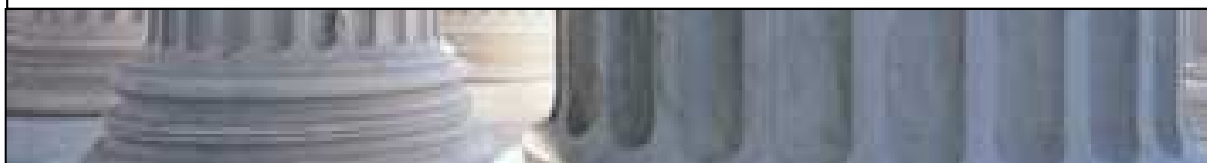


2015
Chief Legal Officer Survey
An Altman Weil Flash Survey



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2015 Chief Legal Officer Survey

Since 2000, Altman Weil, Inc. has surveyed Chief Legal Officers (CLOs) each year on issues of importance in managing their 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 law departments and law firms to benefit from the insights gathered.

Survey Findings

The **2015 Chief Legal Officer Survey** finds law department leaders taking an increasingly strategic approach to directing legal service delivery internally and in deploying outside counsel to support their in-house team. Chief Legal Officers responding to the survey cite internal and external cost pressures as their greatest concern in managing their law departments in 2015.

Allocating Department Resources

The 2015 survey found 40% of law departments plan to decrease their spend on outside counsel in the next twelve months. That's twice the number that plan to increase outside counsel expenditures in the same time period.

Among those departments decreasing their law firm spend, 76% said some of the work would go to their own in-house legal staff instead. Additionally, 13% of respondents will use vendors and 9% will use contract lawyers to cover work done previously by law firms.

Just under half (49%) of all law departments decreasing their outside spend indicated that some of the decrease will come from work they no longer need to do — up significantly from 29% who chose that response in the 2014 survey.

Although some of the work that law departments won't do this year is likely the result of the natural completion of large litigation matters or transactions. Some of the decreases will come from work that Chief Legal Officers have decided is simply no longer necessary. This more aggressive rebalancing of cost and risk is an important evolution in strategic thinking for many CLOs.

Law departments also are striving to manage the inflow of work from their internal clients to maximize department performance. The most frequently reported effort – and also the most effective – is designating law department ‘gatekeepers’ for specific business units or types of work. Other efforts include educating clients on the right time to bring in the law department, creating legal self-help tools, and pushing back on requests for quasi-legal and non-legal work clients can do themselves.

This also shows CLOs’ heightened awareness of the need to keep the law department focused on the highest value work, and to maximize the effectiveness of often limited department resources.

Efficiency Efforts

Nine out of ten Chief Legal Officers have pursued improvements in the efficiency of their department’s delivery of legal services in the last twelve months. The top two efforts – undertaken by over half of all law departments – were increasing the use of technology tools and the reorganization of internal resources. These were also ranked as the two most valuable initiatives.

Forty-four percent of law departments are collecting and analyzing management metrics to measure and maximize performance and efficiency. Forty-one percent of departments are making greater use of paralegals and other paraprofessionals.

Cost Control

Instituting new efficiencies is important for law departments aiming to control expenditures. Fifty-seven percent of law departments cite new efficiency of internal procedures as one of the top ways they cut costs.

Reallocating legal work is another cost control strategy. Forty-two percent of law departments report shifting work from law firms to in-house lawyer staff, and 34% are shifting work from in-house lawyers to department paralegals and other paraprofessionals. Twenty-five percent of law departments report using contract or temporary lawyers and 15% outsourced to non-law firm vendors to control costs.

Shifting legal work from law firms to in-house lawyers received the survey’s highest average value rating among all cost reduction efforts, as well as the most ‘number one’ ratings.

The two most frequently used cost control measures address outside counsel fees: 68% of law departments report receiving fee discounts from law firms, and 60% used alternative or fixed fee arrangements to cut costs. In other moves targeted at law firm

costs, 39% of law departments reduced the total amount of work they sent to outside firms to save money, and 32% of departments switched to lower priced firms.

Receiving price reductions and reducing total work sent to law firms also received high value ratings from Chief Legal Officers. Alternative and fixed fee arrangements were not as highly valued, rating fifth in average value, and sixth in 'number one' ratings. It appears that some law departments are still struggling to structure alternative fees that maximize cost savings.

Department Staffing and Budget

Within the next twelve months, 38% of Chief Legal Officers surveyed say they intend to increase the number of lawyers in the law department; 53% will make no change in lawyer headcount, and only 6% plan a decrease. This continues a multi-year trend in which the number of departments increasing lawyer staff exceeds those decreasing headcount by many multiples – this year by six to one.

The same pattern of more increases than decreases is anticipated for in-house paralegals and law department support staff. Twenty-two percent of law departments say they will hire more paralegals in the coming year, while only 3.5% plan to decrease paralegal headcount. Seventeen percent of departments will add support staff, while 8% will decrease the number of support positions.

There has been movement in the size of law department budgets between 2014 and 2015 – in both directions. Forty-two percent of CLOs report increases in the total law department budget and 42% of departments report decreases.

Looking at the breakout of internal versus outside counsel budgets helps to clarify spending trends.

From 2014 to 2015, 51% of law departments increased their internal budgets, compared to 25% that decreased in-house spend. This is the sixth year in which the survey reports about twice as many departments increasing rather than decreasing their internal spends.

For outside spend, the numbers show an inverse movement. From 2014 to 2015, 44% of law departments decreased their outside counsel budget, while 32% increased law firm spend. Each year since 2011, the survey has found more law departments decreasing than increasing the money they spend on law firms.

Inside-Outside Relationships

When asked which three service improvements and innovations they would most like to see from their outside counsel, 50% of Chief Legal Officers chose greater cost reduction -- the number one choice. Other cost-focused options selected were improved budget forecasting, identified as desirable by 46% of CLOs, and non-hourly based pricing, chosen by 36% of law department leaders.

Chief Legal Officers also want their law firms to take a more innovative approach to how their work is done. Forty percent want more efficient project management from outside counsel. And 31% would like law firms to stop over-lawyering matters and modify the work they do to more appropriately match legal risk levels.

Twenty-six percent of CLOs said they wish outside counsel would make a greater effort to understand their business.

In rating a list of things law firms can do to better understand them, law department leaders identified three top choices with a single theme: conversations about pricing/budgets, conversations about matter management efficiency and conversations about project staffing.

The message seems clear: Chief Legal Officers want to work more collaboratively with law firms to rethink how their work is priced, managed and staffed. They don't want to be only buyers of legal services — they want to have a strategic voice in how that work is done.

How likely is it that the inside-outside dynamic will change? The survey asked CLOs how serious they believe law firms are about changing their service delivery model. On a scale of 0 (not at all serious) to 10 (doing everything they can), the median rating of law firm seriousness was only a “3.”

In a companion question, CLOs were also asked how much pressure corporations are putting on law firms to change the value proposition in legal service delivery, rating from 0 (no pressure) to 10 (intense pressure). The median response was a mid-range “6” – i.e. not an enormous amount of pressure.

These numbers don't suggest big changes in legal service delivery any time soon. If law departments don't really put their weight behind demands for a reimagined service model, it seems unlikely that law firms will act on their own initiative.

Chief Legal Officer Role

Chief Legal Officers wear many hats, as lawyers, managers, and corporate advisors. They balance their time among four primary areas of responsibility.

CLOs, on average, report spending a third of their time (33%) on advising executives and participating in strategic corporation issues. They spend 24% of their time practicing law, and another 23% of their time goes to managing the law department. The balance of the CLO's time is allotted to other corporate management responsibilities, including compliance, HR, security, governance, and the like.

There are three clear priorities for CLOs in providing value to their CEOs and Corporate Boards. Aside from the obvious need to effectively solve legal problems, their internal clients value the law department's ability to support the business objectives of the organization, manage legal risk, and advise company leaders.

These objectives reflect the essential professional tension for any in-house lawyer who must balance the law with business goals.

CLOs are highly aware of the many forces of change currently buffeting the legal market. They cite rapid technology advancement, cost pressures (both internal and external), the regulatory environment, alternatives to hourly billing, and the still unpredictable US economy as forces most likely to affect the profession in the next three to five years.

When asked to name their greatest concern in effectively managing the law department going forward, costs remain top of mind – including internal budget pressure and the high cost of outside legal advice. Internally, there is an increasing emphasis on attracting and retaining talented lawyers to deliver the highest quality legal service in an increasingly complex business environment.

The 2015 Survey

The **Chief Legal Officer Survey** has been conducted and published annually by Altman Weil since 2000, most recently in September and October 2015. Two hundred and fifty eight responses were received for the 2015 survey, 19% of the 1,363 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/CLO2015.

Survey Methodology

The large majority of survey questions were posed in a multiple choice format and responses are reported as received. Question text is transcribed in the following report exactly as it appeared in the survey. Where there were special instructions, rating scales, or supplemental definitions, that information is also included.

Free text data submitted by respondents was reviewed and, in a handful of cases, edited to correct obvious typographical errors. For numeric entries, we made a small number of corrections where the intended response was clear. In one instance we omitted a data point on lawyer headcount as impossible to derive from the information provided.

About Altman Weil

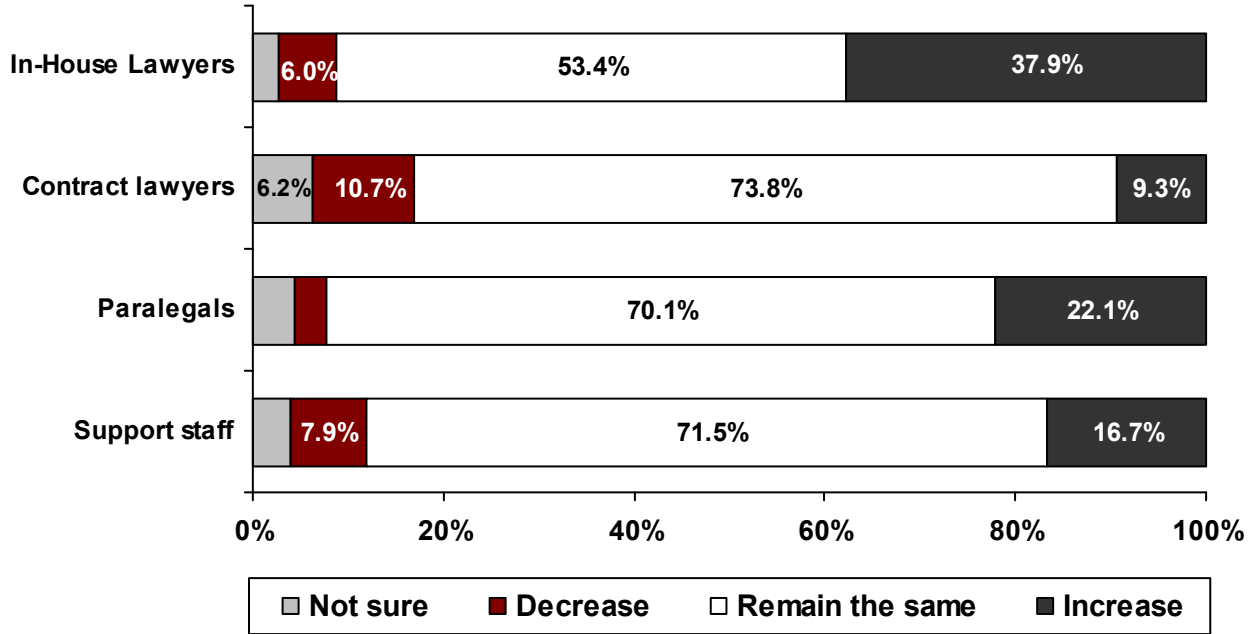
Founded in 1970, Altman Weil, Inc. is dedicated exclusively to the legal profession. It provides management consulting services to law firms, law departments and legal vendors worldwide. The firm is independently owned by its professional consultants, who have backgrounds in law, industry, finance, marketing, administration and government.

