

OCTOBER  
2014

# Corporate Counsel Agenda 2014: Southeast

Written by

**ALM** LEGAL  
INTELLIGENCE  
More research. More insight. **More business.**

[ALMlegalintel.com](http://ALMlegalintel.com)

888-770-5647

[almlegalintel@alm.com](mailto:almlegalintel@alm.com)

Sponsored by

**BAKER DONELSON**

## FOREWORD

**B**AKER DONELSON IS PLEASED TO PARTNER WITH ALM LEGAL INTELLIGENCE for this survey of Southeastern general counsel. As a firm with offices across the Southeast whose footprint aligns with the respondents, we appreciate the opportunity to share their insight on major issues facing them and their companies, from economic and regulatory trends to priorities for the future.

Many of the findings in this survey reveal opportunities for law firms to more closely align themselves with in-house counsel. GCs view their companies' economic prospects favorably, but are still working to reduce their overall legal spend. They are looking to their legal departments for a closer, more strategic business partnership, and in turn, the departments are putting new demands on their law firms, actively soliciting or indicating a willingness to investigate strategies like legal project management and the increased use of non-legal professionals. We welcome the opportunity to engage in these types of mutually beneficial conversations.

Creating a "culture of compliance" requires GCs to be increasingly aware of their departments' compliance and liability risks. Many indicated they are being asked to do more with less. These challenges can provide openings for outside law firms to partner in more meaningful ways.

Baker Donelson values the insights provided in this report as we continually seek to understand what is on the minds of our clients. We strive to stay in step with the trends and needs of in-house counsel across our southeastern footprint. We hope you enjoy this report.

—Ben C. Adams, Jr.  
Chairman and Chief Executive Officer  
Baker Donelson

## PREFACE

**Corporate Counsel Agenda 2014: Southeast** is a white paper published by ALM Legal Intelligence. ALI gathered the data and administered the online survey. Philippa Maister conducted interviews and wrote the report. Jennifer Tonti conducted the survey and was the report editor. We would like to thank all those who participated in the survey and agreed to be interviewed for this report.

**–October 2014**

---

### DISCLAIMER

© 2014 ALM Legal Intelligence. All rights reserved. All information in this report is verified to the best of the author's and the publisher's ability. However, ALM Legal Intelligence does not accept responsibility for any loss arising from reliance on it. Neither this publication nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior permission of ALM Legal Intelligence.

---

---

---

**TABLE OF CONTENTS**

Executive Summary .....5

Methodology ..... 6

Overall Outlook.....7

Legal Department Outlook..... 11

Limited Resources, More Pressure, More Risk..... 12

Streamlining Operations ..... 14

Legal Project Management ..... 15

Relationships With Outside Counsel..... 16

Conclusion ..... 17

Appendix..... 18

## EXECUTIVE SUMMARY

**T**HIS WHITE PAPER IS BASED ON THE RESULTS OF A SURVEY MAILED TO general counsel of companies based in the southeastern United States by ALM Legal Intelligence, in association with the law firm Baker Donelson. The survey was conducted in late April and May 2014 and a total of 102 responses were received from general counsel representing a broad spectrum of industries. The majority of respondents (53 percent) were with companies with annual revenues exceeding \$1 billion, while the remainder reported income of less than \$1 billion.

Southeastern GCs are adapting to tighter legal budgets as a fact of life. Even as many of the corporations they represent target overseas as well as domestic expansion, and face increasing regulatory challenges in addition to the normal legal issues arising from daily operations, GCs are struggling to keep pace without adding legal or administrative staff. Many are also reducing their use of outside counsel, except in cases where internal resources are inadequate, especially litigation.

### Key findings

**1 GENERAL COUNSEL IN THE SOUTHEAST APPEAR** to view their company's economic prospects for 2015 as generally favorable (58 percent "Better" or "Much Better"), barring an unforeseen change in business conditions or economic downturn.

**2 APART FROM THE TYPICAL CONCERNS SUCH AS AN EVENT OR A CHANGE** in business conditions, a downturn in the U.S. economy or a new law that significantly impacts business operations, both health care and cybersecurity are growing concerns for legal departments, as one-in-four GCs in the Southeast (23 percent) tell us they are a macro-economic issues with potential impact on business in the coming year.

**3 WITH JUST OVER 40 PERCENT OF THE COMPANIES** responding telling us that international expansion is a driver of growth, accordingly, 11 percent of GCs see international compliance as a major concern for their companies.

**4 OVER 40 PERCENT OF GCS IN THE SOUTHEASTERN REGION** characterized "Positioning the legal department as a strategic business partner" as a top issue for them in the coming year.

**5 MANY GCS FEAR THAT BY RESTRICTING THE USE OF EXTERNAL COUNSEL THEY MAY INCREASE** the company's legal exposure if risks are missed or specific skills or knowledge are not available in house, especially when many departments report increased workloads, burn-out and lower lawyer morale.

