2014 Chief Legal Officer Survey

For the fifteenth 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 the survey 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.

Survey Findings

The 2014 Chief Legal Officer Survey finds corporate law departments are wielding their buying power to drive down expenditures on outside counsel, and innovating from within to further control costs.

The impact of the recession on in-house law departments has been twofold. Internal department resources have been constrained in many cases, but at the same time departments have gained more leverage over external resources. Chief Legal Officers are buyers in what is currently a strong buyers’ market.

Managing the Law Department in 2014

The two methods Chief Legal Officers used most frequently to control costs in the last 12 months are direct price reductions from outside counsel, and alternative or fixed fee arrangements. The most common price reduction - received by half of all law departments surveyed - is between 6% and 10%. The number of departments receiving average discounts of more than ten percent is 36% this year, a jump from 28% in the 2013 survey.

Along with targeting outside counsel pricing, CLOs also manage costs by managing the distribution of work to law firms. This year 40% of those surveyed have shifted law firm work to in-house lawyer staff; 36% shifted work to lower priced firms; and 34% reduced the total amount of work sent to outside counsel. Of all cost control efforts undertaken in the last 12 months, CLOs report that shifting work in-house is the one that yielded the greatest cost reduction.

This re-mix of resources is evident in law department staffing plans for the next 12 months. Forty-three percent of law departments say they plan to increase their in-house lawyer workforce in the coming year. In addition, 32% of law departments intend to add paralegals, and 21% will supplement their department support staff.
In counterpoint to in-house increases, 26% of law departments say they will decrease their overall use of outside counsel in the next year, while only 14% plan an increase. This continues a seven-year survey trend in which decreases in the use of outside counsel have been reported at about twice the rate of increases.

The same shift is reflected in law department budgets from 2013 to 2014, according to the survey. Fifty-four percent of law departments increased their internal budgets, while only 25% decreased internal spending. At the same time, 48% of law departments reported a decrease in their outside counsel budget from 2013 to 2014, and only 26% reported increasing expenditures on outside law firms.

Law departments usually can do work less expensively in-house if they have the resources in place. And when they do it themselves, they can also inject staffing and process efficiencies that their outside counsel may not offer.

The survey asked what law departments have done in the last 12 months to increase efficiency in the delivery of legal services. Two-thirds of CLOs indicate they have increased their departments' use of technology tools. Over half have undertaken a restructuring/reorganization of internal resources, and 45% have made greater use of paralegals and other paraprofessionals. Other efficiency efforts include knowledge management, project staffing with contract and temporary lawyers, outsourcing to non-law firm vendors and project management training.

The in-house effort that yielded the greatest improvement in efficiency was the reorganization of internal resources.

**Inside-Outside Relationship**

CLOs were asked which service improvements and innovations they would most like to see from their outside counsel. The top improvement, selected by 58% of respondents, is greater cost reduction. Also at the top of the list are 'more efficient project management' chosen by 57% of CLOs and 'improved budget forecasting' selected by 56% of the top legal officers.

The survey asked about preferences for outside counsel pricing on work other than 'bet the company' matters. Thirty-seven percent of CLOs said they prefer transparent pricing in which they understand how and why the price is set and have the opportunity to discuss changes. Twenty-seven percent chose guaranteed pricing, and 26% opted for value-based pricing, defined as a variable price based on the CLO's assessment of value received. Only 10% of respondents said they wanted the lowest price available.
Initially it may seem that law departments just want to pay less for outside counsel. But these results show it’s more complicated. Some CLOs really want law firms to be more efficient and to align with their department’s internal efforts to innovate legal service delivery. Others may have a more transactional relationship with outside counsel that is primarily driven by price considerations.

The survey also asked about the law department position on the changing value proposition in legal service delivery, and found two primary schools of thought.

Forty-three percent of CLOs say they don’t really care about a law firm’s delivery model as long as they get the results they want at a competitive price. Forty-two percent of CLOs say they like to work with firms that offer innovative service delivery models, although other selection factors may take precedence. An additional 9% of respondents actively seek out law firms that offer innovative approaches to service delivery.

Only 4% of Chief Legal Officers are satisfied with the traditional legal service delivery model, according to the survey.

CLOs may have mixed opinions about the best model for the inside-outside relationship, but the fact that only 4% are content with the status quo is an unambiguous indicator that the old model is not sustainable.