More information on Altman Weil can be found at www.altmanweil.com.



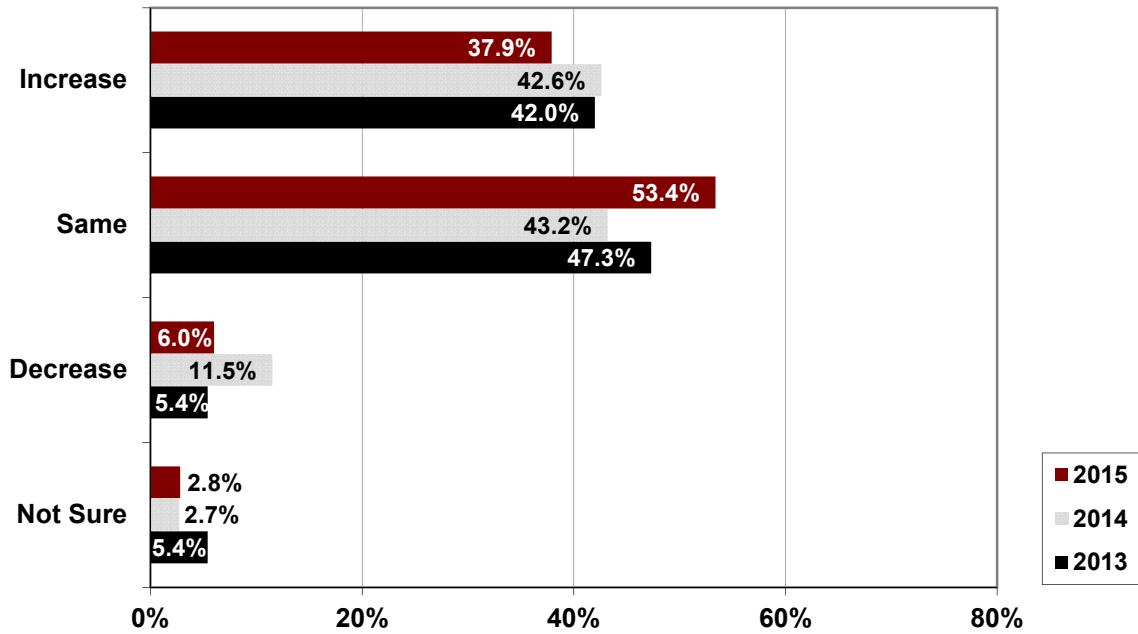
1. Law Department Workforce

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

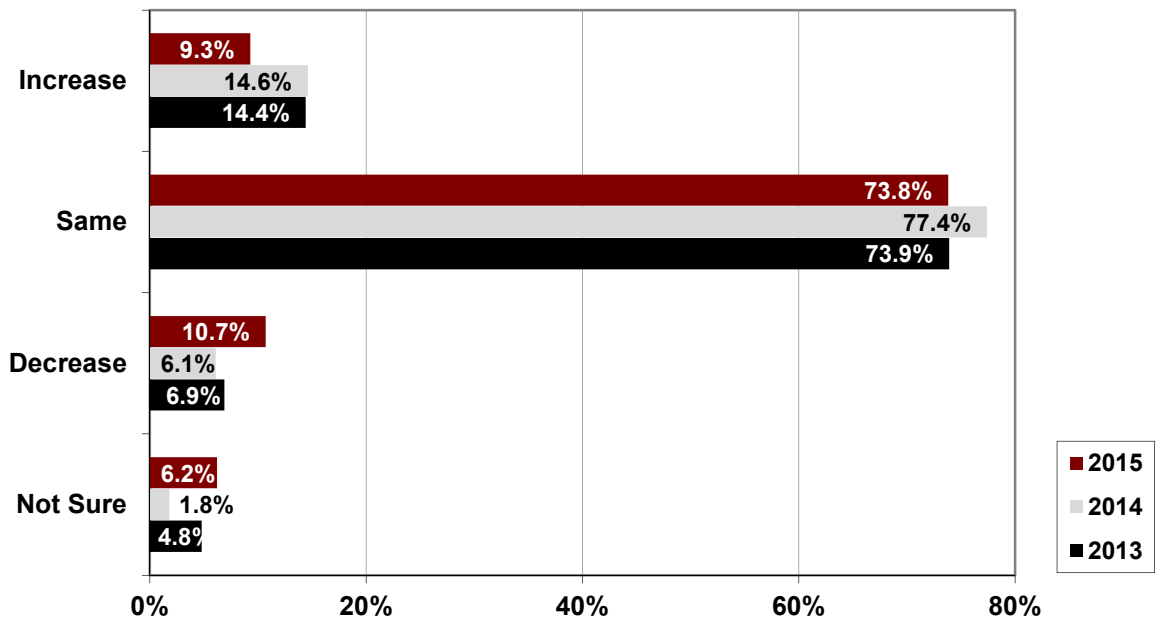


TREND: Increase or decrease your Law Department workforce

In-House Lawyers



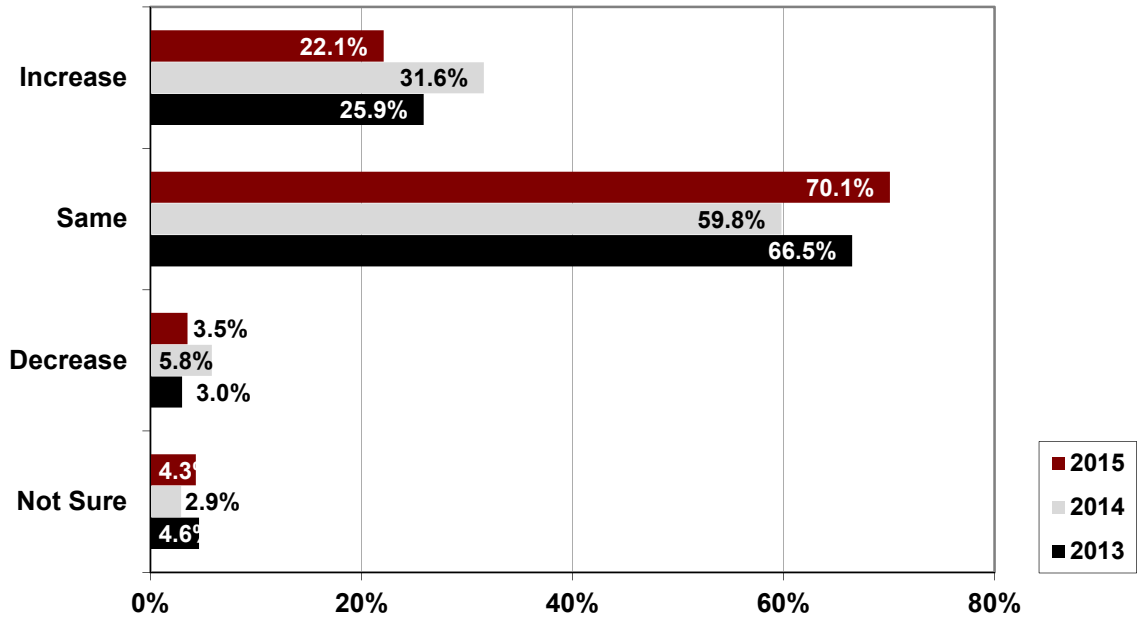
Contract Lawyers



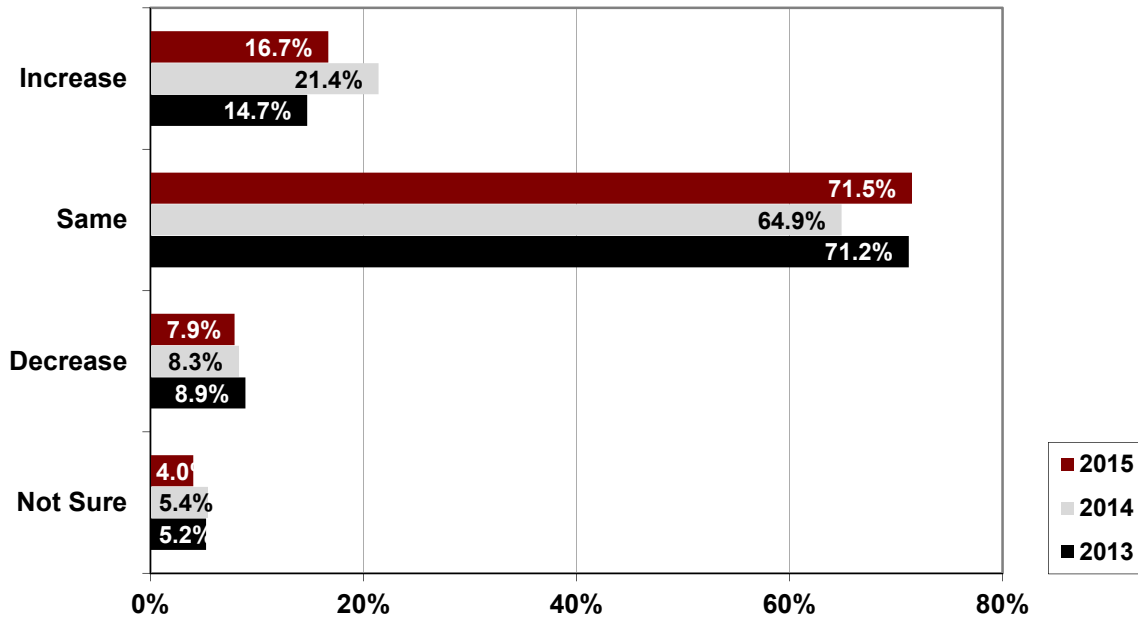
Trend data compiled from 2013, 2014 and 2015 Chief Legal Officer Surveys.

TREND: Increase or decrease your Law Department workforce

Paralegals



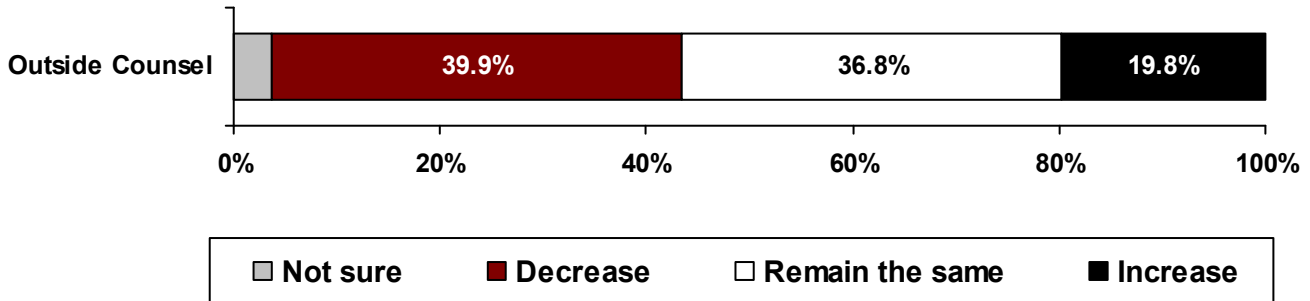
Support Staff



Trend data compiled from 2013, 2014 and 2015 Chief Legal Officer Surveys.

