



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

*Presented to IADC
by Superior DataWorks, LLC
June 2015*

SDW
SUPERIOR DATAWORKS, LLC



Survey results are proprietary to the International Association of Defense Counsel. For permission to use all or part of this survey, please contact Ashley Fitzgerald, Communications Manager, at afitzgerald@iadclaw.org.

	<u>Page</u>
Table of Contents	1-2
Background	3
Objectives	3-5
Methodology	6
Sample Disposition	7
Key Observations	8-13
Detailed Findings	14-35
Corporate Findings	15-25
Shift in Outside Counsel Support	15-16
Challenges/Issues	17
Best Practices	18
Trends/Changes	19
Reasons for Hiring Outside Counsel	20
Hiring Process Attributes	21
Programs/Initiatives	22
Performance Metrics	23
Requirements	24
Sourcing Methods	25

	<u>Page</u>
Firm Findings	26-35
Shift in Outside Counsel Support	26-27
Challenges/Issues	28
Best Practices	29
Trends/Changes	30
Reasons for Hiring Outside Counsel	31
Client Relationship Attributes	32
Programs/Initiatives	33
Performance Metrics	34
Requirements	35

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 by corporate legal departments.

Objectives

- ◆ The primary objective of the Inside/Outside Counsel Relationship Study is to gauge how key Corporate (in-house) and Law Firm (outside) counsel view their relationship with each other. Both sides are asked a similar set of questions to measure specific relationship components.

Key Measurements for Corporate Counsel:

- ◆ Changes in the amount of legal work outsourced
- ◆ Challenges in working with outside counsel
- ◆ 'Best Practices' established in working with outside counsel
- ◆ Future trends/changes in working with outside counsel
- ◆ Reasons/benefits of hiring outside counsel
- ◆ Importance of key attributes for hiring outside counsel
- ◆ Programs/initiatives used for working with outside counsel
- ◆ Metrics used for evaluating performance of outside counsel
- ◆ Budget/planning/technology requirements established for outside counsel
- ◆ Sourcing methods for hiring outside counsel

Key Measurements for Law Firm/Private Practice Counsel:

- ◆ Changes in the amount of legal work contracted by in-house counsel
- ◆ Challenges in working with in-house counsel
- ◆ 'Best Practices' established in working with in-house counsel
- ◆ Future trends/changes in willingness/ability to work with in-house counsel
- ◆ Reasons/benefits of being hired by in-house counsel
- ◆ Importance of attributes when considering relationships with in-house counsel
- ◆ Programs/initiatives used for working with in-house counsel
- ◆ Metrics used for evaluating performance of outside counsel
- ◆ Budget/planning/technology requirements established by outside counsel

Methodology

- ◆ An online survey containing 28 questions was developed with input from the IADC. Respondents were invited to participate in the survey via email and mail. Potential respondents were selected from the IADC membership list and from a third-party sample list, as well as the Association of Corporate Counsel sample list.
- ◆ Data was collected from March 25 through April 18, 2015.
- ◆ Of the 711 total respondents who started the survey, a total of 689 qualified to complete the survey.

Sample Disposition

- ◆ Of the 689 total respondents completing the survey, 386 are *Corporate* attorneys (i.e., currently working in the legal department of a company/corporation), and 303 are *Firm* attorneys (i.e., currently work in a law firm or private law practice).
- ◆ *Corporate* respondents' job titles are more widely distributed (i.e., chief legal officer, general counsel, corporate counsel, etc.), while the vast majority of respondents from *Firms (law firm/private practice)* are identified as *partner/principal/shareholder in a private firm litigation practice*.

JOB TITLES - CORPORATE & FIRM ATTORNEYS -	
<u>CORPORATE</u>	<u>FIRM</u>
Chief Legal Officer (24%)	Partner/Principal/Shareholder in Private Firm Litigation Practice (81%)
General Counsel (19%)	Head of Litigation Practice in Private Firm (9%)
Corporate Counsel / Head of Litigation (14%)	Partner/Principal/Shareholder in Private Firm Non-Litigation Practice (5%)
Chief Counsel (13%)	Sole Practitioner in Private Litigation Practice (1%)
Corporate Counsel / Litigation Responsibilities (13%)	Sole Practitioner in Private Non-Litigation Practice (1%)
Corporate Counsel / Non-Litigation Responsibilities (8%)	
Other (9%)	Other (3%)

SQ2A/B: Which of the following best describes your current job title? SQ2A n=388 / SQ2B: n=323

Shifts in Outside Counsel Support

- ◆ Corporate and Firm respondents' estimation of the amount of legal work being outsourced varies significantly.
 - Over half (53%) of Corporate respondents say the amount of legal work directed to outside counsel in the past 12 months has increased, while only 27% of Firm respondents say the amount of work sent to their firm in the past 12 months has increased.
 - Similar differences exist for the amount of work estimated to be outsourced in the next 12 months – with 47% of Corporate respondents expecting an increase and only 28% of Firm respondents anticipating an increase.

Challenges in Working Relationship between In-House and Outside Counsel

- ◆ *Managing costs and expenses and timely bill processing* provide the biggest disconnect between in-house and outside counsel in their working relationship.
 - Corporate respondents' greatest challenge in working with outside counsel is *unpredictability or improper management of costs and expenses*.
 - Firm respondents cite *delay in processing bills and unreasonable rate levels and staffing limitations* as the biggest challenges in working with in-house counsel.

