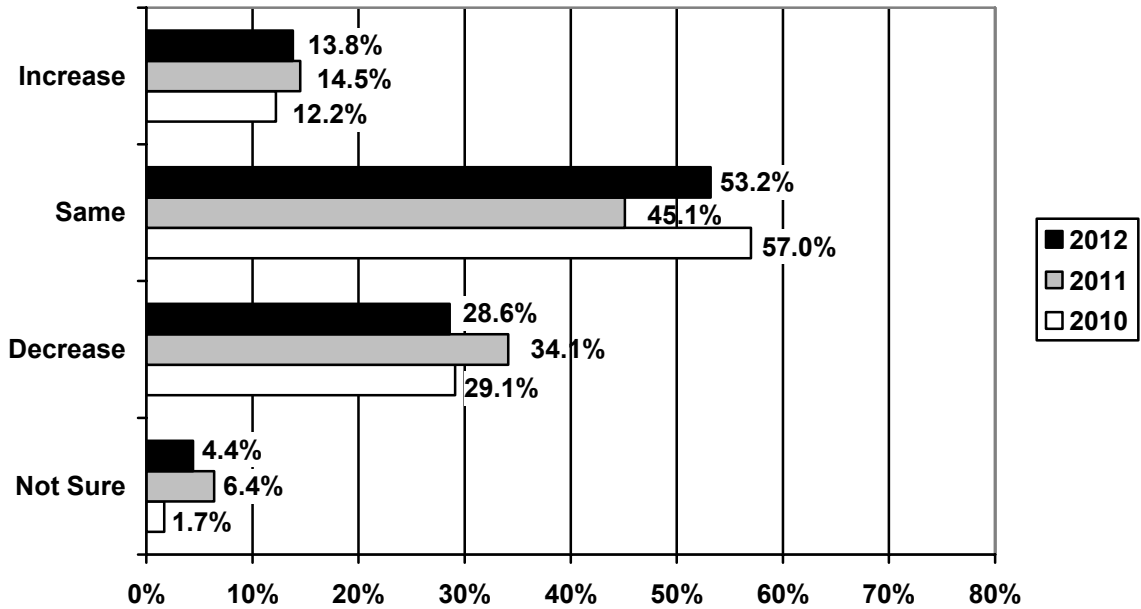
2. Use of Outside Counsel

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



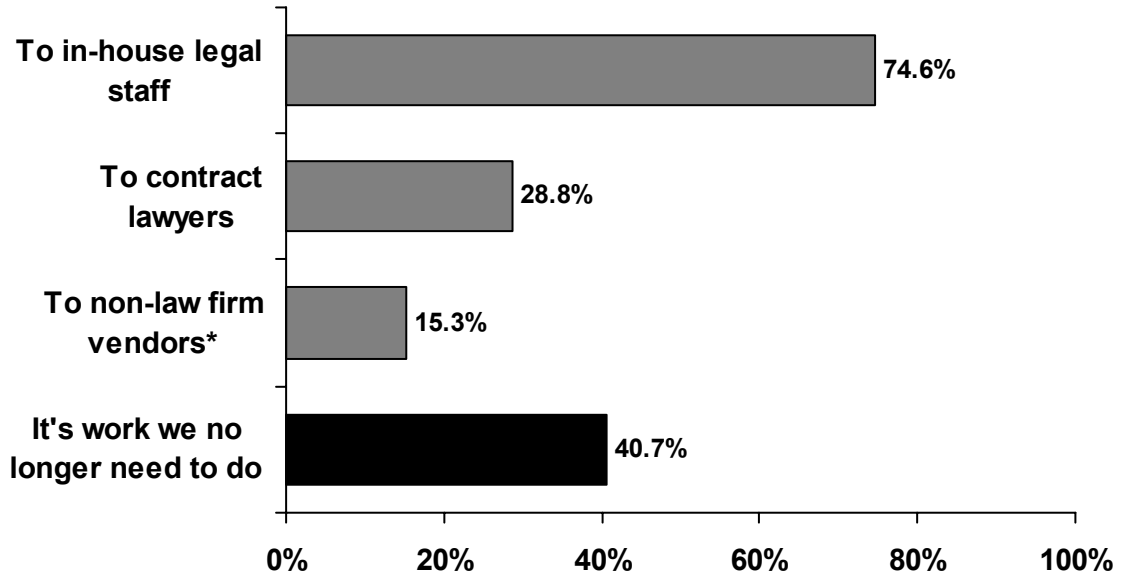
TREND: Increase or decrease your Use of Outside Counsel

Use of Outside Counsel



3. Shifting Work from Outside Counsel

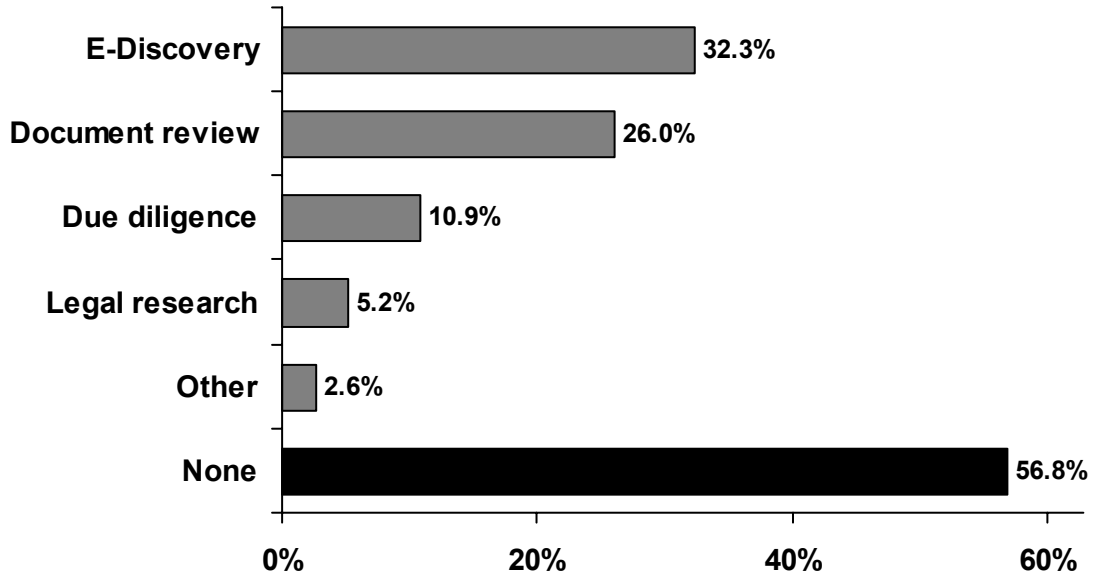
If you plan to decrease your use of outside counsel, where will the work go?
(Check all that apply.)



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

4. Use of Non-Law Firm Vendors

What types of work have you outsourced to non-law firm vendors in 2012 that you used to give to law firms? (Check all that apply.)

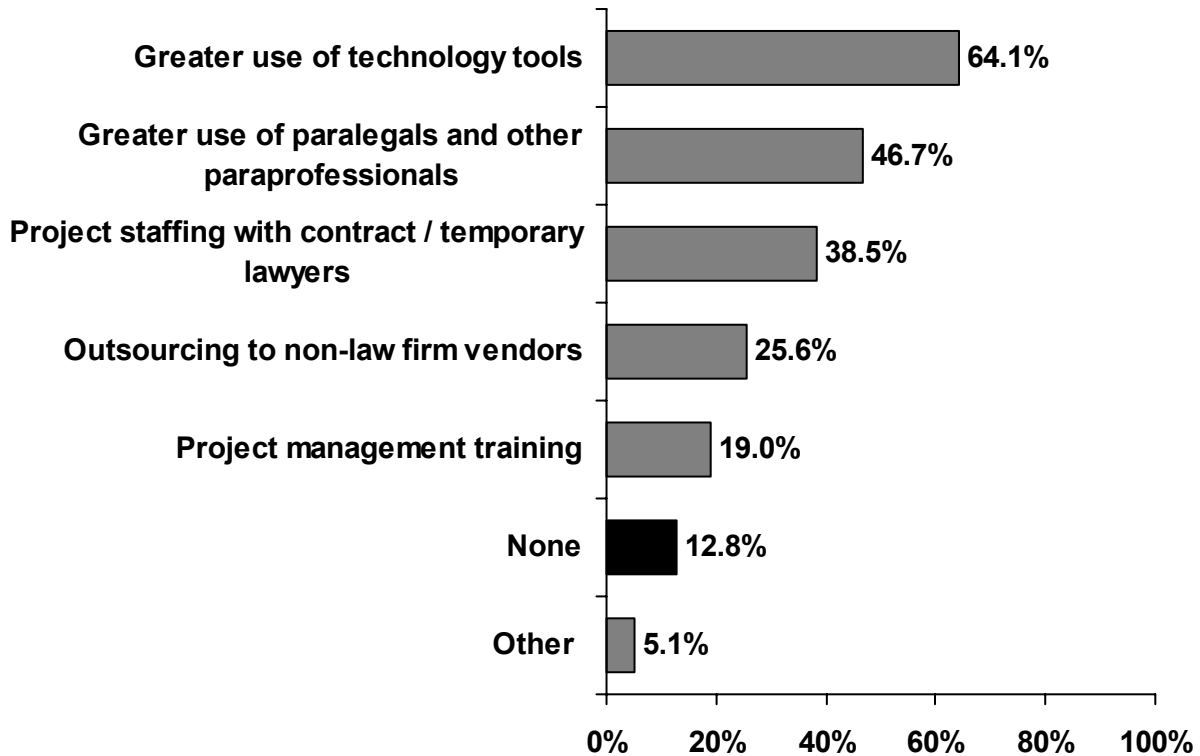


4a. What is the approximate dollar value of the work shifted from law firms to non-law firm vendors in 2012?

