

International Association of Defense Counsel 2016 Inside/Outside Counsel Relationship Survey - FINAL REPORT -

Presented to IADC
by Superior DataWorks, LLC
June 2016





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Verbatims: Open Comments

See Separate Excel Files

BACKGROUND AND OBJECTIVES



Background

◆ The International Association of Defense Counsel (IADC) seeks a better understanding of the trends in outsourcing legal services to law firms/private practice attorneys (Outside Counsel) by corporate legal departments (Inside Counsel).

Objectives

- The primary objective of the 2016 Inside/Outside Counsel Relationship Survey is to gauge how Inside Counsel and Outside Counsel measure key categories of their working relationship.
- Only corporations that hire firms to handle litigation or arbitration matters and law firms that provide legal services to corporate legal departments are qualified to participate in the survey.

OBJECTIVES (CONTINUED)



Inside Counsel Key Measurements

- Measure Outside Counsel, as well as themselves, on general, communications, and financial categories.
- Estimate changes in the amount of legal work outsourced to firms.
- Identify the most important/common things required of Outside Counsel to get a 'passing grade' or 'low grade.'

Outside Counsel Key Measurements

- Measure Inside Counsel, as well as themselves, on general, communications, and financial categories.
- Estimate changes in the amount of legal work contracted by Inside Counsel.
- Identify most important things that Inside Counsel can do to ensure a constructive relationship and the most common things done that impair productivity and effectiveness.

METHODOLOGY



Methodology

- An online survey containing a total of 25 questions was developed with input from the IADC. Respondents were invited to participate in the survey via email. Potential respondents were selected from the IADC membership list and from a third-party sample list.
- ◆ Data was collected from April 5 through May 17, 2016.

SAMPLE DISPOSITION



Sample Disposition

- ◆ Of the 679 total respondents completing the survey, 346 (51%) are *Inside Counsel* (i.e., corporate attorneys currently working in the legal department of a company/corporation), and 333 (49%) are *Outside Counsel* (i.e., attorneys currently working in a law firm or private law practice).
- ◆ Inside Counsel respondents' job titles are more widely distributed (i.e., Chief Counsel/Chief Legal Officer, Deputy/Assistant General Counsel, Corporate Counsel, etc.), while the vast majority of respondents from Outside Counsel are identified as Partner/Principal/Shareholder in a private firm litigation practice.

JOB TITLES - INSIDE AND OUTSIDE COUNSEL -								
<u>INSIDE COUNSEL</u>	<u>OUTSIDE COUNSEL</u>							
General Counsel/Chief Legal Officer with Litigation Responsibilities (34%)	Partner/Principal/Shareholder in Private Firm Litigation Practice (76%)							
Deputy General Counsel or Assistant General Counsel with Litigation Responsibilities (32%)	Head of Litigation Practice in Private Firm (9%)							
Corporate Counsel / Non-Litigation Responsibilities (21%)	Partner/Principal/Shareholder in Private Firm Non-Litigation Practice (7%)							
Other (13%) - See Verbatim file for Other mentions	Sole Practitioner in Private Litigation Practice (3%)							
	Sole Practitioner in Private Non-Litigation Practice (2%)							
	Other (3%) - See Verbatim file for Other mentions							

SQ1AB: Which of the following best describes your current job title? SQ1A n=346/SQ1B: n=333