'Best Practices'

- ◆ Although communication heads the list of 'best practices' for both Corporate and Firm respondents, the level or focus is different between the two.
 - Corporate respondents name the *appointment of principal in-house and outside counsel contacts for each matter* as the top 'best practice,' although it is about on par with the *establishment of in-house function for specialized areas historically handled by outside counsel, the requiring of budgets for every litigation matter, and an aggressive upfront attempt to determine settlement value and push to early settlement/mediation.*
 - *Regularly-scheduled written status reports* is named by Firm respondents as the highest rated 'best practice' when working with in-house counsel, and is significantly above the next practices named: *alternative fee proposals, annual site visits, and free on-site meetings with clients.*

Trends/Changes in Working Relationship between In-house and Outside Counsel

- ◆ Corporate and Firm respondents' comments regarding future trends vary, although many of the comments are about *costs and rates.*
 - Corporate respondents' comments relate to *reducing/managing costs*, along with mentions about *staffing, relationship building, responsiveness, technological changes, specialized services/expertise, regulatory compliance, and discovery/mediation.*
 - The majority of Firm respondents' comments center around *rate pressure/declining rates, alternate fee arrangements, consolidation, and increases of in-house staff.*

Reasons for Hiring Outside Counsel

- ◆ For both Corporate and Firm respondents, *expertise* is the primary reason for hiring outside counsel or being hired as outside counsel.
 - Corporate respondents say the primary reason for hiring outside counsel is they *provide certain types of expertise not available from the in-house legal team, as well as complementing and adding to existing in-house legal team.*
 - Firm respondents also say they are hired as outside counsel to *provide specific expertise not available from the in-house legal team. They also complement the in-house legal team and provide local counsel assistance in other jurisdictions.*

Important Attributes When Hiring Outside Counsel

- ◆ Among Corporate respondents *specialized expertise* is *very/critically important* in the process of hiring outside counsel, followed closely by the *law firm's reputation/experience and rates.*

Important Attributes When Considering New Client Relationship

- ◆ Firm respondents rate *volume of work* and *rates* as *very/critically important* when evaluating whether they want to work with a new client as outside counsel.

Programs / Initiatives

- ◆ A *preferred provider program* is cited most by both Corporate and Firm respondents as being used currently.
- ◆ A *quantitative legal prediction system* and the *Lean Six Sigma initiative* are the least likely to be used currently by both Corporate and Firm respondents.
 - Over one-third of Corporate respondents say they are not considering either of these programs for the future. Firm respondents are even less likely to consider – with two-thirds saying they are not considering using either of these programs in the future.

Performance Evaluation Metrics

- ◆ Only 35% of Corporate respondents currently use some type of performance criteria that must be met by outside counsel in order for them to engage in project work for the company, although another 38% are considering implementing some type of performance evaluation metric in the future.
 - For Corporate respondents, the focus of these metrics is on *deadlines, budgets, and schedules*.
- ◆ Fewer Firm respondents report currently using (29%) or considering (23%) performance evaluation metrics for working with Corporate Counsel.
 - For Firm respondents, the primary focus is on *computing and tracking average rate, real rate, write off %, and disposition results vs. the budget*.

Requirements for Project Engagement

- ◆ There appears to be a disconnect between Corporate and Firm respondents when it comes to identifying requirements for project engagement between the two.
 - Overall, Corporate respondents cite fewer set requirements for outside counsel. Of those requirements rated, the main focus is on *value billing/fixed fees/capped fees* and *discounted fees*, followed by *submission of detailed budgets* and *submission of strategic/financial plans*.
 - Firm respondents rate most of the listed requirements significantly higher – particularly the *submission of detailed budgets*, *providing discounted fees for volume of work*, *submitting strategic/financial plans*, and *providing fixed budgets*.

REQUIREMENTS FOR PROJECT ENGAGEMENT - CORPORATE & FIRM RESPONDENTS -

<u>REQUIREMENT</u>	<u>CORP</u>	<u>FIRM</u>
	%	%
Provide value billing, fixed fees, and/or capped fees for individual projects and/or project components	47	55
Provide discounted fees in exchange for volume of work	44	68
Submit detailed budgets	39	89
Submit strategic and/or financial plans for each legal matter for which the firm is engaged	39	66
Utilize knowledge management software, artificial intelligence, and/or document review technologies to improve productivity and reduce costs	35	43
Provide fixed budget for each project/engagement with the company	32	57
Implement project management systems or tools	28	29

Sourcing Methods for Outside Counsel

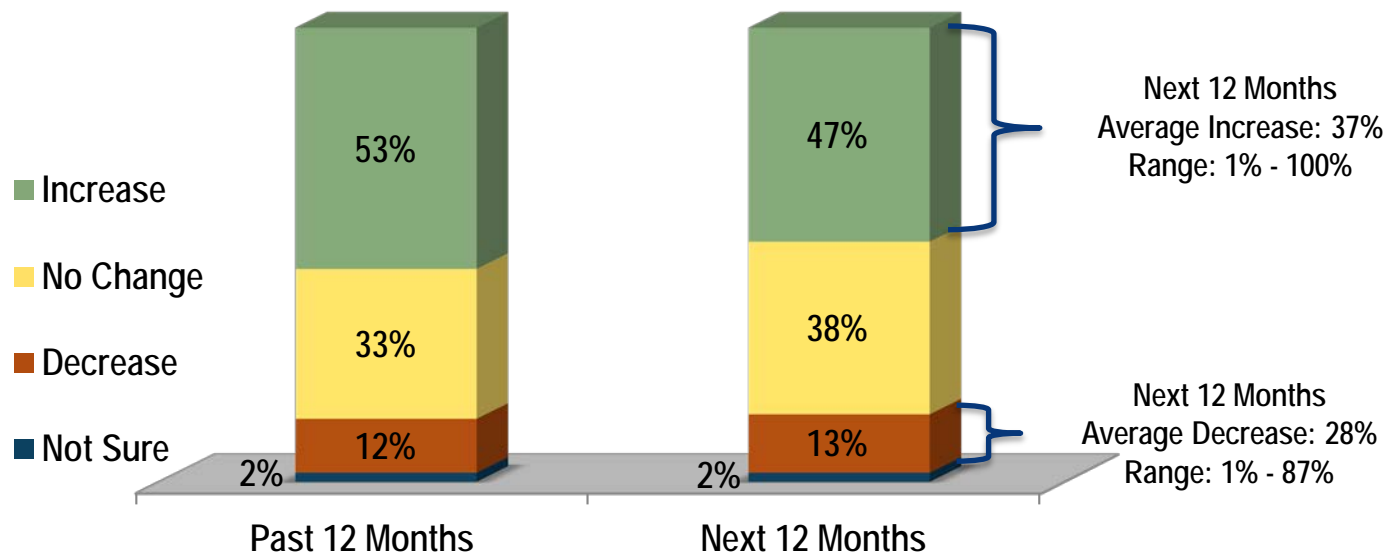
- ◆ Corporate respondents rely primarily on word-of-mouth for sourcing and hiring outside counsel. *Referral by colleagues* and the *discretion of in-house counsel* are both mentioned equally, followed by *internal preferred or approved provider lists*.