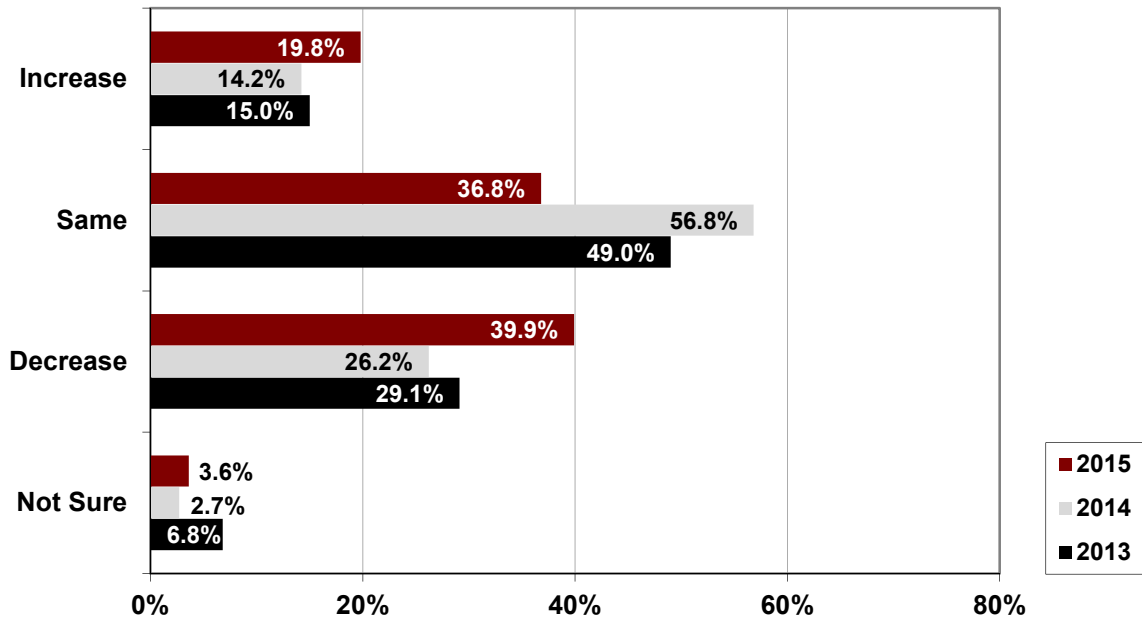
2. Outside Counsel Spend

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



TREND: Increase or decrease your spend on Outside Counsel

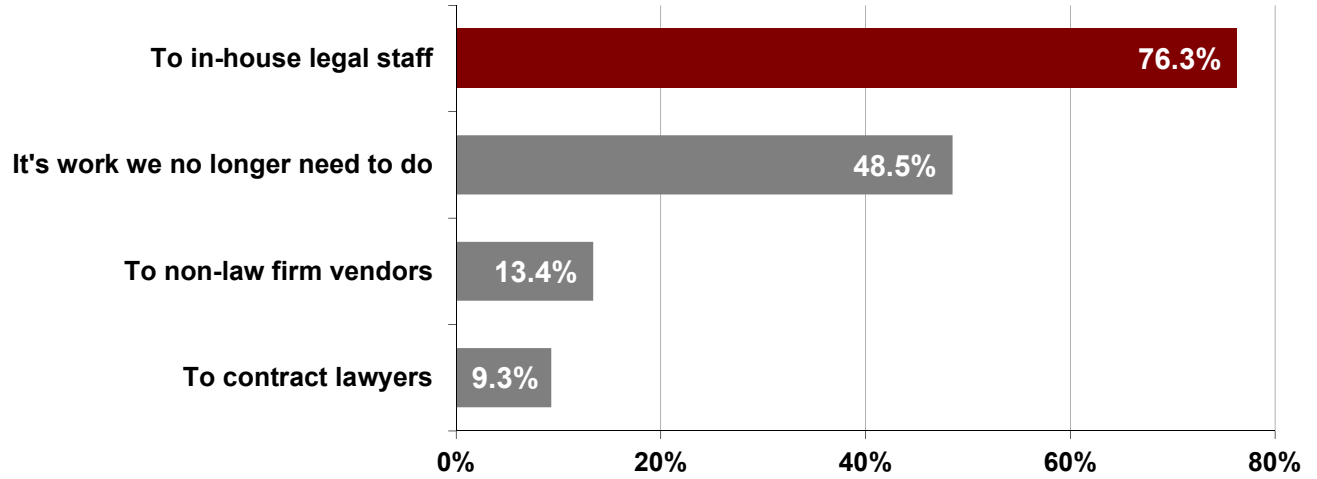
Outside Counsel Spend



Trend data compiled from 2013, 2014 and 2015 Chief Legal Officer Surveys.

3. Reallocation of Resources

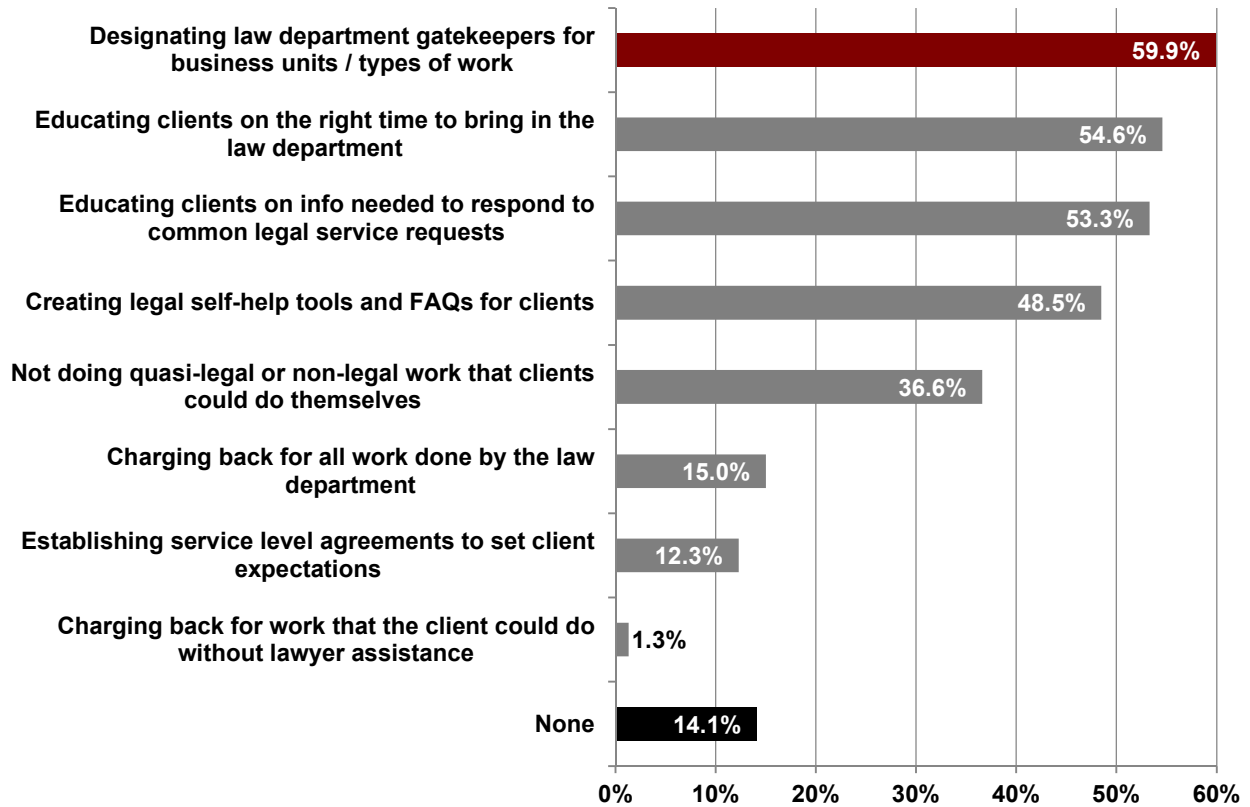
If you plan to decrease your spend on outside counsel in the next 12 months, where will the work go? (Check all that apply.)



Non-law firm vendors defined for this question as: "e.g., for e-discovery, document review, due diligence, legal research, etc."

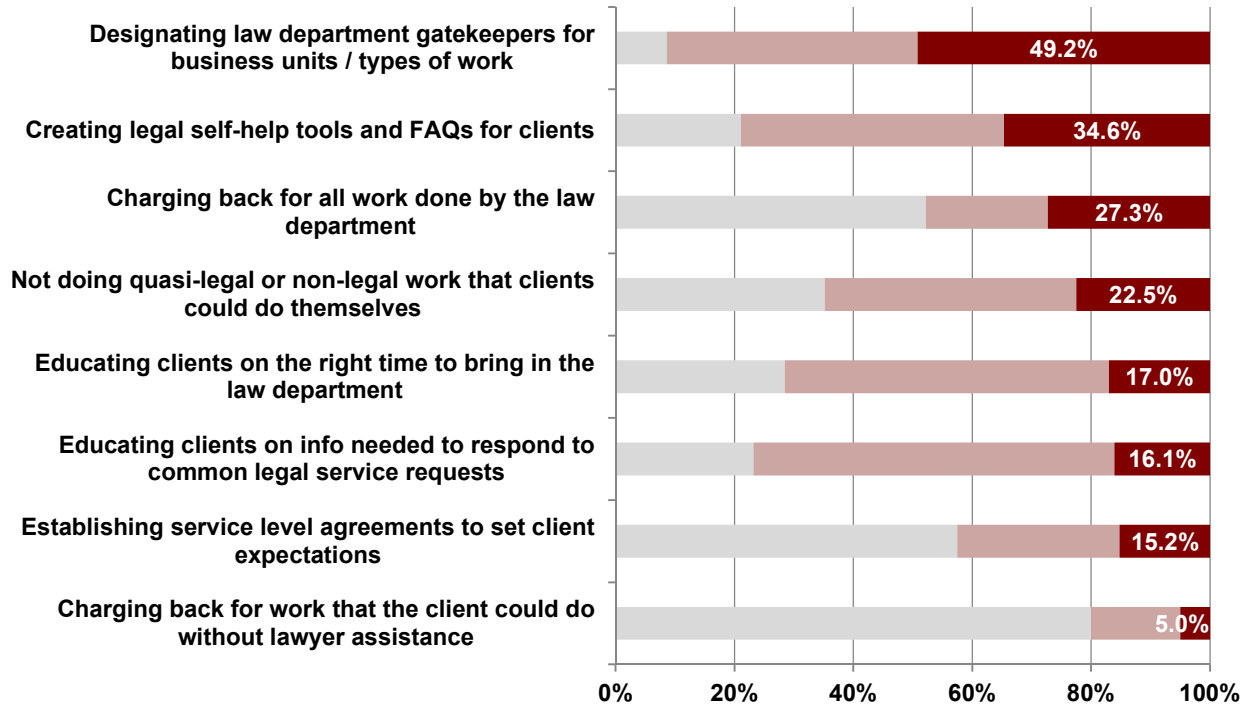
4. Managing Internal Client Demand

In order to maximize department effectiveness, many law departments try to manage the inflow of legal work from internal clients. Has your law department undertaken any of the following efforts to manage internal demand? (Check all that apply.)