In each of the last six Chief Legal Officer Surveys, we’ve asked how much pressure corporations are really putting on law firms to change the value proposition in legal service delivery – as opposed to simply cutting costs. Each year the median response has been a five or six on a zero to ten (low to high) scale, with a relatively even distribution above and below that midpoint, reflecting the range of positions among CLOs.

In contrast, when CLOs are asked how serious they think law firms are about changing their service delivery model to provide greater value to clients (as opposed to simply cutting costs), the result this year - and in each of the five prior years - is a median of only three on the zero to ten scale.

CLOs also give a vote of no confidence to law firms’ long-term interest in or ability to change. When asked who is the most likely change agent in the legal profession over the next ten years, 43% of CLOs said they believe that corporate law departments will lead change; 23% think technology innovation will be the prime mover; 18% see non-law-firm providers of legal services on the forefront of change; and 9% think Gen-X lawyers will take the lead.
Only 6% of CLOs can envision law firms as the most likely change agent in the legal marketplace in the coming decade.

The CLO Job

Chief Legal Officers are advisers and strategists, practicing lawyers and executive managers, splitting their time among these diverse roles. The survey found that CLOs spend a third of their time on average advising the organization’s executives, a quarter of their time practicing law, and another 23% managing the in-house law department. The balance of their time is dedicated to other management responsibilities, including compliance, HR, security, government relations, and a variety of other tasks.

CLOs have an array of concerns about managing their law departments. Costs, budgets and “doing more with less” were mentioned most often as the greatest concern. Compliance is also a top of mind issue, with several respondents noting the increasingly demanding regulatory environment.

Attracting, retaining, motivating and developing talented lawyers is seen as critically important, as is succession planning to ensure continuity of law department service. CLOs are also concerned about organizing their departmental resources for maximum effectiveness and efficiency.

It is important to CLOs that the law department acts as a strategic business partner with its internal clients and offers strategic approaches that add value to the organization.

Beyond effectively solving legal problems, the law department delivers the greatest value to the CEO and corporate board when they are advising company leaders and supporting the business objectives of the organization, according to CLOs. Those functions were ranked first or second in value by almost two-thirds of survey respondents.

Law department performance factors that received mid-level value rankings were managing risk, availability and responsiveness, and managing compliance. The contribution least valued by corporate leaders and ranked last by half of all respondents was controlling legal spend.

The law department’s internal clients – the Board and CEO – are focused on outcomes rather than expenditures. It is the Chief Legal Officer’s responsibility to find the right balance between inside and outside resources, between risk and reward, between costs and results, and still deliver the desired outcome.
The Survey

The Chief Legal Officer Survey has been conducted and published annually by Altman Weil since 2000, most recently in September and October 2014. One hundred and eighty six responses were received for the 2014 survey, 15.6% of the 1,189 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/CLO2014.

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?

- **In-House Lawyers**
  - Not sure: 11.5%
  - Decrease: 43.2%
  - Remain the same: 42.6%

- **Contract Lawyers**
  - Not sure: 6.1%
  - Decrease: 77.4%
  - Remain the same: 14.6%

- **Paralegals**
  - Not sure: 5.8%
  - Decrease: 59.8%
  - Remain the same: 31.6%

- **Support Staff**
  - Not sure: 5.4%
  - Decrease: 8.3%
  - Remain the same: 64.9%
  - Increase: 21.4%
TREND: Increase or decrease your Law Department workforce

**Law Department Lawyers**

- **Increase:**
  - 2014: 42.6%
  - 2013: 42.0%
  - 2012: 37.7%

- **Same:**
  - 2014: 43.2%
  - 2013: 47.3%
  - 2012: 52.9%

- **Decrease:**
  - 2014: 5.4%
  - 2013: 7.4%
  - 2012: 11.5%

- **Not Sure:**
  - 2014: 2.7%
  - 2013: 5.4%
  - 2012: 2.0%

**Contract Lawyers**

- **Increase:**
  - 2014: 14.6%
  - 2013: 14.4%
  - 2012: 19.6%

- **Same:**
  - 2014: 77.4%
  - 2013: 77.4%
  - 2012: 69.8%

- **Decrease:**
  - 2014: 6.1%
  - 2013: 6.9%
  - 2012: 5.8%

- **Not Sure:**
  - 2014: 1.8%
  - 2013: 4.8%
  - 2012: 4.8%

Trend data compiled from 2012, 2013 and 2014 Chief Legal Officer Surveys.
**TREND:** Increase or decrease your Law Department workforce