The remaining slides show more detailed data from each question contained in the survey for Corporate and Firm respondents.

- ◆ Corporate: Slides 15-25

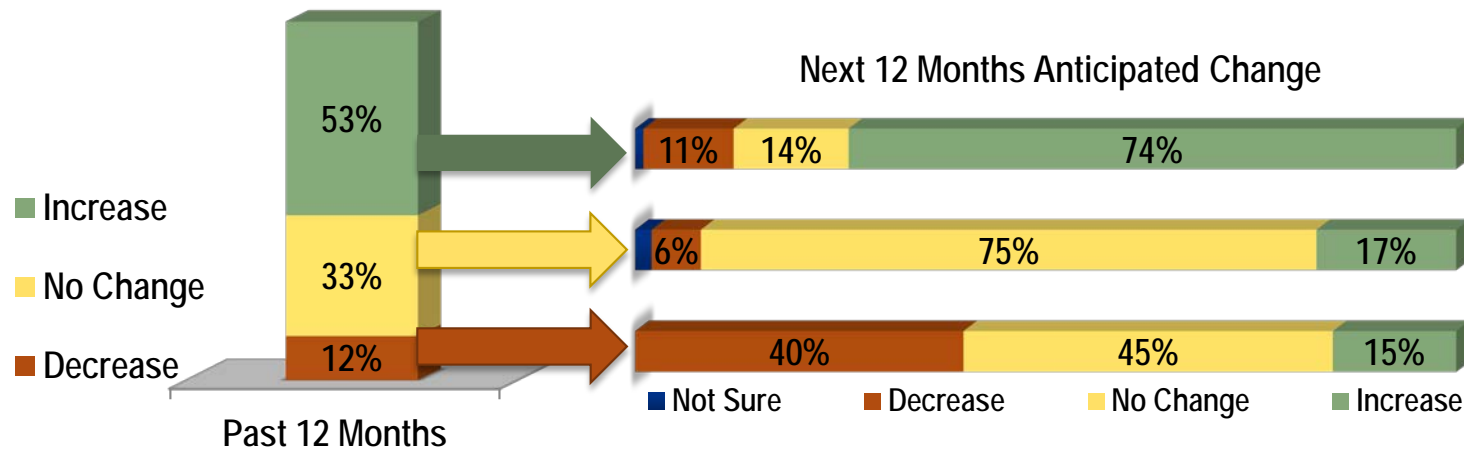
- ◆ Firm: Slides 26-35

- ◆ Over half (53%) of Corporate attorneys say the amount of legal work outsourced by their company in the *past 12 months* has increased, and 33% say it has remained about the same.
- ◆ Overall, the outsourcing trend continues, as 47% say they expect an increase in the amount of legal work outsourced by their company in the *next 12 months* – with an average increase of 37%.
- ◆ Only 13% overall expect their company’s outsourcing of legal work to decrease in the next 12 months. Of those, the anticipated average decrease is 28%.



Q2: 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? Q3: 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? Q4/5: Approximately how much do you expect the increase/decrease to be in the next 12 months? Q2/3 n=386 / Q4: n=180 / Q5 n=50

- ◆ Breaking this down further – of the 53% who experienced an *increase* in the *past 12 months* in the amount of legal work outsourced by their company, most expect an additional *increase* in the *next 12 months* (74%).
- ◆ Of the 33% who say *no change* was experienced in the *past 12 months*, 75% anticipate *no change* in the *next 12 months*. However, almost one-fifth (17%) say they expect an increase.
- ◆ Of the 12% who had a *decrease* in the *past 12 months* in the amount of legal work outsourced by their company, almost half (45%) expect no change, but 40% anticipate a further *decrease* in the *next 12 months*.



Q2: 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? Q3: 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? Q4/5: Approximately how much do you expect the increase/decrease to be in the next 12 months? Q2/3 n=386 / Q4: n=180 / Q5 n=50

- ◆ *Unpredictability or improper management of costs and expenses* is cited as the biggest challenge in working with outside counsel, as this is mentioned by 46% of *Corporate* respondents.
- ◆ The remaining attributes evaluated are seen as a challenge/issue by roughly one-third of *Corporate* respondents.

OUTSIDE COUNSEL CHALLENGES / ISSUES - CORPORATE RESPONDENTS -	
<u>CHALLENGE / ISSUE</u>	<u>%</u>
Unpredictability of costs/expenses or improper management of costs/expenses	46
Failure to suggest and promote efficiencies	38
Lack of creativity/ingenuity; unwillingness to think outside the box/provide advice	36
Lack of responsiveness	35
Failure to communicate developments in matters in timely fashion or at appropriate level	34
Failure to ascertain/understand company's goals in the specific litigation or representation	32
Failure to invest time in understanding client's business and its unique operations	28
Other	5

Q6: Which of the following challenges or issues have you experienced in working with outside counsel? n=386

- ◆ Established 'best practices' in working with outside counsel are cited by roughly one-third or less of Corporate respondents.
- ◆ At the top of the list are the *appointment of principal in-house and outside counsel contacts for each matter (37%), the establishment of in-house function for specialized areas historically handled by outside counsel (36%), the requiring of budgets for every litigation matter (35%), and an aggressive upfront attempt to determine settlement value and push to early settlement/mediation (35%).*

ESTABLISHED BEST PRACTICES USED WITH OUTSIDE COUNSEL
- CORPORATE RESPONDENTS -

<u>BEST PRACTICE</u>	<u>%</u>
Appointment of principal in-house and outside counsel contact for each matter	37
Establishment of in-house function for certain specialized areas historically handled by outside counsel	36
Require budgets for every litigation matter from filing to trial at the outset of the case	35
Aggressive upfront attempt to determine settlement value of case and push to early settlement or mediation	35
Strict adherence to outside counsel guidelines, including specific litigation billing and reporting guidelines	33
Alternative fee arrangements that are tailored to the particulars of each matter assigned	31
Implement detailed/highly structured litigation management oversight process requiring in-house lawyers to manage costs of each case in detailed, consistent manner	24
Require lower cost options for outsourcing opportunities for discovery functions	23
Virtual firms – collaboration among outside counsel	20
Require secure portal to outside counsel extranet	20
Require 'disposition report' for every closed matter, incorporation fees, demand/exposure, result analysis	16
Other	3

Q7: Describe the 'best practices' your company has established in working with outside counsel or has seen demonstrated by outside counsel. n=386

- ◆ Changes and trends anticipated by Corporate respondents are varied. Many are related to *reducing/managing costs*, while others mention *staffing, relationship building, responsiveness, technological changes, specialized services/expertise, regulatory compliance, and discovery/mediation*.

