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**2003**

# **CHIEF LEGAL OFFICER SURVEY**

*The Opinions of Chief Legal Officers on Issues of Importance*

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# SECTION 1

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## BACKGROUND & OBJECTIVES

### **Background & Objectives**

For the fourth year in a row, the Association of Corporate Counsel (ACC), formerly the American Corporate Counsel Association, and Altman Weil, Inc. together surveyed Chief Legal Officers (CLOs) attending the ACC Annual Meeting in October 2003. The purpose of these surveys is to:

- 1) Capture the thinking of Chief Legal Officers attending the annual meetings.
- 2) Compare CLOs' year-to-year answers and changes in thinking, including three-year trend data when available.
- 3) Share the results of the tabulated surveys with the legal profession, enabling both corporate law departments and law firms to benefit from the surveys.

### **Participation**

137 Chief Legal Officers provided responses for the 4<sup>th</sup> Annual Survey. The Survey responses were tabulated and analyzed. Following is a summary of the results of the Survey.

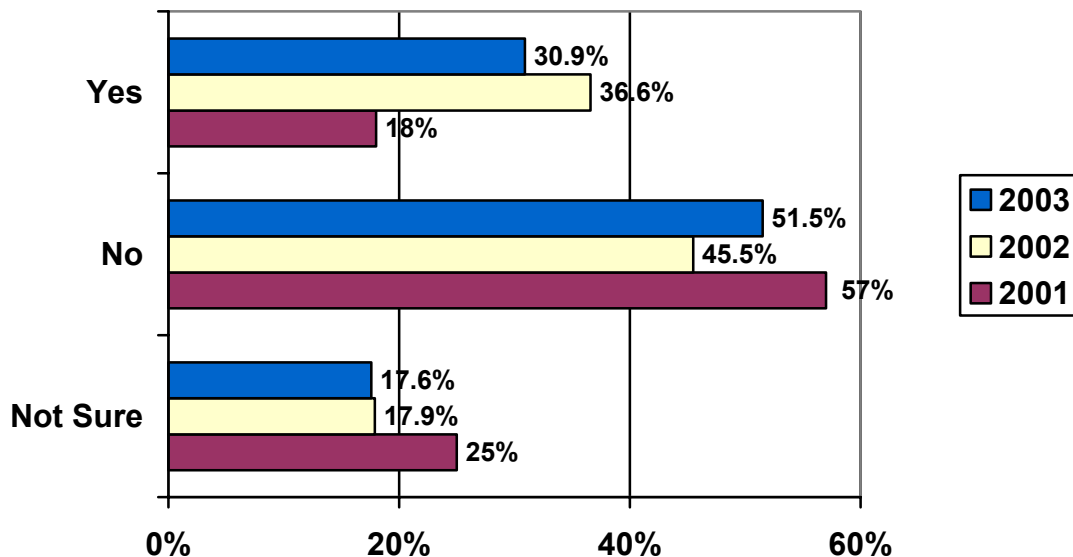
# SECTION 2

## SUMMARY OF RESULTS

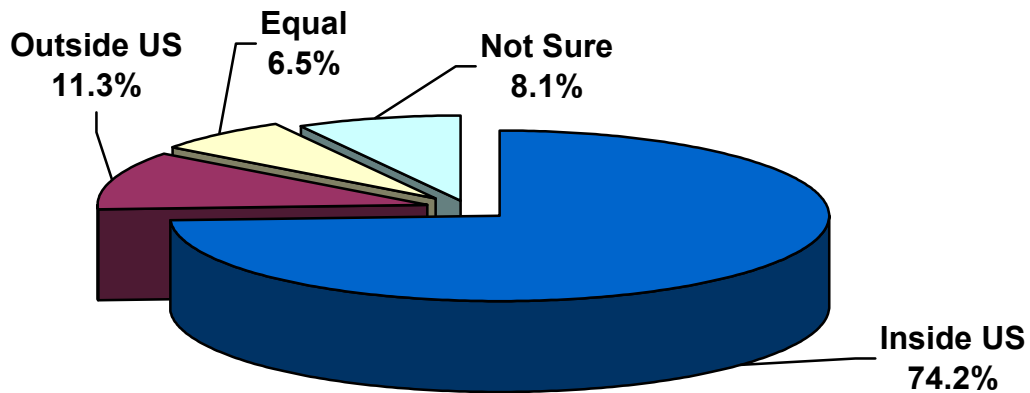
### Summary of Results

The results of the survey follow. Each question is presented and the tabulated results of the survey follow each question. Where identical or similar questions were asked in prior CLO Surveys, a comparison and analysis is presented. Some answers are represented in charts and graphs while others are provide in text format.

