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## **NEWS RELEASE**

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### **“Law Departments Take Action on Cost Control,” according to the 2009 Hildebrandt Law Department Survey**

November 19, 2009 - (Somerset, NJ) – Hildebrandt, the legal profession’s premier consulting firm, and a business within Thomson Reuters, today announced the release of key data on cost control strategies from its 2009 Law Department Survey.

According to the 2009 Hildebrandt Survey, law departments are implementing a wide range of cost management strategies as a way to cope and thrive in today’s economic environment. Cost control measures cited in the Survey encompass inside legal spending, legal staffing, outside counsel management, and technology.

“Law departments are adopting new ways of business that demonstrate aggressive and innovative thinking on cost containment,” stated Lauren Chung, Director and Survey Editor.

#### **Inside Legal Spending**

The Survey shows that most law departments realized immediate savings through a reduction of non-core spending in areas such as travel, meetings, and training. Compensation for legal staff has also been impacted by salary freezes or minimal increases.

“Compensation for in-house counsel will undergo significant change in the coming year,” said Ms. Chung. She added, “Over the past several years, in-house attorneys have been receiving an annual 6-8% median increase in total cash compensation. While we may not see a reduction in compensation, we do not anticipate annual increases at these levels over the next year or so.”

Reducing travel expenditures tops the list of 18 measures tracked in the Survey as the most widely implemented cost savings strategy among law departments.

- 82% of the companies reporting indicated that they have reduced or will reduce the travel budget for the law department.
- An additional 8% are considering this strategy.
- Only 10% have no plans to reduce their travel budget.

Many law departments are also reducing their budget for meeting and training events.

- 77% of the companies reporting indicated that they have or will reduce their budget for meeting and training events.
- 7% are considering this measure.
- Only 16% have no plans to reduce budget for these events.

Over half of the companies (51%) have implemented or will implement salary freezes for law department staff.

- An additional 11% are considering salary freezes.
- 38% have no plans to adopt this measure.

On the other hand, nearly 90% of the companies indicated that they have no plans to reduce salary or use variable pay in lieu of base salary increases as a cost savings option.

### **Inside Legal Staffing**

Most law departments reported that they are not planning to reduce staff as a cost reduction strategy or increase the use of contract and temporary staff. Indeed, a significant number of participants reported that they intend to keep more work in-house rather than use outside counsel.

#### Reduce lawyers

- 63% of the companies have no plans to reduce the number of lawyers.
- 30% implemented or will implement a reduction in lawyers.
- 7% are considering a reduction.

#### Reduce non-lawyer professionals

- 63% of the companies have no plans to reduce the number of non-lawyer professionals.
- 27% implemented or will implement a reduction.
- 10% are considering this option.

#### Reduce support staff

- 59% of the companies have no plans to reduce the number of support staff.
- 29% implemented or will implement a reduction.
- 11% are considering a reduction.

#### Increase use of contract/temporary staff

- 73% of the companies have no plans to increase the use of contract/temporary staff.
- Only 13% have increased the use of contract/temporary staff.
- 14% are considering this option.

## **Outside Counsel**

In the area of outside counsel management, the Survey confirms that, after years of discussion on this topic, the use of alternative fees is finally gaining traction. This is confirmed by Hildebrandt consultants who work extensively with a wide range of law firms.

Regarding traditional billing arrangements, rate freezes have become prevalent and, to a slightly lesser extent, law departments are negotiating rate decreases with their outside counsel.

The use of regional or boutique law firms, typically in lieu of large national firms, has also become a viable alternative for law departments.

"The perpetual focus of inside lawyers on outside counsel costs, services and value has jumped to a new level," commented Jonathan Bellis, Vice President and Chair of Hildebrandt's Law Department Consulting practice. He added, "There is an unprecedented amount of discourse about the fundamental law firm business model, because law departments are demanding more cost-effective alternatives to current arrangements."

### Alternative fee arrangements

- 55% of the companies reporting indicated that they have implemented or will implement the use of alternative fee arrangements (non-hourly) with their outside counsel.
- 27% are considering alternative fee arrangements.
- Only 18% have no plans to use alternative fee arrangements.

### Rate freezes

- 64% of the companies reporting indicated that they have implemented or will implement rate freezes with their outside counsel.
- 23% are considering rate freezes.
- Only 14% have no plans for rate freezes.

### Rate reductions

- 46% of the companies reporting indicated that they have implemented or will implement rate reductions with their outside counsel.
- 26% are considering rate reductions.
- 29% have no plans to negotiate rate reductions.

### Use of regional or boutique law firms

- 50% of the companies reporting indicated that they have implemented or will implement the use of regional or boutique law firms to reduce outside counsel costs.
- 24% are considering the use of regional or boutique law firms.
- 26% have no plans to implement this measure.

## Technology

Electronic billing has gained more popularity in this period of heightened urgency to control costs. Visibility and accountability for spending are top concerns for law departments. Emergence of technologies, such as e-billing, has made legal costs more transparent and manageable.

### Electronic billing

- 57% of the companies reporting indicated that they have implemented or will implement e-billing as a cost savings measure.
- 15% are considering the use of e-billing.
- 27% have no plans to adopt e-billing.

### Invest in knowledge management systems

- 39% of the companies reporting indicated that they have invested in knowledge management systems as a cost savings strategy.
- 24% are considering this option.
- 37% have no plans to invest in knowledge management systems as a cost savings measure.

*Note: Due to rounding issues, percentages may not total to exactly 100%.*

To obtain the full results of the Survey, visit [www.lawdepartmentsurvey.com](http://www.lawdepartmentsurvey.com).

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## About the Hildebrandt Law Department Survey

The Hildebrandt 2009 Law Department Survey encompasses 231 participants representing 21 industries and 22% of the companies on the Fortune 500 list. Over 30% of the companies have revenues at or above the Fortune 500 level. This includes companies that are privately held or based outside the United States.

The 2009 Survey reports 2007 and 2008 data and is most reflective of the period leading into the economic downturn which began in mid-September 2008.

The Hildebrandt Survey is unique among law department surveys in its continuity (based on over 20 years of survey experience), focus on larger law departments, and orientation towards global as well as U.S. law departments.

## About Hildebrandt

Hildebrandt, a Thomson Reuters business, is a multidisciplinary consulting firm, helping law firms, legal departments and other professional service organizations plan, implement and achieve their management and strategic goals. The company, with more than 50 consultants located in offices within the United States and London, is the undisputed leader in providing strategic advice, managerial guidance and implementation support to these organizations. For more information, visit [www.hildebrandt.com](http://www.hildebrandt.com).