Q8: What changes or trends do you believe will impact your use of outside counsel and/or the working relationship between your company and outside counsel in the near future? n=219

- ◆ The primary reason cited by Corporate respondents for using outside counsel is they *provide certain types of expertise not available from the in-house legal team* (72%).
- ◆ Second tier reasons center around additional and complementary staff.

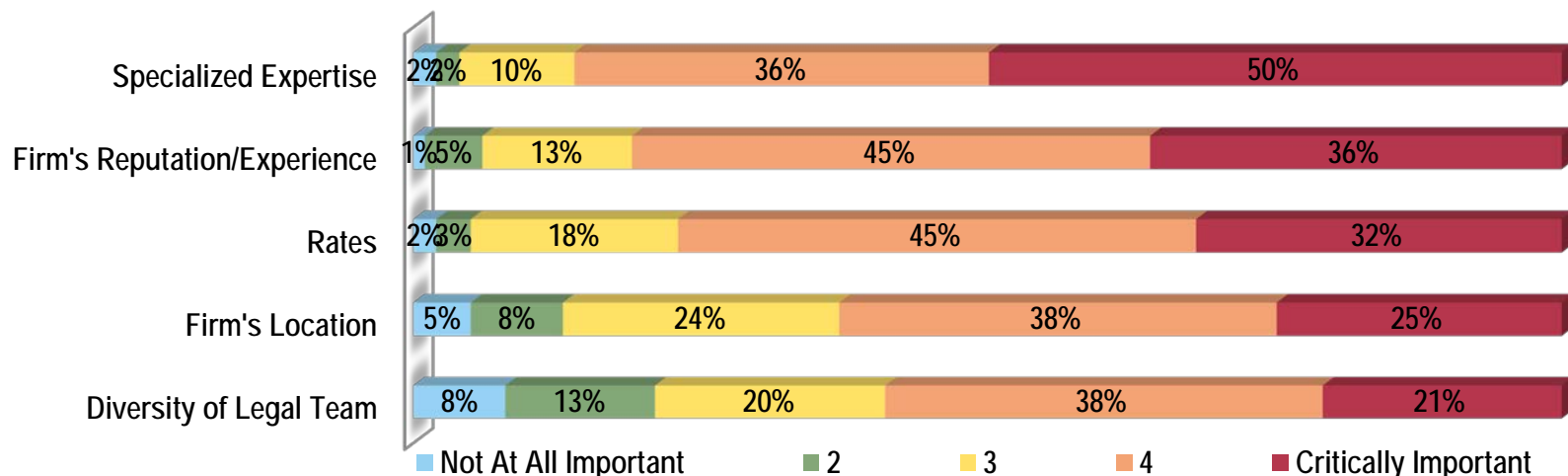
BENEFITS / REASONS FOR USING OUTSIDE COUNSEL
- CORPORATE RESPONDENTS -

<u>BENEFITS / REASONS</u>	<u>%</u>
Provides certain types of expertise not available from in-house legal team	72
Allows our company to get additional help on projects when needed	51
Complements the existing in-house legal team	45
Allows our company to maintain internal legal staff at efficient levels	36
Need for local counsel assistance in other jurisdictions	34
Helps the legal department enhance service delivery to our internal clients	27
Provides person power to staff a litigation matter	26
Allows our company to manage / control costs	25
Helps us stay abreast of and in compliance with regulatory changes/requirements	21
Forecasting / Projecting budgets	13
Other	1

Q9: Which of the following are the key reasons or benefits for your company in using outside counsel? n=386

- ◆ *Specialized expertise is very/critically important* in the process of hiring outside counsel to the vast majority of Corporate respondents (86%) – followed closely by the *law firm’s reputation and experience* (81%) and *rates* (77%).
- ◆ The *law firm’s geographic location* (63%) and the *diversity of the legal team* (59%) are of slightly lesser importance overall, although those numbers may change based on the nature and/or location of the litigation.

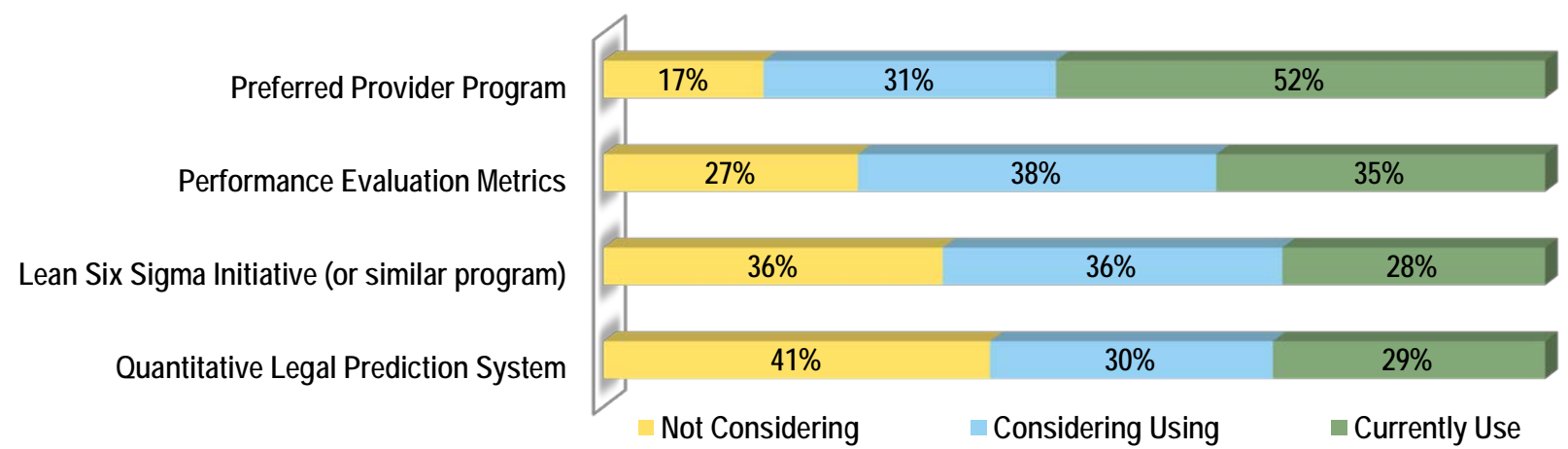
IMPORTANCE OF ATTRIBUTES IN OUTSIDE COUNSEL HIRING PROCESS
- CORPORATE RSPONDENTS -



