

More legal work *going inside*

There will be a greater demand for corporate legal work in 2010, but law firms will not likely be reaping the benefits according to the annual *Canadian Lawyer* corporate counsel survey.

Nearly 60 per cent of respondents from some of the top corporate and government legal departments in Canada say they expect more combined internal and external legal work in 2010 compared to 2009. However, nearly 80 per cent of those respondents say the work will be done in-house.

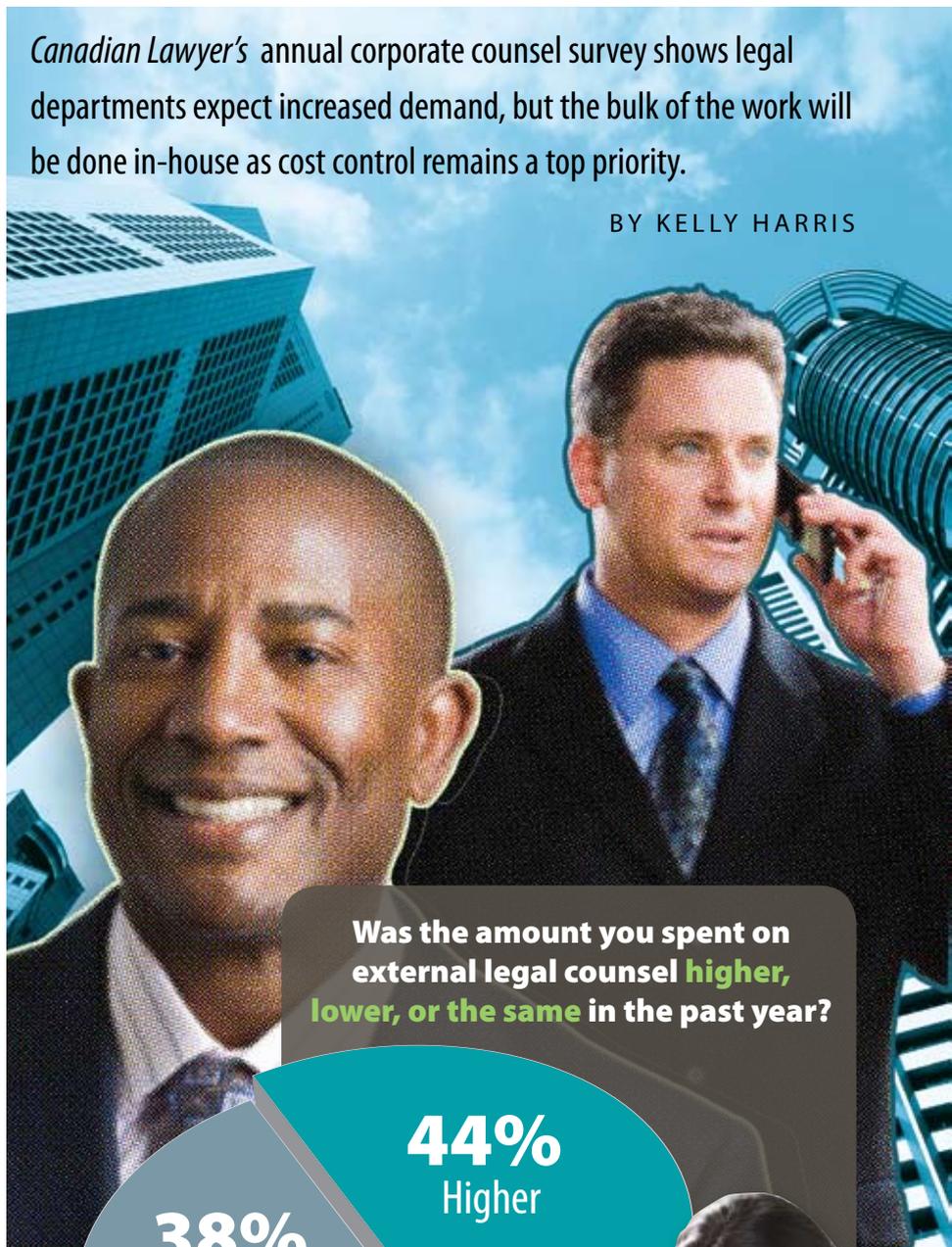
A major reason for the increase in work for in-house counsel is the changing nature of regulation and legislation across North America. In-house counsel are seeing those demands in various ways, says Karen Bell, a Toronto lawyer and consultant who works with law firms, and corporate and government legal departments. "Certainly, corporately, they are looking at significant increases in requiring expertise on the regulatory side and the continuing demand placed on them for more compliance," she says. "So they tend to look inside and want to develop their inside expertise because they feel that inside has a better perspective of how the impact of the regulations flows through the company."

Nearly 30 per cent of respondents to this year's survey came from the government ranks. Bell says public legal departments are under the greatest pressure. "In-house legal budgets have been operating fairly lean and mean for some time and that doesn't seem to be changing. They are in the spotlight so they have to be extra cautious about how they are managing their budgets."

