



Chief Legal Officers Don't Think Law Firms Are Serious About Change

Newtown Square, PA, June 30, 2009 – The **2009 Chief Legal Officer Survey**, conducted annually by Altman Weil, Inc., reports ongoing, incremental change in corporate law departments in response to the new economic landscape, but a deep skepticism that their law firm counterparts are equally serious about change.

"This year, in the midst of an unprecedented financial shift, we wanted to learn if the talk about a changing model of legal service delivery – in terms of pricing, staffing and law firm selection criteria – was being translated into action," explains Altman Weil principal Dan DiLucchio.

The survey asked Chief Legal Officers (CLOs) to rate how much pressure corporations are putting on law firms to change the value proposition in legal service delivery, as opposed to simply cutting costs. CLOs responded across the board, with 25% rating the pressure as high – or between 8 and 10 on a zero to 10 scale; 37% rating the pressure in the mid-range at 5, 6 or 7; and 38% rating it low, between zero and 4.

However, when asked how serious law firms are about changing their delivery model, the answers were in sharp contrast. Only 5% of CLOs assessed law firms as highly serious, scoring them between 8 and 10. Twenty percent gave firms credit for some level of effort, rating them 5, 6 or 7. A full 75% rated law firms between zero and 4 on the scale, indicating little or no interest in change.

"This is a dramatic vote of no confidence from Chief Legal Officers," observes DiLucchio. "Either many law firms just don't understand that clients today expect greater value and predictability in staffing and pricing legal work, or firms are failing to adequately communicate their understanding and willingness to make real change. In either case, it's a big problem."

Corporate law departments will decrease their use of outside counsel in the next 12 months, according to the survey. Forty percent of respondents indicated that less work would go to law firms this year, up from 26% last year. In the eight prior years of the Chief Legal Officer Survey, first conducted in 2000, this number had never risen above 20%.

Twenty-seven percent of corporate law departments have also reduced their in-house lawyer staff so far in 2009, and another 9% consider it "likely" or "possible" that they will do so in the remainder of the year, according to the survey. Law departments also report making cuts to the ranks of contract lawyers (15% of departments have done so), paralegals (21%), and support staff (26%).

"This combination of inside and outside reductions means not only that in-house lawyers will assume greater workloads, but also that Chief Legal Officers will need to become more strategic about triaging work, allocating resources, and, in some cases, tolerating higher levels of risk," says DiLucchio. "And when they do hire outside counsel, you can bet that they will be shopping for value."

The importance of price when hiring outside counsel declines as the importance of the work being done increases, according to the survey. In addition, there is a direct correlation between the importance of a firm's capabilities and the importance of the matter to the corporation.

"Neither of these findings is surprising," according to DiLucchio. "But what did surprise us was that CLOs rated the importance of 'relationships' with outside law firms at exactly the same low level, whether for critical work, important work or commodity work. The personal element apparently doesn't carry as much weight in the hiring decision in 2009."

The pace of change toward non-hourly billing is accelerating, according to the survey. Seventy three percent of law departments reported that 1-10% of their law firm fees were non-hourly in 2008; and, 27% of departments said that more than 10% of fees paid were non-hourly last year. In comparison, in 2009, 57% of departments expect to pay between 1% and 10% of fees for non-hourly work, while 43% will spend more than 10% of total fees in non-hourly

arrangements.

The Survey

The **Chief Legal Officer Survey** has been conducted and published annually by Altman Weil, Inc. since 2000, most recently in June 2009. One hundred and eighty-three responses were received for the 2009 survey, 15% of the 1,222 corporate law departments invited to participate. Twenty percent of respondents work for corporations with over \$10 billion in revenues; 42% are in corporations with between \$2-\$10 billion in revenues, and 38% had revenues under \$2 billion. Additional demographic and budgetary data on responding law departments is included in the survey report. The full survey is available to download at www.altmanweil.com/CLO2009.

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.

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Download the full survey.

2009

CHIEF LEGAL OFFICER SURVEY

The Opinions of Chief Legal Officers on Issues of Importance

Conducted by:

Altman Weil, Inc.

 **Altman Weil, Inc.**
The leader in legal consulting.

SECTION 1

BACKGROUND & OBJECTIVES

Background & Objectives

For the tenth 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.

One hundred and eighty-three Chief Legal Officers (15% of the 1,222 surveyed) provided responses for the 2009 survey, conducted in June 2009.

The survey responses were tabulated and analyzed, including a summary of the results in Section 2 and demographic data on survey participants in Section 3.

SECTION 2

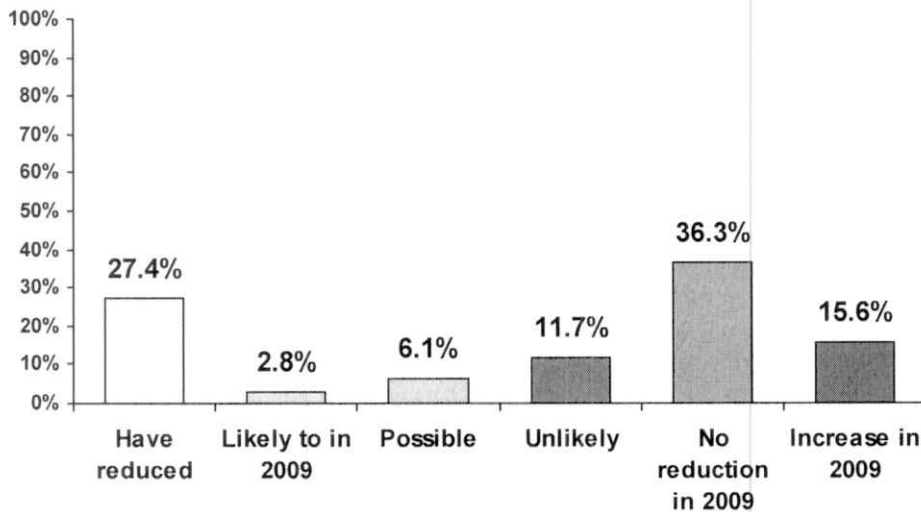
SUMMARY OF RESULTS

Summary of Results

The results of the survey follow. Each question is presented and the tabulated results of the survey follow each question. Where a similar question was asked in prior CLO Surveys, a comparison and analysis is presented.