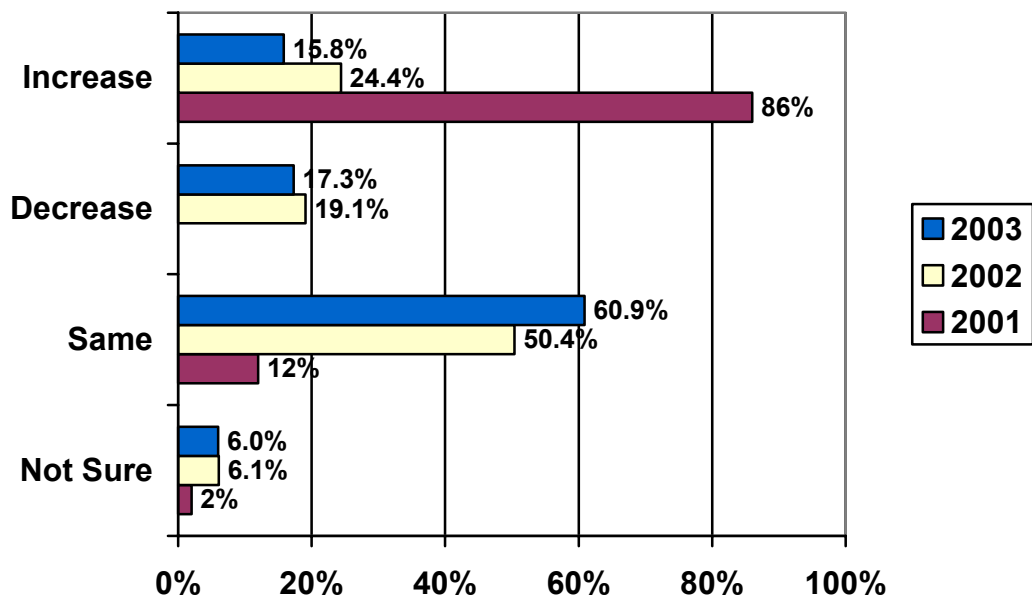
**1. *Within the next 12 months, do you plan to extend your in-house legal capabilities by hiring additional lawyers?***



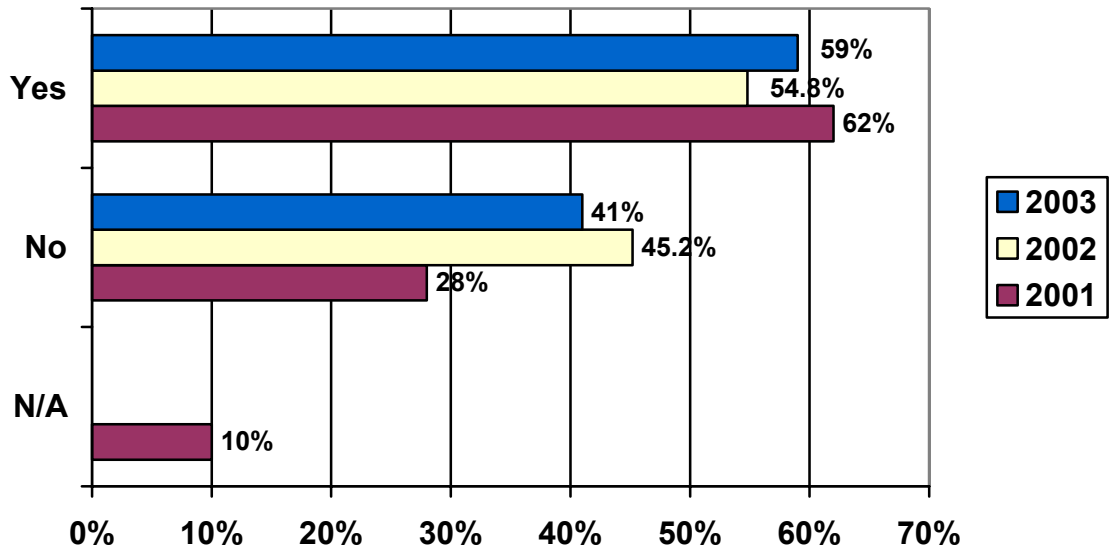
1a. Will you see greater hiring within the U.S. or outside the U.S.?