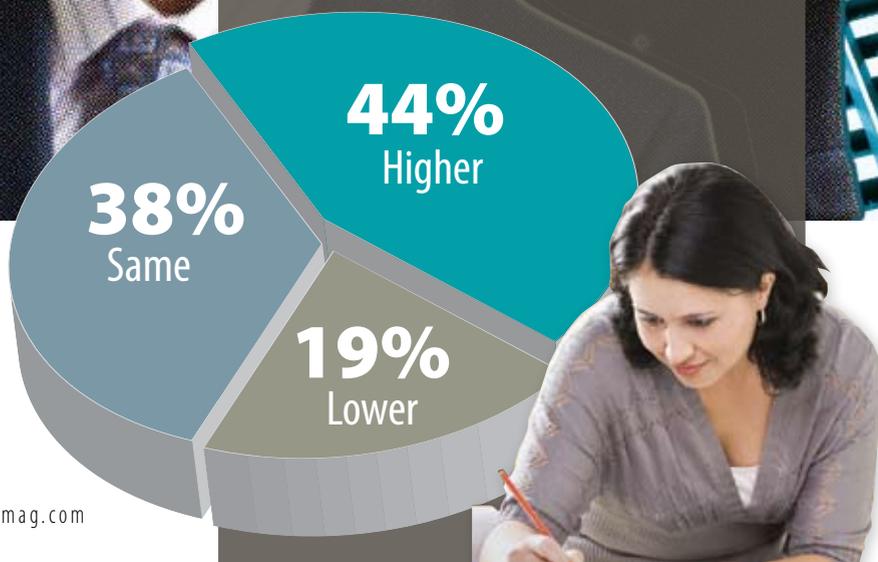
Canadian Lawyer received 105 survey responses. Respondents' combined corporate legal budgets totalled more than \$180 million a year. While not everyone answered every question, the

Canadian Lawyer's annual corporate counsel survey shows legal departments expect increased demand, but the bulk of the work will be done in-house as cost control remains a top priority.

BY KELLY HARRIS



Was the amount you spent on external legal counsel **higher**, **lower**, or **the same** in the past year?



Numbers do not always add up to 100% due to rounding

\$183
MILLION

**TOTAL LEGAL SPEND
OF THOSE SURVEYED**

**AVERAGE PER RESPONDENT
\$4.5 MILLION**

answers we got paint a picture of stagnant or tighter budgets, and greater workload. The findings of the annual survey reflect those of the 2009 Association of Corporate Counsel chief legal officer survey, which highlighted increased regulatory burdens combined with cost pressures as top issues for senior legal officers.

According to our survey, outside legal budgets rose for 45.8 per cent of respondents, while dropping for 20.8 per cent during the past year. When asked what the top factor was for the reduction in outside legal budgets, half of the respondents who indicated their budgets had decreased said there was simply less work to be done by outside counsel. Fewer than 45 per cent of them indicated it was because more work was being brought in-house.

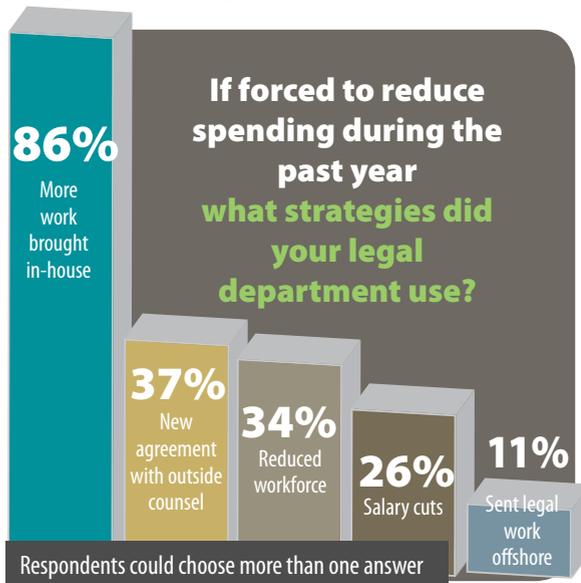
For the coming year, 51 per cent of those surveyed said they expect to see no

change in their budgets, while 28.6 per cent expect a decrease in their budgets. The number one strategy employed by legal departments facing a decrease in budgets was, predictably, bringing more work in-house. New agreements with outside counsel and a reduced workload are the other most common strategies. Salary cuts and sending more work offshore to places like India come next.

For law firms hoping to cash in on the corporate world's increased workloads, the primary concern for in-house counsel when dealing with legal service providers hasn't changed in the past year: be more concerned with costs. Legal departments also want outside firms to be

more practical and commercial, and to better understand their clients' needs.