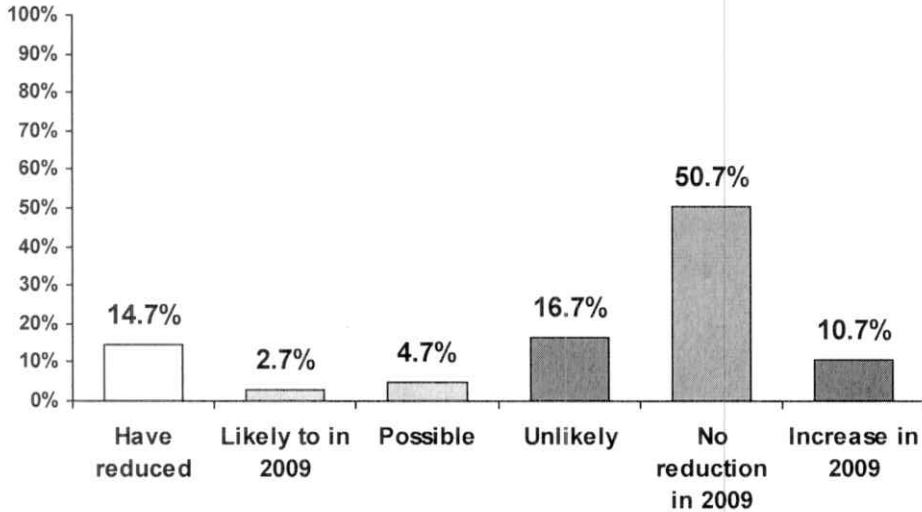
1. Has your law department reduced its work force in the last six months and/or will you be likely to do so in the balance of 2009?

a. IN-HOUSE LAWYERS



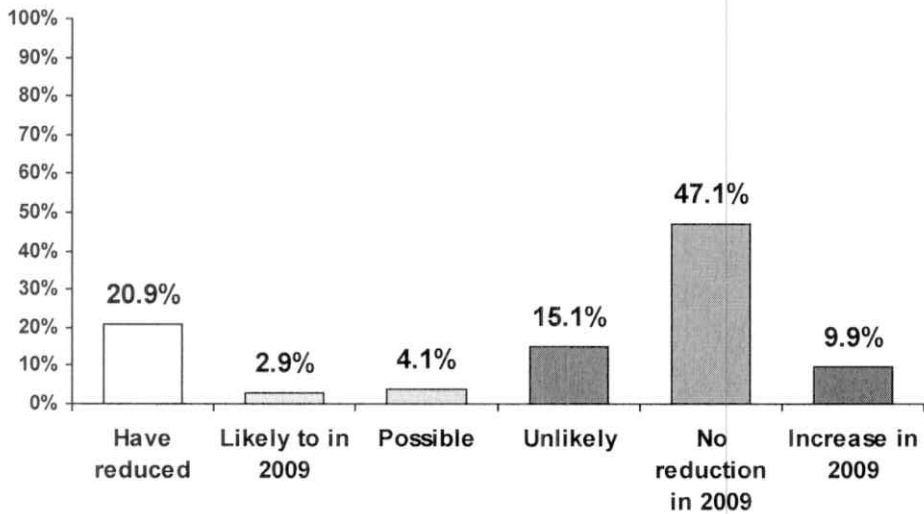
1b. Has your law department reduced its work force in the last six months and/or will you be likely to do so in the balance of 2009?

CONTRACT LAWYERS



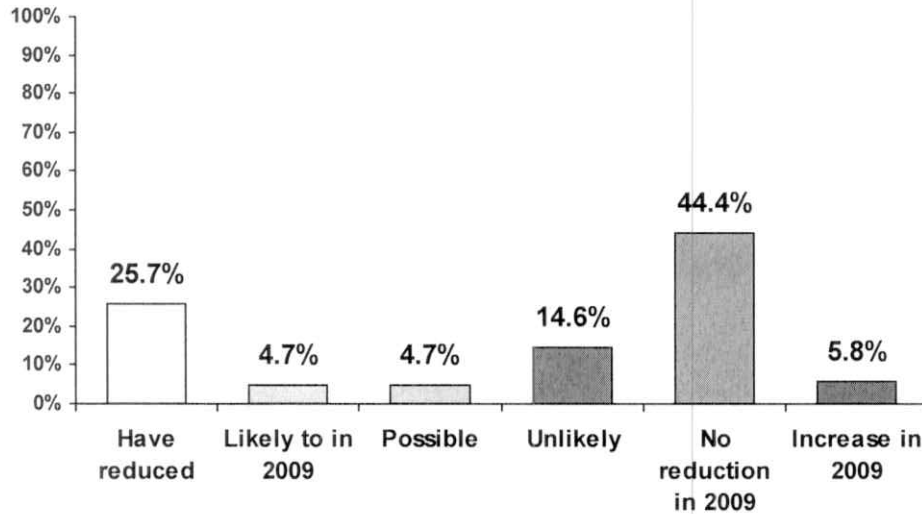
1c. Has your law department reduced its work force in the last six months and/or will you be likely to do so in the balance of 2009?