2. Within the next 12 months, do you plan to increase or decrease your use of outside counsel?



**3. Have you fired or are you considering firing, one of your law firms this year?**



*The Number One Reason:*

**COST MANAGEMENT ISSUES**

*Other reasons mentioned in order of frequency:*

- a. Lack of responsiveness
- b. Overworking projects
- c. Quality of legal work
- d. Mishandling one or more critical matters

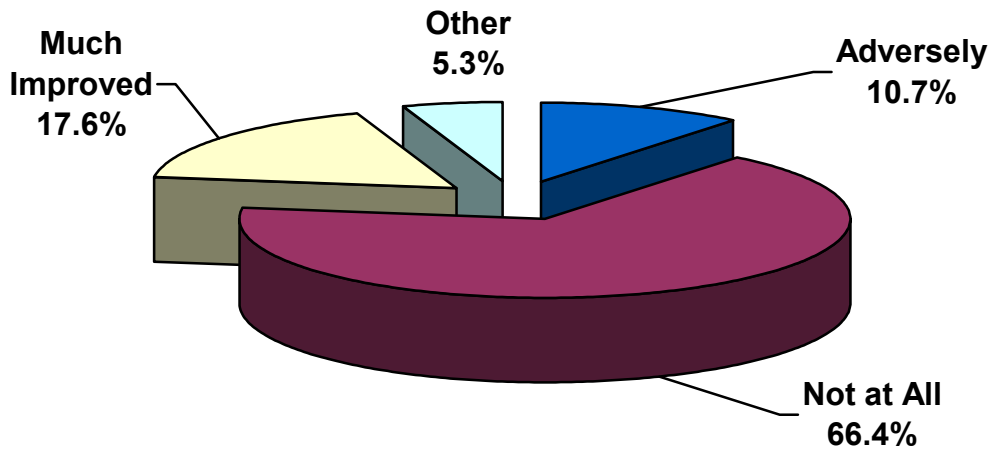
**4. What is the single most innovative practice proposed or used by your outside counsel in the last twelve months?**

**Top three practices:**

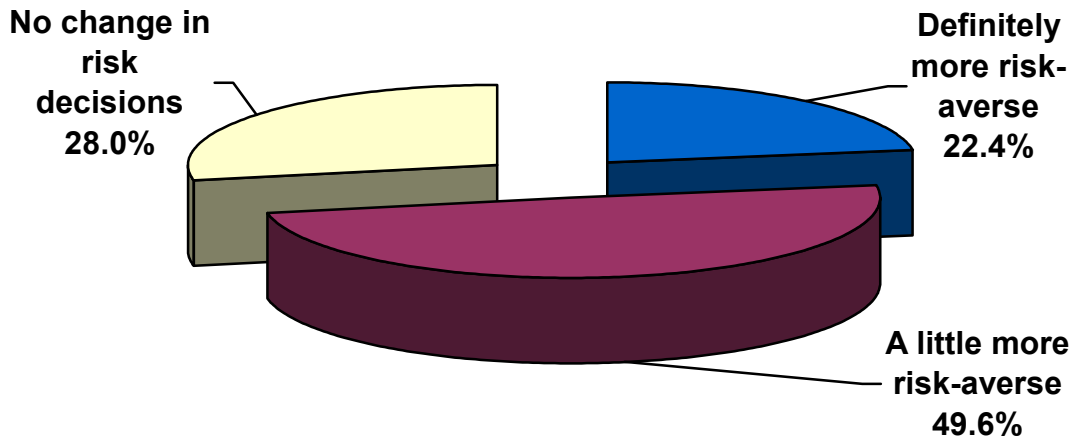
- a. Fee arrangements (Fixed; Blended; Capped; Success fees)
- b. Use of technology (Online billing; Online document management)
- c. Assigning firm lawyers to work “in-house” at our office

Note: Only 31 of 137 respondents named an innovative practice by outside counsel.