KEY OBSERVATIONS

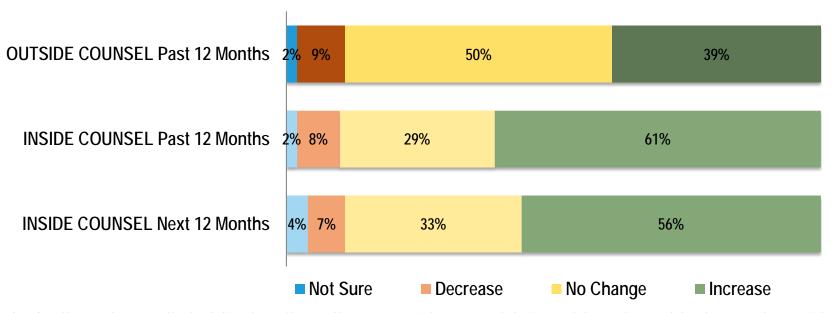


- ◆ The estimation of the amount of legal work being outsourced varies significantly between Inside and Outside Counsel, with Inside Counsel estimating a higher level of work being outsourced in the past 12 months. Both report an increase over the previous year.
- Inside Counsel and Outside Counsel rate themselves significantly higher on virtually all categories compared to how they are rated by their counterpart.
 - Both, however, rate the same categories the highest and lowest. The categories receiving the highest ratings focus mainly on *communication*, *responsiveness*, and *efficiency*. The categories receiving the lowest ratings center on *fees*, *budgets*, and *billing issues*.
- Based on open-ended comments, both Inside Counsel and Outside Counsel cite good communication, responsiveness, and clear project direction/objectives as the primary components of establishing a satisfactory and constructive working relationship.

SHIFTS IN OUTSOURCING LEGAL WORK



- ◆ Inside Counsel and Outside Counsel have varying views regarding the amount of work outsourced in the past 12 months 61% of Inside Counsel say they saw an increase compared to 39% of Outside Counsel saying they saw an increase.
- More than half of Inside Counsel expect the outsourcing trend to continue, with 56% anticipating an increase in the amount of legal work outsourced by their company in the next 12 months. [Note: Outside Counsel were not asked to measure the next 12 months.]

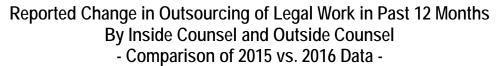


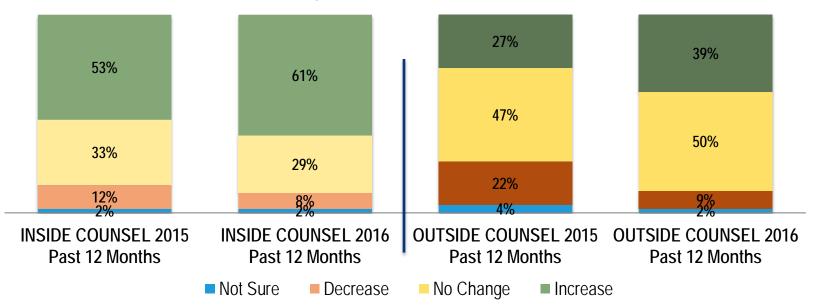
Q5: INSIDE / Would you say the amount of legal work directed to outside counsel by your company in the past 12 months has increased, decreased, or stayed about the same vs. the year prior? n=346 Q6: INSIDE / In the next 12 months, do you anticipate the amount of legal work directed to outside counsel by your company to increase, decrease, or stay about the same? n=346 Q11: OUTSIDE / Would you say the amount of legal work sent to you/your firm by in-house counsel in the past 12 months has increased, decreased, or stayed about the same vs. the year prior? n=333

SHIFTS IN OUTSOURCING LEGAL WORK (CONTINUED)



◆ The trend of outsourcing legal work continues to grow; both Inside Counsel and Outside Counsel say they saw a continued increase in the outsourcing of legal work over the past 12 months compared to the previous 12 months.





Q5: INSIDE / Would you say the amount of legal work directed to outside counsel by your company in the past 12 months has increased, decreased, or stayed about the same vs. the year prior? n=346 Q6: INSIDE / In the next 12 months, do you anticipate the amount of legal work directed to outside counsel by your company to increase, decrease, or stay about the same? n=346 Q11: OUTSIDE / Would you say the amount of legal work sent to you/your firm by in-house counsel in the past 12 months has increased, decreased, or stayed about the same vs. the year prior? n=333

KEYBOX FOR UNDERSTANDING SURVEY RESULTS



- When Inside and Outside Counsel were asked to rate themselves and their counterparts in general, communications, and financial categories, the following was the rating scale they used:
 - 5 Far Exceeds Expectations
 - 4 Exceeds Expectations
 - 3 Meets Expectations
 - 2 Almost Meets Expectations
 - 1 Not Meeting Expectations at All
- "Top 2 Box Scores" refer to the percentage of respondents who rated a category a 4 or a 5.
- "Bottom 2 Box Scores" refer to the percentage of respondents who rated a category a 1 or a 2.