PARALEGALS

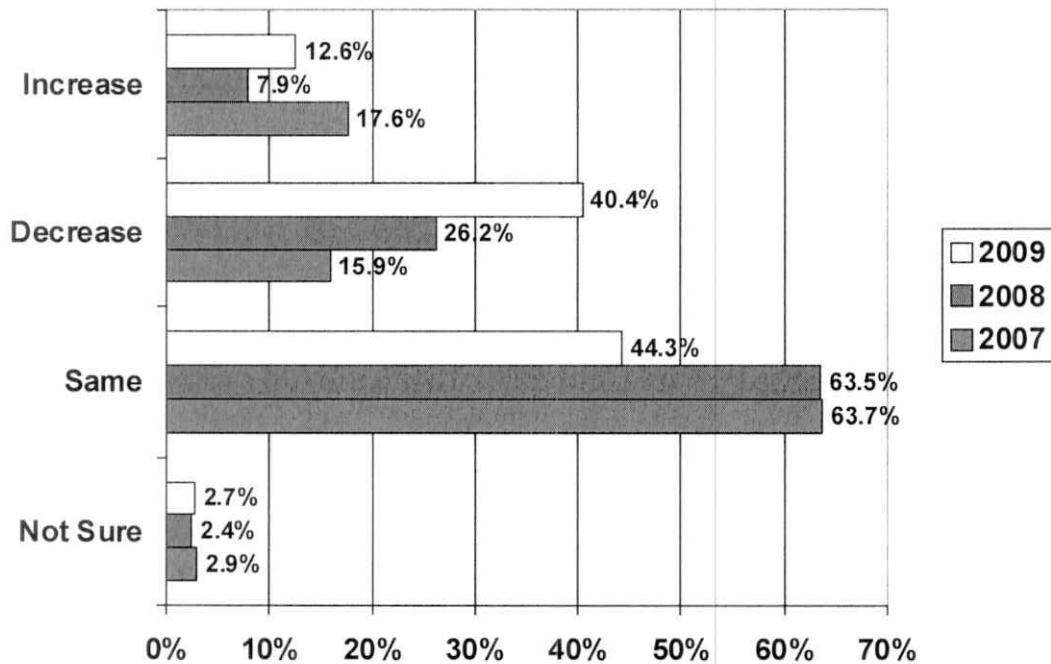


1d. Has your law department reduced its work force in the last six months and/or will you be likely to do so in the balance of 2009?