Q10A-E: How important are the following attributes in the decision process of hiring outside counsel? n=386

- ◆ Of the four programs tested, a *preferred provider program* is named most among Corporate respondents as being used currently in working with outside counsel (52%), with an additional 31% considering using this program in the future.
- ◆ A quantitative legal prediction system (such as those offered by Neota Logic, Tymatrix, and Recommind) and the Lean Six Sigma initiative are the least likely to be in use currently – and the least likely to be considered for the future.

PROGRAMS / INITIATIVES USED IN WORKING WITH OUTSIDE COUNSEL
- CORPORATE RESPONDENTS -



Q11A-D: Which of the following programs or initiatives currently are in place or being considered for working with outside counsel? n=386

- ◆ Of the Corporate respondents *currently using* (35%) or *considering* (38%) some type of performance evaluation metrics for outside counsel (see previous slide), the focus is on *deadlines, budgets, and schedules*.

OUTSIDE COUNSEL PERFORMANCE METRICS / CRITERIA - CORPORATE RESPONDENTS -	
<u>METRIC</u>	<u>%</u>
Compliance with deadlines and outside counsel guidelines	51
Ratio of budget estimate to actual matter expense	47
Average cost per closed file	44
Work completion schedules	42
Defense cost / Indemnity ratio	33
File closure / conclusion dates	32
Census of timekeepers to determine promotion of diversity on legal team	28
Other	2

Q12: Which of the following metrics does your company use or plan to use for the performance criteria/evaluation? n=283 (Base: those using/considering using performance metrics in Q11)

- ◆ Less than half of Corporate respondents have set requirements for outside counsel. Of those requirements rated, the main focus is on *value billing/fixed fees/capped fees* (47%) and *discounted fees* (44%).
- ◆ *Submission of detailed budgets* and *submission of strategic/financial plans* (both at 39%) follow closely, along with *utilization of technology to improve productivity/reduce costs* (35%).

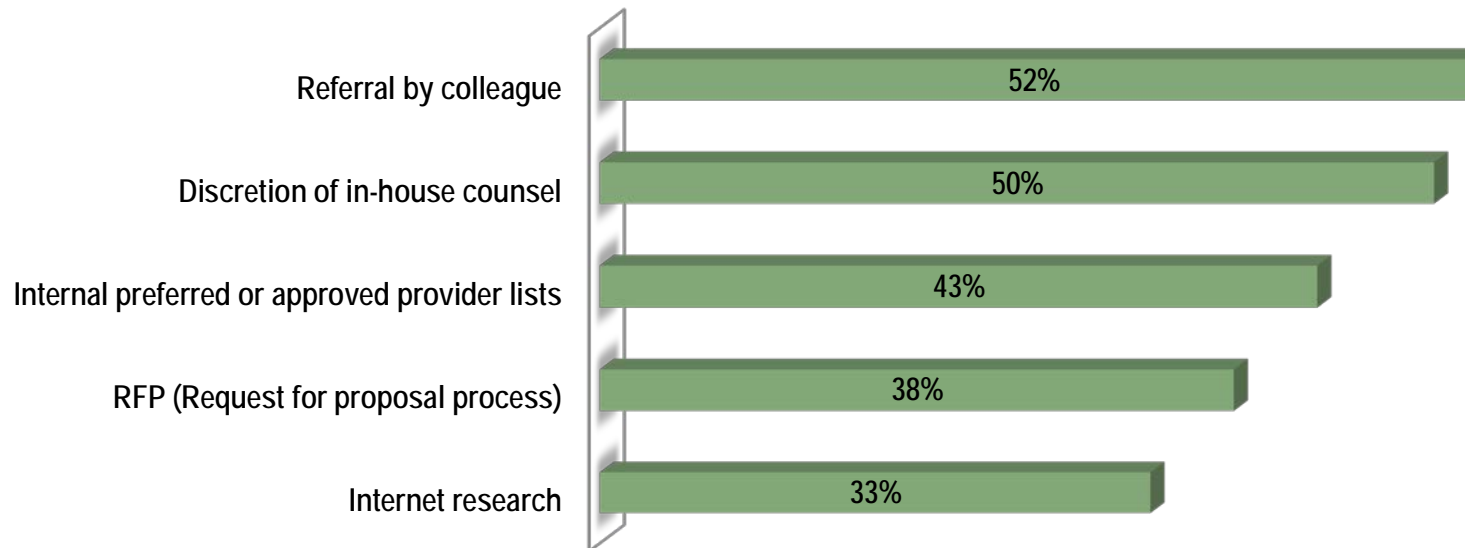
OUTSIDE COUNSEL REQUIREMENTS - CORPORATE RESPONDENTS -

<u>REQUIREMENT</u>	<u>%</u>
Provide value billing, fixed fees, and/or capped fees for individual projects and/or project components	47
Provide discounted fees in exchange for volume of work	44
Submit detailed budgets	39
Submit strategic and/or financial plans for each legal matter for which the firm is engaged	39
Utilize knowledge management software, artificial intelligence, and/or document review technologies to improve productivity and reduce costs	35
Provide fixed budget for each project/engagement with the company	32
Implement project management systems or tools	28
Other	3

Q13: For the law firms providing outside counsel services to your company, which of the following are you typically asking or requiring of them? n=386