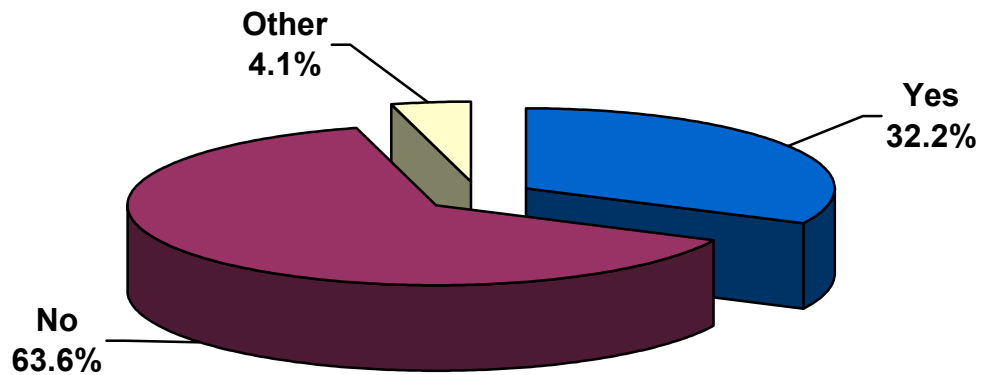
**5. How have the new corporate governance rules and standards impacted your relationship with senior management?**



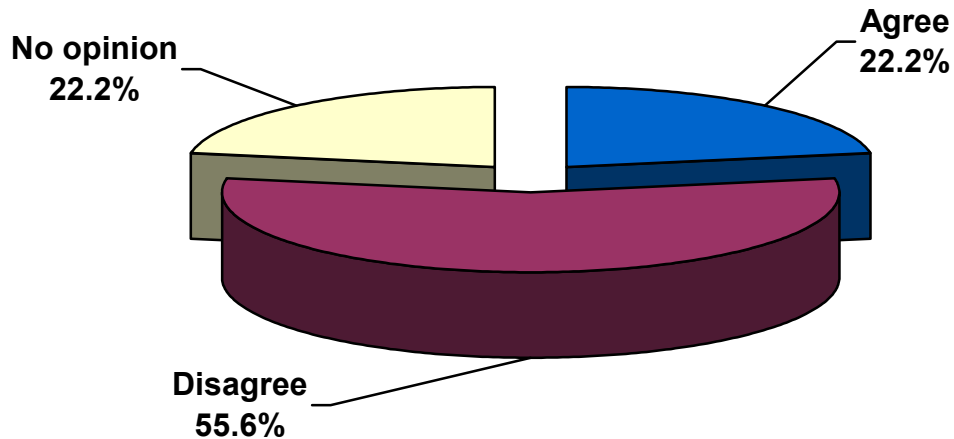
**6. How have the new corporate governance rules and standards affected senior management's approach to risk?**



**7. Do the new attorney conduct rules adversely affect the attorney-client trust relationship?**



8. Do you agree or disagree with the statement: *The new attorney reporting obligations mean senior managers are less likely to seek legal advice for fear of lawyers “tattling” on them.*



***Representative comments:***

Agree

‘Reporting out’ will definitely chill requests for candid legal advice.

Lawyers are increasingly seen as ‘enforcers.’ Management is less likely to seek advice for fear that their conversations will be reported to the SEC, if the ‘reporting out’ rules are adopted.

Senior management is reluctant to involve the Administrative Committee or full Board in matters that they have fully controlled in the past.

