

Cutting Outside Counsel Costs

How the Legal and Compliance Practice Can Help

Many companies turn to the Legal and Compliance Practice to identify inefficiencies in their outside counsel management and to help them lower law firm costs without sacrificing quality. **Members using our support report annual run-rate savings of \$30,000-\$2,000,000.**

For most legal departments, spending on outside law firms constitutes the largest line item in the budget. Legal and Compliance Practice benchmarking data indicates a Legal department spends, on average, 60% of its budget on outside law firms. In addition, 8 out of 10 legal departments see law firm spending continuing to climb over the next three years. This is especially disconcerting given the current economic environment, where an alarming number of general counsel are being asked to find ways to cut budgets.

Applicable for Companies Seeking to Do the Following

- Cut costs but are unsure where to begin.
- Understand how spending compares to peers.
- Find out if too much work is sent to outside law firms.

Time Frame

- Two to three weeks

Step 1: Use Our Law Firm Performance Management Diagnostic

Average large company spending on law firms grew 49% in recent years. This is partly due to skyrocketing law firm billing rates. While companies' broader labor and nonlabor input costs increased by roughly 20% over the past 10 years, large law firms' prices have increased nearly 75%. Our analysis shows that increased work volume, not price increases, drives half of companies' recent spending increases. In addition, 8 out of 10 legal departments expect their outside counsel spending to increase over the next three years, without a change in their approach. Use our performance management benchmarking service to learn the following:

- How your law firm's spending and fee arrangements compare to your peers
- How your law firm's rates and discounts differ from the rates paid by other legal departments
- How peer departments have allocated work between in-house lawyers and outside lawyers

Once your custom report is generated, a our staff member will walk you through the report to identify your company's greatest opportunities for cost savings and quality improvement.

Applicable for Companies Seeking to Do the Following

- Identify which law firms they use.
- Decrease the amount of law firms they use.
- Put together a preferred provider network.

Time Frame

- One to three months

Project Cost Savings

- \$20,000+

Step 2: Reduce the Number of Law Firms You Use

Legal and Compliance Practice quantitative research indicates that consolidating the number of law firms used ranks among the top five activities legal departments can do to positively impact outside counsel cost and quality. Specifically, companies can do the following:

- Use a step-by-step implementation guide to create a network of preferred law firms.
- View and download sample RFPs from other companies to implement competitive bidding.
- Arrange for our staff to discuss how other companies have consolidated their law firm use and what mistakes to avoid.



WHAT THE BEST COMPANIES DO

LEGAL AND COMPLIANCE PRACTICE

Applicable for Companies Seeking to Do the Following

- Analyze how much work to send to outside law firms.
- Find alternative legal providers.
- Outsource or offshore legal services.

Time Frame

- One to three months

Projected Cost Savings

- \$10,000+

Step 3: Reconsider How You Use Your Law Firms

Most companies continue to think that obtaining discounts is an effective method to reduce law firm costs. However, our research indicates the size of hourly rate discounts show little to no correlation with total outside counsel spending.

In fact, the greatest impact a legal department makes in managing the cost and quality of its outside law firms is to rethink what (and how much) work to send to law firms. Our research shows that even a limited amount of additional legal work in house can reduce total overall spending (inside and outside) by more than 10%.

Specifically, companies can do the following:

- Use our benchmarking service to compare your company's allocation of legal work between in-house lawyers and outside counsel in up to 24 different legal areas against your peers.
- Use our step-by-step implementation guide to prioritize legal department workload, ensuring that lawyers work on the highest-value activities.
- Have our staff explain other companies' guidelines on what to send to outside counsel.

Applicable for Companies Seeking to Do the Following

- Find cost-cutting techniques including electronic billing.
- Pursue alternative fee arrangements.
- Review their law firm billing policies.

Time Frame

- One to three months

Projected Cost Savings

- \$25,000+

Step 4: Reexamine Your Cost-Control Efforts and Billing Arrangements

Specifically, companies can do the following:

- Ask our staff to help revise law firm billing and staffing guidelines using our proprietary tools.
- Download our user-friendly budgeting tools to ensure that law firms adhere to predetermined budgets.
- Ask our staff to summarize our research on the most effective alternative fee arrangements and when to use them.

“The Legal and Compliance Practice has given us excellent support in the area of outside counsel management by presenting at our global legal department conference, participating in workshops, and providing us with a number of very helpful tools. This was instrumental in reducing our total outside legal cost by more than 25% (while also decreasing inside legal costs).”

Hans Peter Frick
Group General Counsel
Nestlé S.A.

Our Services Draw on the Approaches Pioneered by These Legal Departments