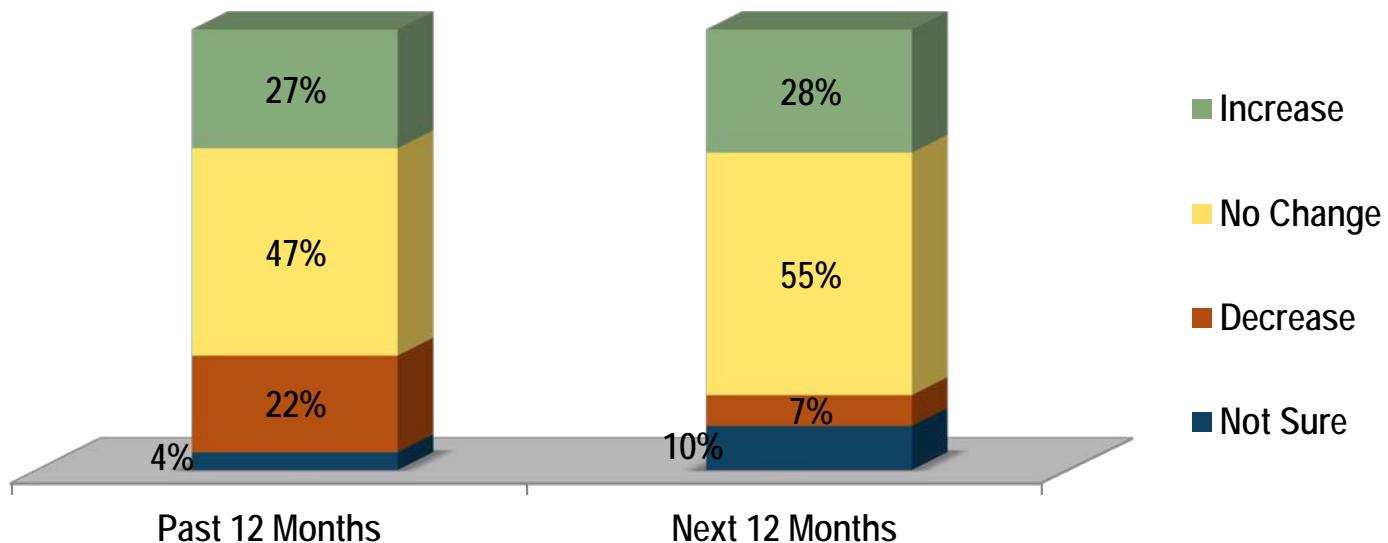
- ◆ *Referral by colleagues* and the *discretion of in-house counsel* are the top methods for sourcing/hiring outside counsel (52% and 50%, respectively), followed by *internal preferred or approved provider lists* (43%).
- ◆ *Internet research* (33%) is the least used sourcing method of those rated.

SOURCING METHODS FOR IDENTIFYING / HIRING OUTSIDE COUNSEL
- CORPORATE RESPONDENTS -



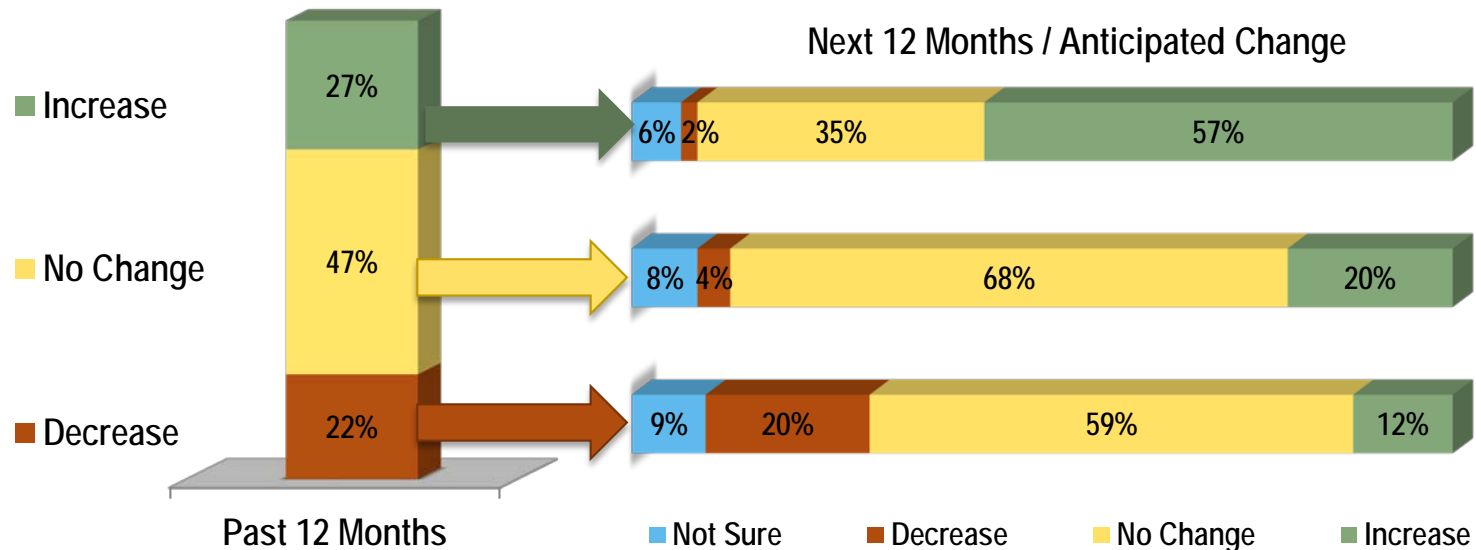
Q14: What are the primary resources or methods used by your company for identifying and hiring outside counsel? n=386

- ◆ About half (47%) of Firm attorneys say the amount of legal work sent to their firm by in-house counsel in the *past 12 months* has stayed about the same, while 27% say it has increased and 22% say it has decreased.
- ◆ Over half (55%) of Firm attorneys expect the amount of legal work sent to their firm by in-house counsel in the *next 12 months* to stay about the same.
- ◆ Only 7% expect a decrease, and 28% anticipate an increase in the next 12 months.



Q21: 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? Q22: In the next 12 months, do you anticipate the amount of legal work sent to you/your firm by in-house counsel to increase, decrease, or stay about the same? Q21 n=303 / Q22 n=303

- ◆ Breaking this down further – of the 27% who experienced an *increase* in the amount of legal work sent to their firm in the *past 12 months*, slightly more than half expect an additional increase in the *next 12 months* (57%).
- ◆ Of the 47% who say *no change* was experienced in the *past 12 months*, 68% anticipate no change in the *next 12 months*, while 20% say they expect an increase.
- ◆ Of the 22% who had a *decrease* in the *past 12 months* in the amount of legal work sent to their firm, over half (59%) expect no change, and 20% anticipate a further decrease in the *next 12 months*.