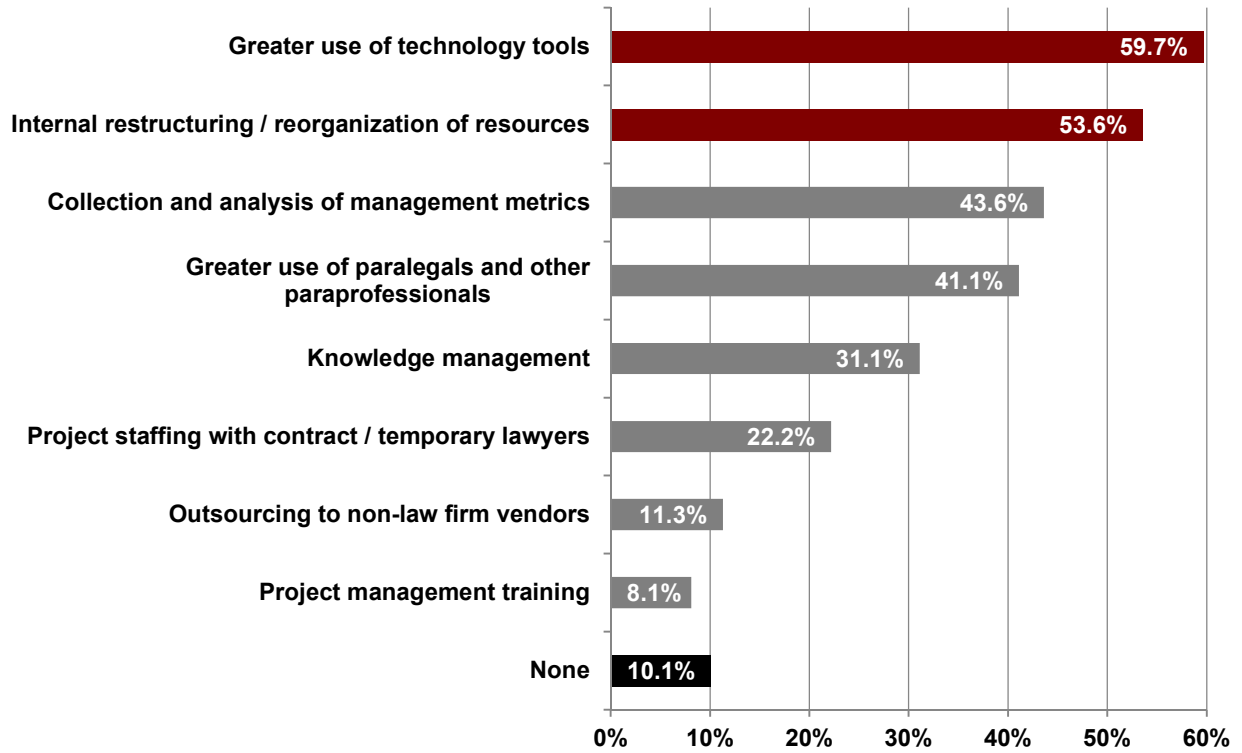
4a. Effectiveness of Efforts to Manage Internal Client Demand

Of the initiatives you've undertaken to manage the inflow of legal work from internal clients, please rank them on the effectiveness of each initiative. (Rank only the initiatives you've undertaken. 1 = Most effective; 2 = Next most, etc.)



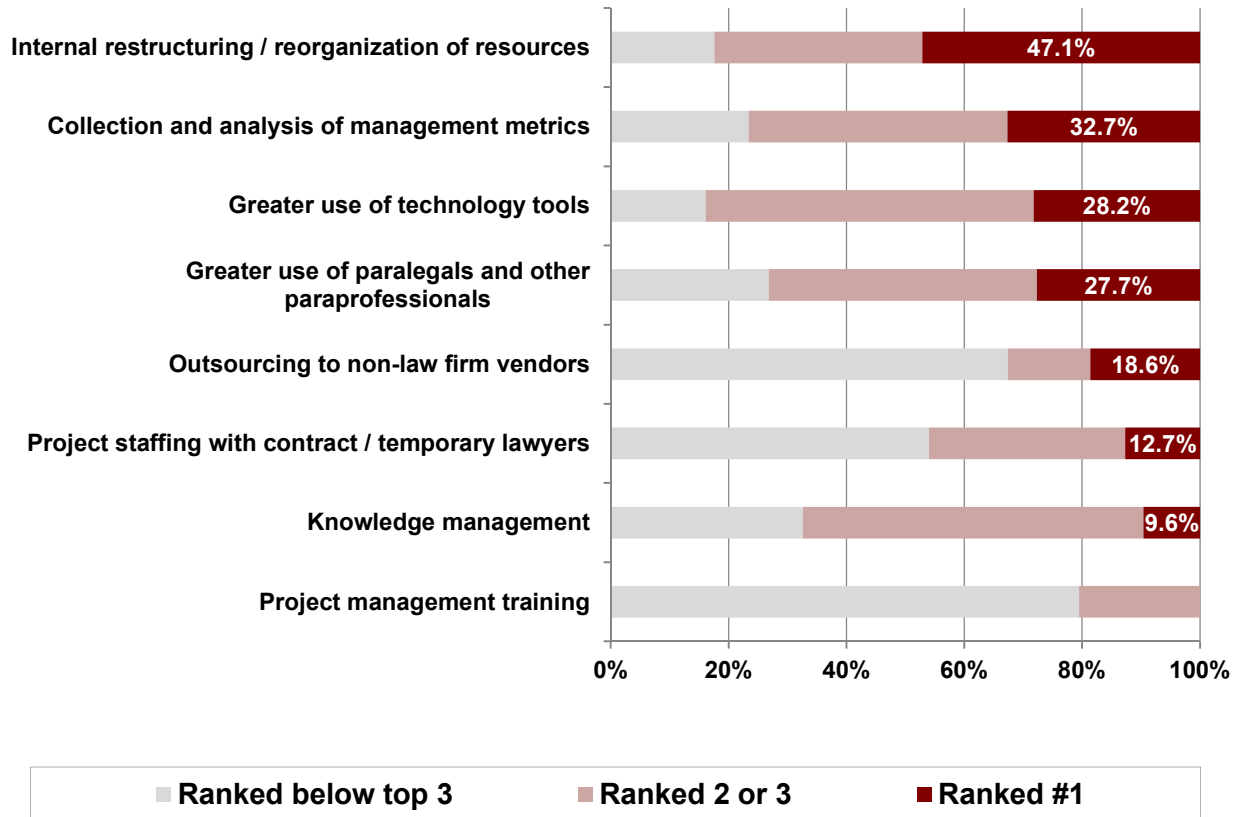
5. Law Department Management - Efficiency

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.)



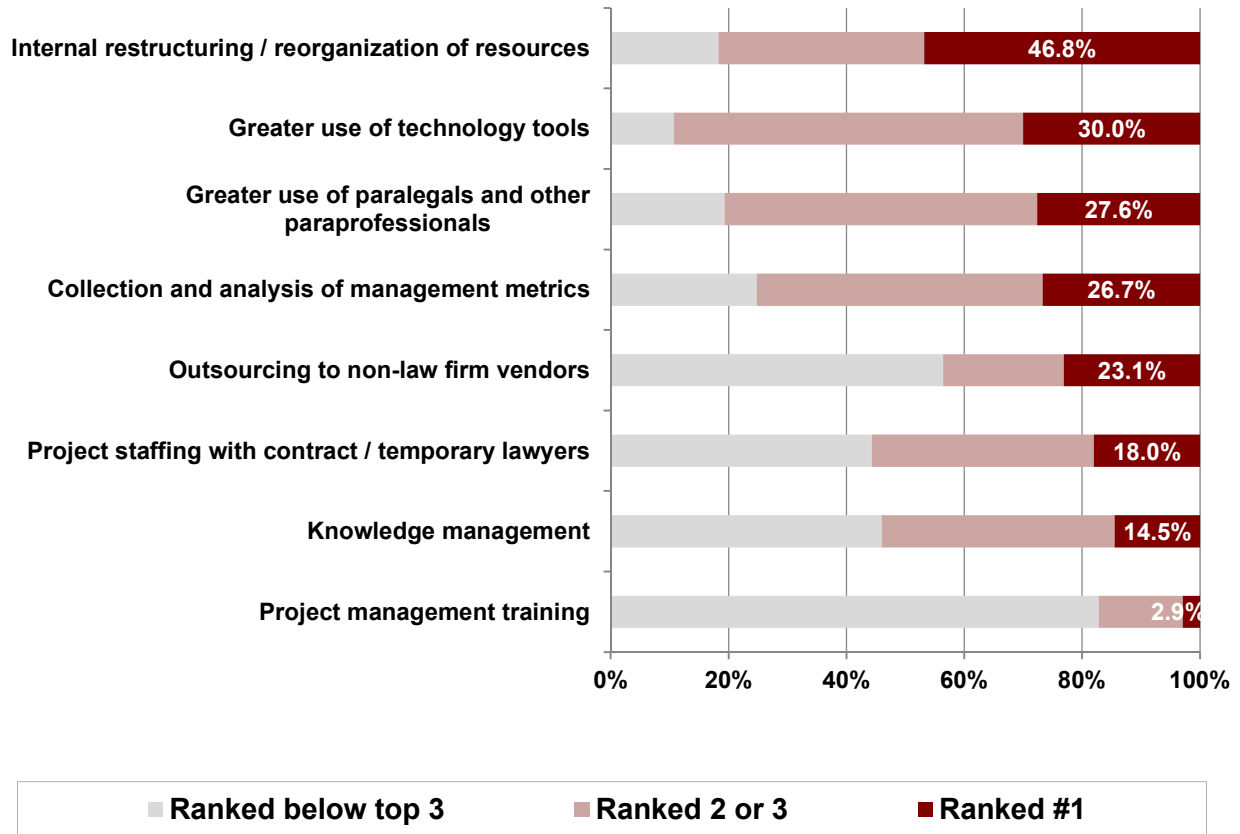
5a. Time and Effort Invested in Efficiency Initiatives

Of the initiatives you've undertaken to improve efficiency in the last 12 months, please rank them on the time and effort you've invested. (Rank only the initiatives you've undertaken. 1 = Greatest investment; 2 = Next greatest, etc.)



5b. Value Achieved from Efficiency Initiatives

Of the initiatives you've undertaken to improve efficiency in the last 12 months, please rank them on the value of the improvement you've achieved. (Rank only the initiatives you've undertaken. 1 = Greatest value; 2 = Next greatest, etc.)