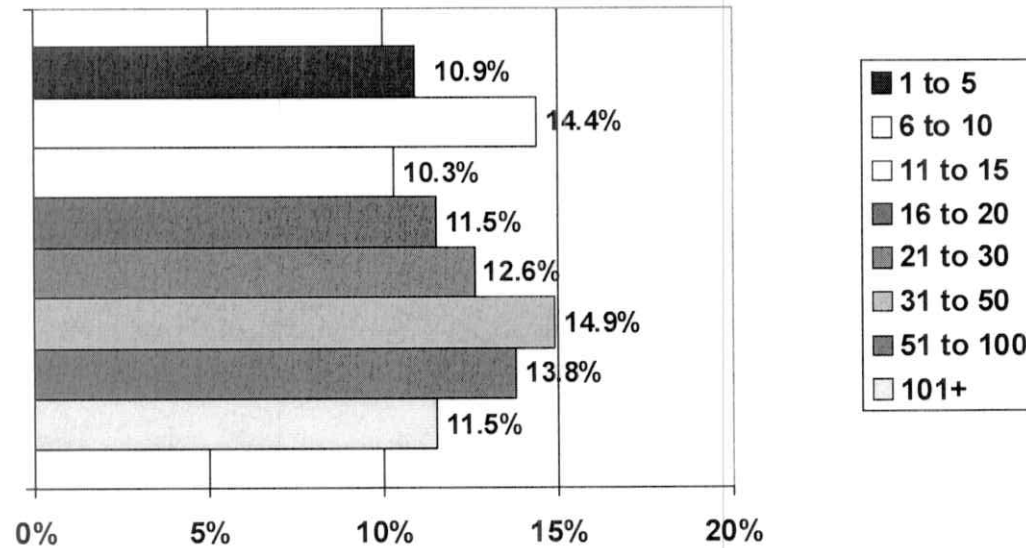
SUPPORT STAFF



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

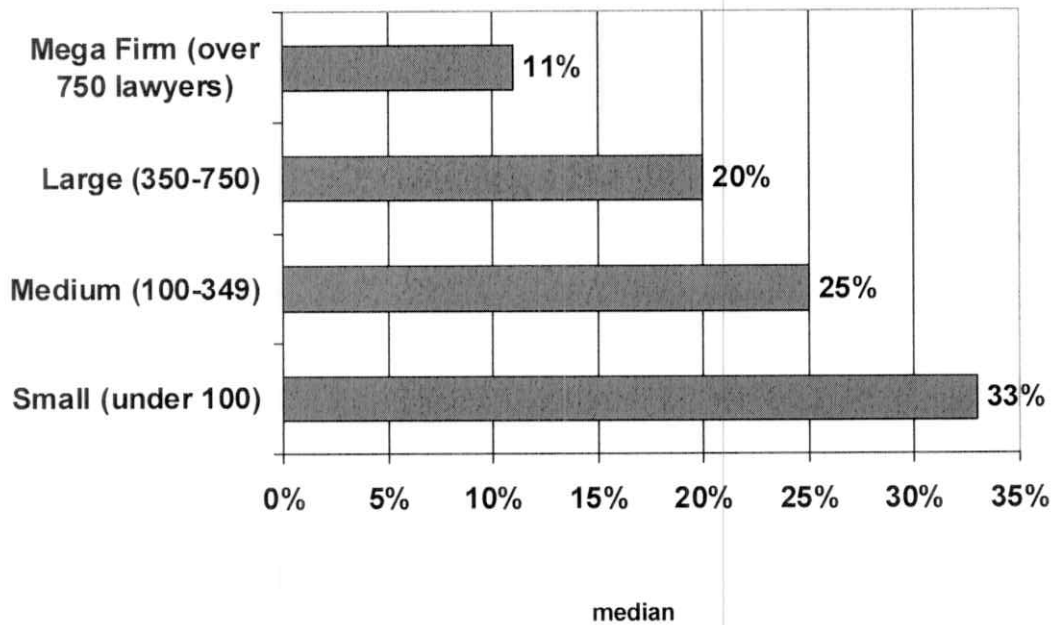


3. How many law firms did you employ in 2008?

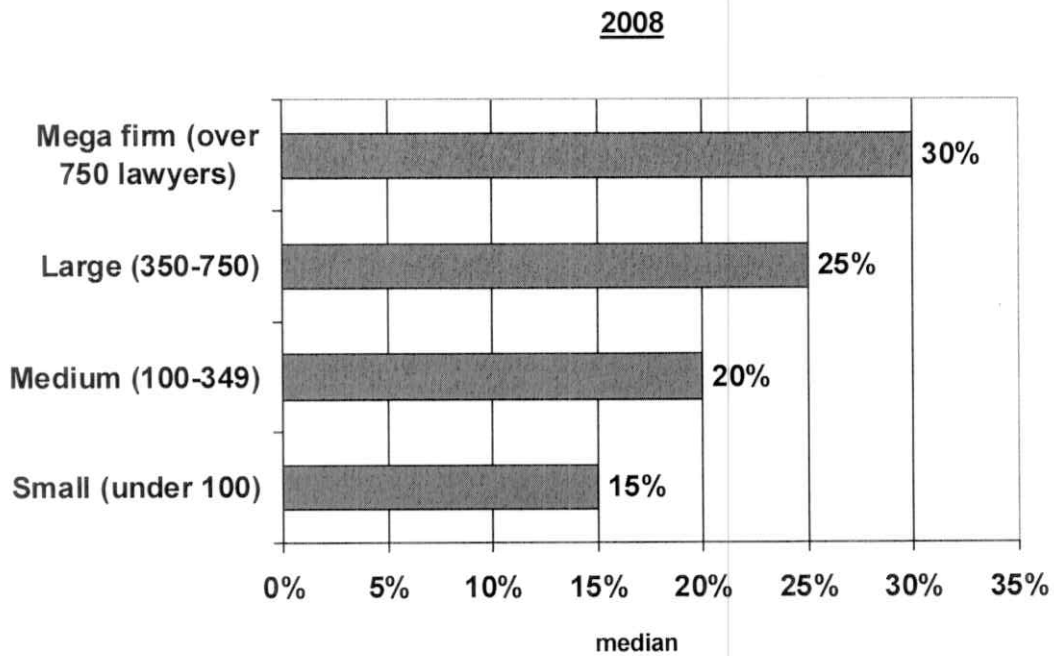


3a. Percentage-wise (considering the number of firms), how did these law firms break out in terms of size?

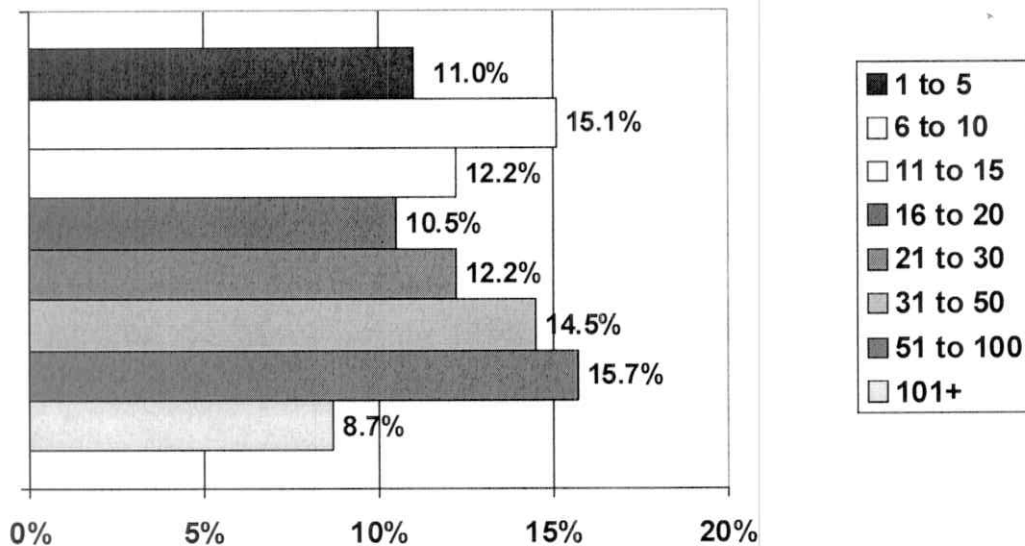
2008



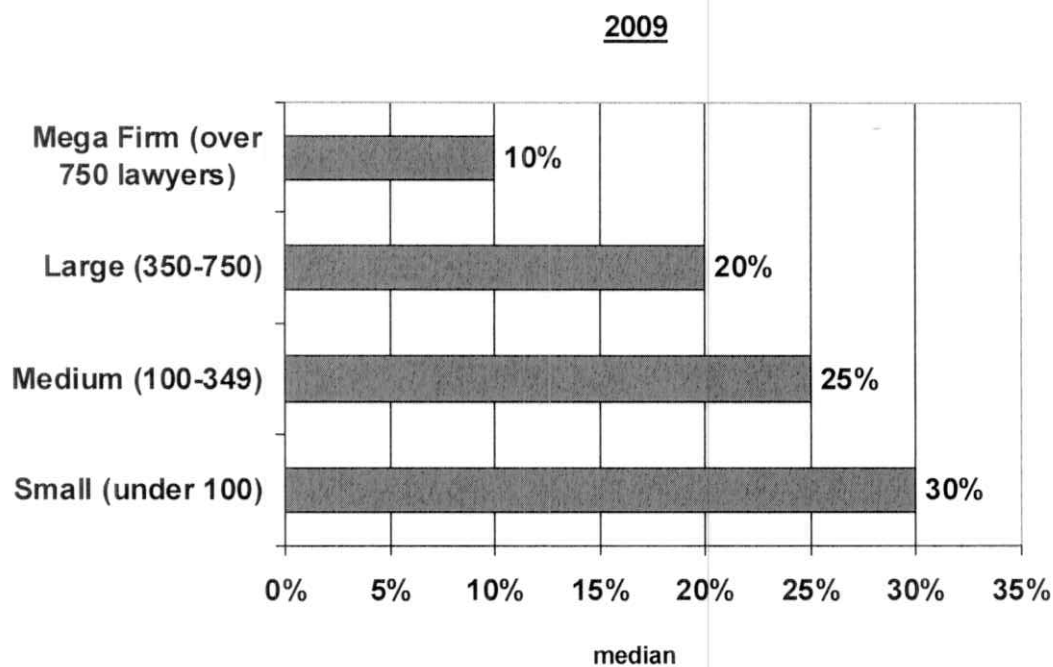
3b. Percentage-wise (considering the dollar value of the business), how did these law firms break out in terms of size?