Q21: 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? Q22: In the next 12 months, do you anticipate the amount of legal work sent to you/your firm by in-house counsel to increase, decrease, or stay about the same? Q21 n=303 / Q22 n=303

- ◆ *Delay in processing bills (59%) and unreasonable rate levels and staffing limitations (55%) are the biggest challenges facing firms working with in-house counsel.*
- ◆ *Lack of direction, unresponsiveness, and unclear/lack of systematic approach to the legal audit process and reporting are secondary issues named by Firm respondents.*

CHALLENGES / ISSUES EXPERIENCED WITH CORPORATE COUNSEL - FIRM RESPONDENTS -

<u>CHALLENGE/ISSUE</u>	<u>%</u>
Delay in processing bills	59
Unreasonable rate levels and staffing limitations	55
Lack of direction in response to requests for authorization and feedback	32
Unresponsiveness	26
Unclear or lack of systematic approach to legal audit process and reporting	24
Unreasonable bill submission intervals	14
Other	19

Q23: Which of the following challenges or issues have you experienced in working with in-house counsel? n=303

- ◆ *Regularly-scheduled written status reports* are, by far, the most used 'best practice' when working with in-house counsel, as cited by 85% of Firm respondents.
- ◆ *Alternative fee proposals (47%), annual site visits (43%), and free on-site meetings with clients (38%)* also are named 'best practices.'

ESTABLISHED BEST PRACTICES USED WITH CORPORATE COUNSEL
- FIRM RESPONDENTS -

<u>BEST PRACTICE</u>	<u>%</u>
Written status reports provided on a regular schedule to keep clients informed, obtain input and feedback, and assure authorization	85
Alternative fee proposals at the inception of cases	47
Annual site visits with client to seek input and feedback	43
Free on-site meetings with clients for purposes of active case review summaries	38
Provide written report on changes implemented as a result of client's feedback	21
Annual disposition reports to summarize results, costs, and benefits the firm achieved on assigned cases	14
Other	5

Q24: Which of the following 'best practices' do you/your firm use in working with in-house counsel or have you seen implemented by in-house counsel for working with by outside counsel. n=303

- ◆ Changes and trends anticipated by Firm respondents mostly are related to *rate pressures, declining fees, alternative fee arrangements, consolidation of firms, and increasing in-house staff.*

Q25: What changes or trends do you believe will impact your firm's willingness and/or ability to serve as outside counsel in the near future? N=194

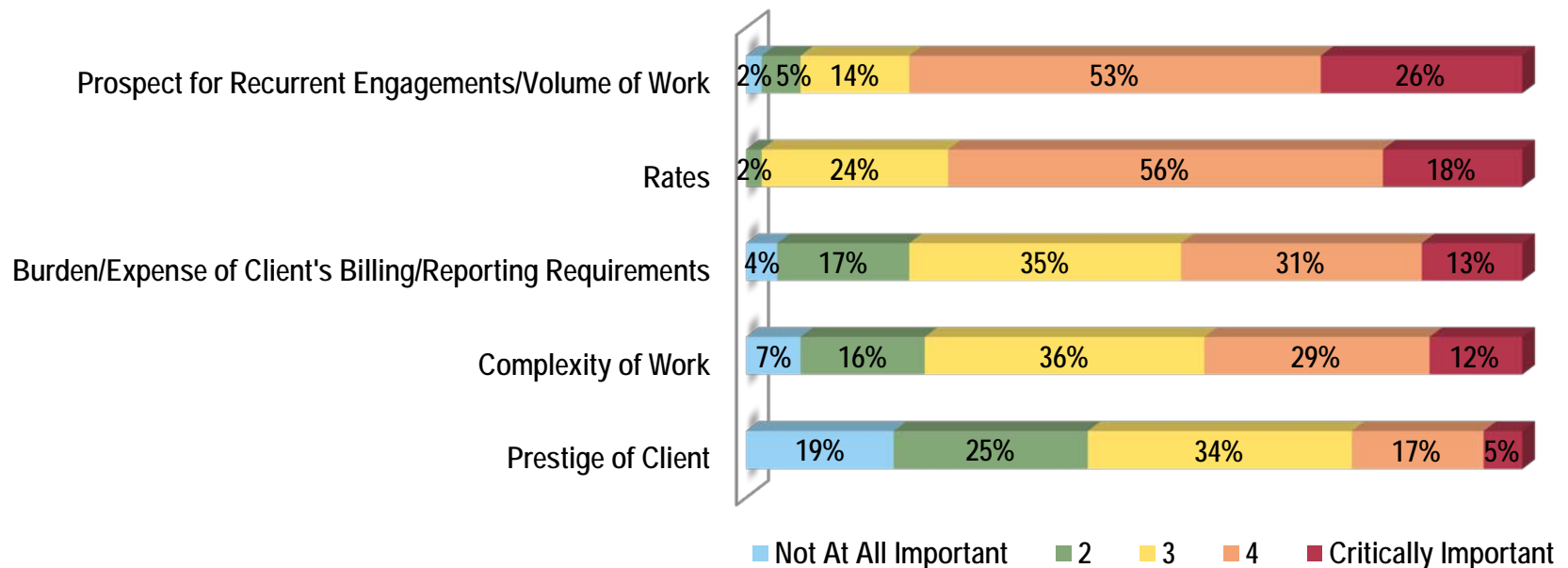
- ◆ *Providing specific expertise (78%), complementing the in-house legal team (69%), and providing local counsel assistance in other jurisdictions (68%) are the primary reasons that Firms are selected by in-house counsel.*
- ◆ *Staffing and support, along with managing costs and budgets are secondary reasons.*

BENEFITS / REASONS FOR BEING SELECTED TO WORK WITH CORPORATE COUNSEL - FIRM RESPONDENTS -	
<u>BENEFITS / REASONS</u>	<u>%</u>
Provides certain types of expertise not available within a corporate legal group	78
Complements the existing in-house legal team	69
Provides local counsel assistance in other jurisdictions	68
Provides person power to staff a litigation matter	63
Provides additional support to the in-house legal team when needed	61
Helps the in-house legal department enhance service delivery to their internal clients	56
Helps the in-house legal department better manage/control costs	52
Helps the in-house legal department forecast/project budgets	41
Helps the in-house legal department maintain their internal staff at efficient levels	35
Helps the in-house legal department stay abreast of regulatory changes and determine best practices for compliance	31
Other	5

Q26: What would you say are the key reasons or benefits for your firm to be selected to provide services to corporate legal departments? n=303

- ◆ Although none of the measured attributes score particularly high as being *critically important*, *volume of work* and *rates* receive the highest top-2 box scores (*very/critically important*: 79% and 74%, respectively).
- ◆ *Prestige of the client* is the least important of those rated (*not at all/not very important*: 44%).