Of equal concern, in-house lawyers



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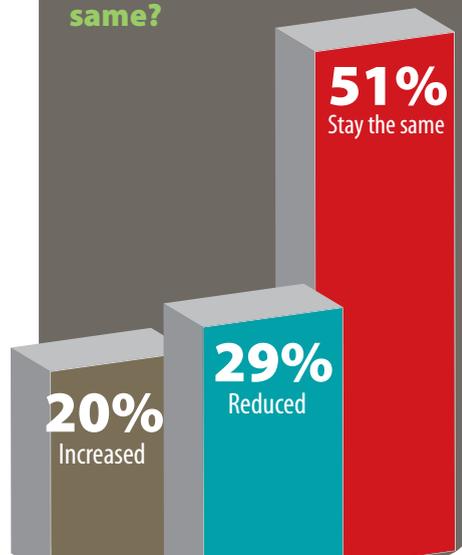
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want outside law firms to be more proactive, creative, innovative, and more concerned with results. "That theme has been in all sorts of surveys through North America for at least 10 years now," says Bell.

There is a general expectation that corporate legal departments will have more work in 2010 than in 2009, says BTI Consulting Group president Michael Rynowecer. He says work is being taken care of in-house through key strategies including the idea of triage — less important work receives less of a priority. Such changes are a result of legal departments facing average budget decreases of between seven and 20 per cent. "The number one driver behind decision-making for corporate counsel is risk avoidance and the number one goal is cost control," he says. Risk avoidance is fueled by legislation and a demand for more due diligence. As a result, legal departments are demanding law firms have a better grasp of their client's businesses. "They want them to bring knowledge of the law and the corporation. Give legal advice applying specifically to the company and avoid generic legal advice."

It's understandable if this is news to law firms as fewer than 28 per cent of respondents said they were asked to take part in a client satisfaction survey from their outside counsel in the past year. This issue was canvassed in *Canadian Lawyer's* 2008 poll as written surveys only. We included phone and in-person surveys in this year's poll, yet the numbers did not dramatically rise. "I think it is horrific and it just keeps playing out," says Bell. However, just asking the question isn't enough, followup is almost more important

Will your budget for the next year be **increased, reduced, or stay the same?**



Has your top law firm asked your law department to **complete a written, over-the-phone, or in-person satisfaction survey in the last 12 months?**

72%
No

13%
Yes, written

9%
Yes, in-person

6%
Yes, over-the-phone



Are you likely to **review your working or financial arrangement with your top law firms in the next six to nine months?**

50%
Yes

50%
No



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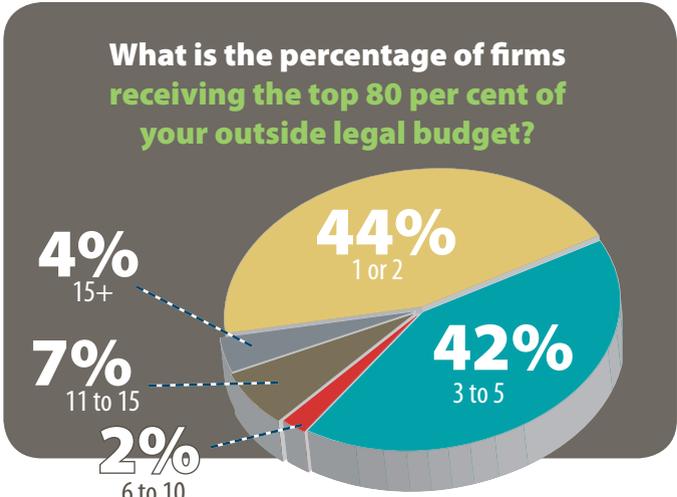
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for law firms when conducting satisfaction surveys. “I attribute the reluctance or the failure to conduct these kinds of surveys in any form, but certainly something that is tangible or recorded so you can examine the analysis so you can share it and reflect on it, is we are not good on a whole bunch of elements of running the business. In terms of planning, investing, responsiveness, making sure we know the client and prospect inside out to be responsive, be proactive in understanding where they are going and what they need.”

Other survey questions include asking who is doing the bulk of the work for in-house counsel and whether or not that was



likely to change next year. Nearly 87 per cent of respondents said one to five firms received 80 per cent of their outside work. Nearly 80 per cent of respondents said they had not changed one of their top legal service providers in the past two years.

Half of the in-house lawyers surveyed said they would be reviewing their financial relationship with their top outside law firm in the next six to nine months. Only 19.5 per cent said their lead law firm clearly provides better services than its closet competitor. While that percentage is up slightly from our 2008 survey, the percentage of respondents who said several other firms could do most of their work equally as well was also increased and was the most common answer to the question. **CL**

Rank the most important things that your outside legal counsel can do to improve working relationships with your company.

- 1** Be more concerned with costs
- 2** Be more commercial/practical
- 3** Understand our needs better from a client perspective
- 4** Be more creative/innovative overall
- 4** Be more proactive
- 4** Be more concerned with results

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