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**Law Departments Increase Internal Staff and Keep More Work In-House,
According to 2011 HBR Law Department Survey**

Companies increased worldwide inside legal spend by 6%, decreased outside spend by 3%

October 7, 2011 – (Chicago, IL) – Companies are increasing their reliance on the in-house legal function to handle continuing growth in legal demands, according to the 2011 HBR Law Department Survey. HBR’s findings demonstrate that while the corporate legal spend is increasing, money is not flowing to outside counsel – an indication that companies believe they can better contain legal costs with larger in-house teams and more restricted use of law firms.

Key spending and staffing data from the Survey include the following:

- More than 50% of participants reported an increase in the total number of legal staff worldwide between 2009 and 2010, while only 29% reported a decrease.
- More than 80% of participants commented that their company’s legal needs are increasing.
- More than one-third attached high importance to increasing the number of in-house lawyers; only 11% responded that they would increase the use of outside counsel.
- More than 40% of companies expect to increase the number of lawyers in the U.S. and outside the U.S. during the coming year.
- The median expected increase in lawyer staffing was 10%.

Corresponding to the growth of in-house law departments, over 70% of Survey participants increased their worldwide inside legal spending. Inside legal spending increased by 6% between 2009 and 2010. In contrast, last year’s HBR Survey noted a 1% increase. Offsetting these increases are reductions in the use of outside counsel. Almost 60% of participants decreased outside counsel spending. Outside counsel spending worldwide decreased by 3% between 2009 and 2010.

“Law departments are recognizing that they can do more with less by building up their in-house capabilities. The Survey shows that the median fully-loaded inside hourly cost per lawyer is approximately 46% below the median average hourly rate of the company’s top three billing firms,” said Lauren Chung, Senior Director and Survey Editor. “This finding serves as one of the important considerations in building a business case for adding more in-house counsel to handle the increasing workloads. We are hearing from our consulting clients across industries that they are limiting the use of outside counsel to high profile matters or specific areas of expertise rather

than to support the growing volume of work. With the rising cost of outside counsel, we expect this trend will continue.”

According to Jonathan Bellis, who leads HBR’s Law Department Consulting practice: “It is no surprise, in view of these trends, that law departments are highly focused on their efficiency and effectiveness in delivering and managing legal services. Chief Legal Officers and General Counsel are under unprecedented scrutiny, both internally and outside the company. Much of our law department consulting work involves helping clients identify and achieve opportunities for better performance in legal risk management, operational excellence, cost management, and client service delivery.”

The HBR Law Department Survey provides comprehensive data on legal spending, staffing, organization, compensation and management practices. The 2011 Survey also reports information on how the current economic and regulatory environment is impacting law departments.

This year, the HBR Survey included a total of 219 participants representing 20 industries. Almost 30 percent of participants are companies with more than \$20 billion in revenues. Seventy percent of participants have revenues at or above the Fortune 500 level; this includes companies that are privately held or based outside the United States. The 2011 Survey reports data for 2010 and 2009.

The HBR Survey is unique among law department surveys in its continuity during the past 25 years, focus on larger law departments, orientation toward global as well as U.S. law departments, and emphasis on data consistency and rigorous quality control procedures.

Law Department Spending

The 2011 Survey showed a 1% decrease in total legal spending worldwide and no change in spending in the U.S. between 2009 and 2010.

The median total legal spending was \$29 million worldwide and \$25 million in the U.S. Total legal spending as a percent of revenues worldwide was 0.37%. The median inside legal spending was \$12 million worldwide and \$10 million in the U.S. Inside legal spending as a percent of revenues worldwide was 0.14%. The median outside counsel spending was \$15 million worldwide and \$13 million in the U.S. Outside counsel spending as a percent of revenues worldwide was 0.22%.

Legal Staffing

The median company reported 26 lawyers worldwide and 22 lawyers in the U.S. Per billion dollars of revenues, the median company had 3.3 lawyers worldwide and 3.8 lawyers in the U.S. The median number of total law department staff (including lawyers and all non-lawyer staff) was 55 worldwide and 46 in the U.S.

Forecast for Legal Services

The participants were asked to forecast their demand for legal services across 28 different legal practice areas. Once again, regulatory, international and employment & labor make up the top three on the list. Fifty-four percent of participants noted an expected increase in demand in the regulatory practice area. This is up from the 44% reported last year. This result is consistent with the continuing focus on regulatory reform and compliance requirements around the world. Other areas with significant forecasted increases in demand include international (48% in 2011, up from 35% in 2010), and employment and labor (45% in 2011, up from 39% in 2010).

ABOUT HBR CONSULTING

HBR Consulting is the independent leader in providing unified strategy, innovation and implementation services to law firms and law departments. Our advisory and sourcing practice help our clients leverage information and technology to achieve high value, mitigate risk and manage costs. Our assessment and planning services measure clients against peers and best practices while aligning business strategy and tactical objectives with process and technology. Our information management and mission critical infrastructure services help improve productivity through effective email, document and records management solutions supported by highly available and recoverable systems and infrastructure.