COMPARISON: Ratings of Outside Counsel/All Categories



- With a few exceptions, Inside Counsel rate their Outside Counsel significantly lower in all categories than the Inside Counsel rate themselves.
- Inside Counsel and Outside Counsel, however, are in general agreement as to what categories they far exceed expectations and what categories they do not meet expectations at all.

<u>Highest Categories for "Far Exceeds Expectations":</u>

- Provides expertise not available from Inside Counsel legal team
- Works well with Inside Counsel legal department

<u>Lowest Categories for "Not Meeting Expectations At All":</u>

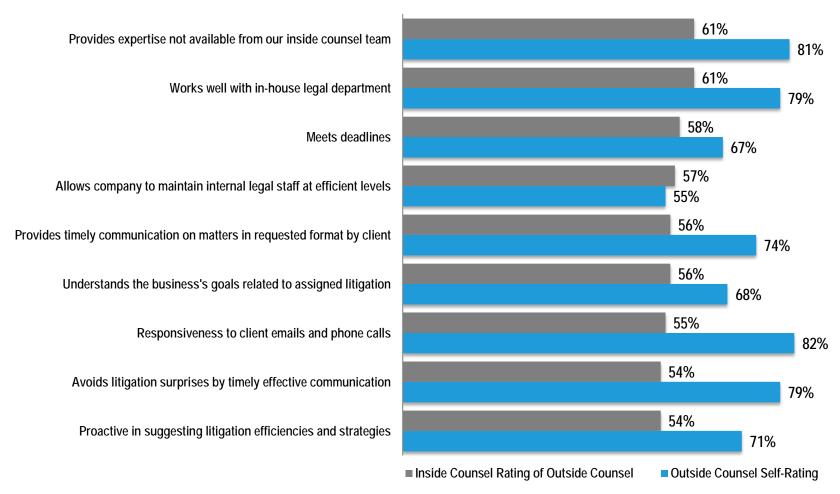
- Provides timely and realistic budgets
- Offers discounted fees/fixed fees/alternative fee arrangements when requested

(See charts on following 4 slides for Top 2 and Bottom 2 Box rating comparisons)

COMPARISON: Ratings of Outside Counsel/Top 2 Box



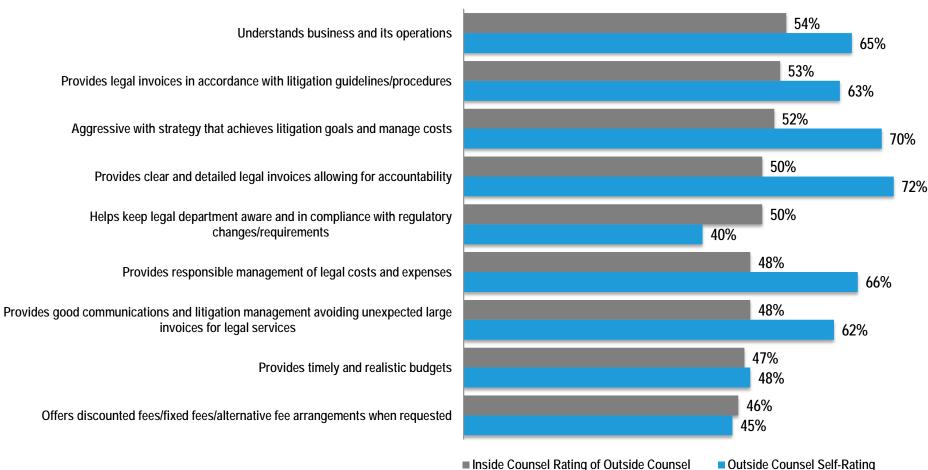
Inside Counsels' Rating of Outside Counsel Compared to Outside Counsels' Self-Rating <u>Top 2 Box Scores of 18 Key Categories</u> (1 of 2)