### Paralegals

- **Increase:**
  - 2014: 31.6%
  - 2013: 29.3%
  - 2012: 25.1%

- **Same:**
  - 2014: 59.8%
  - 2013: 66.5%
  - 2012: 68.2%

- **Decrease:**
  - 2014: 5.8%
  - 2013: 3.0%
  - 2012: 3.1%

- **Not Sure:**
  - 2014: 2.9%
  - 2013: 4.6%
  - 2012: 3.6%

### Support Staff

- **Increase:**
  - 2014: 21.4%
  - 2013: 14.1%
  - 2012: 20.6%

- **Same:**
  - 2014: 64.9%
  - 2013: 71.2%
  - 2012: 68.6%

- **Decrease:**
  - 2014: 8.3%
  - 2013: 8.9%
  - 2012: 9.3%

- **Not Sure:**
  - 2014: 5.4%
  - 2013: 5.2%
  - 2012: 1.5%

*Trend data compiled from 2012, 2013 and 2014 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 2012, 2013 and 2014 Chief Legal Officer Surveys.
TREND: Use of Outside Counsel 2002 - 2014

During the Great Recession, there was a dramatic divergence between the number of law departments decreasing their use of outside counsel and those increasing usage. Since 2009, the trend lines have begun to move towards each other again. It remains to be seen if they will converge in future.

Trend data compiled from 2002 - 2014 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.)

- To in-house legal staff: 85.7%
- It's work we no longer need to do: 28.6%
- To non-law firm vendors*: 16.3%
- To contract lawyers: 14.3%
- Other: 4.1%

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

‘Other’ sample comments:

- We will take more legal risk.
- We will use technology for low level work.
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.)

- Greater use of technology tools: 67.0%
- Internal restructuring / reorganization of resources: 57.1%
- Greater use of paralegals and other paraprofessionals: 44.5%
- Knowledge management: 29.7%
- Project staffing with contract / temporary lawyers: 24.7%
- Outsourcing to non-law firm vendors: 15.9%
- Project management training: 9.9%
- None: 9.3%
- Other: 4.9%

‘Other’ includes:

- Continuous Improvement efforts
- Education of in house team
- Increased centralization and leveraging of services
- Process improvements - standardizing certain activities
- Six Sigma training, Contract Management System, eBilling solution
- Training internal business clients
- Use of dedicated project management team
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.)

- Internal restructuring / reorganization of resources: 38.8%
- Greater use of technology tools: 21.9%
- Greater use of paralegals and other paraprofessionals: 18.1%
- Project staffing with contract / temporary lawyers: 6.3%
- Knowledge management: 5.0%
- Outsourcing to non-law firm vendors: 4.4%
- Project management training: 0.6%
- Other: 5.0%

‘Other’ includes:
- Adding contract managers
- Education of in house team
- Outsourcing HR legal practice
- Process management tools on contracting
- Training internal business clients
- Use of templates
5. 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.)

- Received price reductions from outside counsel: 62.4%
- Used alternative or fixed fee arrangements: 59.5%
- Improved efficiency of internal procedures: 57.8%
- Shifted law firm work to in-house lawyer staff: 39.9%
- Shifted law firm work to lower priced firms: 35.8%
- Reduced total amount of work sent to outside counsel: 33.5%
- Shifted in-house work from lawyers to paralegals or other paraprofessionals: 33.0%
- Used contract or temporary lawyers: 29.5%
- Outsourced to non-law firm vendors: 16.8%
- Instituted a law firm convergence program: 14.5%
- Reduced in-house lawyer staff: 11.6%
- Reduced in-house non-lawyer staff: 9.8%
- None: 5.2%
- Other: 2.3%

‘Other’ includes:
- Eliminated unacceptable billing practices of outside firms
- Instituted e-billing
- Issued RFI/RFPs
- Used fee-free attorneys from preferred firms
5a. 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.)