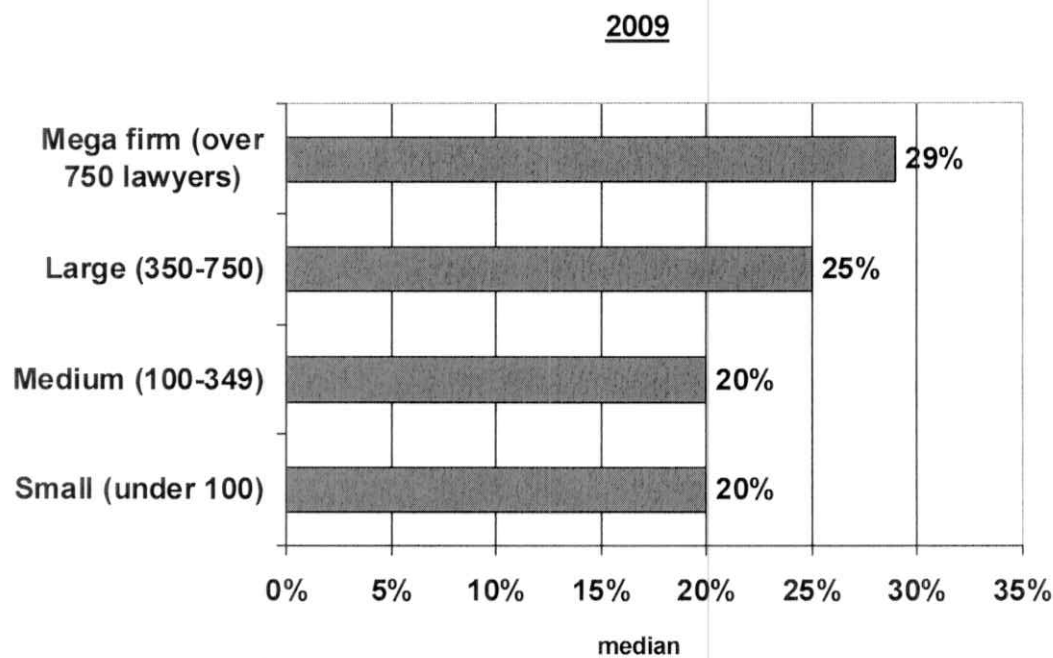
4. How many law firms do you estimate you will employ in 2009?



4a. Percentage-wise (considering the number of firms), how will these law firms break out in terms of size?



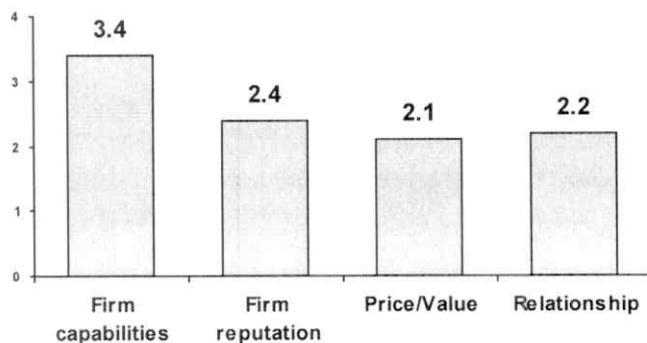
4b. Percentage-wise (considering the dollar value of the business), how will these law firms break out in terms of size?



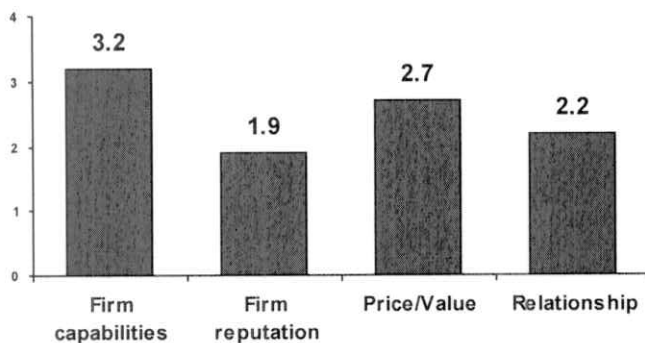
5. In your estimation, rank the importance of the following factors to you when hiring a law firm in 2009.