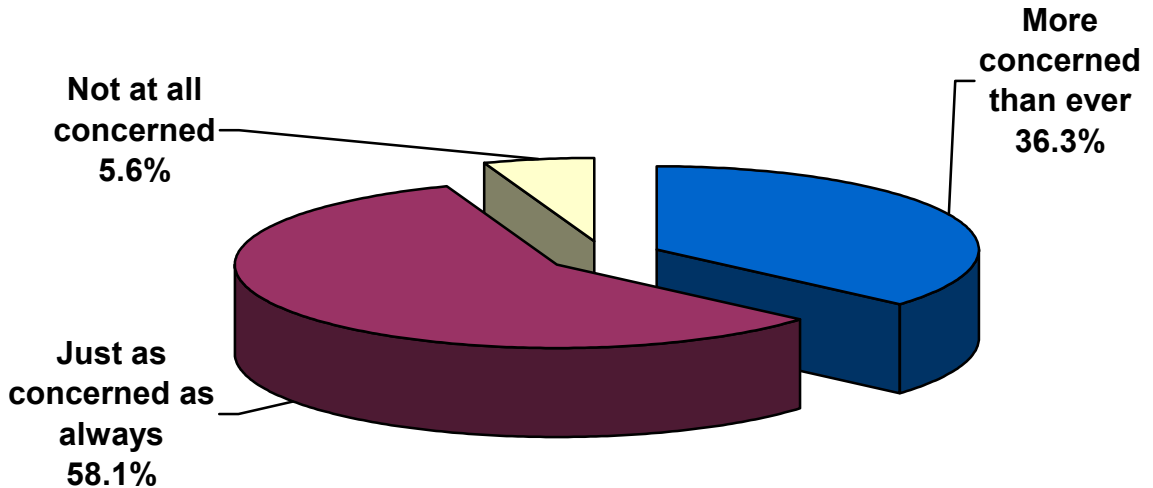
Disagree

Business people more risk averse – now asking for permission, rather than forgiveness.

Due to checks and balances and strong audit committee, noisy withdrawal would be highly unlikely. Senior management more interested in staying out of trouble than hiding trouble.

I think lawyers are hyper-aware of the new rules, but until it happens I don’t think the business people truly understand the ramifications.

**9. How concerned are you about your personal liability relating to corporate misconduct?**



***Representative comments:***

More concerned

Attorneys have become targets of government investigations and shareholder lawsuits.

I have always been concerned that we do the right thing, but now the exposure is greater because GCs have a bull's-eye on their shirts.

Not satisfied any longer with going 'naked' on legal malpractice coverage.

As concerned

Liability under new guidelines does not directly apply, but [I will] create new services or education for management, and myself, staff.

Not at all concerned

I have confidence in my company and management.

**10. What is the next, most important, emerging client relationship issue CLOs will face?**

***Top three responses in order of frequency:***

- a. Sarbanes-Oxley compliance
- b. Balancing relationship with Board and relationship with CEO
- c. Privilege protection

**11. What is the next, most important, emerging law department management issue CLOs will face?**

***Top three responses in order of frequency — with representative comments:***

- a. Budget constraints / Cost control
  - Being held to state-of-art standards on a shoestring budget
  - Ever-increasing scrutiny of Legal Department generated costs
- b. Staffing issues
  - Maintain a reduced in-house head count... without negatively impacting an effective preventative law program
- c. Compliance
  - Continued resource and relationship implications of Sarbanes-Oxley