- Shifted law firm work to in-house lawyer staff: 21.7%
- Received price reductions from outside counsel: 17.4%
- Used alternative or fixed fee arrangements: 13.7%
- Reduced total amount of work sent to outside counsel: 10.6%
- Shifted law firm work to lower priced firms: 9.3%
- Improved efficiency of internal procedures: 7.5%
- Shifted in-house work from lawyers to paralegals or other paraprofessionals: 5.6%
- Outsourced to non-law firm vendors: 3.7%
- Reduced in-house lawyer staff: 3.7%
- Instituted a law firm convergence program: 1.9%
- Reduced in-house non-lawyer staff: 1.9%
- Used contract or temporary lawyers: 1.9%
- Other: 1.2%
6. Law Department Management – Outside Counsel Pricing

Did your law department receive **price reductions from outside counsel** in the last 12 months?

![Pie chart showing 90.5% received price reductions, 9.5% did not receive price reductions.]

6a. If you received price reductions from outside counsel in the last 12 months, what was the **average price reduction received**?

![Bar chart showing percentage distribution of average price reductions: 14.5% for 1% to 5%, 50.0% for 6% to 10%, 27.0% for 11% to 15%, 7.2% for 16% to 20%, and 1.3% for more than 20%.]
**TREND:** Average Price Reductions from Outside Counsel

While the median discount remains in the 6% to 10% range, the number of law departments that are receiving discounts in excess of 10% jumped between 2013 and 2014.
7. 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:**

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

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

**Value-based pricing:** We want to pay a variable price based on our assessment of the value we receive.

**Lowest pricing:** We want the lowest price available.
8. Law Department Management – Procurement Professionals

Are Procurement / Purchasing / Strategic Sourcing professionals in your organization involved in outside counsel selection?

**TREND**: Use of procurement professionals for outside counsel selection

Trend data compiled from 2010 and 2014 Chief Legal Officer Surveys.
9. Law Department Management – Procurement Professionals

If they are used at all, how are Procurement / Purchasing / Strategic Sourcing involved in outside counsel selection?

**TREND:** Type of involvement in outside counsel selection

Trend data compiled from 2010 and 2014 Chief Legal Officer Surveys.
10. Law Department Management – Procurement Professionals

If they are used at all, how helpful is the involvement of Procurement / Purchasing / Strategic Sourcing professionals in the selection of outside counsel?

![Bar chart showing responses to the question.]

**SAMPLE COMMENT**

[It's] very dependent on the procurement individual - we have seen more benefit by identifying one or two people within procurement who are the 'legal sourcing' experts so we can educate them about the pros and cons of price-driven legal services sourcing and build ways to work together collaboratively.
11. Please estimate the percentage increase or decrease to your Law Department budget from 2013 to 2014.

11a. INTERNAL BUDGET

11b. OUTSIDE COUNSEL BUDGET
11. Please estimate the percentage increase or decrease to your Law Department budget from 2013 to 2014.

11c. VENDOR BUDGET FOR LEGAL MATTERS

<table>
<thead>
<tr>
<th>Percentage Change</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1%</td>
<td>9.9%</td>
</tr>
<tr>
<td>2.8%</td>
<td>69.7%</td>
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<tr>
<td>9.9%</td>
<td>2.1%</td>
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<td>3.5%</td>
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</table>

11d. TOTAL LAW DEPARTMENT BUDGET

<table>
<thead>
<tr>
<th>Percentage Change</th>
<th>Response Rate</th>
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<tbody>
<tr>
<td>9.3%</td>
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<tr>
<td>20.5%</td>
<td>17.9%</td>
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<td>27.8%</td>
<td>6.6%</td>
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<tr>
<td>7.3%</td>
<td>7.3%</td>
</tr>
</tbody>
</table>
**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

<table>
<thead>
<tr>
<th>Year</th>
<th>Decreased</th>
<th>Same</th>
<th>Increased</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Depts.</td>
<td>% of Depts.</td>
<td>% of Depts.</td>
<td></td>
</tr>
<tr>
<td>2010 to 2011</td>
<td>17.1%</td>
<td>26.7%</td>
<td>56.2%</td>
</tr>
<tr>
<td>2011 to 2012</td>
<td>27.6%</td>
<td>26.3%</td>
<td>46.1%</td>
</tr>
<tr>
<td>2012 to 2013</td>
<td>17.3%</td>
<td>26.2%</td>
<td>56.6%</td>
</tr>
<tr>
<td>2013 to 2014</td>
<td>24.8%</td>
<td>20.8%</td>
<td>54.4%</td>
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</table>