COMPARISON: Ratings of Outside Counsel/Top 2 Box



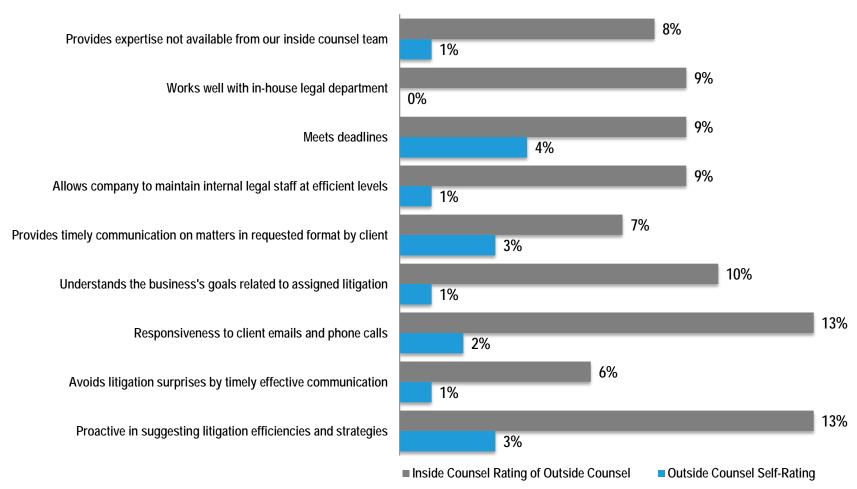
Inside Counsels' Rating of Outside Counsel Compared to Outside Counsels' Self-Rating <u>Top 2 Box Scores of 18 Key Categories</u> (2 of 2)



COMPARISON: Ratings of Outside Counsel/Bottom 2 Box



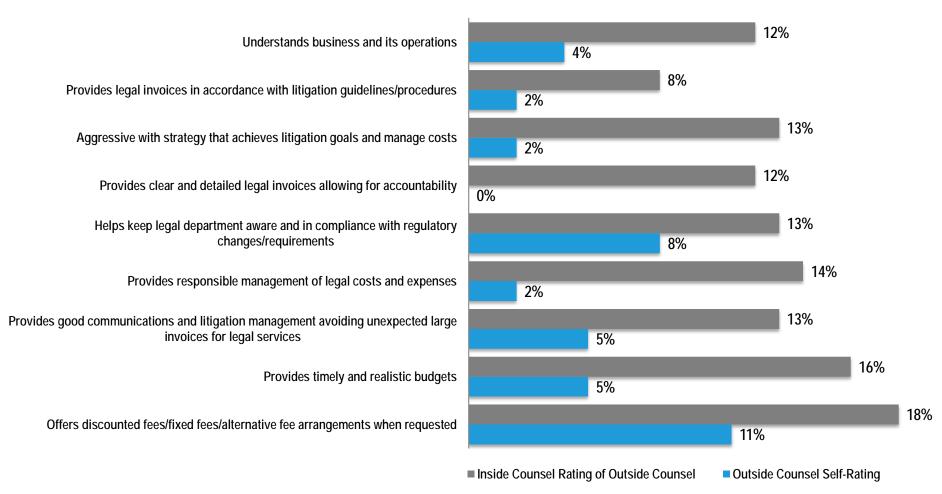
Inside Counsels' Rating of Outside Counsel Compared to Outside Counsels' Self-Rating Bottom 2 Box Scores of 18 Key Categories (1 of 2)



COMPARISON: Ratings of Outside Counsel/Bottom 2 Box



Inside Counsels' Rating of Outside Counsel Compared to Outside Counsels' Self-Rating Bottom 2 Box Scores of 18 Key Categories (2 of 2)



COMPARISON: Ratings of Inside Counsel/All Categories



- With no exceptions, Outside Counsel rate Inside Counsel significantly lower in all categories rated than the Inside Counsel rate themselves.
- ◆ Inside Counsel and Outside Counsel also agree on which categories rate highest ("far exceeds expectations") and lowest ("not meeting expectations at all").