Value of 2012 Work Shifted from Law Firms to Vendors		
Department Size	Average	Median
100+ lawyers	\$804,000	\$582,000
51-100 lawyers	\$807,777	\$500,000
31-50 lawyers	\$312,500	\$100,000
16-30 lawyers	\$261,111	\$250,000
2-15 lawyers	\$366,875	\$100,000
1 lawyer	\$80,000	\$80,000
All Departments	\$496,784	\$300,000

5. Law Department Management - Efficiency

In last year's survey, 'efficient delivery of legal services' was named as a top management priority. In the last 12 months, have you done any of the following to increase department efficiency? (Check all that apply.)

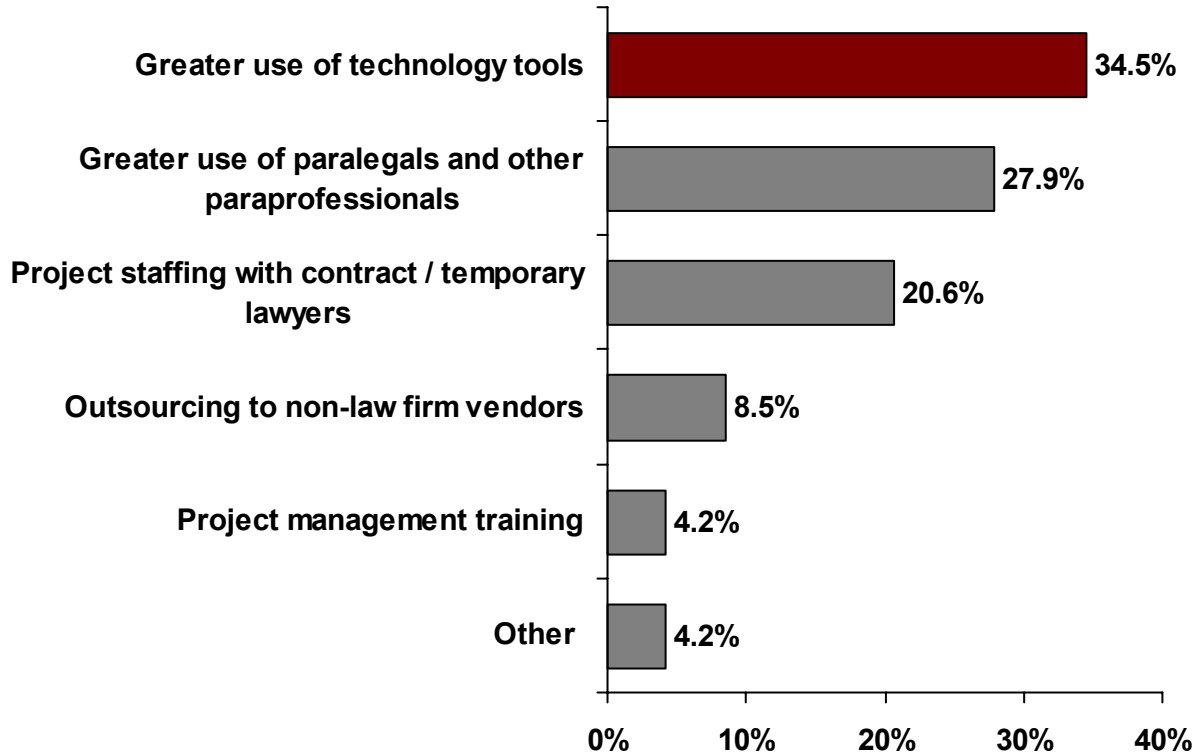


“Other” includes:

- Better monitoring of outside counsel utilization
- Focus on vendor selection practices / RFP processes
- Transfer some work to compliance department and business units
- Hiring JDs into paraprofessional roles, at paraprofessional salaries
- Increase business-focused and CLE training
- Implement continuous improvement projects

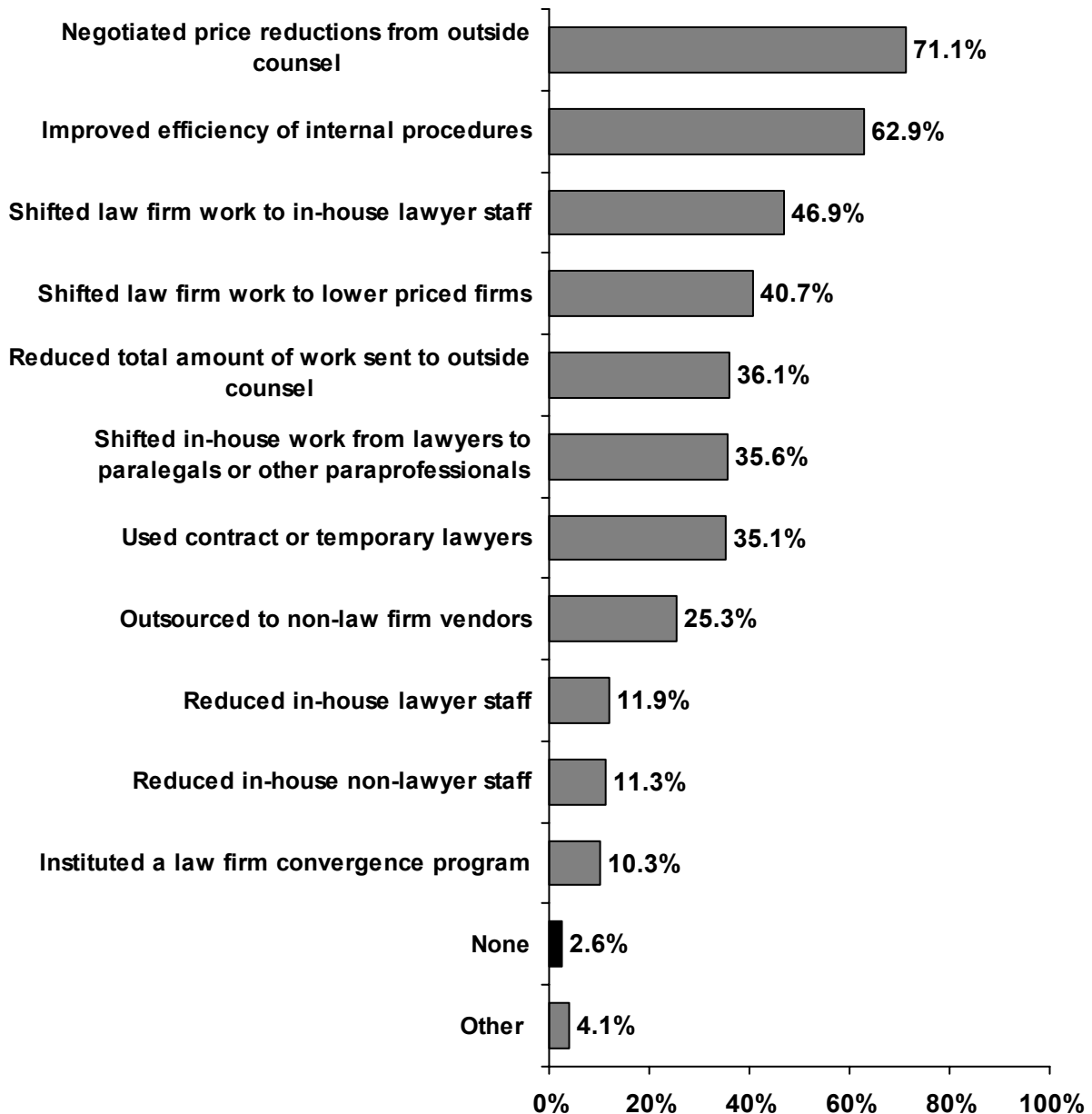
5a. Law Department Management - Efficiency

