

## Law 360, Portfolio Media General Counsel Cut Costs With In-House Hires

By Denise Oliveira  
Law360, New York (November 07, 2008)

Corporations are looking to trim their legal expenses by doing away with law firms where possible and adding to their in-house legal departments new full-time lawyers or “project professionals,” including paralegals, legal consultants say.

Almost half — 49.2 percent — of the 126 general counsel or chief legal officers from U.S. companies surveyed by legal consulting firm Altman Weil Inc. in June said they planned to expand in-house by hiring additional lawyers, according to Pamela Woldow, a principal at the consulting firm specializing in corporate legal departments.

“It was the first time in about five or six years we’ve seen such a jump in that percentage,” Woldow said.

“The reason you hire in-house is that you can save money on your outside legal spend,” Woldow said.

In the same survey, Altman Weil asked the general counsel whether they planned to increase or decrease their use of outside lawyers. Twenty-six percent said they planned on a decrease, Woldow said.

“Even as of June, we were seeing cost containing and cost savings as the drivers for chief legal officers and corporate legal departments,” Woldow said. “They were very concerned about it, even before the economic meltdown.”

Budgets for 2009 will require in-house counsel to reduce their legal spend on outside lawyers by 10 to 20 percent, Woldow said, referring to anecdotal information from corporations. Altman Weil has just launched a new survey to formally explore the question, she said.

A corporation's decision to beef up internally or farm out work to law firms depends in part on the nature of the work, according to Charles Volkert, the executive director of legal staffing firm Robert Half Legal, who agrees that corporations are looking for ways to reduce their legal costs.

“Corporations take different approaches depending on the work and what's required,” Volkert said, noting that in some highly sophisticated areas, general counsel need to partner with firms, particularly when it comes to work that involves minimizing risk, increasing compliance and following corporate governance mandates.

More than one-third of lawyers from large corporations in the U.S. and Canada said their corporate legal departments increased their work with outside legal counsel in the 12 months between February 2007 and 2008, according to a survey of 150 in-house lawyers commissioned by Robert Half Legal.

Forty-two percent of the in-house lawyers reported no change and 19 percent said the amount of work with outside counsel had decreased, according to the staffing firm. The lawyers were also asked how satisfied they were with their outside counsel's ability to understand their company's business needs.

Sixty-three percent said they were satisfied, 31 percent said they were very satisfied, and only two percent said they were not satisfied.

“What the results are indicating is that general counsel are seeking law firms that can quickly grasp their business objectives and provide sound advice,” Volkert said, noting that a separate study his firm commissioned showed that securities, litigation, intellectual property and cross-border transactions were the four areas with which corporations most sought outside legal help.

More recently, the economic downturn has generated a lot of the work being deferred to law firms, Volkert said.

Besides expanding internally, corporations are also looking to cut legal costs by requiring discounted fees and alternative fee arrangements from their law firms, Woldow said. “For the first time in 2008, we’ve seen a majority of [requests for proposals] requiring alternative fee arrangements such as flat fees,” Woldow said.

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