Highest Rated:

Has good responsiveness to questions, feedback, or requests for authorization

Lowest Rated:

Timely bill payment (within 30 days)

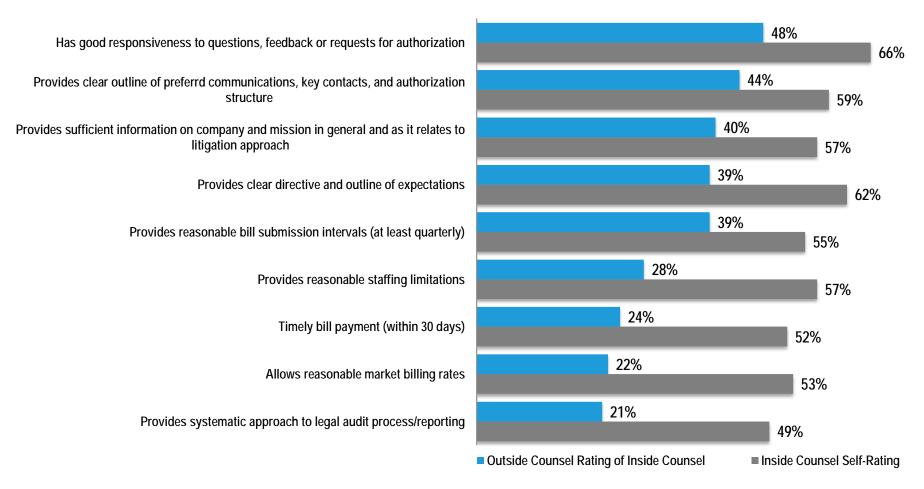
(See charts on following 2 slides for Top 2 and Bottom 2 Box rating comparisons)

Q9G: FIRM / Please rate your INSIDE COUNSEL on average on each of the following GENERAL areas, where 5=Far Exceeds Expectations and 1=Not Meeting Expectations At All? n=333 Q4G: CORPORATE / Please rate YOURSELF on average on each of the following GENERAL areas, where 5=Far Exceeds Expectations and 1=Not Meeting Expectations At All? n=346

COMPARISON: Ratings of Inside Counsel/Top 2 Box



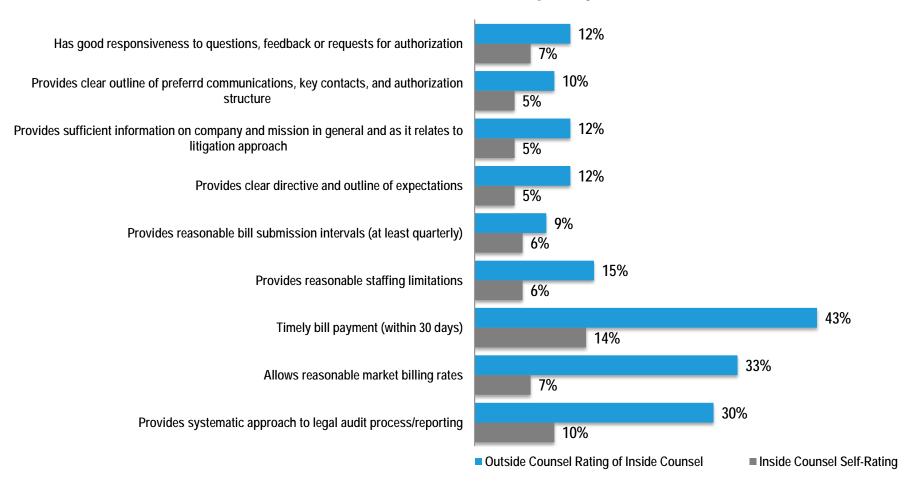
Outside Counsels' Rating of Inside Counsel Compared to Inside Counsels' Self-Rating <u>Top 2 Box Scores of 9 Key Categories</u>



COMPARISON: Ratings of Inside Counsel/Bottom 2 Box



Outside Counsels' Rating of Inside Counsel Compared to Inside Counsels' Self-Rating <u>Bottom 2 Box Scores of 9 Key Categories</u>



Inside Counsel's Evaluation of Outside Counsel



- Inside Counsel's comments regarding positive grading of Outside Counsel focus primarily on good communication and responsiveness, high quality and efficiency of work, and costs/budgets.
- Conversely, Inside Counsel's main reasons for giving Outside Counsel a low grade include poor work quality, poor communication or nonresponsiveness, and costs/budgets.

(See separate Verbatim file for full comments)

Outside Counsel's Evaluation of Inside Counsel



- Outside Counsel cite good communication/responsiveness and setting goals/expectations as the most important things inside counsel can do to ensure a constructive relationship.
- ◆ The most common things that inside counsel does to impair productivity and effectiveness include poor communication/non-responsiveness, poor time management, unclear project direction/objectives, and billing issues.