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



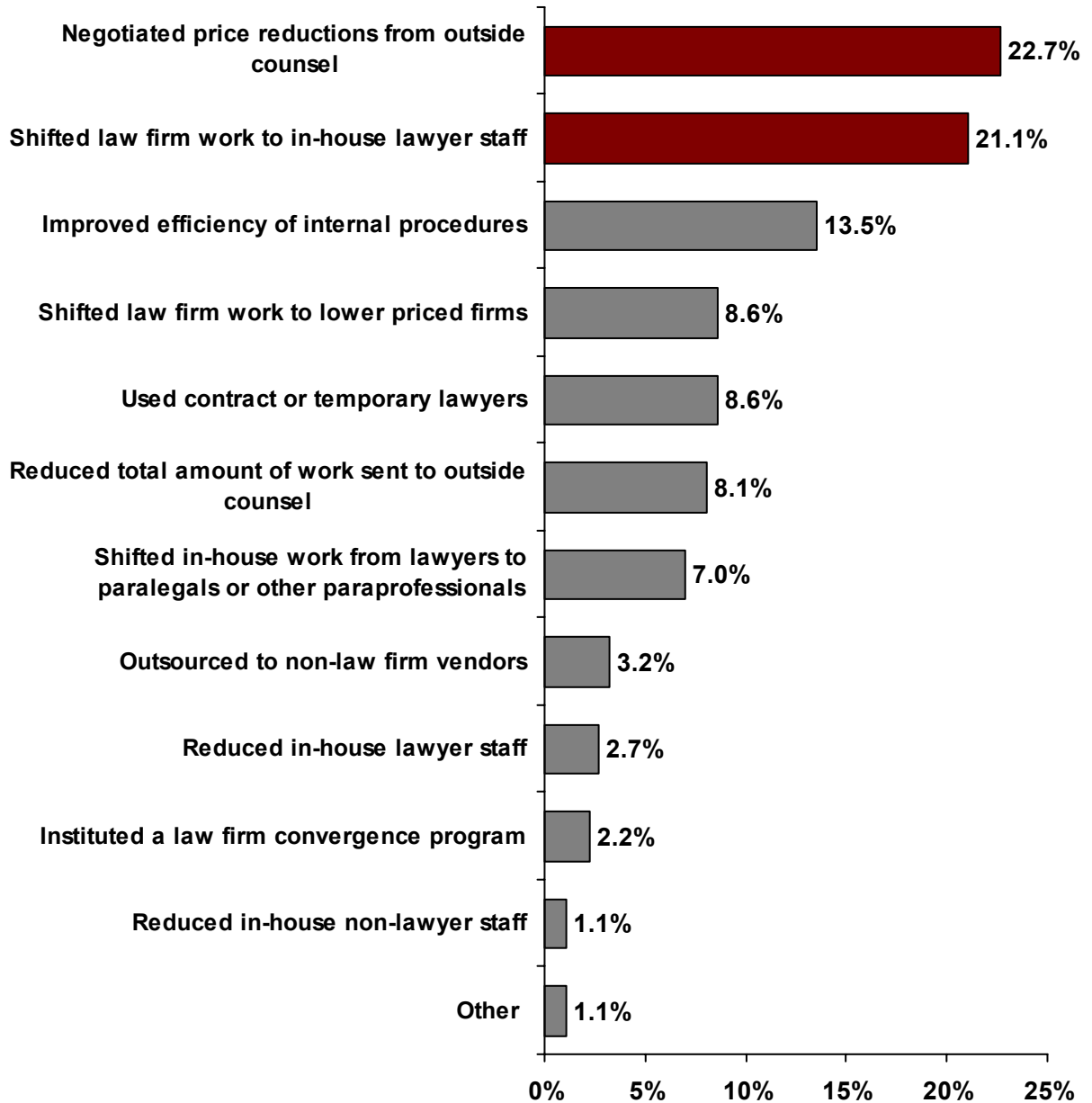
6. Law Department Management – Cost Control

In last year’s survey, ‘cost control’ was named as a top management priority. In the last 12 months, have you done any of the following to control law department costs? (Check all that apply.)



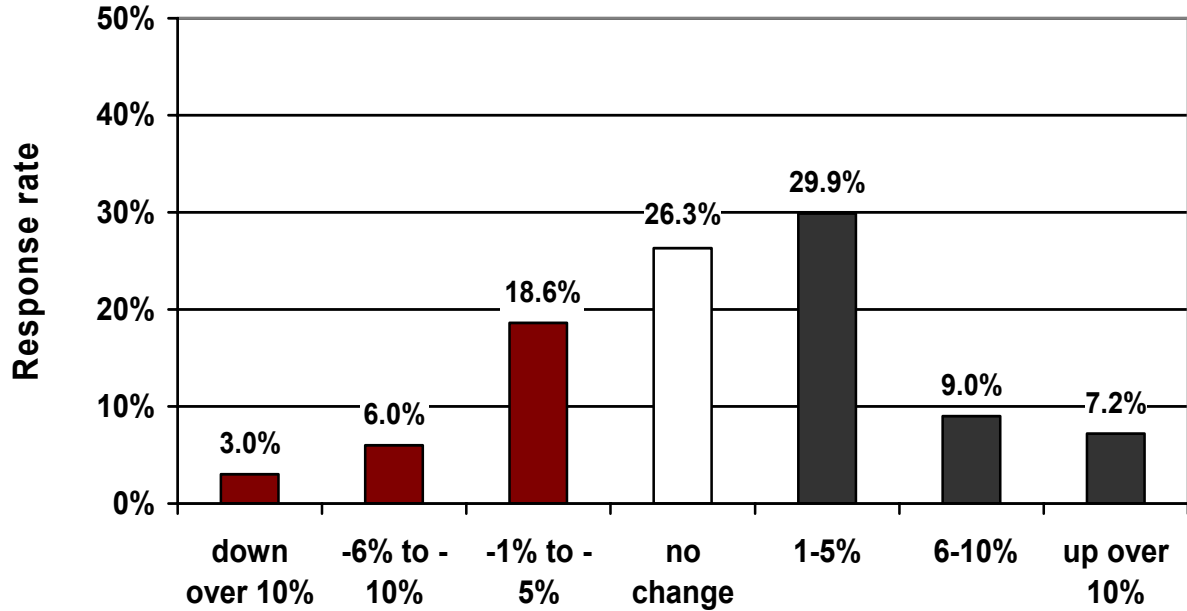
6a. Law Department Management – Cost Control