4 = most important; 1 = least important

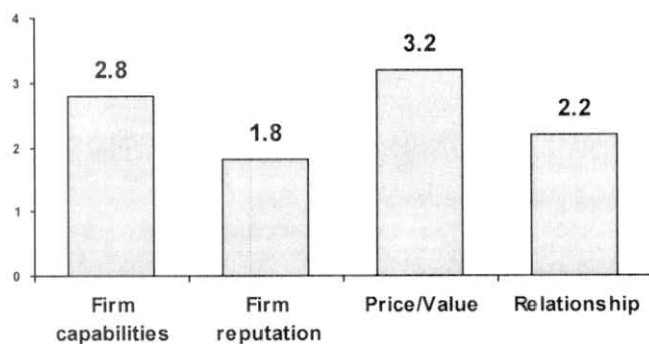
BET THE COMPANY WORK



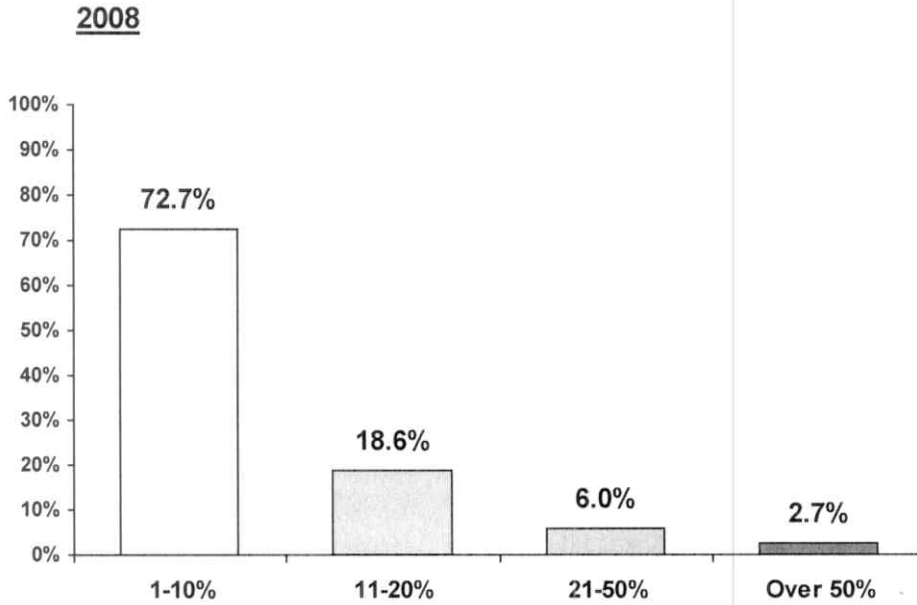
IMPORTANT WORK



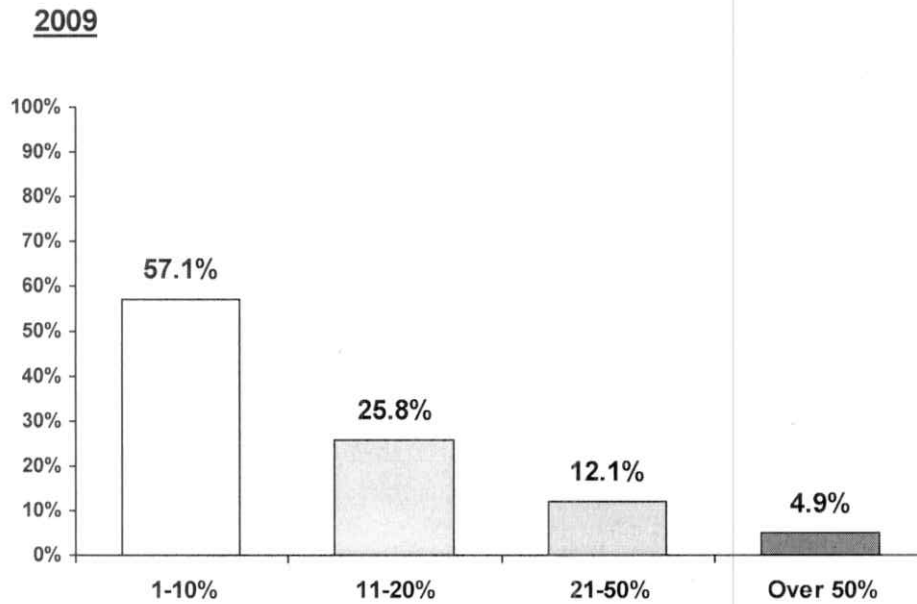
COMMODITY WORK



6. Approximately what percent of law firm fees paid by your law department in 2008 do you estimate were for non-hourly work?

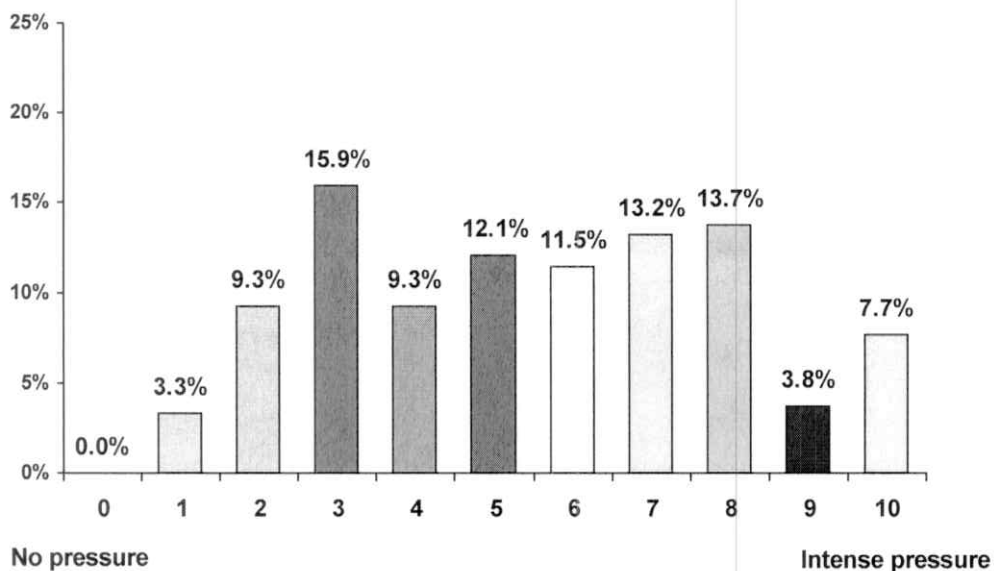


7. Approximately what percent of law firm fees paid by your law department in 2009 do you estimate will be for non-hourly work?