(See separate Verbatim file for full comments)

DETAILED TABLES/Ratings of Outside Counsel Categories



The following 4 slides show the detailed distribution of ratings by category for Outside Counsel. Categories are ranked from high to low, based on mean scores.

Ratings by Inside Counsel:

- Ratings of Outside Counsel/All Categories (1 slide)
- Self-Ratings/All Categories (1 slide)
- Comparison of Ratings/All Categories (2 slides)

Inside Counsel/Ratings of Outside Counsel: All Categories



RATING OF OUTSIDE COUNSEL ON ALL CATEGORIES - INSIDE COUNSEL RESPONDENTS -

ALL CATEGORIES	Mean Score	Top 2 Box	5	4	3	2	1	Bottom 2 Box
		<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Works well with our in-house legal department (G3)	3.77	61	25	36	30	8	1	9
Provides expertise not available from our inside counsel team (G4)	3.72	61	21	40	31	7	1	8
Meets deadlines (G7)	3.72	58	24	34	33	8	1	9
Provides timely communication on matters in requested format by client (C1)	3.72	56	23	33	37	7	0	7
Avoids litigation surprises by timely effective communication (C3)	3.69	54	23	31	40	5	1	6
Allows our company to maintain internal legal staff at efficient levels (G5)	3.68	57	22	35	34	7	2	9
Understands the business's goals related to assigned litigation (G2)	3.67	56	22	34	34	9	1	10
Responsiveness to client emails and phone calls (C2)	3.64	55	23	32	32	12	1	13
Understands our business and its operations (G1)	3.64	54	22	32	34	11	1	12
Provides legal invoices in accordance with our litigation guidelines (F1)	3.64	53	20	33	39	8	0	8
Proactive in suggesting litigation efficiencies and strategies (C4)	3.60	54	20	34	33	12	1	13
Aggressive with strategy that achieves litigation goals and manage costs (G6)	3.59	52	21	31	35	11	2	13
Helps keep legal dept aware/in compliance with regulatory changes/requirements (C5)	3.57	50	23	27	37	11	2	13
Provides clear and detailed legal invoices allowing for accountability (F2)	3.57	50	19	31	38	11	1	12
Provides good communications and litigation management avoiding unexpected large invoices for legal services (F4)	3.55	48	21	27	39	12	1	13
Provides responsible management of legal costs and expenses (F3)	3.53	48	20	28	38	13	1	14
Provides timely and realistic budgets (F6)	3.47	47	19	28	37	14	2	16
Offers discounted fees, fixed fees or other alternative fee arrangements when requested (F5)	3.45	46	20	26	36	15	3	18

Outside Counsel/Self Rating: All Categories



SELF RATING ON ALL CATEGORIES - OUTSIDE COUNSEL RESPONDENTS -										
ALL CATEGORIES	Mean	Top 2 Box	5	4	3	2	1	Bottom 2 Box		
	Score	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>		
Responsiveness to client emails and phone calls (C2)	4.22	82	42	40	16	2	0	2		
Provide expertise not available from clients' inside counsel teams (G4)	4.14	81	33	48	18	1	0	1		
Works well with my clients' in-house legal department (G3)	4.05	79	27	52	21	0	0	0		
Avoid litigation surprises by timely effective communications (C3)	4.02	79	24	55	20	1	0	1		
Provide clear and detailed legal invoices allowing for accountability (F2)	3.97	72	26	46	28	0	0	0		
Provide timely communication on matters in requested format by client (C1)	3.96	74	25	49	23	3	0	3		
Proactive in suggesting litigation efficiencies (C4)	3.90	71	22	49	26	3	0	3		
Meets deadlines (G7)	3.89	67	26	41	29	4	0	4		
Aggressive with strategy that will achieve my clients' litigation goals/manage costs (G6)	3.88	70	20	50	28	2	0	2		
Understands my clients' goals related to the assigned litigation (G2)	3.88	68	22	46	31	1	0	1		
Provide legal invoices in accordance with the clients' litigation procedures (F1)	3.82	63	21	42	35	2	0	2		
Provide responsible management of legal costs and expenses (F4)	3.81	66	17	49	32	2	0	2		
Understands my clients' business and its operations (G1)	3.79	65	18	47	31	4	0	4		
Provide good communications and litigation management thus avoiding unexpected large invoices for legal services (F5)	3.74	62	17	45	33	5	0	5		
Allows my clients' companies to maintain internal legal staff at efficient levels (G5)	3.66	55	12	43	44	1	0	1		
Provide timely and realistic budgets (F3)	3.54	48	11	37	47	5	0	5		
Offer discounted fees/fixed fees/alternative fee arrangements when requested (F6)	3.48	45	16	29	44	9	2	11		
Help keep legal dept aware/in compliance with regulatory changes/requirements (C5)	3.44	40	12	28	52	7	1	8		