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

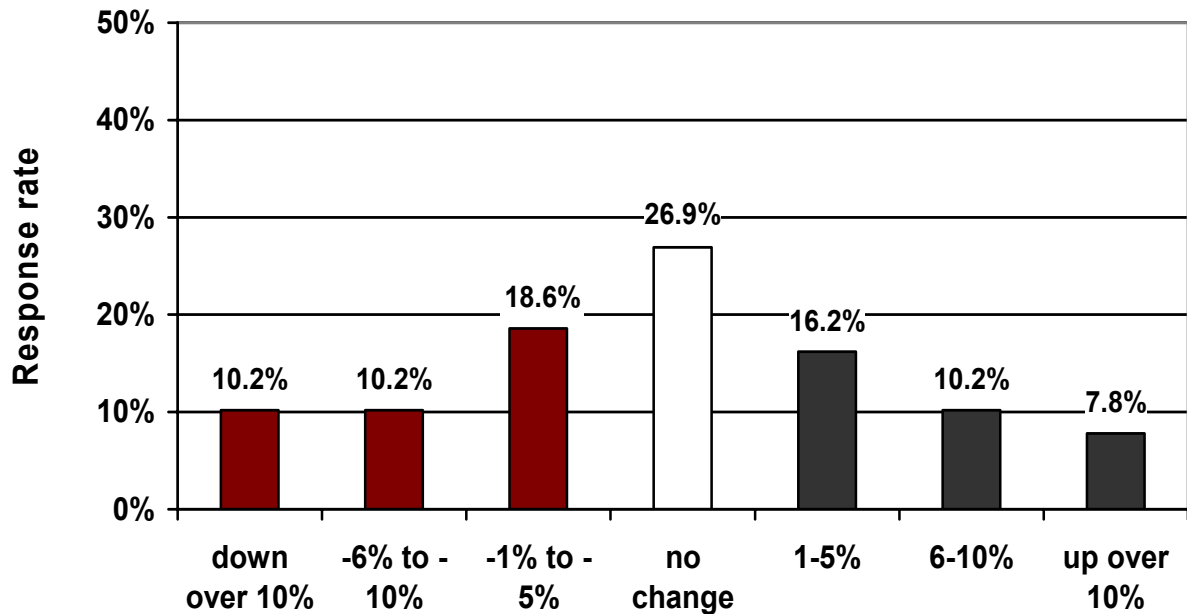


7. Please estimate the percentage increase or decrease to your Law Department budget from 2011 to 2012.

7a. INTERNAL BUDGET

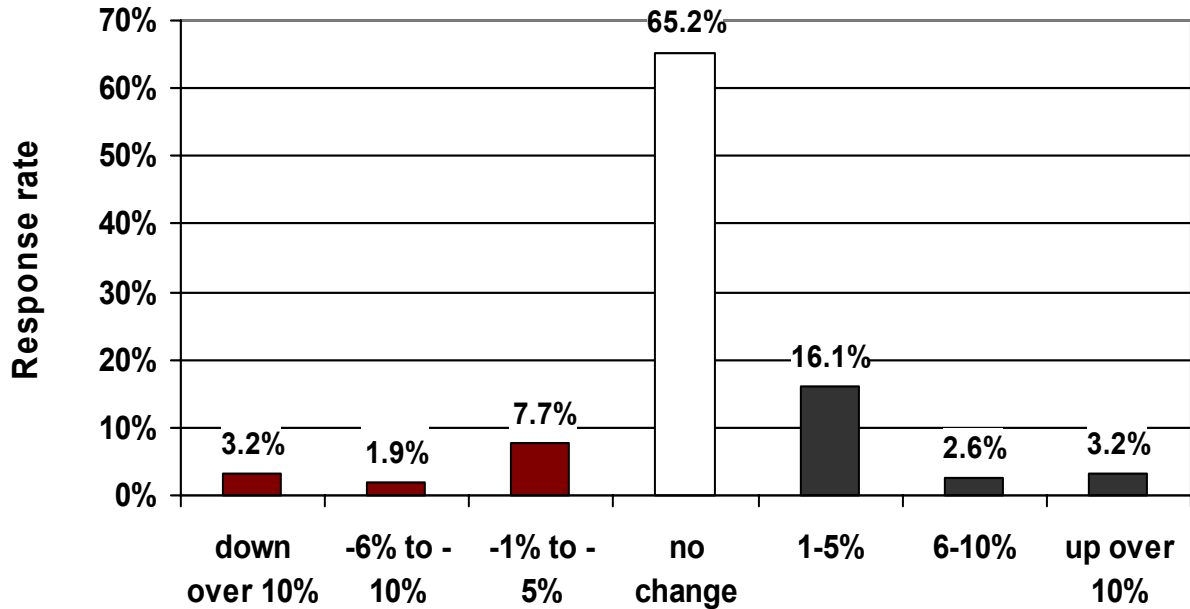


7b. OUTSIDE COUNSEL BUDGET

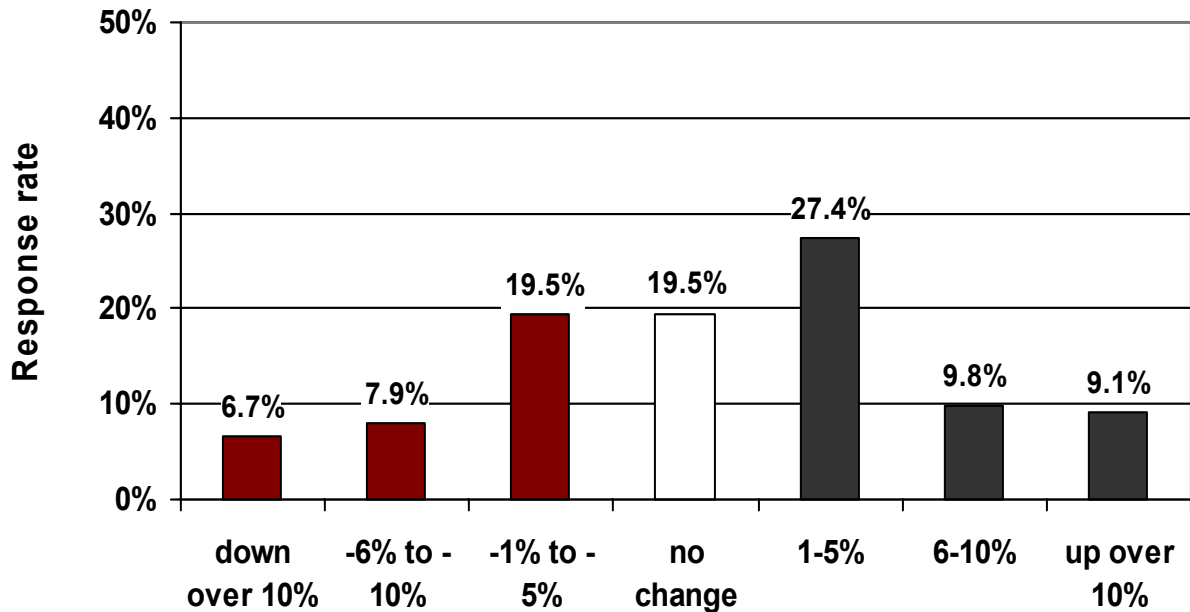


7. Indicate the approximate percentage increase or decrease to your Law Department budget from 2011 to 2012.

7c. VENDOR BUDGET FOR LEGAL MATTERS



7d. TOTAL LAW DEPARTMENT BUDGET



TREND: Percentage increase or decrease to your Law Department budget

Change in Law Department Internal Budget			
Year	Decreased	Same	Increased
	% of Depts.	% of Depts.	% of Depts.
2009 to 2010	16.4%	20.4%	63.1%
2010 to 2011	17.1%	26.7%	56.2%
2011 to 2012	27.6%	26.3%	46.1%

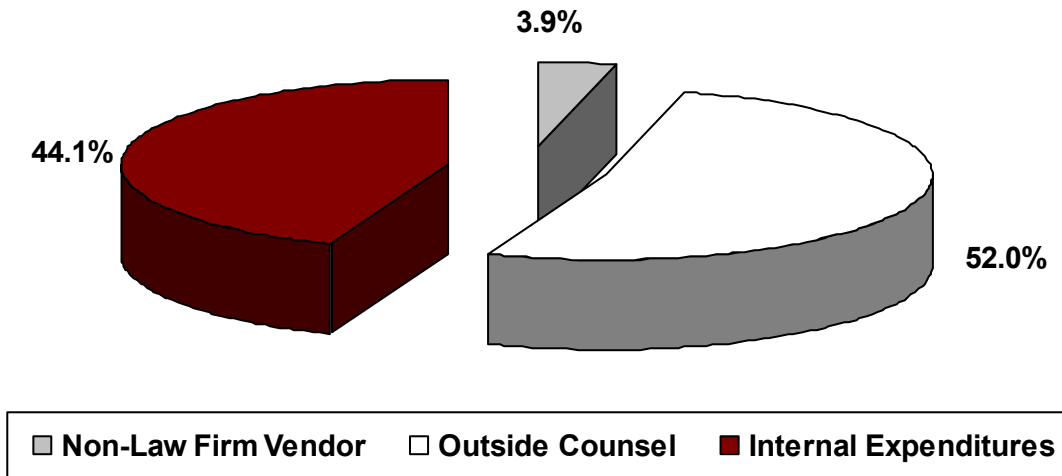
Change in Outside Counsel Budget			
Year	Decreased	Same	Increased
	% of Depts.	% of Depts.	% of Depts.
2009 to 2010	29.7%	27.7%	42.5%
2010 to 2011	25.4%	28.9%	45.8%
2011 to 2012	39.0%	26.9%	34.2%

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%

Change in Total Law Department Budget			
Year	Decreased	Same	Increased
	% of Depts.	% of Depts.	% of Depts.
2009 to 2010	28.8%	20.5%	50.6%
2010 to 2011	25.9%	18.4%	55.8%
2011 to 2012	34.1%	19.5%	46.3%

8. Law Department Budget Allocation

Please estimate the percentage of your total 2012 Law Department budget (internal and external legal spend) that each of the following components comprise. (Responses should total 100%.)