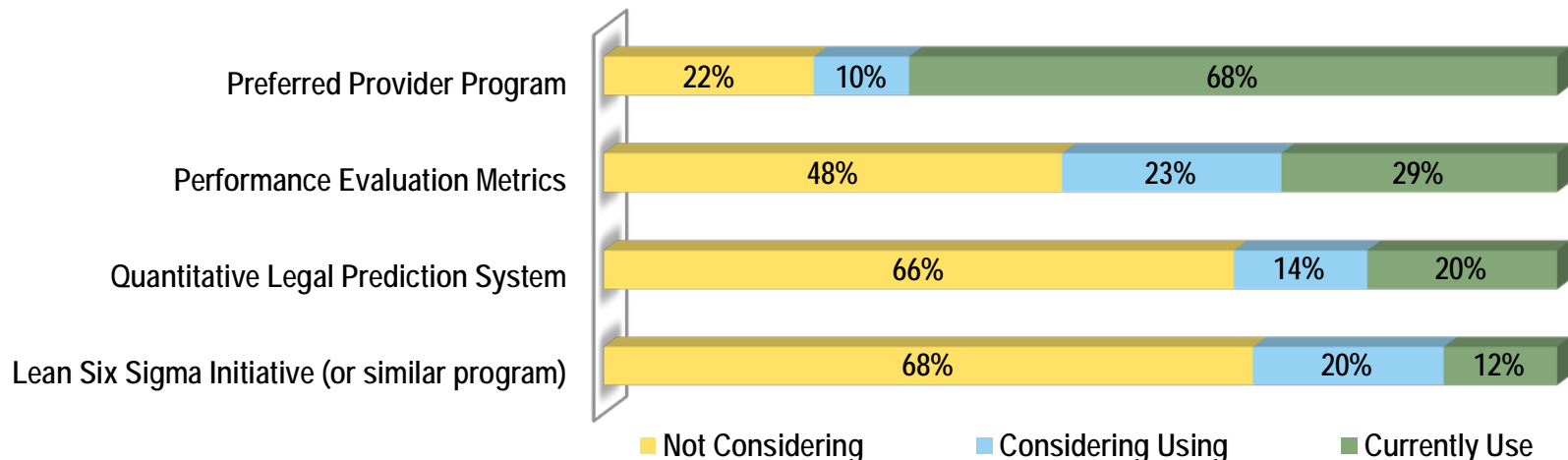
IMPORTANCE OF ATTRIBUTES IN NEW RELATIONSHIP WITH CORPORATE COUNSEL
- FIRM RESPONDENTS -



Q27A-E: How important are the following attributes in new client relationship? n=303

- ◆ A *preferred provider program* also is named most among Firm respondents as being used currently in working with corporate counsel (68%), with an additional 10% considering using this program in the future.
- ◆ A *quantitative legal prediction system* (such as those offered by Neota Logic, Tymatrix, and Recomind) and the *Lean Six Sigma initiative* are the least likely to be in use currently – and the least likely to be considered for the future (66% and 68%, respectively), are not considering these programs.

PROGRAMS / INITIATIVES USED IN WORKING WITH CORPORATE COUNSEL
- FIRM RESPONDENTS -



Q28A-D: Which of the following programs or initiatives currently are in place or being considered for implementation either by your firm or the in-house legal departments with which you work? n=303

- ◆ Of the Firm respondents *currently using* (29%) or *considering* (23%) some type of performance evaluation metrics for working with corporate counsel (see previous slide), the primary focus is on *computing and tracking average rate, real rate, write off %, and disposition results vs. the budget* (81%).
- ◆ *Tracking productive non-billable time* (54%) and *reporting on diversity of legal team members* (47%) are secondary metrics.

PERFORMANCE METRICS / CRITERIA - FIRM RESPONDENTS -	
<u>METRIC</u>	<u>%</u>
Compute and track average rate, real rate, write off %, and disposition results vs. budget	81
Track productive non-billable time spend on pro bono and community service	54
Report on diversity of members on legal team assigned to client matters and in firm generally	47
Conduct weekly internal 'case review' meeting with legal team at no cost to client to review client's active matters and general concerns	22
Other	8

Q29: Which of the following metrics does your firm (or the in-house legal department with which you work) use or is implementing to evaluate the performance of outside counsel? n=157 (Base: those using/considering using performance metrics in Q28)

- ◆ The *submission of detailed budgets* (89%) is the top item required of firms working with corporate counsel.
- ◆ *Providing discounted fees for volume of work* (68%) and *submitting strategic/financial plans* (66%) follow, along with *providing fixed budgets* (57%) and *providing value billing/fixed fees/capped fees* (55%).

CORPORATE COUNSEL REQUIREMENTS - FIRM RESPONDENTS -	
<u>METRIC</u>	<u>%</u>
Submit detailed budgets	89
Provide discounted fees in exchange for volume of work	68
Submit strategic and/or financial plans for each legal matter for which the firm is engaged	66
Provide fixed budget for each project/engagement with the company	57
Provide value billing, fixed fees, and/or capped fees for individual projects and/or project components	55
Utilize knowledge management software, artificial intelligence, and/or document review technologies to improve productivity and reduce costs	43
Implement project management systems or tools	29
Other	1

Q30: For the companies to which you/your firm serves as outside counsel, which of the following are you typically being asked/required to do? n=303