VALUE OVERVIEW: Law Department Efficiency Initiatives

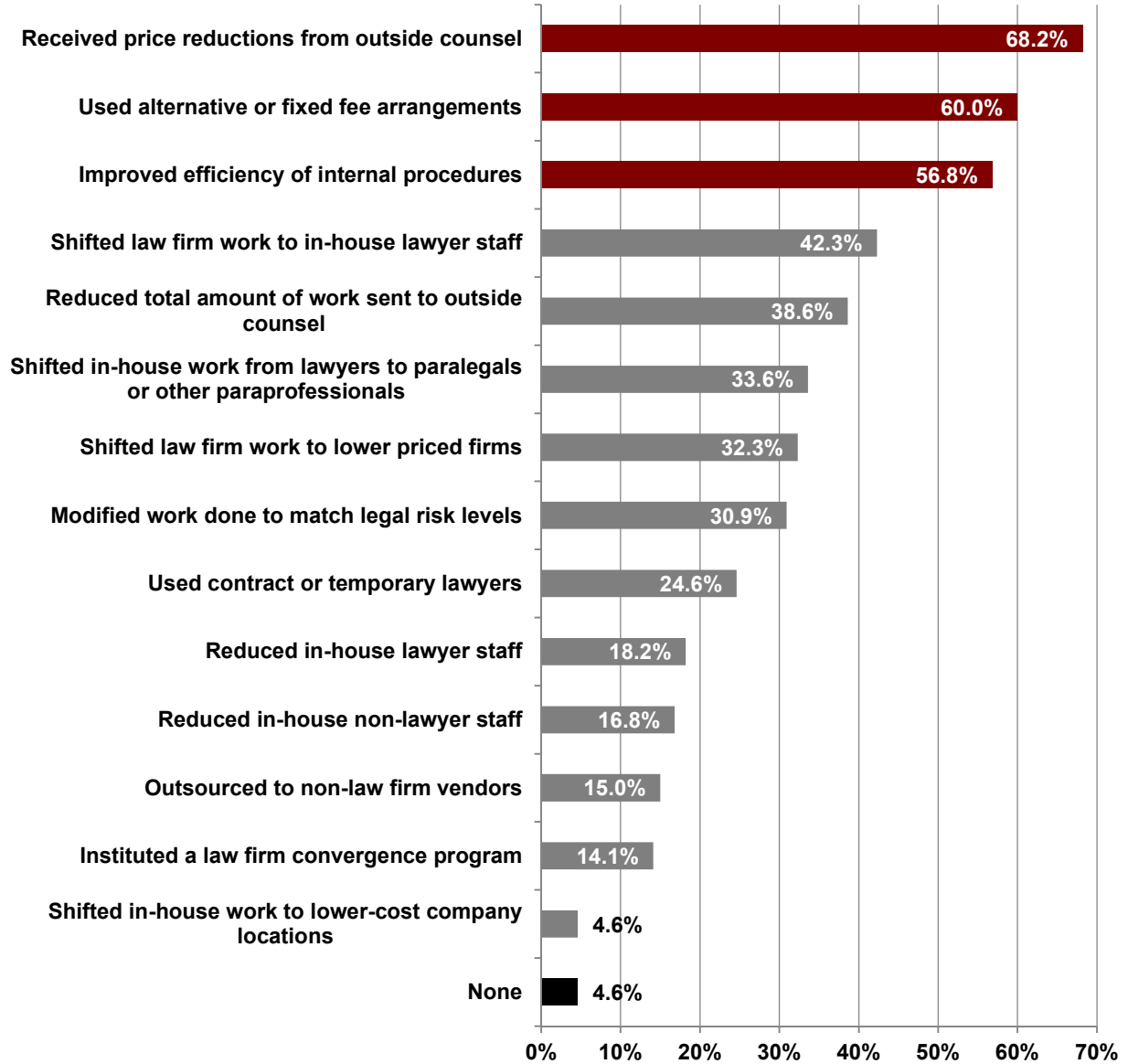
The table shows:

- > The percentage of departments that undertook each of the five most common initiatives.
- > The average rating for each effort (a lower number equates to greater value)
- > The average ranking for each effort (a “1” indicates the best average rating, a “2” the next best, etc.)
- > The cumulative ranking of #1, #2 and #3 ratings
- > The ranking of #1 ratings only

EFFICIENCY INITIATIVES		VALUE			
Top Five	Have Done	Rating	Ranking		
	% Depts.	Average	Average	Top 3	No. 1
Greater use of technology tools	59.7%	2.3	2	1	2
Internal restructuring / reorganization	53.6%	2.2	1	2	1
Collection & analysis of management metrics	43.6%	2.6	4	4	4
Greater use of paralegals / paraprofessionals	41.1%	2.4	3	3	3
Knowledge management	31.1%	3.4	5	6	7

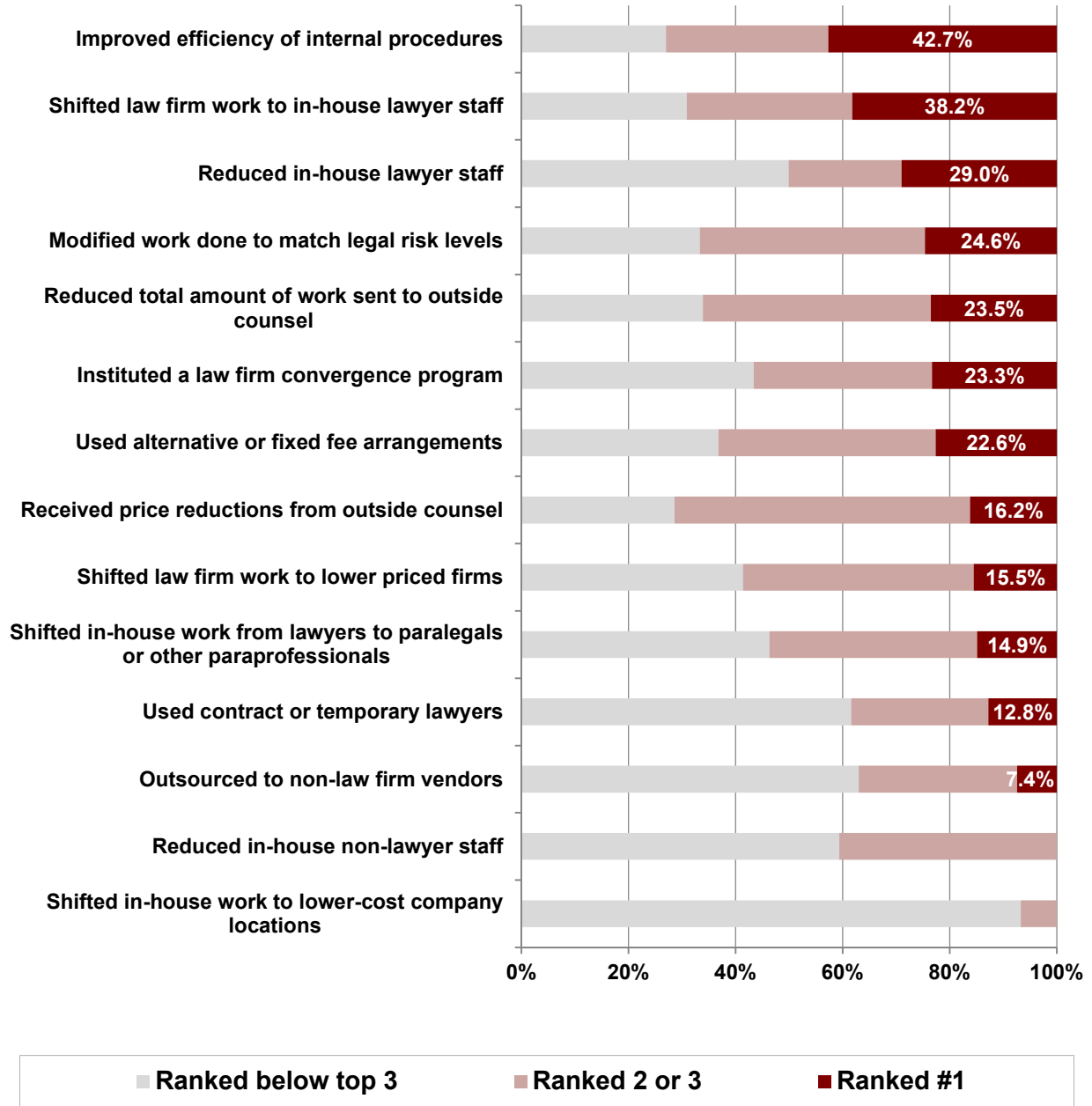
6. Law Department Management – Cost Control

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



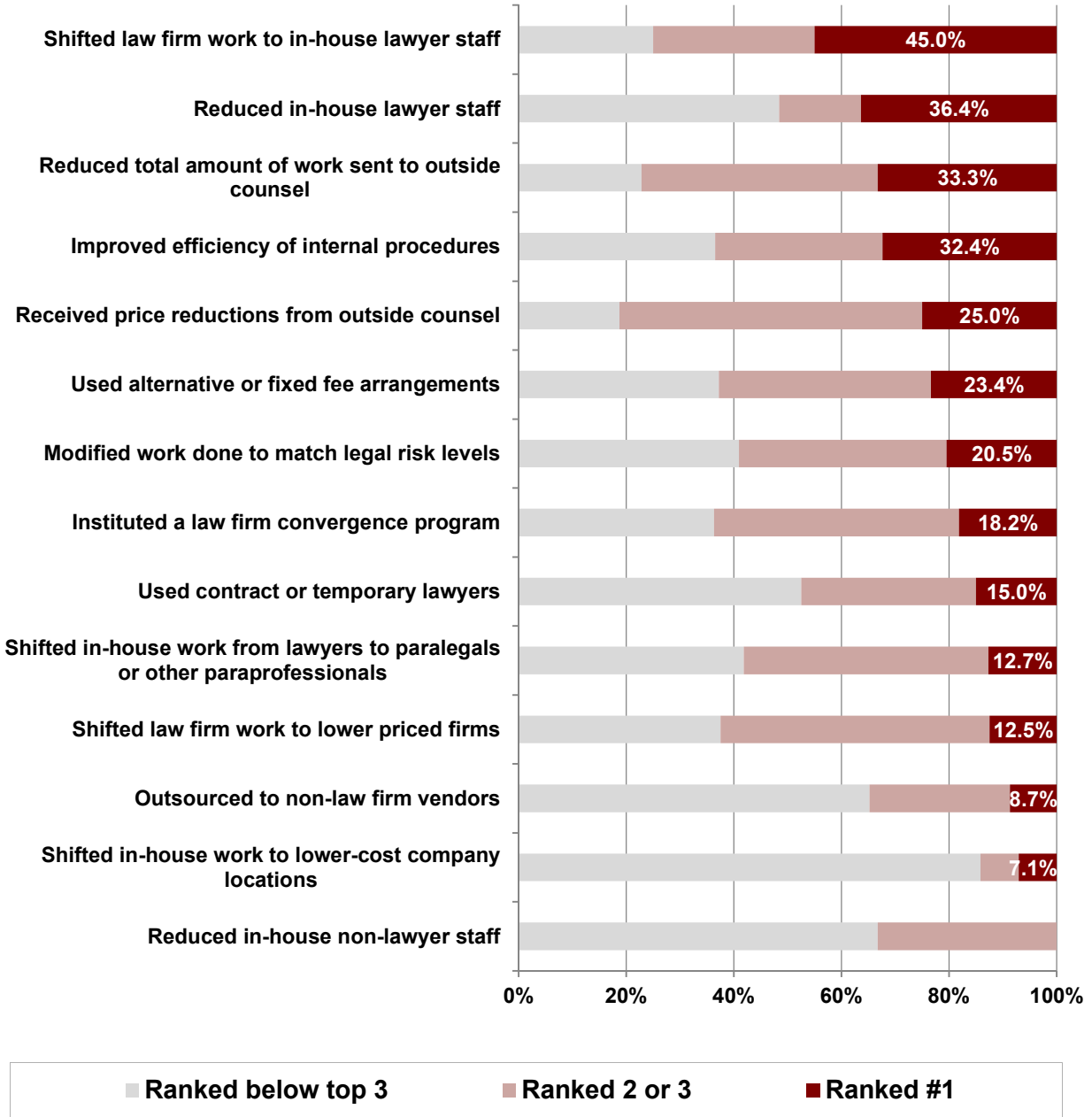
6a. Time and Effort Invested in Cost Control initiatives

Of the initiatives you've undertaken to control costs in the last 12 months, please rank them on the time and effort you've invested. ((Rank only the initiatives you've undertaken. 1 = Greatest investment; 2 = Next greatest, etc.)



6b. Value Realized from Cost Control Efforts

Of the initiatives you've undertaken to control costs in the last 12 months, please rank them on the value of the cost reduction. (Rank only the initiatives you've undertaken. 1 = Greatest cost reduction; 2 = Next greatest, etc.)