COMPARISON: Ratings of Outside Counsel/All Categories



COMPARISON OF INSIDE COUNSELS' RATING OF OUTSIDE COUNSEL VS. OUTSIDE COUNSELS' SELF-RATINGS - ALL CATEGORIES -										
	Me	ean	Top 2	2 Box	Bottom 2 Box					
ALL CATEGORIES	Score		<u>.</u>	<u>%</u>	<u>%</u>					
ALL CATEGORIES	Inside Rating Outside	Outside Self- Rating	Inside Rating Outside	Outside Self- Rating	Inside Rating Outside	Outside Self- Rating				
Provides legal invoices in accordance with litigation guidelines/procedures (F1)	3.64	3.82	53	63	8	2				
Proactive in suggesting litigation efficiencies and strategies (C4)	3.60	3.90	54	71	13	3				
Aggressive with strategy that achieves litigation goals and manage costs (6G)	3.59	3.88	52	70	13	2				
Provides clear and detailed legal invoices allowing for accountability (F2)	3.57	3.97	50	72	13	0				
Helps keep legal department aware and in compliance with regulatory changes/requirements (C5)	3.57	3.44	50	40	12	8				
Provides good communications and litigation management avoiding unexpected large invoices for legal services (F4)	3.55	3.74	48	62	13	5				
Provides responsible management of legal costs and expenses (F3)	3.53	3.81	48	66	14	2				
Provides timely and realistic budgets (F6)	3.47	3.54	47	48	16	5				
Offers discounted fees/fixed fees/alternative fee arrangements when requested (F5)	3.45	3.48	46	45	18	11				

COMPARISON: Ratings of Outside Counsel/All Categories



COMPARISON OF INSIDE COUNSELS' RATING OF OUTSIDE COUNSEL VS. OUTSIDE COUNSELS' SELF-RATINGS										
- ALL CATEGOR	Me	ean ore		2 Box <u>%</u>	Bottom 2 Box					
ALL CATEGORIES		Outside Self- Rating	Inside Rating Outside	Outside Self- Rating	Inside Rating Outside	Outside Self- Rating				
Works well with in-house legal department (G3)	3.77	4.05	61	79	9	0				
Provides expertise not available from our inside counsel team (G4)	3.72	4.14	61	81	8	1				
Meets deadlines (G7)	3.72	3.89	58	67	9	4				
Provides timely communication on matters in requested format by client (C1)	3.72	3.96	56	74	7	3				
Avoids litigation surprises by timely effective communication (C3)	3.69	4.02	54	79	6	1				
Allows company to maintain internal legal staff at efficient levels (G5)	3.68	3.66	57	55	9	1				
Understands the business's goals related to assigned litigation (G2)	3.67	3.88	57	68	10	1				
Responsiveness to client emails and phone calls (C2)	3.64	4.22	55	82	13	2				
Understands business and its operations (G1)	3.64	3.79	54	65	12	4				

DETAILED TABLES/Ratings of Inside Counsel Categories



The following 3 slides show the detailed distribution of ratings for each Inside Counsel category measured. Categories are ranked from highest to lowest, based on mean scores.