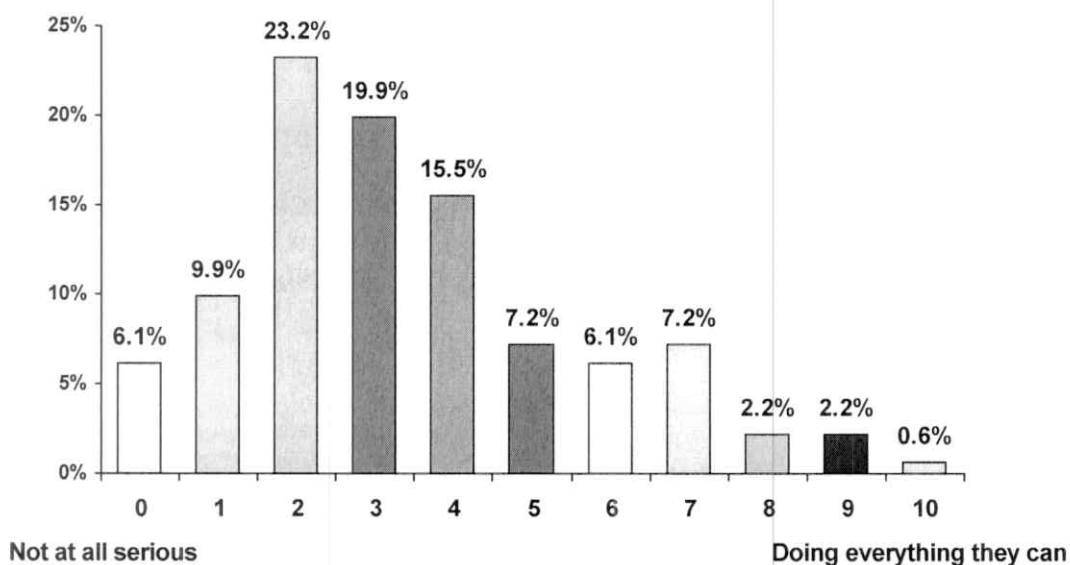
8. In your opinion, how much pressure are corporations really putting on law firms to change the value proposition in legal service delivery (as opposed to simply cutting costs)?

0 = no pressure; 10 = intense pressure



9. In your opinion, 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



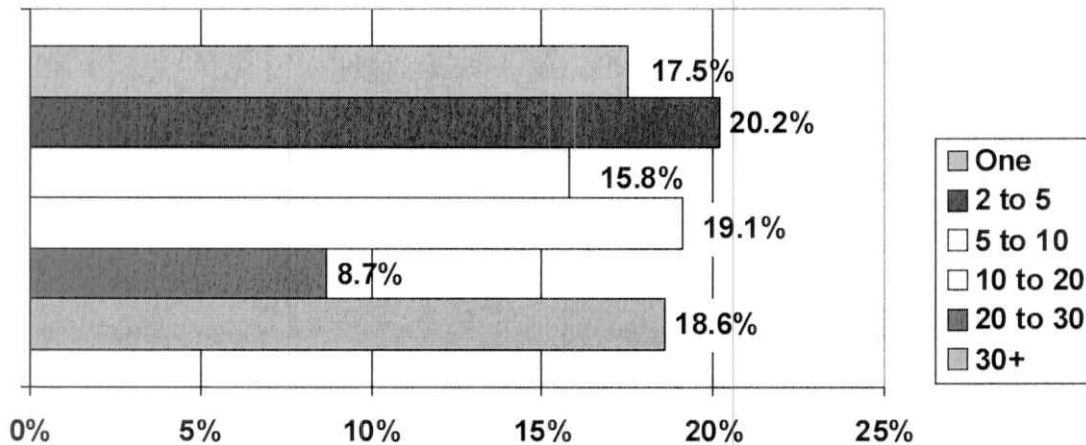
SECTION 3

SURVEY DEMOGRAPHICS

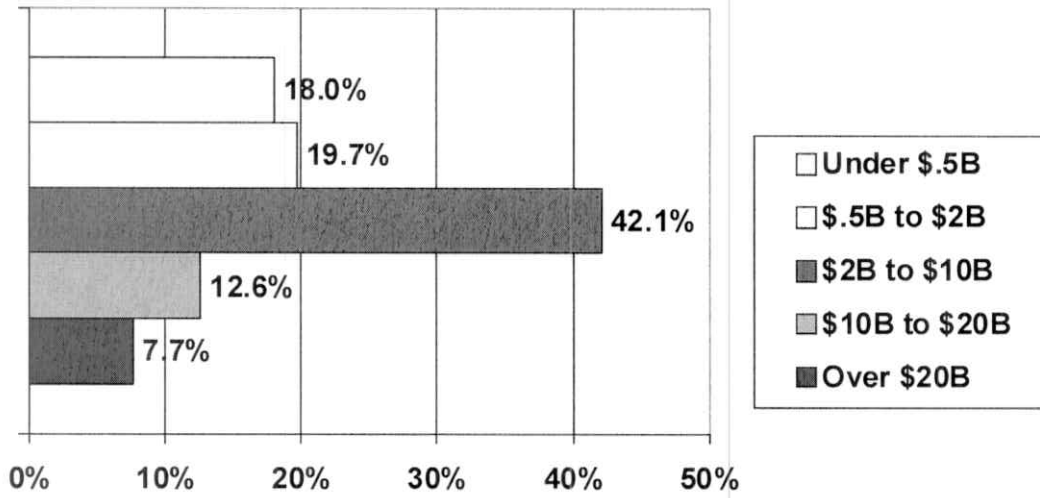
Survey Demographics

In June 2009, we surveyed 1,222 General Counsel and Chief Legal Officers. We received responses from 183, or 15%. Following are the Survey demographics, which describe the respondent corporations and their law departments.