### Change in Outside Counsel Budget

<table>
<thead>
<tr>
<th>Year</th>
<th>Decreased</th>
<th>Same</th>
<th>Increased</th>
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</thead>
<tbody>
<tr>
<td>% of Depts.</td>
<td>% of Depts.</td>
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<tr>
<td>2010 to 2011</td>
<td>25.4%</td>
<td>28.9%</td>
<td>45.8%</td>
</tr>
<tr>
<td>2011 to 2012</td>
<td>39.0%</td>
<td>26.9%</td>
<td>34.2%</td>
</tr>
<tr>
<td>2012 to 2013</td>
<td>47.0%</td>
<td>24.1%</td>
<td>28.9%</td>
</tr>
<tr>
<td>2013 to 2014</td>
<td>48.0%</td>
<td>26.0%</td>
<td>26.1%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Decreased</th>
<th>Same</th>
<th>Increased</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of Depts.</td>
<td>% of Depts.</td>
<td>% of Depts.</td>
</tr>
<tr>
<td>2011 to 2012</td>
<td>12.8%</td>
<td>65.2%</td>
<td>21.9%</td>
</tr>
<tr>
<td>2012 to 2013</td>
<td>13.9%</td>
<td>65.2%</td>
<td>20.9%</td>
</tr>
<tr>
<td>2013 to 2014</td>
<td>14.8%</td>
<td>69.7%</td>
<td>15.5%</td>
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</table>

### Change in Total Law Department Budget

<table>
<thead>
<tr>
<th>Year</th>
<th>Decreased</th>
<th>Same</th>
<th>Increased</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>% of Depts.</td>
<td>% of Depts.</td>
<td>% of Depts.</td>
</tr>
<tr>
<td>2010 to 2011</td>
<td>25.9%</td>
<td>18.4%</td>
<td>55.8%</td>
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<tr>
<td>2011 to 2012</td>
<td>34.1%</td>
<td>19.5%</td>
<td>46.3%</td>
</tr>
<tr>
<td>2012 to 2013</td>
<td>36.9%</td>
<td>26.2%</td>
<td>36.8%</td>
</tr>
<tr>
<td>2013 to 2014</td>
<td>40.4%</td>
<td>17.9%</td>
<td>41.7%</td>
</tr>
</tbody>
</table>

12. Law Department Budget Allocation

Please estimate the percentage of your total 2014 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, due diligence, legal research, etc.

TREND – Law Department budget allocation

<table>
<thead>
<tr>
<th>Budget allocation</th>
<th>Internal</th>
<th>Outside Counsel</th>
<th>Non-firm vendor</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>44.1%</td>
<td>52.0%</td>
<td>3.9%</td>
</tr>
<tr>
<td>2013</td>
<td>44.4%</td>
<td>49.6%</td>
<td>6.0%</td>
</tr>
<tr>
<td>2014</td>
<td>42.6%</td>
<td>50.3%</td>
<td>7.1%</td>
</tr>
</tbody>
</table>
13. Chief Legal Officer –Time Allocation

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

Advising executives / Corporation strategy: 32.3%
Managing the Law Department: 22.7%
Other corporate management responsibilities: 17.3%
Practicing law: 25.2%
Other: 0%

‘Other’ functions include:

- Advising board of directors and other corporate governance matters
- Compliance
- Corporate Secretary
- Government relations and lobbying
- M&A and Compliance
- Management of non-legal responsibilities
- Pro bono, record management and licensing
- Risk management
- Speaking engagements, board participation and other externally facing professional activities
14. Law Department Performance – Value to the Corporate Board

Beyond effectively solving legal problems that arise, what does your CEO and/or Corporate Board value most in your Law Department’s performance?

Rank the following activities from 1 to 6: 1= Most valuable to 6 = Least valuable.

- Advising company leaders
- Supporting business objectives
- Managing risk
- Availability & responsiveness
- Managing compliance
- Controlling legal spend

‘Other’ valued activities include:

- Ability to execute on high stakes litigation and highly strategic transactions
- Anticipating legal and public policy issues that may arise
- Board interaction
- GC personal counseling of CEO and Board on sensitive and highly confidential matters
- Governance
- Providing legislative analysis and responding to Congressional Inquiries
- Understanding our business realities and competition
15. 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)?

**Median rating: 5**

**TREND:** Corporations Pressuring Law Firms to Change Value Proposition

<table>
<thead>
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<th>Average</th>
<th>Median</th>
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<td>5.4</td>
<td>5</td>
</tr>
<tr>
<td>2014</td>
<td>5.3</td>
<td>5</td>
</tr>
</tbody>
</table>

*Trend data compiled from 2009 - 2014 Chief Legal Officer Surveys.*
16. 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)?