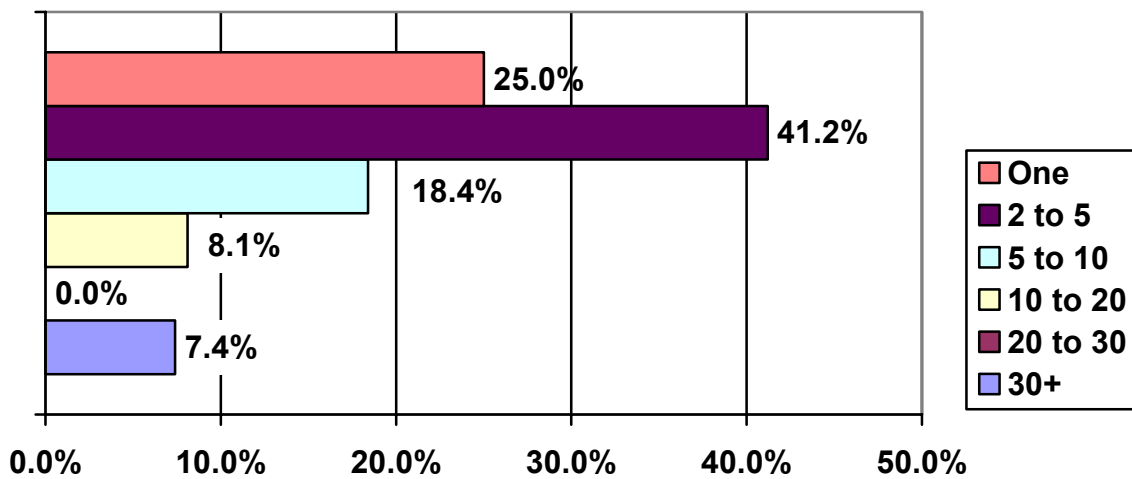
# SECTION 3

## SURVEY DEMOGRAPHICS

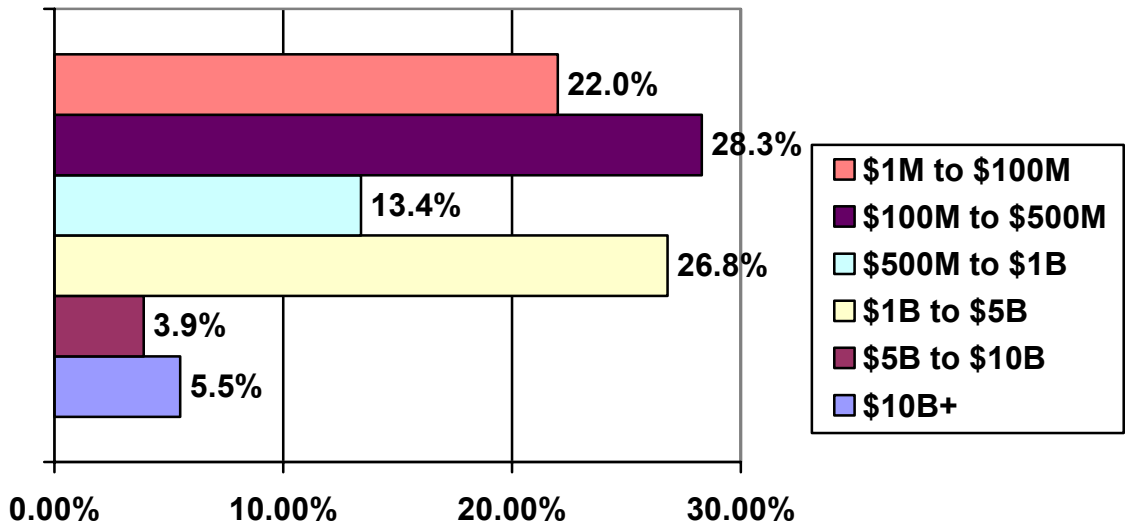
### Survey Demographics

Following are the Survey demographics, which describe the responding Chief Legal Officers and their law departments.

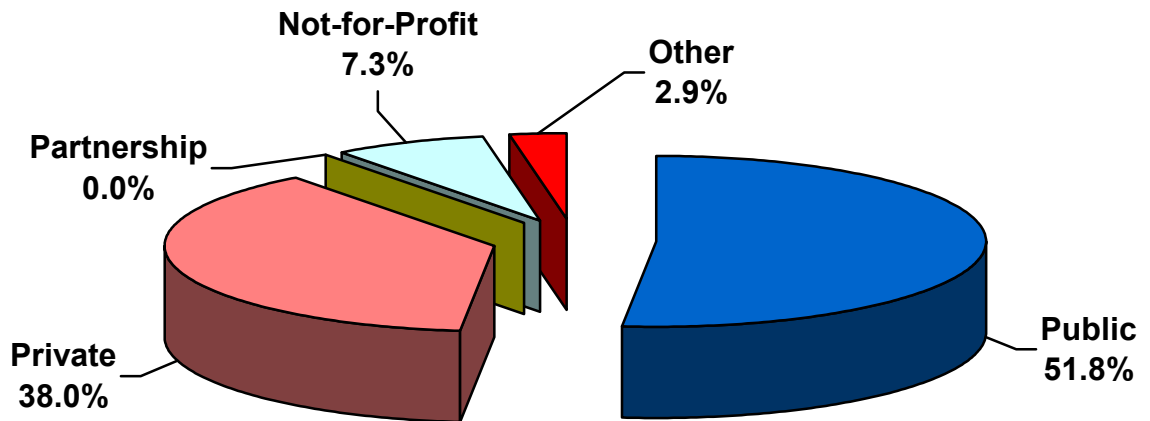
**1. How many in-house attorneys are in your department (in all locations)?**



