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Companies committed to lowering outside legal costs, survey says

Premium content from Pittsburgh Business Times by Patty Tascarella, Senior Reporter

Date: Friday, November 9, 2012, 6:00am EST



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More corporate legal departments have bigger budgets than a year ago, but they're more determined than ever to contain costs from outside law firms.

Altman Weil, a Newtown Square-based consulting firm, surveyed chief legal officers nationwide and found that 46 increased their 2012 budgets compared to 2011.

However, 71 percent are renegotiating outside counsel fees, 47 percent brought work inside, 41 percent are moving work to lower-priced firms and 36 percent reduced the total amount of work sent to outside counsel, all in the name of operating more cost-effectively.

The study polled 1,297 corporate law departments and drew 204 responses, or 16 percent. Although Pittsburgh companies were part of the field, a regional breakout was not available.

"Because of the recent recession, people are much more sensitive to costs and any time overhead costs within a company can be reduced, including in the legal department, it's been a continuing emphasis," said [Kevin Whyte](#), vice president and general counsel at **Carmeuse Lime & Stone**.

He said Altman Weil's findings were in line with what he's observed locally. Whyte is president-elect of the local chapter of the Association for Corporate Counsel.

"There are ways you can (contain costs)," Whyte said. "One is just to ask the firm to reduce the rates, which is maybe the hardest to do. The other is to ask them to prepare a

budget in advance for any type of major item, whether it's litigation or a transaction. We've done some of that and find that preparing a budget can be very useful because then the expectations for the in-house and lawyers and the law firm are matched."

It comes down to more planning and better communications when dealing with outside law firms, he said.

"That's the key," Whyte said. "When you talk to the lawyers, upfront you might ask them a question and you might even say, 'I don't need a 10-page memo. Can you do a little digging, three or four hours of research. And based on what you come up with after that amount of work, we can decide if we want to do anything else.' That's instead of asking the question and getting a 20-page memo and a \$10,000 bill you weren't expecting."

[David Fisfis](#), Duquesne Light Holdings vice president and general counsel, said the study's results "sound in line" with what his company and others in the region are doing.

"It's natural to see this trend of squeezing better pricing from outside firms and it's more cost-effective to do more work in-house," Fisfis said. "To me, you get the most value from a law firm if you develop a long-term relationship with them and get quality work from them on a regular basis."

Duquesne Light has a request for proposal to several firms for its litigation work.

"The incumbent has done a fine job from a quality standpoint, but their three-year contract is up, so we're going to see what other firms would be able to do from a resource and pricing standpoint," Fisfis said.

He said Duquesne Light may stay with the incumbent, which he would not identify, but "if you don't test the marketplace, you don't know if there's more value for you."

Survey respondents said the biggest factor influencing their selection of outside counsel was demonstrated understanding of their business or industry.

Fisfis said asking outside firms for volume discounts of 5 percent to 10 percent or to not raise rates annually have proven effective.

"Firms are much more interested at work on partnership success basis," Fisfis said. "That started with litigation but I see it now in the transactional area."

Over the next 12 months, 38 percent of survey respondents plan to increase their in-house lawyer workforce.

[Lori Carpenter](#), president of Downtown-based recruitment firm Carpenter Legal Search, said corporate clients are "definitely looking at hiring more lawyers" next year.

"We've been involved in a number of discussions for budget-planning purposes for 2013," she said. "Some are doing succession planning and have not made any hires in the past couple years. Some are looking to add expertise. I think we're seeing a lot of corporate

commercial positions, often that's something the lawyers need to be very close to the business in order to draft and review documents."

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