**TREND:** Law Firms’ Seriousness About Changing Service Delivery Model

<table>
<thead>
<tr>
<th>Year</th>
<th>Average</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>3.4</td>
<td>3</td>
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*Trend data compiled from 2009 - 2014 Chief Legal Officer Surveys.*
17. Inside / Outside Relationship – Legal Service Delivery Model
Which of the following statements best reflects your law department’s position on the changing value proposition in legal service delivery?

- We don’t really care about the law firm’s service delivery model as long as we get the results we want at a competitive price. (43.0%)
- We like to work with firms that offer innovative service delivery, but other selection factors may take precedence. (42.4%)
- We seek out law firms that offer innovative approaches to service delivery. (8.5%)
- We are satisfied with the traditional legal service delivery model. (0%)
- If we want greater efficiency and value, we do the work ourselves or use a non-traditional service provider. (20%)
18. 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.)

- Greater cost reduction: 58.2%
- More efficient project management: 57.0%
- Improved budget forecasting: 56.4%
- Non-hourly based pricing structures: 40.0%
- Improved communication and responsiveness: 30.9%
- Alternative project staffing*: 18.2%
- Preventative law strategies: 15.8%
- Technology efficiencies: 10.3%
- Other: 3.6%

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

‘Other’ service improvements include

- Greater appreciation of the business realities the company faces and how legal questions should be managed in that reality
- Greater awareness of what is a "win" to the business
- More diverse teams of attorneys working on our projects.
- More efficient management of specialty areas
- Superior quality
- Thoughtful and early strategies to resolve legal issues quickly and cheaply
19. **CLO Management Concerns**

What is your greatest concern in effectively managing your Law Department going forward?

Following are representative comments. The order of the categories indicates the relative number of responses from most frequently to least frequently cited topics.

**Costs / Budgets / Doing More with Less**

- Balancing the need to manage risk and improve delivery of legal services against tight corporate budgetary restraints.
- Budget pressures are causing us to reduce costs at a time when legal risks are becoming increasingly complex.
- Meeting the needs and demands of the organization with reduced staffing and a decreased budget.
- The increasing demands on the department (scope and volume of work) and growing pressure to reduce expense.
- Continuing to provide pragmatic and efficient counsel with fewer resources.
- Expanding client need for services, but limited legal resources to provide them.
- Increased demand without comparable increase of resources.
- Intense pressure to reduce costs.
- Maintaining the quality of legal service delivery while mitigating risk and controlling cost.
- Managing litigation costs, particularly in the context of e-discovery burdens.
- Managing outside legal spend.

**Compliance / Regulatory / Risk**

- Balancing ballooning global regulatory/compliance issues with business/financial objectives.
Continuing to proactively address legal and compliance risk while remaining responsive to immediate demands.

Ensuring that we’re effectively adapting to the ever-changing and increasing demands of government regulators, law enforcement, etc.

Increase in litigation activity and regulatory activity under vague legal standards with very high penalties.

Keeping up with the complex and rapidly changing/increasing global regulatory environment

Managing longer-term compliance issues in the context of daily needs.

Proliferation of new large scale complex federal regulatory regimes that require extensive compliance and training

Resources required to staff compliance have grown substantially. Bigger concern than legal at this point. Compliance risk ratcheting up if you are heavily regulated industry.

Declining budgets and increasing risks. Now that the GC's are in the line of "who goes to jail" we are not being given the tools to protect the company and ourselves from liability.

Risk management (are we identifying and properly managing risks?)

**Talent – Attract / Retain / Motivate / Develop**

Attracting, retaining and rewarding best attorneys available

Attrition and retention / burnout

Being able to retain the in-house staff

Being able to offer advancement opportunities to high performing in-house attorneys

Ensuring that lawyers continue to develop increased skills and breadth of knowledge; a better rounded lawyer better serves the business needs of the corporation

Retaining, motivating and training the next generation of leaders
Talent – Limited resources

- Availability of internal resources. We are far more efficient when we staff work internally, but getting headcount to reduce outside counsel expense is not always easy internally.

- Staff resources and risk of having too few in house attorneys for the complexity of the work

- Too much work that should be performed by in-house counsel, but not enough in-house capacity

- Being able to afford in house lawyer salaries

Talent – Succession

- Senior lawyer departures and the need to regenerate the department

- Succession planning and retention of individuals who understand our business and can provide continuity of services.