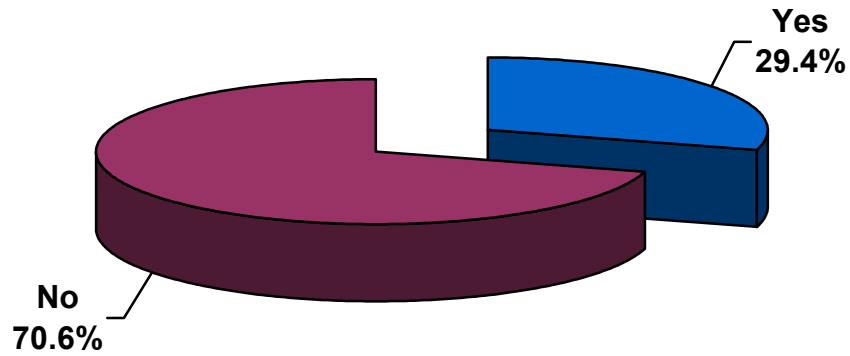
**2. What are your organization's annual revenues?**



**3. Is your organization:**

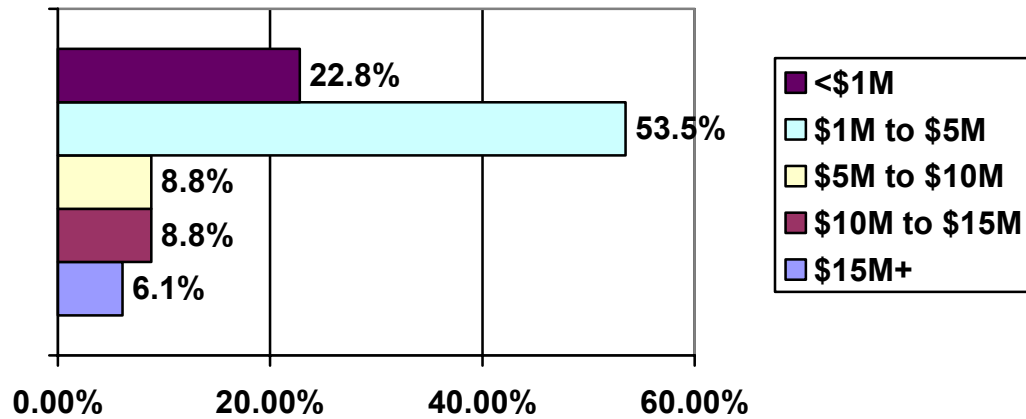


**4. Is your law department multi-site?**



**4a. Median number of locations: 3.9**

**5. What is the size of your 2003 Law Department budget (inside and outside) in U.S. dollars?**



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# SECTION 4

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## ABOUT ACC

### ***About the Association of Corporate Counsel***

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The Association of Corporate Counsel (ACC), formerly the American Corporate Counsel Association, is *the in-house bar association*<sup>SM</sup> serving the professional needs of attorneys who practice in the legal departments of corporations and other private sector organizations worldwide. The association promotes the common interests of its members, contributes to their continuing education, seeks to improve understanding of the role of in-house attorneys, and encourages advancements in standards of corporate legal practice.

Since its founding in 1982, the association has grown to more than 15,000 members in 47 countries who represent 7,000 corporations, with 43 chapters and 12 committees serving the membership. Its members represent 47 of the Fortune 50 companies and 97 of the Fortune 100 companies. Internationally, its members represent 42 of the Global 50 and 75 of the Global 100 companies. For more information, go to [www.acca.com](http://www.acca.com).