Definitions:

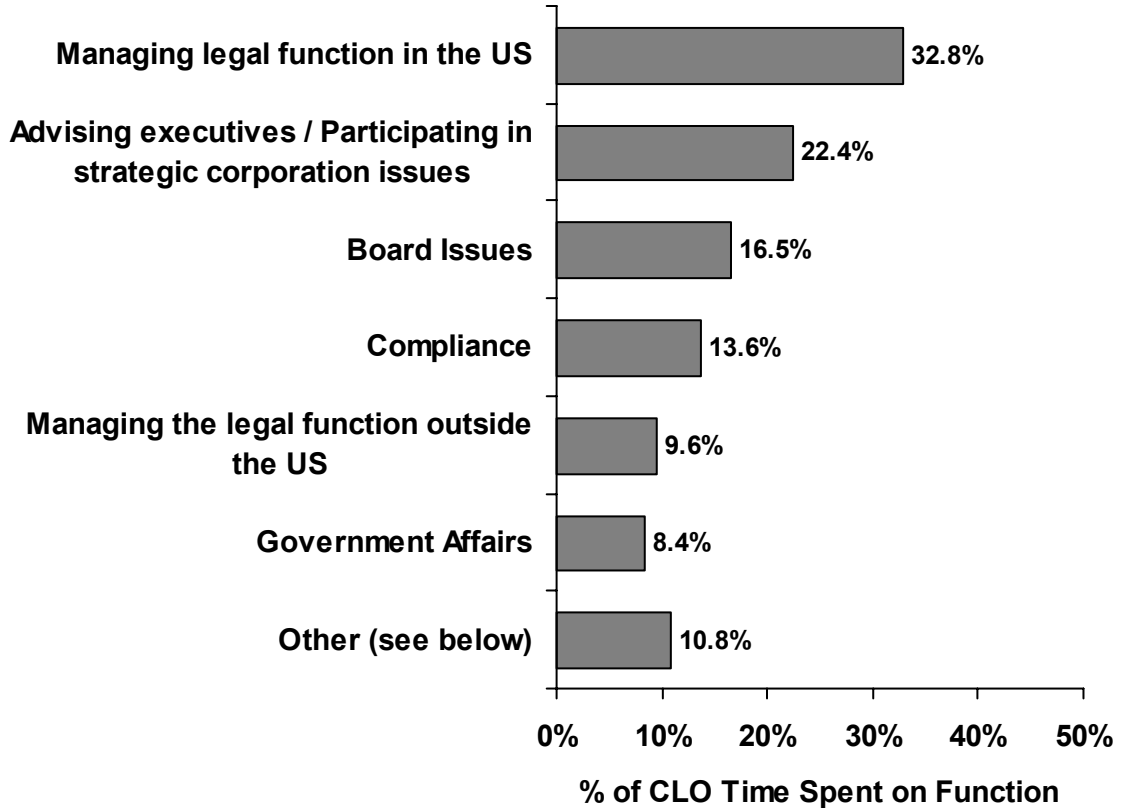
Internal expenditures: Department compensation and benefits; contract lawyers, facilities, technology and other operating costs

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.

9. Chief Legal Officer – Management Time Allocation

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



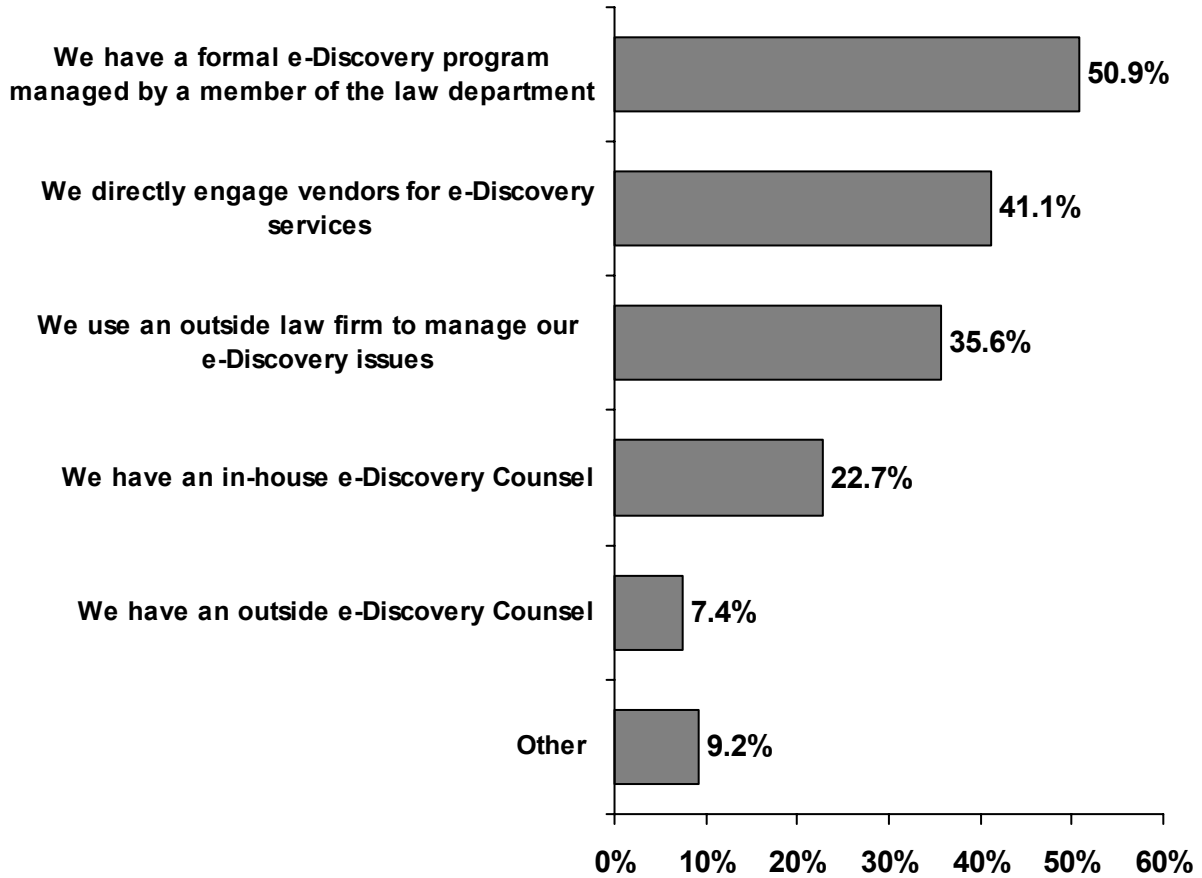
Other functions:

Top responses in order of frequency

- Managing other business departments
- Risk management
- Executive compensation matters

10. E-Discovery Management

**How does your law department handle e-Discovery matters?
(Check all that apply.)**



Other:

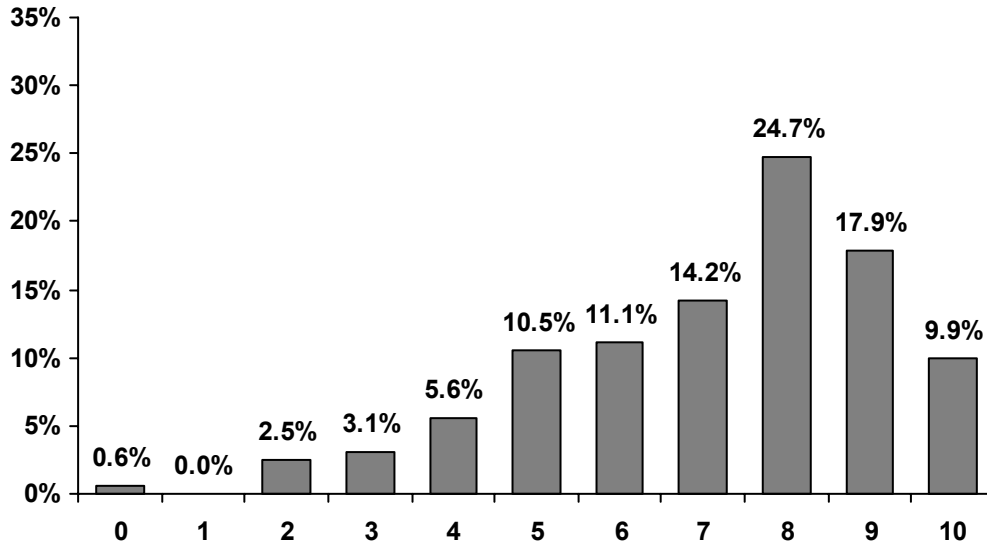
Top responses in order of frequency

- No formal process
- Work with internal IT staff
- Limited/No need

11. E-Discovery Management

How would you evaluate the knowledge and expertise of those handling e-Discovery issues for your department?