Department Structure – Organization of Resources

- Ensuring the right people are in the right jobs to support the business

- Identifying and retaining the right number and balance of professionals of appropriate quality.

- Aligning personnel to most effectively manage our company's risk without adding staff.

- Ensuring the growth of the department in capability, skill set and strategic thinking to remain ahead of the business needs

- Having lawyers who are capable and experienced lawyers close to where the business decisions are being made.

- More need for specialists. Complexity relating to transactions or normal business has greatly increased.
Department Structure – Inside / Outside Mix

- Ability to effectively staff (inside and outside) and manage a very large or very high risk project (lawsuit, M&A, etc.)
- Finding the perfect balance between in-house staff and outside counsel
- Having the right balance between in-house talent and use of outside firms. Don’t want too many internal attorneys not busy enough on important matters and don’t want to overspend on outside firms.

Department Structure – Efficiency

- Delivering high quality legal and risk management services in light of ever-increasing workload
- Continuing to find efficiencies in delivery of service
- Management of the peaks and valleys in the need for legal services
- Structure department to provide greatest value

Department Structure – Geographically Diverse Departments

- Ensuring a single shared vision for all lawyers is maintained across a geographically and culturally diverse group.
- Maintaining world-class internal lawyering as we get bigger and more geographically dispersed as a law function

Supporting Business interests / Partnering with Internal Clients

- Staying ahead of the business needs/aspirations and anticipating strategic approaches that add value to the business -- and finding legal professionals who embrace that challenge and think outside the traditional legal 'box'.
- Maintaining the relationship between our attorneys and our executives and business leaders in the field over the long term
- Making sure that the law department is, and is viewed as, a strategic business partner
- Driving business objectives while balancing risk
- Creating value for the organization and communicating our value to the CEO and BOD

**Data / Knowledge / Technology**

- Data management and cyber security
- Knowledge management and continuity in handling matters given future staff reductions
- Managing the increasing amount of digital information that we have (contracts, drafts, e-mails, attachments, etc.)

**Outside Counsel Fees**

- Obtaining value for the fees charged, particularly achieving reduced fees for still high quality and timely advice.
- It's really impossible to find the best approach to fees.
20. The Changing Legal Market

In your opinion, which of the following is the most likely change agent in the legal market over the next ten years?

- Corporate law departments: 43.3%
- Technology innovation: 22.6%
- Non-law-firm providers of legal services: 18.3%
- Gen-X lawyers: 8.5%
- Law firms: 6.1%
- Other: 1.2%
BONUS: Law Firm Perspective on Change

In Spring 2014, we asked the same questions of law firm Managing Partners in Altman Weil’s Law Firms in Transition Survey. Following, in gray, are their responses set against responses from the Chief Legal Officers in this survey.

In your opinion, which of the following is the most likely change agent in the legal market over the next ten years?

- Corporate law departments: 34.4% (Chief Legal Officer) vs. 43.3% (Managing Partner)
- Technology innovation: 22.6% (Chief Legal Officer) vs. 31.6% (Managing Partner)
- Non-law-firm providers of legal services: 15.4% (Chief Legal Officer) vs. 18.3% (Managing Partner)
- Gen-X lawyers: 8.4% (Chief Legal Officer) vs. 8.5% (Managing Partner)
- Law firms: 6.1% (Chief Legal Officer) vs. 10.2% (Managing Partner)
1. How many in-house attorneys are in your department (in all locations)?

- 1 to 30: 61.8%
- 31 to 50: 15.2%
- 51 to 100: 9.7%
- over 100: 13.3%

1a. Are any resident outside of the US?
- Yes: 49.4%
- No: 50.6%

1b. If yes, how many attorneys in the department are resident outside the US?
- 1% to 25%: 22.2%
- 26% to 50%: 23.5%
- 51% to 75%: 9.9%
3. What are your organization’s annual revenues?

- Under $1B: 6.7%
- $1B to $5B: 17.6%
- $5B to $10B: 28.5%
- $10B to $20B: 30.9%
- Over $20B: 16.4%

4. Is your organization:

- Public: 73.3%
- Private: 14.5%
- Not-for-Profit: 6.1%
- Partnership: 1.8%
- Other: 3.6%
- Government Legal Agency: 0.6%