VALUE OVERVIEW: Law Department Cost Control Initiatives

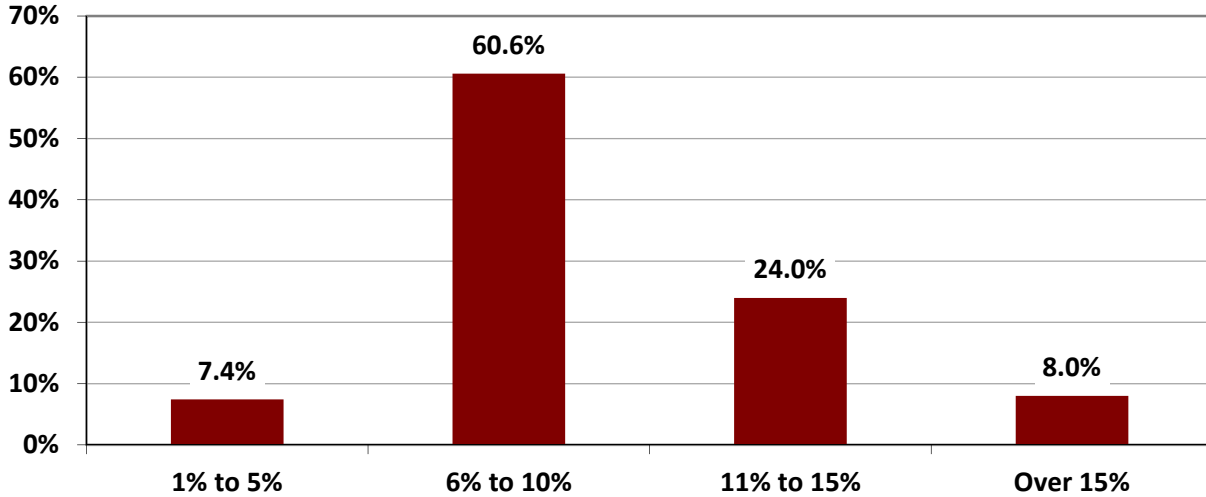
The table shows:

- > The percentage of departments that undertook each of the five most common initiatives.
- > The average rating for each effort (a lower number equates to greater value)
- > The average ranking for each effort (a “1” indicates the best average rating, a “2” the next best, etc.)
- > The cumulative ranking of #1, #2 and #3 ratings
- > The ranking of #1 ratings only

COST CONTROL INITIATIVES		VALUE			
Top Five	Have Done	Rating	Ranking		
	% Depts.	Average	Average	Top 3	No. 1
Price reductions from outside counsel	68.2%	2.8	1	1	5
Alternative or fixed fees	60.0%	3.3	5	6	6
Improved efficiency of internal procedures	56.8%	3.0	4	5	4
Shifted law firm work to in-house lawyers	42.3%	2.8	1	3	1
Reduced total work sent to outside counsel	38.6%	2.8	1	2	3

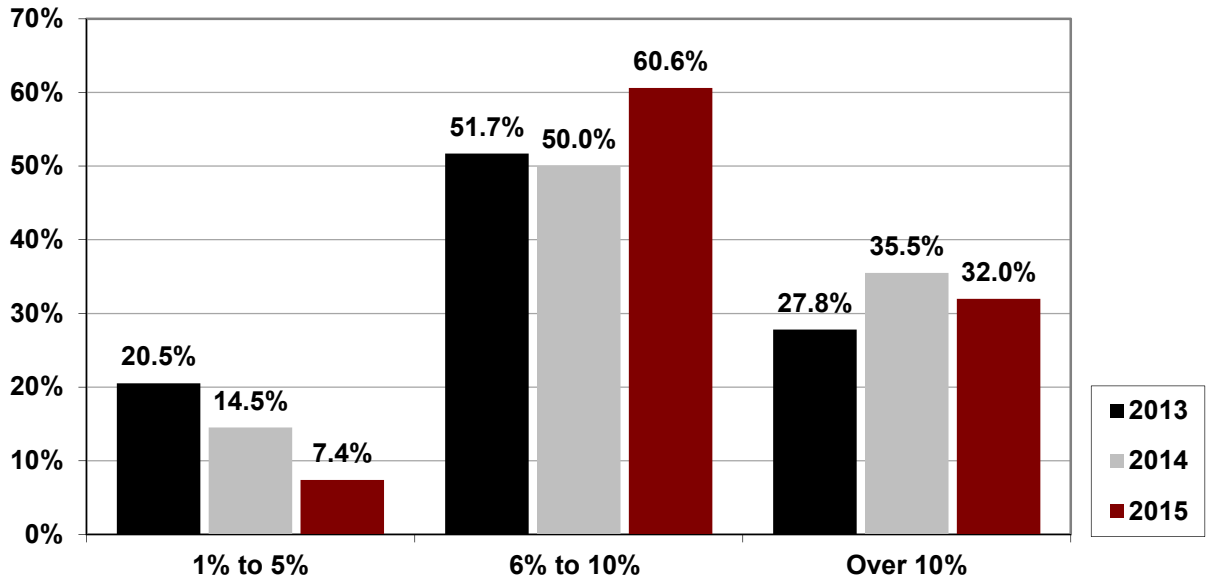
7. Discounts on Outside Counsel Rates

If you received discounts on standard rates from outside counsel in the last 12 months, what was the average price reduction received?



Median discount: 10%

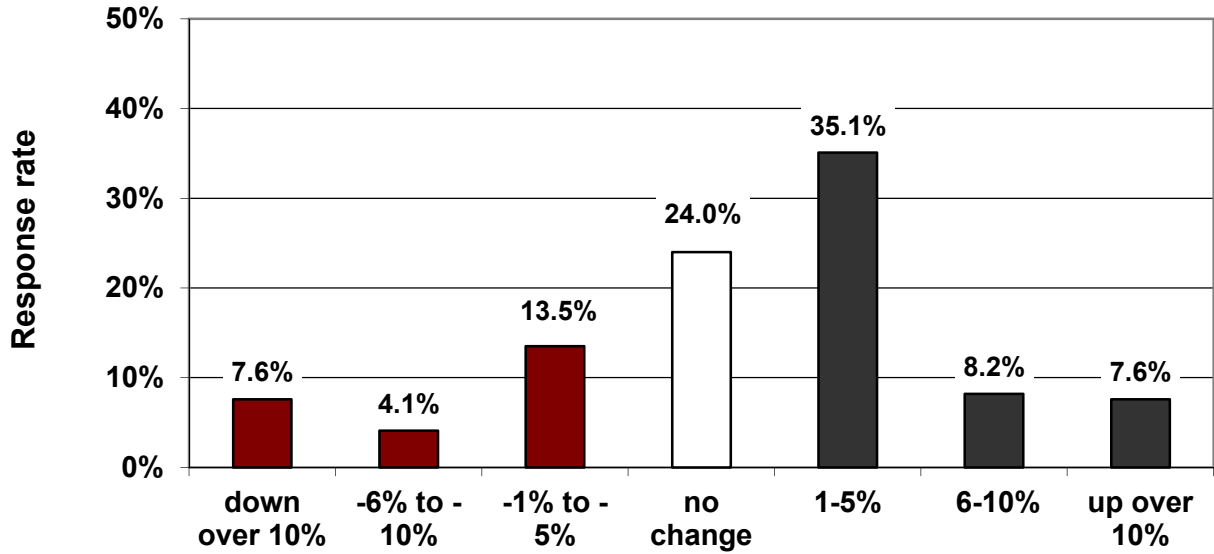
TREND: Average Price Reductions from Outside Counsel



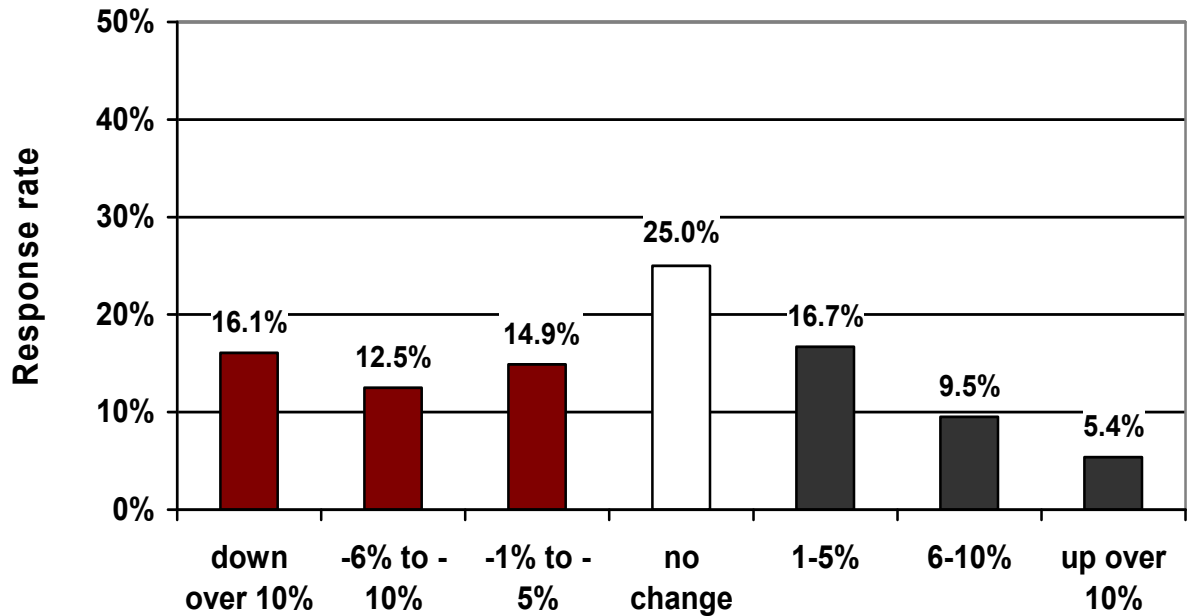
Trend data compiled from 2013, 2014 and 2015 Chief Legal Officer Surveys.