11a. IN-HOUSE



0 = Completely unsatisfactory

10 = Completely satisfactory

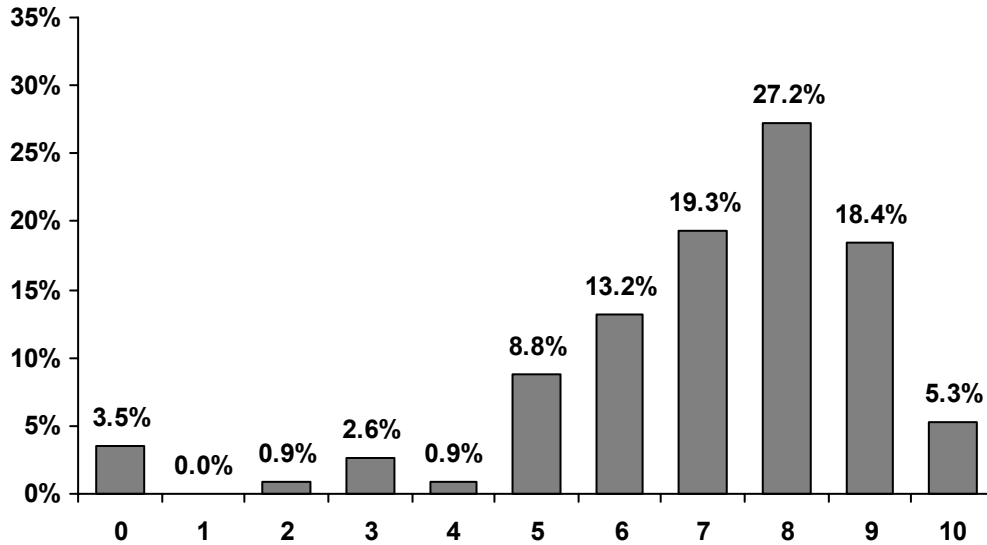
IN-HOUSE	LOW						MODERATE			HIGH	
	0	1	2	3	4	5	6	7	8	9	10
RATING											
RESPONSE	22.3%						50.0%			27.8%	

Median rating: 8

11. E-Discovery Management

How would you evaluate the knowledge and expertise of those handling e-Discovery issues for your department?

11b. VENDORS



0 = Completely unsatisfactory

10 = Completely satisfactory

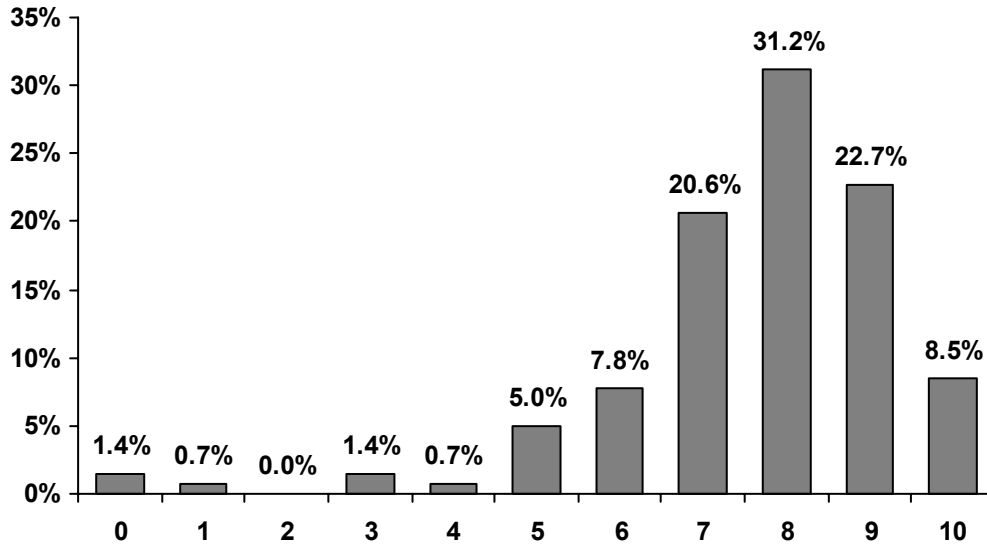
VENDORS	LOW						MODERATE			HIGH	
RATING	0	1	2	3	4	5	6	7	8	9	10
RESPONSE	16.7%						59.7%			23.7%	

Median rating: 8

11. E-Discovery Management

How would you evaluate the knowledge and expertise of those handling e-Discovery issues for your department?

11c. OUTSIDE COUNSEL



0 = Completely unsatisfactory

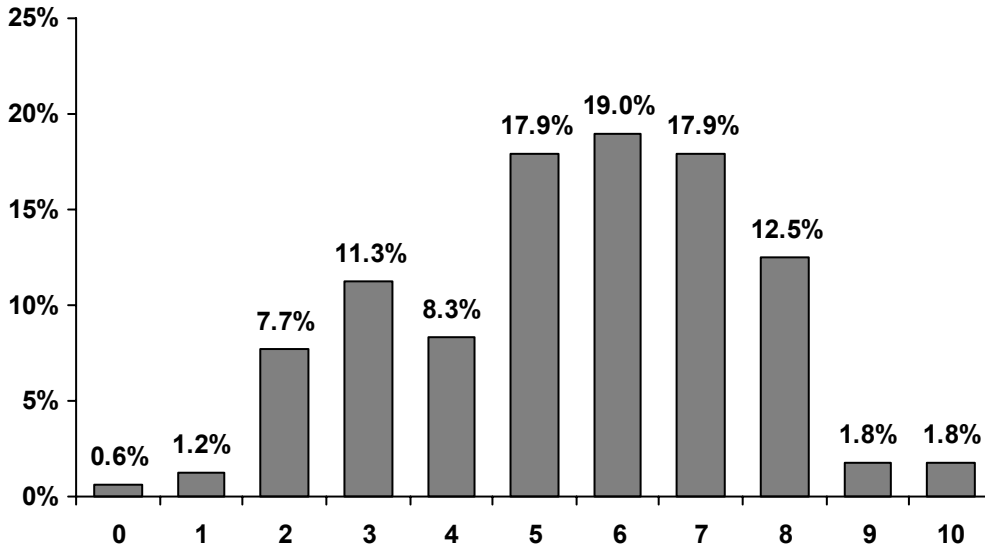
10 = Completely satisfactory

OUTSIDE COUNSEL	LOW						MODERATE			HIGH	
	0	1	2	3	4	5	6	7	8	9	10
RESPONSE	9.2%						59.6%			31.2%	

Median rating: 8

12. Corporations Pressuring Law Firms to Change Value Proposition

In your opinion, in 2012 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

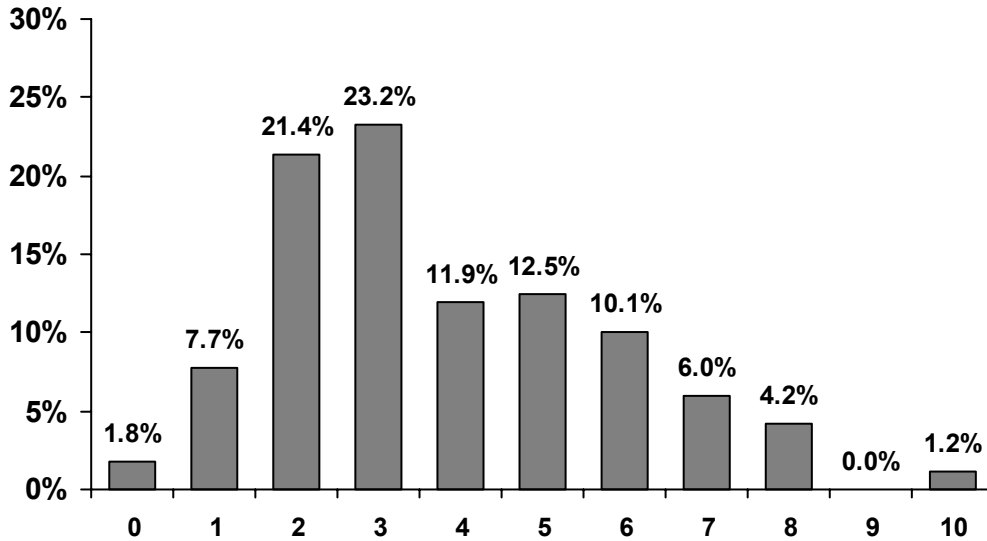
10 = Intense pressure

LAW DEPT PRESSURE	LOW						MODERATE			HIGH	
	0	1	2	3	4	5	6	7	8	9	10
RESPONSE	47.0%						49.4%			3.6%	

Median rating: 6

13. Law Firms Serious About Changing Service Delivery Model

In your opinion, in 2012 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	78.5%					20.3%			1.2%		