Ratings by Outside Counsel:

- Ratings of Inside Counsel/All Categories (1 slide)
- Self-Ratings/All Categories (1 slide)
- Comparison of Ratings/All Categories (1 slide)

Outside Counsel/Ratings of Inside Counsel: All Categories



RATING OF INSIDE COUNSEL CL - OUTSIDE COUNSEL RE								
ALL CATEGORIES	Mean	Top 2 Box	5	4	3	2	1	Bottom 2 Box
	Score	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Has good responsiveness to questions, feedback or requests for authorization (C3)	3.44	48	10	38	40	11	1	12
Provides a clear outline of preferred communications, key contacts, and authorization structure (C2)	3.44	44	10	34	46	9	1	10
Provides reasonable bill submission intervals (at least quarterly) (F2)	3.37	39	8	31	52	8	1	9
Provides sufficient information on company and mission in general and as it relates to litigation approach (G2)	3.34	40	8	32	48	11	1	12
Provide a clear directive and outline of expectations (C1)	3.34	39	9	30	49	11	1	12
Provides reasonable staffing limitations (G1)	3.17	28	7	21	57	13	2	15
Provides a systematic approach to the legal audit process and reporting (F1)	2.86	21	6	15	49	17	13	30
Allows reasonable market billing rates (F4)	2.84	22	5	17	45	25	8	33
Timely bill payment (within 30 days) (F3)	2.74	24	6	18	33	31	12	43

Q9G/C/F: Outside Counsel: Please rate your INSIDE COUNSEL on average on each of the following areas, where 5=Far Exceeds Expectations and 1=Not Meeting Expectations At All? n=333

Inside Counsel/Self Rating: All Categories



SELF RATING ON ALL CATEGORIES - INSIDE COUNSEL RESPONDENTS -										
ALL CATEGORIES	Mean	Top 2 Box	5	4	3	2	1	Bottom 2 Box		
	Score	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>		
Have good responsiveness to questions, feedback or requests for authorization (C3)	3.85	66	26	40	27	7	0	7		
Provide a clear directive and outline of expectations (C1)	3.81	62	25	37	33	4	1	5		
Provide sufficient information on company and mission in general as relates to litigation approach (G2)	3.79	57	26	31	38	4	1	5		
Provide a clear outline of preferred communications, key contacts and authorization structure (C2)	3.74	59	21	38	36	5	0	5		
Provide reasonable staffing limitations (G1)	3.73	57	23	34	37	6	0	6		
Provide reasonable bill submission intervals (at least quarterly) (F2)	3.69	55	22	33	39	6	0	6		
Reasonable market rate levels (F4)	3.67	53	22	31	40	7	0	7		
Timely bill payment (within 30 days) (F3)	3.61	52	24	28	34	12	2	14		
Provide a systematic approach to the legal audit process and reporting (F1)	3.61	49	22	27	41	10	0	10		

Q4G/C/F: Inside Counsel: Please rate YOURSELF on average on each of the following areas, where 5=Far Exceeds Expectations and 1=Not Meeting Expectations At All? n=346

COMPARISON: Ratings of Inside Counsel/All Categories



COMPARISON OF OUTSIDE COUNSELS' RATING OF INSIDE COUNSEL VS. INSIDE COUNSELS' SELF-RATINGS - ALL CATEGORIES -

	Me	ean	Top 2	2 Box	Botton	n 2 Box
ALL CATEGORIES	Score		9	<u>%</u>	<u>%</u>	
ALL CATEGORIES	Outside Rating Inside	Inside Self- Rating	Outside Rating Inside	Inside Self- Rating	Outside Rating Inside	Inside Self- Rating
Provides reasonable bill submission intervals (at least quarterly) (F2)	3.37	3.69	39	55	9	6
Has good responsiveness to questions, feedback or requests for authorization (C3)	3.44	3.85	48	66	12	7
Provides a clear outline of preferred communications, key contacts, and authorization structure (C2)	3.44	3.74	44	59	10	5
Provides sufficient information on company and mission in general and as it relates to litigation approach (G2)	3.34	3.79	40	57	12	5
Provide a clear directive and outline of expectations (C1)	3.34	3.81	39	62	12	5
Provides reasonable staffing limitations (G1)	3.17	3.73	28	57	15	6
Provides a systematic approach to the legal audit process and reporting (F1)	2.86	3.61	21	49	30	10
Allows reasonable market billing rates (F4)	2.84	3.67	22	53	33	7
Timely bill payment (within 30 days) (F3)	2.74	3.61	24	52	43	14