8. Please estimate the percentage increase or decrease in your Law Department budget from 2014 to 2015.

8a. INTERNAL BUDGET

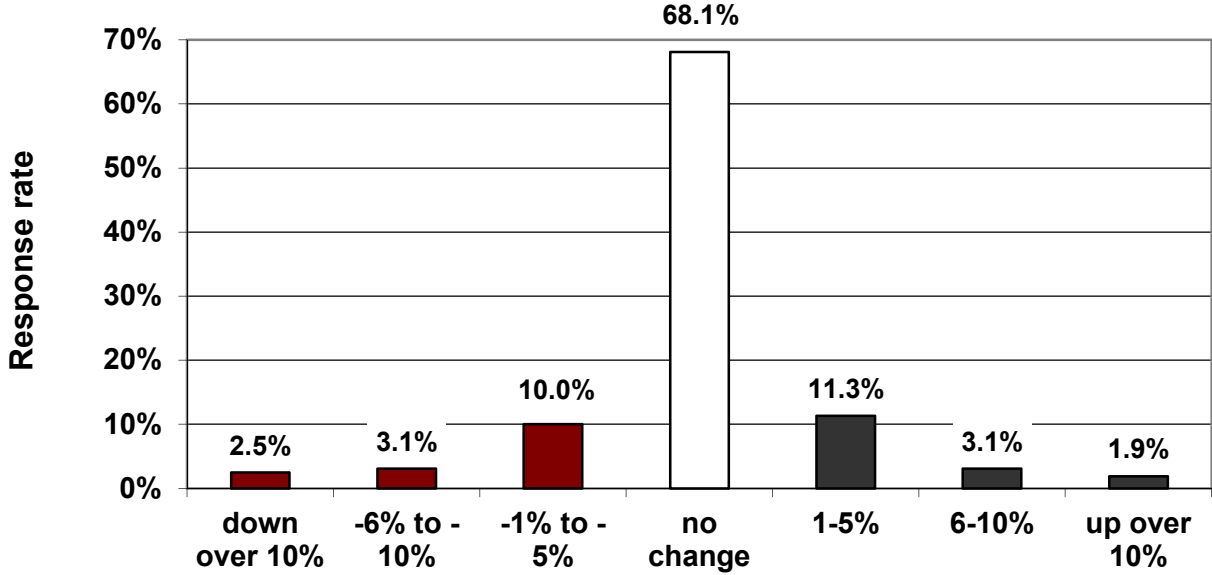


8b. OUTSIDE COUNSEL BUDGET

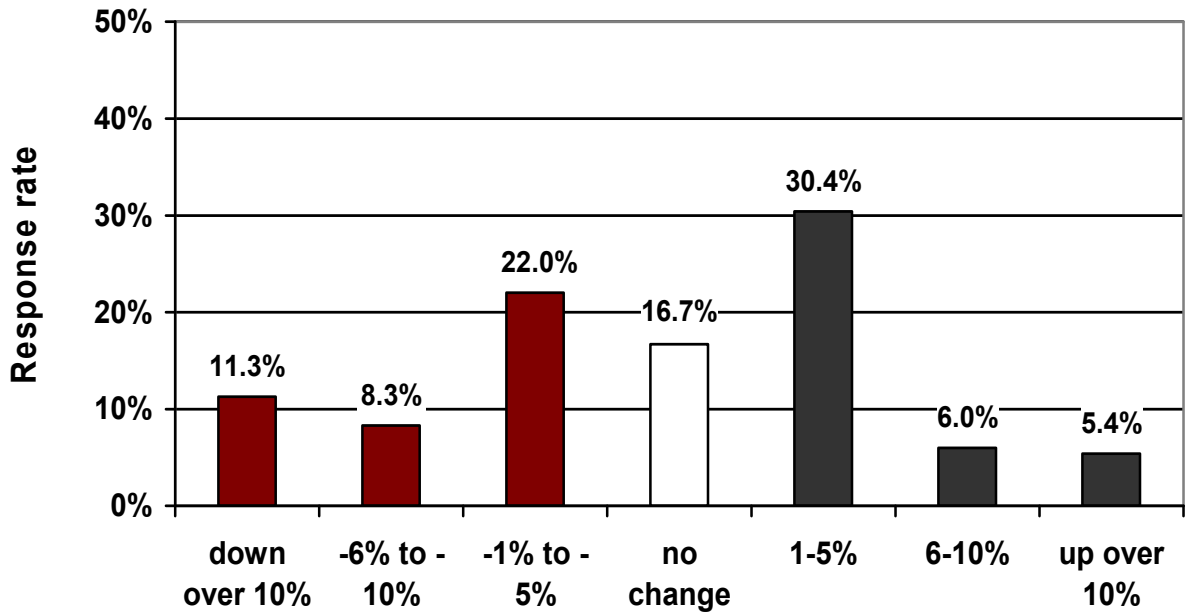


8. Please estimate the percentage increase or decrease in your Law Department budget from 2014 to 2015.

8c. VENDOR BUDGET FOR LEGAL MATTERS



8d. TOTAL LAW DEPARTMENT BUDGET



TREND: Increase or decrease in 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%
2013 to 2014	24.8%	20.8%	54.4%
2014 to 2015	25.2%	24.0%	50.9%

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%
2013 to 2014	48.0%	26.0%	26.1%
2014 to 2015	43.5%	25.0%	31.6%

Trend data compiled from the 2011, 2012, 2013, 2014 and 2015 Chief Legal Officer Surveys.

TREND: Increase or decrease in 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.

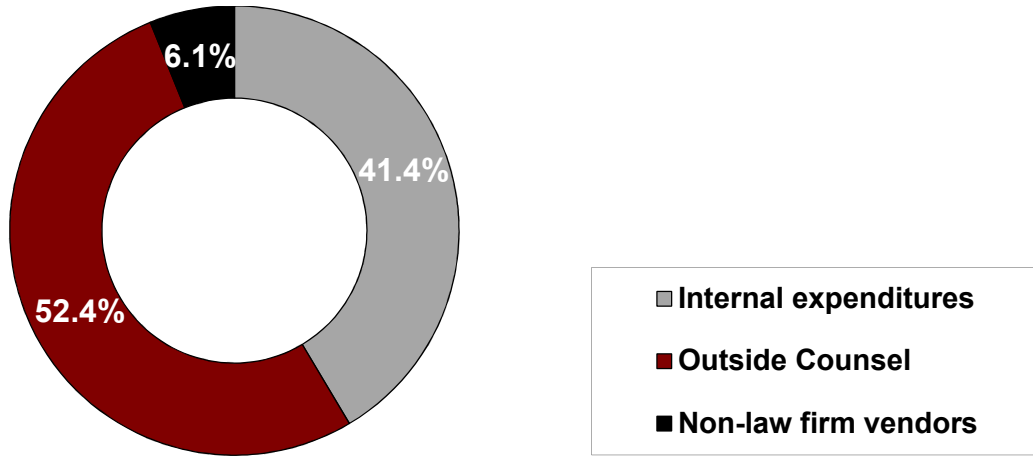
Change in Legal Matter Vendor Budget			
Year	Decreased	Same	Increased
	% of Depts.	% of Depts.	% of Depts.
2011 to 2012	12.8%	65.2%	21.9%
2012 to 2013	13.9%	65.2%	20.9%
2013 to 2014	14.8%	69.7%	15.5%
2014 to 2015	15.6%	68.1%	16.3%

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%
2013 to 2014	40.4%	17.9%	41.7%
2014 to 2015	41.6%	16.7%	41.8%

Trend data compiled from the 2011, 2012, 2013, 2014 and 2015 Chief Legal Officer Surveys.

9. Law Department Budget Allocation

Please estimate the percentage of your total 2015 Law Department budget (internal and external legal spend) that each of the following components comprise. (Responses should total 100%.)



Definitions:

Internal expenditures: e.g., 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, e.g., e-discovery, document review, due diligence, legal research, etc.

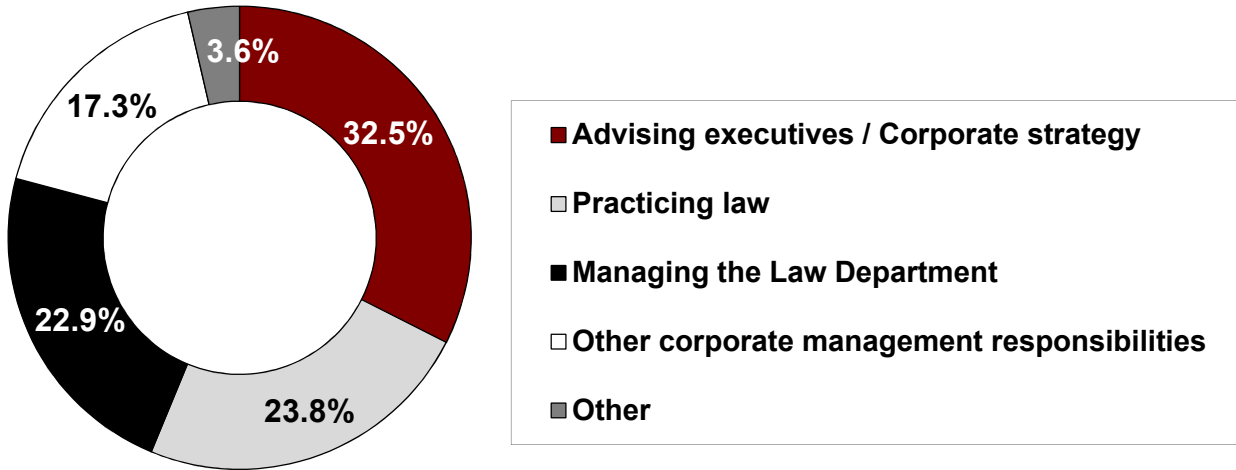
TREND – Law Department budget allocation

Budget allocation	Internal	Outside Counsel	Non-firm vendor
2012	44.1%	52.0%	3.9%
2013	44.4%	49.6%	6.0%
2014	42.6%	50.3%	7.1%
2015	41.4%	52.4%	6.1%

Trend data compiled from the 2012, 2013, 2014 and 2015 Chief Legal Officer Surveys.

10. Chief Legal Officer –Time Allocation

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



Other corporate management responsibilities defined for this question as: “Compliance, HR, Security, etc.”

OTHER (selected comments)

Corporate Secretary / Governance

Government affairs and public policy

Oversight of other non-legal departments

M&A work

Managing the strategic intellectual property function

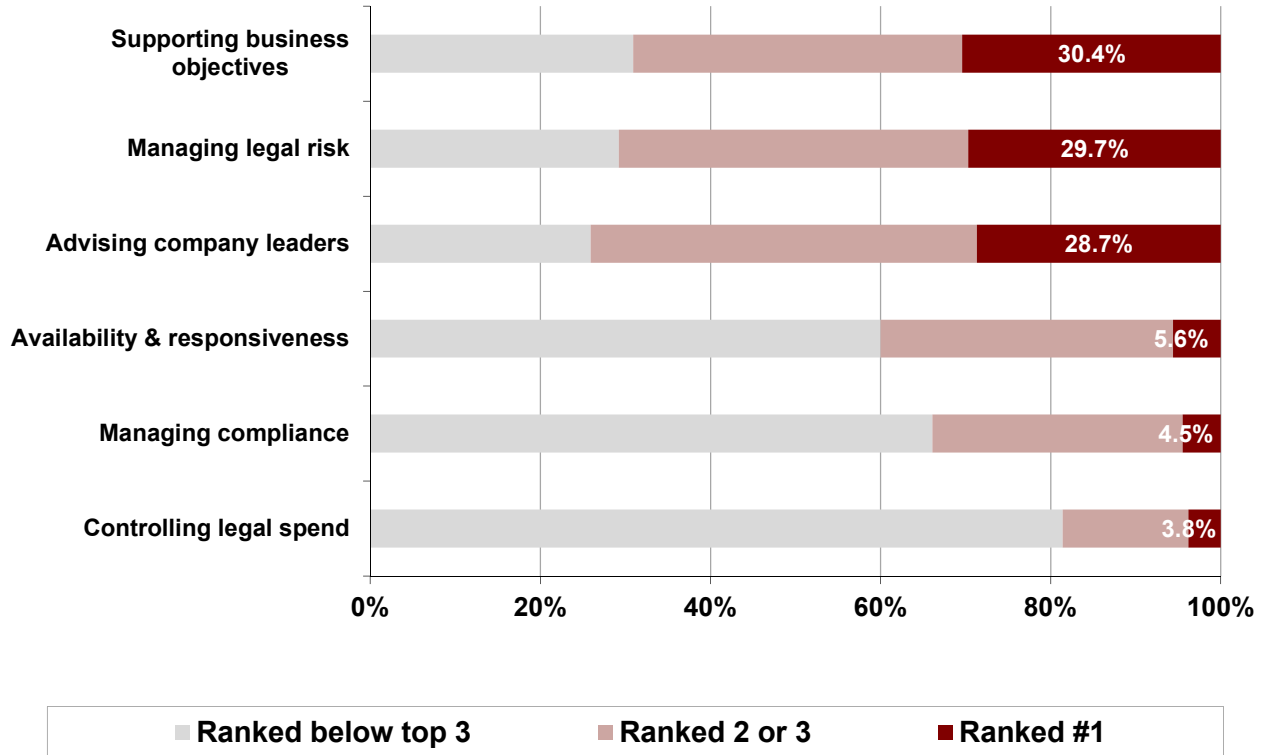
Leading the company’s data security program