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	6.4	5
2012	5.5	6

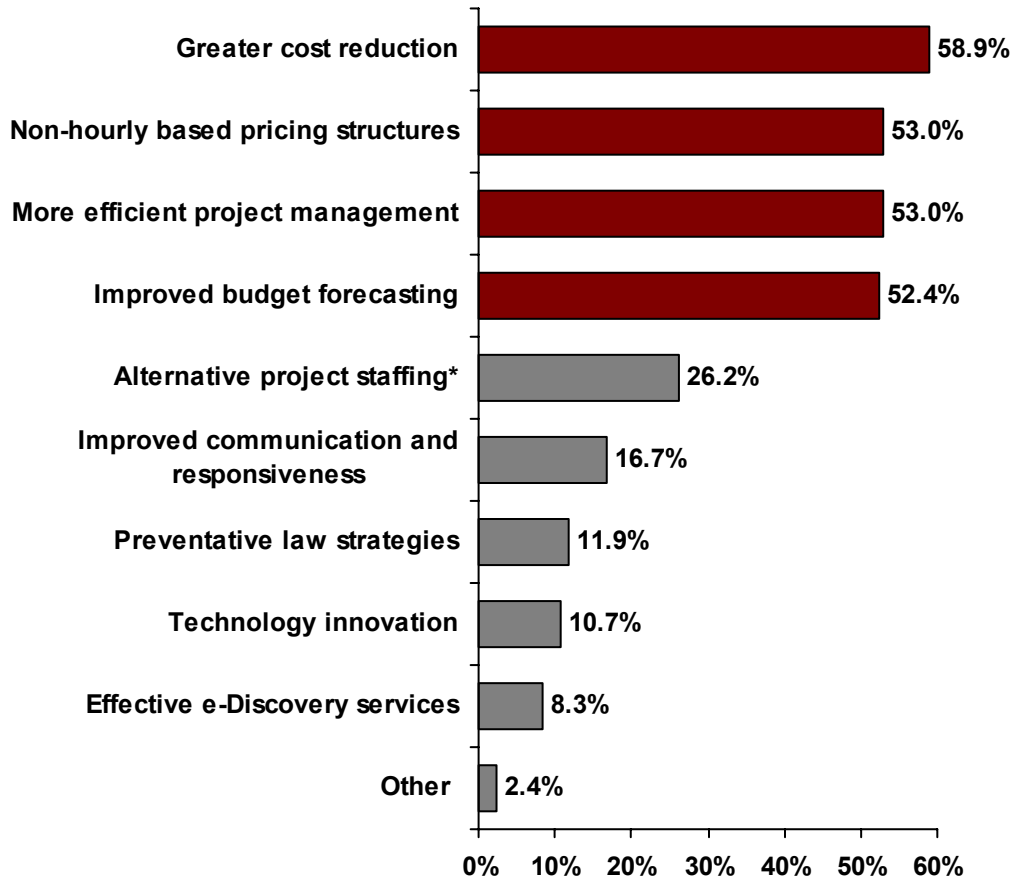
TREND: Law Firms Serious About Changing Service Delivery Model

Intent of Law Firms to Change		
	Average	Median
2009	3.4	3
2010	3.7	3
2011	4.7	3
2012	3.8	3

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

14. 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 or paraprofessionals.

15. Law Firm Selection Influencers

Please rate the following based on how effective they are in influencing your selection of outside counsel.

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

LAW FIRM SELECTION INFLUENCER	Average Rating	Median Rating
Demonstrated understanding of your business / industry	9.6	9
Referrals / Recommendations from colleagues	8.6	8
Personal contact: Visits / phone calls / personal notes	6.7	6
Written material demonstrating lawyer's expertise	6.1	6
Free seminars, webinars, CLE training for your law department	4.9	4
Branding as a full service firm	4.6	3
Industry events: Sponsorships / presentations / attendance	4.1	2
Website content / Firm brochures / Advertising	3.6	2
Directory listings and ratings (traditional and online)	3.3	2
Membership in law firm networks	3.2	2
Committee work, Community involvement, Board memberships	3.2	2
Direct mail / email communications about a firm	2.9	2
Social media activity: LinkedIn / Twitter / Facebook / Other	2.3	0
Invitations to social events / sporting events / meals	2.2	0

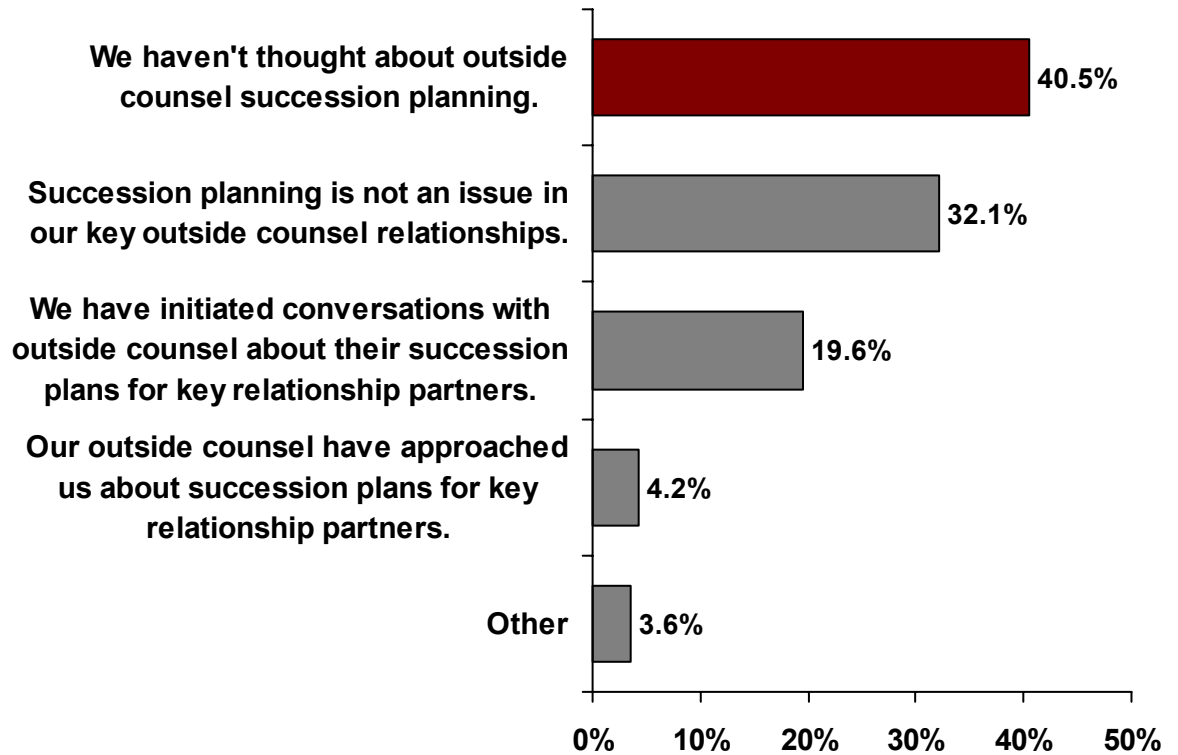
15. Other influencers

Top responses in order of frequency:

- Subject matter expertise
- Track record of success
- Prior relationship
- Low cost

16. Outside Counsel Succession Planning

As the Baby Boom generation begins to retire, some of your key relationships with outside counsel may be affected. Please indicate which of the following statements reflects your law department’s position on outside counsel succession planning.



Other: Sample comments

- We do not over-rely on particular counsel and have alternatives for key matters
- We’ve initiated some of our law firms on succession planning and have learned that most are asleep on this key issue!

17. CLO Management Priorities

What is your number one Law Department management priority for 2013? (open ended question)

MANAGEMENT PRIORITIES	2012 RESPONSE RATE	2011 RESPONSE RATE
Cost control and reduction	23.5%	24.1%
Efficiency	16.7%	16.0%
Quality and value of legal services	13.0%	12.1%
Lawyer staffing issues	9.9%	7.0%
Supporting business goals of the organization	8.0%	12.3%
Compliance	4.3%	10.7%
Convergence	3.7%	0%

Representative comments

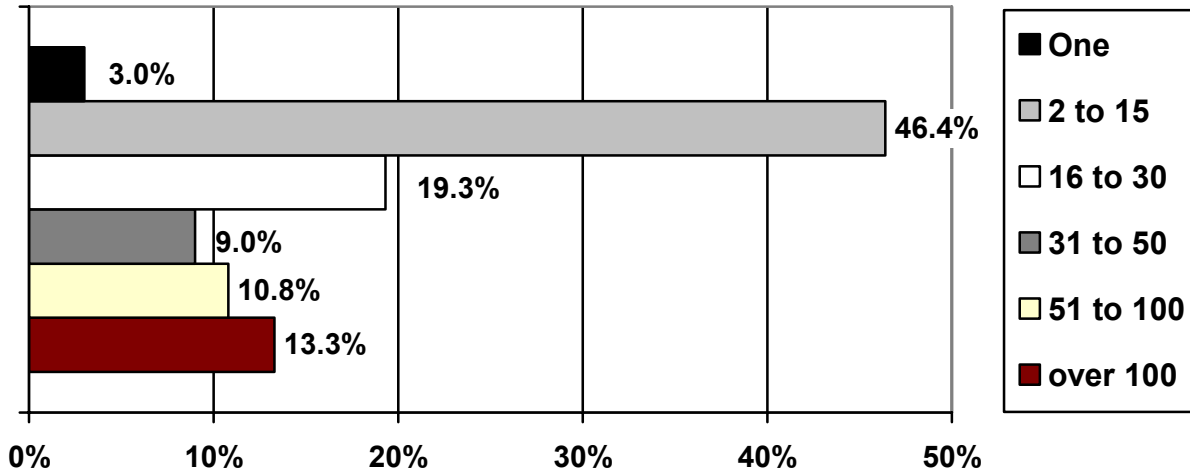
- Implementing better processes and controls to manage costs and measure the effectiveness of outside law firms.
- Leveraging in-house capabilities across the entire department to reduce costs and improve quality of service.
- Cutting costs--convergence of law firms, stricter budgeting procedures and measuring law firm productivity/results.
- Greater efficiency through reduced outside counsel costs and matching work to the appropriate level of talent internally
- Transforming key processes to make them more integrated, efficient, and effective globally