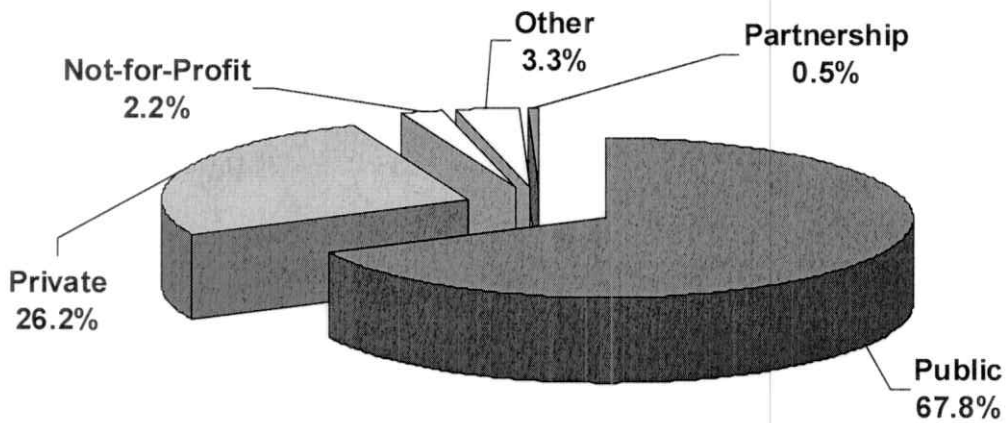
1. How many in-house attorneys are in your department (in all locations)?



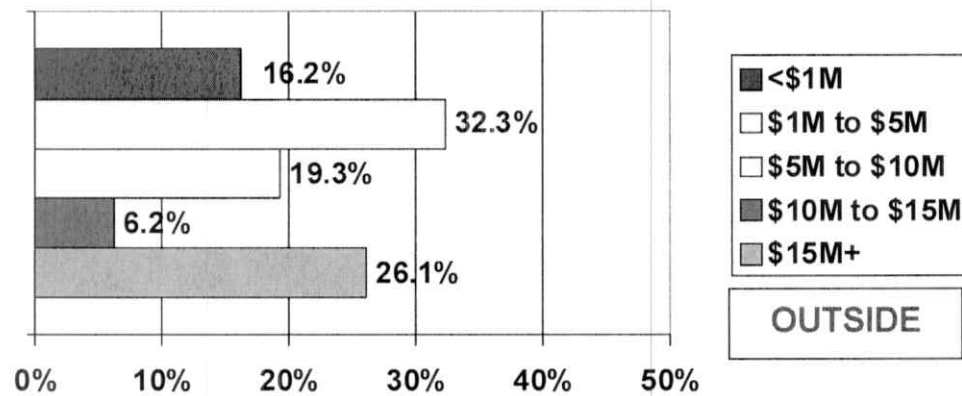
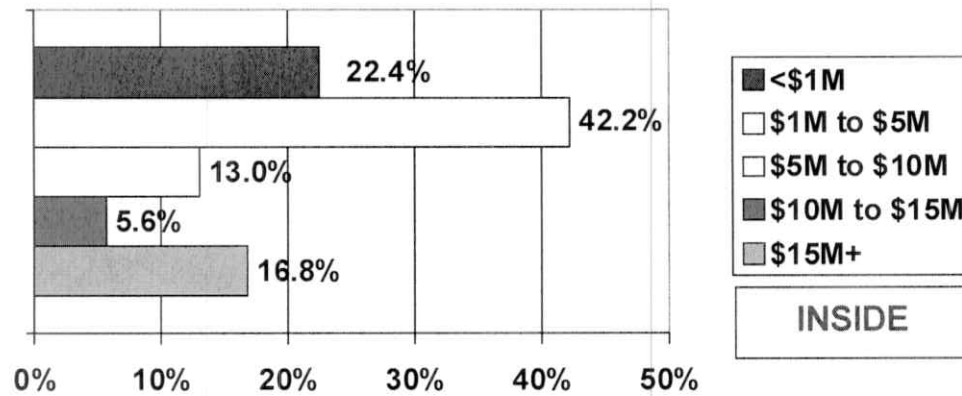
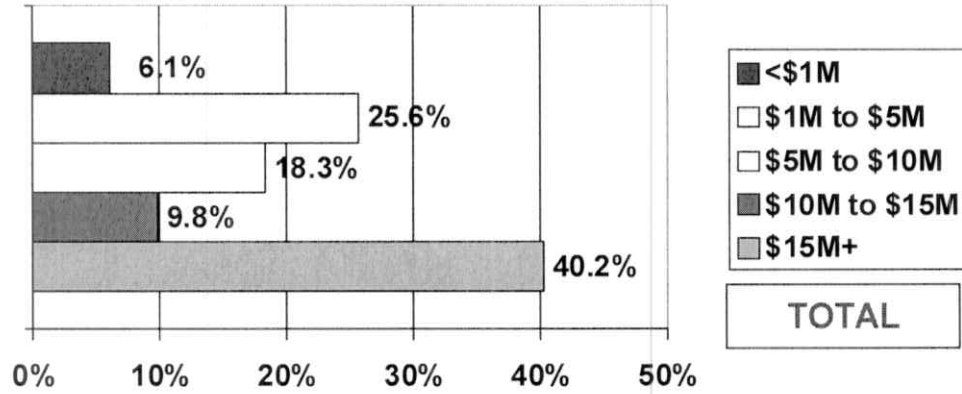
2. What are your organization's annual revenues?



3. Is your organization:



4. What is the size of your 2009 Law Department budget in U.S. dollars (Total; Inside; and, Outside)?



SECTION 4

ABOUT ALTMAN WEIL

About Altman Weil, Inc.

Altman Weil provides management consulting services exclusively to legal organizations. Our clients include law firms, corporate and government law departments and legal vendors of all sizes and types throughout North America, the U.K. and abroad.

We offer a full range of consulting services, backed by nearly 40 years of experience in the industry.

Consulting Services

- Strategy
- Mergers and Acquisitions
- Practice Management
- Management and Governance
- Compensation
- Alternative Pricing
- Law Firm Finance
- Law Firm Succession Planning
- Leadership Development and Performance Management
- Marketing and Business Development
- Client Surveys
- Market Research
- Law Department Structure and Performance
- Outside Counsel Management
- Law Department Cost Control
- Government Law Departments
- Key Person Coaching
- Executive Search Services
- Custom Surveys and Benchmarking
- Training Programs
- Legal Vendor Advisory Services
- Paralegals and Paralegal Programs
- Retreats