Pro bono and civic responsibilities

11. Law Department Performance – Value to CEO / Corporate Board

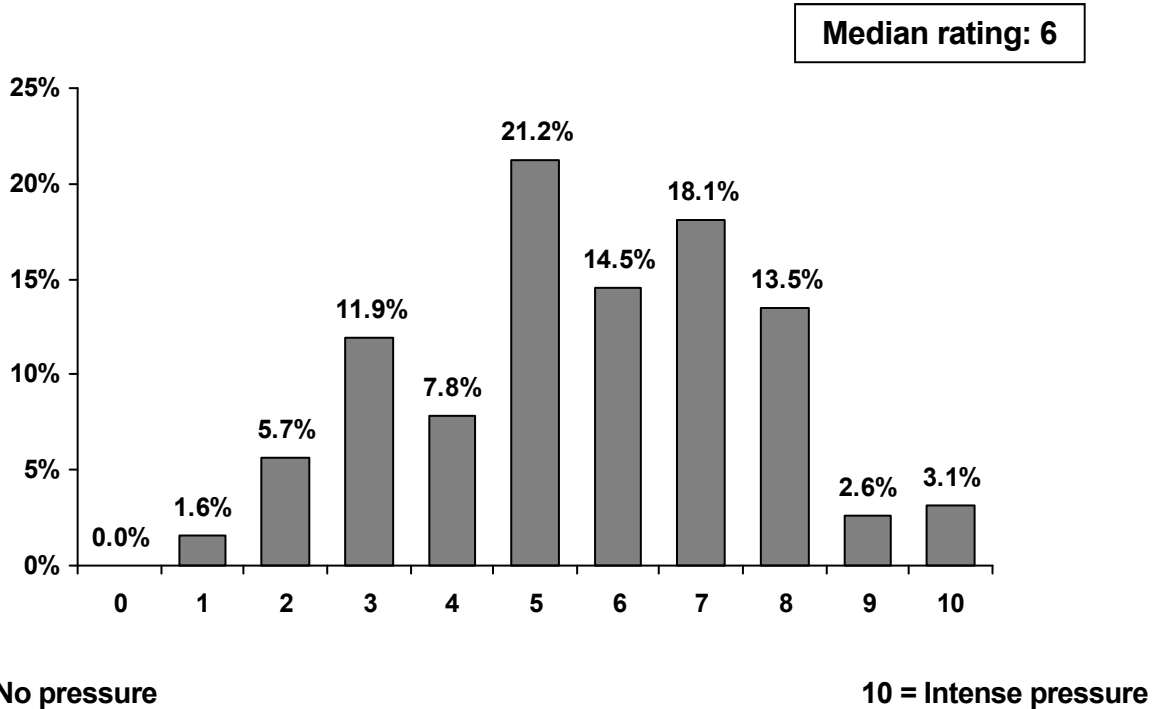
Beyond effectively solving legal problems that arise, what does your CEO and/or Board of Directors value most in your Law Department’s performance?

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



12. Inside / Outside Relationship – Pressure on Law Firms

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



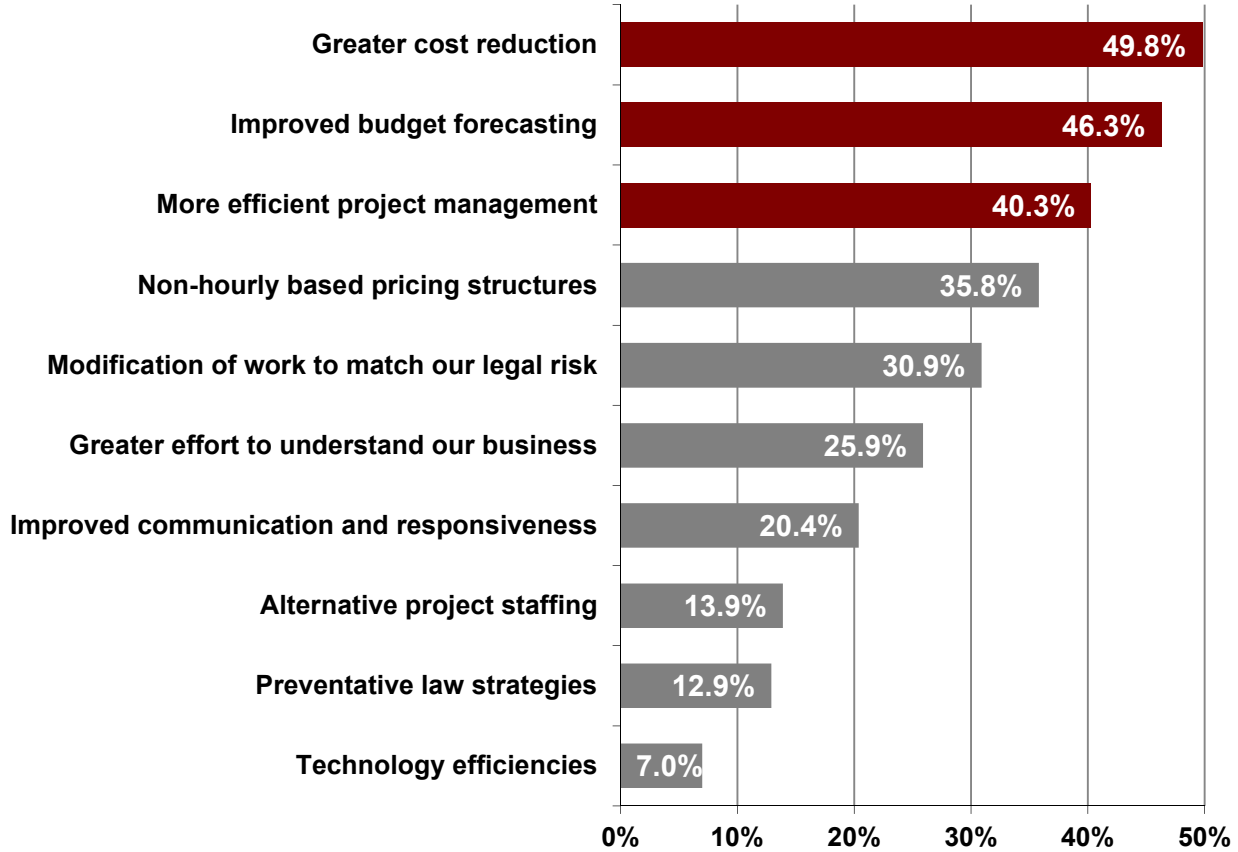
TREND: Corporations Pressuring Law Firms to Change Value Proposition

Pressure from Law Departments for Change		
	Average	Median
2010	5.3	5
2011	5.4	5
2012	5.5	6
2013	5.4	5
2014	5.3	5
2015	5.6	6

Trend data compiled from 2010 – 2015 Chief Legal Officer Surveys.

14. Law Firm Service Improvements

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



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

OTHER (selected comments)

Data protection of our info in their firms

Practical responses rather than long detailed analysis unless project requires it

Thoughtful and early strategies to resolve legal issues quickly, avoiding high fees

Benchmarking information

Access to additional free training opportunities

15. Law Firm Efforts to Understand Your Law Department

Rate the value to your law department of the following things law firms can do to better understand your organization. (Rating scale: 0 = No value to 10 = Enormous value)



16. Legal Market – Forces Driving Change

What one or two forces do you think will most change the legal market in the next 3 to 5 years? (Open-ended question)

We categorized free-text responses and ranked the overall results. Following are the top responses and a selection of other frequently mentioned responses, supplemented by directly quoted remarks.

TOP FIVE FORCES DRIVING MARKET CHANGE	
1. Technology	<i>“Continuing technology advances that change business needs and legal delivery”</i>
2. Costs	<i>Internal: “Continued cost pressures - Doing more with less”</i>
	<i>External: “Rise in law firm pricing is unsustainable”</i>
3. Regulatory burden	<i>“Heightened regulatory and legislative restrictions/mandates placed on businesses will increase need for thoughtful legal analysis and guidance.”</i>
4. Alternative fee structures	<i>“Unsustainability of hours-based legal fee business model”</i>
5. US economy	<i>“Continued macroeconomic pressures”</i>

OTHER FREQUENTLY MENTIONED FORCES	
Law firm consolidation	<i>“Continued consolidation in legal industry”</i>
Alternative service providers	<i>“Non-traditional competitors/disruptors [providing] legal services”</i>
Using smaller law firms	<i>“Use of mid-sized firms with excellent, attentive counsel at non-money center rates”</i>
Moving more work in-house	<i>“Growth of in-house legal departments at the expense of outside law firms.”</i>
Globalization	<i>“Globalization of business means legal issues will also become more global”</i>
Generational change	<i>“Cultural shift from Baby Boomers to Millennials”</i>

17. Law Department Management – Greatest Concern

What is your greatest concern in effectively managing your Law Department going forward? (Open-ended question)

We categorized free-text responses and ranked the overall results. Following are the top responses, supplemented by directly quoted remarks, plus a list of other noteworthy concerns.

TOP FIVE LAW DEPARTMENT MANAGEMENT CONCERNS	
1. Costs	<i>“With the economy sputtering, we are being asked to hold costs flat and absorb headwinds. This becomes very difficult to achieve without help from our outside firms.”</i>
2. Lawyer talent	<i>“Ensuring that the talent level of the department matches the new challenges faced by the business.”</i>
3. Regulatory burden	<i>“Keeping up with the ever growing number and complexity of government regulations worldwide.”</i>
4. Managing legal risk	<i>“Making sure that we are managing risk in a prudent but business-sensitive manner.”</i>
5. Aligning with the business	<i>“Effectively deploying resources in highest impact areas that align with the company’s goals and strategy.”</i>

OTHER LAW DEPARTMENT CONCERNS	
Process efficiency	Cyber-security risks
Increasing workload	Knowledge management
Demonstrating law department value	Educating clients on law department’s role
Succession planning	Law department <u>not</u> a strategic partner
Globalization	Attorney burnout

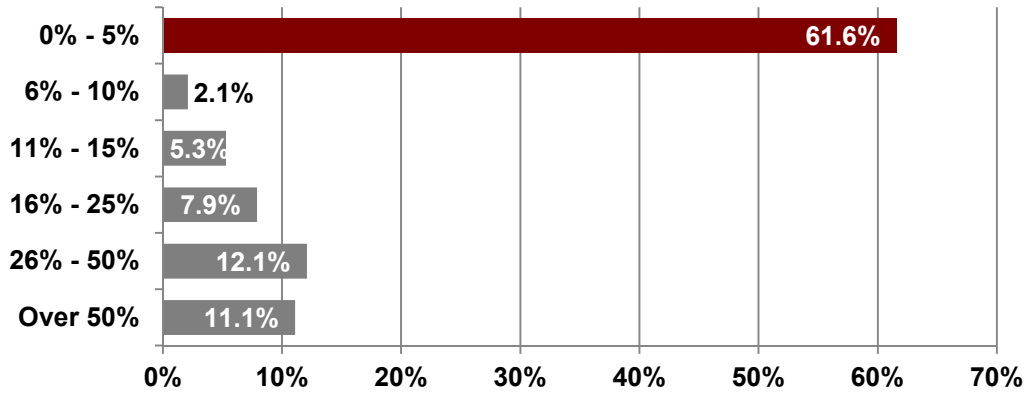
2015
Chief Legal Officer Survey
Participant Demographics



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

	Minimum	1 st Quartile	Median	3 rd Quartile	Maximum	Average
Lawyers	1	5	11	41	950	51

2. What percentage of the lawyers in your department are based outside the US?



3. What are your organization's annual revenues?

	Minimum	1 st Quartile	Median	3 rd Quartile	Maximum	Average
Revenue	\$100M	\$2B	\$4.5B	\$10B	\$150B	\$11.5B

4. Is your organization:

