

**2015**  
**Chief Legal Officer Survey**  
**An Altman Weil Flash Survey**

**Summary & Analysis**

## 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 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 is available online at [www.altmanweil.com/CLO2015](http://www.altmanweil.com/CLO2015).