- Handling the volume of work in an improving business environment with only a modest increase in staffing.
- Being cost effective while providing high quality service
- Delivering valued priced, high quality, business savvy legal services
- Effectively using in-house counsel to provide the best value for the company.
- Elevating our ability to manage our work (both inside and through outside counsel) to the same level as our ability to render professional services.
- Ensuring our external and internal resources are utilized and deployed efficiently, strategically and proactively in order to extract the highest and best value and provide a competitive advantage in key areas.
- More effectively leverage our in house capabilities.
- Developing management expertise of potential managing attorneys
- Succession planning within the department and better use of junior personnel
- Provide solution-oriented, commercially savvy, timely legal support
- Serving as strategic partner to support significant growth projects while managing costs
- Driving business results while protecting the company
- Assisting our company and business partners in navigating regulatory change with minimal impact to strategic business and growth plans
- Anticipating and effectively handling emerging and changing regulatory priorities
- Consolidating external legal providers to increase quality/responsiveness and reduce inefficiency.
- Continue on the convergence path, fewer law firms, smarter spend, less cost overall

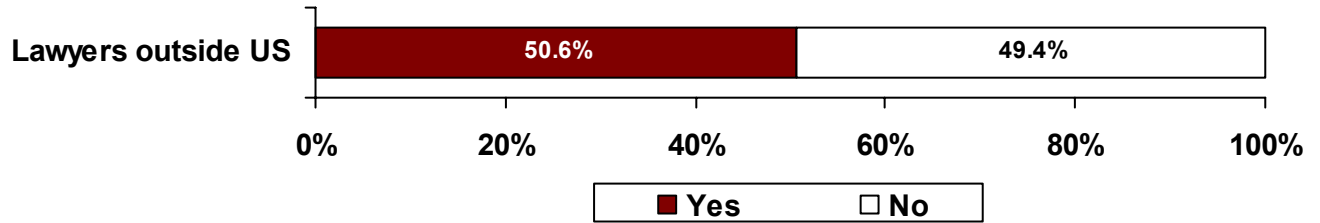
2012
Chief Legal Officer Survey
Participant Demographics



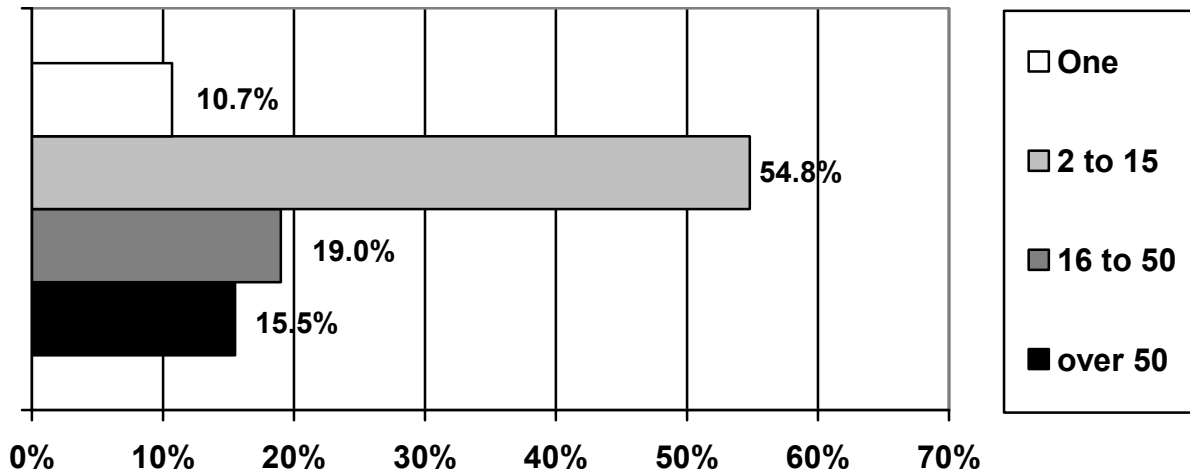
1. How many in-house attorneys are in your department (in all locations)?



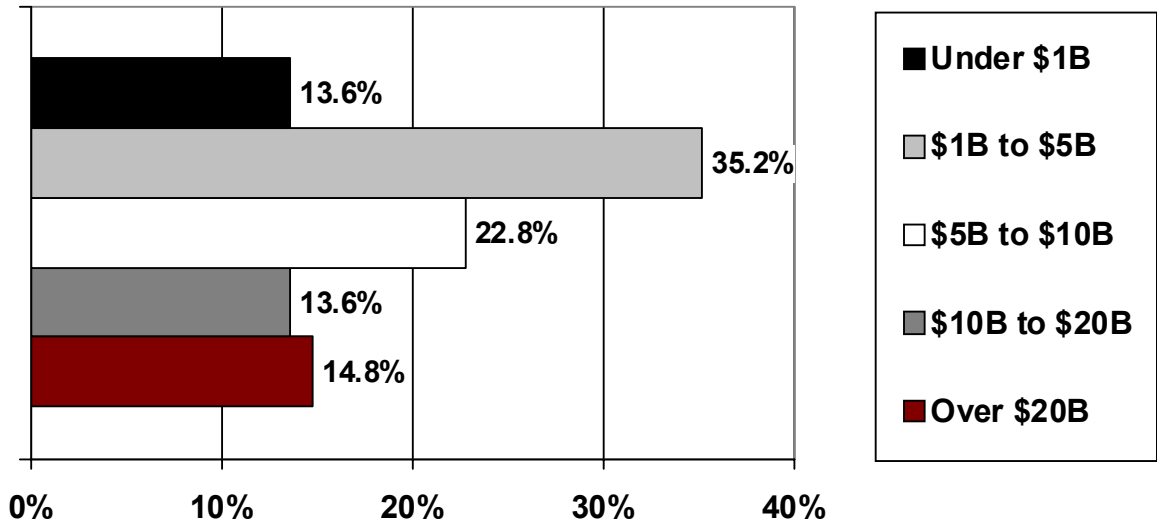
1a. Are any resident outside of the US?



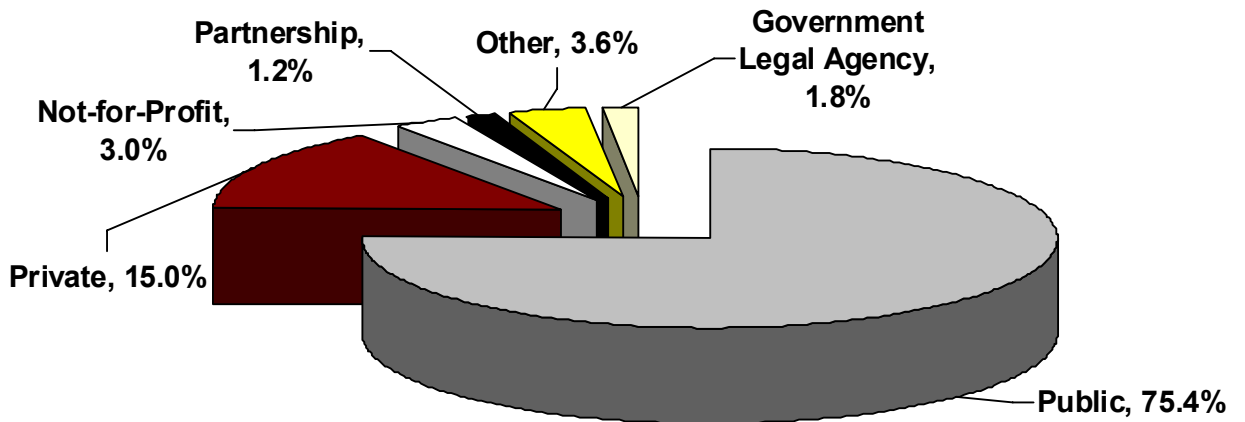
1b. If yes, how many attorneys in the department are resident outside the US?



3. What are your organization’s annual revenues?



4. Is your organization:



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