#### ***ACC's Services Include:***

1. **Virtual Library**<sup>SM</sup> ([www.acca.com/vl/](http://www.acca.com/vl/))— ACC's online databank of documents, articles, and sample forms and policies show corporate counsel how to do their jobs better and more cost effectively.
2. **NewsNET**<sup>SM</sup> ([www.acca.com/newsnet/](http://www.acca.com/newsnet/))— Weekly electronic slip opinions provide the latest information on key legal areas of interest to corporate counsel.
3. **MemberToMember**<sup>SM</sup> ([www.acca.com/membership/serach.php](http://www.acca.com/membership/serach.php))— ACC's preeminent networking system provides members with a network of in-house attorneys ready to answer questions and provide advice on over 100 different areas of legal practice.

4. **Chapters and Committees** ([www.acca.com/networks/](http://www.acca.com/networks/))— Local chapter knowledge networking sessions and CLE programs offer face-to-face contact with corporate counsel to discuss issues. Committees offer networks based on areas of interest and provide advice and guidance from volunteer experts on 12 different legal topics: from corporate and securities to intellectual property to managing a small law department.
5. **CLE Programs** ([www.acca.com/education/](http://www.acca.com/education/))— ACC presents outstanding programs to enhance corporate counsel performance. At ACC's Annual Meeting, attendees can obtain an entire year's worth of CLE credits and attend outstanding sessions. At local chapter programs, top-notch luncheon and evening CLE programs provide a convenient way to stay up-to-date on legal issues.
6. **ACC Docket** ([www.acca.com/p-docket.php](http://www.acca.com/p-docket.php))— As the only legal magazine written *by in-house counsel for in-house counsel*, the award-winning *ACC Docket* offers practical guidance on critical issues facing corporate attorneys in small and large legal departments. Regular topics covered include corporate governance, ethics, client relations, outside counsel management, labor and employment law, and other substantive law areas.
7. **Advocacy** ([www.acca.com/advocacy/](http://www.acca.com/advocacy/))— ACC serves as the voice of the in-house bar, asserting our professional rights and obligations. ACC seeks to protect attorney-client privilege; work toward more practical and reasonable admission rules; and lead the outside bar on issues such as reform of the billable hour and conflicts of interest guidelines that protect clients. ACC serves corporate counsel by protecting their client's investment in the value added by having an in-house staff.

## **Contact ACC**

For more information, go to [www.acca.com](http://www.acca.com) or call (202) 293-4103.

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# SECTION 5

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## ABOUT ALTMAN WEIL

### **About Altman Weil, Inc.**

Altman Weil provides management consulting services exclusively to legal organizations. Our clients include law firms, corporate and government law departments and legal vendors of all sizes and types throughout North America, the U.K. and abroad.

We offer a full range of consulting services, a vast menu of valuable publications and some of the most impressive credentials in the industry.

### ***Consulting Services***

- Law Firm Mergers and Acquisitions
- Merger Integration
- Compensation Systems
- Strategic Planning
- Organizational Development
- Leadership and Management Development
- Profitability Analysis and Planning
- Process Reengineering
- Benchmarking
- Economic Assessment
- Overhead Cost Reduction
- Branding
- Client Development and Market Planning
- Attorney and Staff Training
- Human Resource Management
- Quality Management Programs
- Financial Management
- Client Surveys
- Technology Services

## ***Publications***

Our surveys are the industry standard and are often utilized in courtroom expert testimony:

- *Survey of Law Firm Economics* (published annually)
- *Survey of Law Firm Economics – General Counsel Edition* (published annually)
- *The Law Department Management Benchmarks Survey* (published annually in partnership with the Association of Corporate Counsel)
- *The Law Department Compensation Benchmarking Survey* (published annually in partnership with the Association of Corporate Counsel)

## ***Contact Altman Weil***

Contact Altman Weil, Inc. at [info@altmanweil.com](mailto:info@altmanweil.com), visit our website at [www.altmanweil.com](http://www.altmanweil.com), or call (610) 886-2000 to learn more about our services.