**6 TO KEEP UP WITH THE INCREASED WORKLOAD,** legal departments are turning to a variety of strategies, including the creation of an internal request form, and the use of legal software, non-legal professionals such as "contract negotiators," and other techniques.

## METHODOLOGY

This white paper is based on the results of a survey mailed to general counsel of companies based in the southeastern United States by ALM Legal Intelligence, in association with the law firm Baker Donelson. The survey was conducted in late April through May 2014 and a total of 103 responses were received. Of that group, 83 qualified to continue through the survey (General Counsel, CLO, or Deputy).

Of the respondents, four out of five currently report to the chief executive officer, while 16 percent reported to the board and 5 percent to the chief financial officer. That reporting structure is generally not projected to change into 2015.

The majority of respondents (53 percent) were with companies with annual revenues exceeding \$1 billion, while the remainder reported income of less than \$1 billion.

The health care, pharmaceuticals and biotechnology sector was best represented with 20 percent of respondents, followed by financial services with 13 percent, while energy accounted for 8 percent. The remaining respondents were drawn from a broad spectrum of industries.

## OVERALL OUTLOOK

**G**ENERAL COUNSEL IN THE SOUTHEAST APPEAR TO VIEW THEIR companies' economic prospects for 2015 as generally favorable. In line with national trends revealed in ALM's annual national survey of law departments [see: Corporate Counsel Agenda: 2014], most expected the global or national economy to perform as well as or better than in 2014. However, a minority thought their industry (17 percent) or company (12 percent) would do worse in the coming year—slightly higher than what we saw in the national survey (15 percent and 8 percent, respectively).

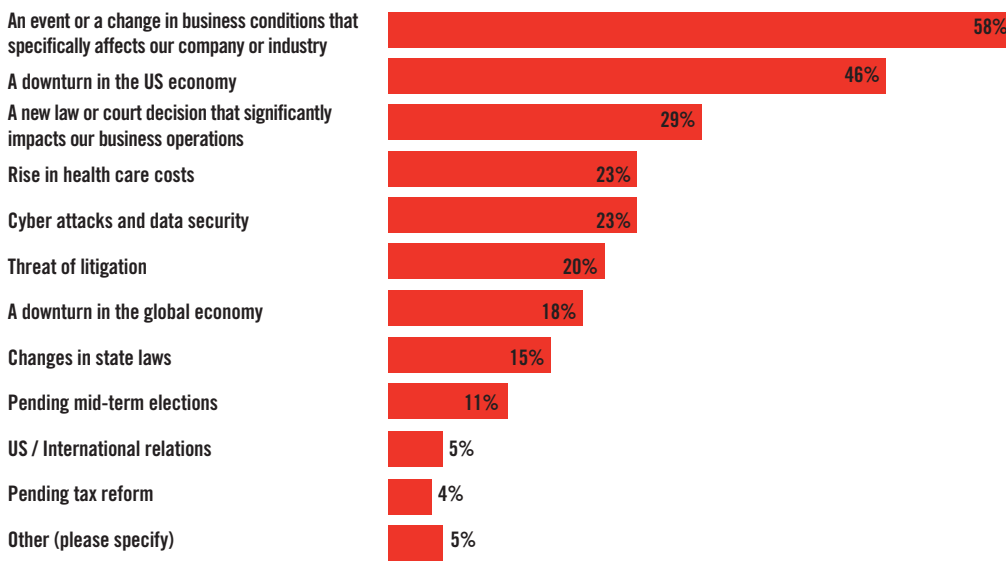
### What are your expectations for 2015 compared with 2014?

	1 = Much worse	2 = Worse	3 = About the same	4 = Better	5 = Much better
The global economy will be:	0%	11%	67%	23%	0%
The US economy will be:	0%	7%	48%	41%	4%
My industry's economic health will be:	0%	17%	39%	42%	2%
My company's financial health will be:	0%	12%	30%	54%	4%

If some type of seismic shock were to affect the law department in 2015, almost 60 percent feared it would be an unforeseen change in business conditions, and 46 percent cited the risk of another economic downturn. In contrast, only 32 and 33 percent of GCs respectively worried about these risks in the national survey. These disparities could be due to differences in the timing of the survey (conducted in October 2013), among other issues, which may be indicative of the respondent makeup for this survey versus the national survey.

However, the data plainly point to GCs' increased awareness of real risk within their organization. Almost one in four viewed cyber-attacks and data security as the biggest risk to their business, compared to only 2 percent of GCs in the national survey. Recent revelations about serious failures in data security at major corporations, such as Target Corp., are a likely cause for the sharp increase. These breaches exposed the personal information of millions of customers to potential hacking, and the companies to the threat of class actions.

**What macro-economic issues do you foresee having the greatest impact on your business in the coming year? (Please select up to three)**

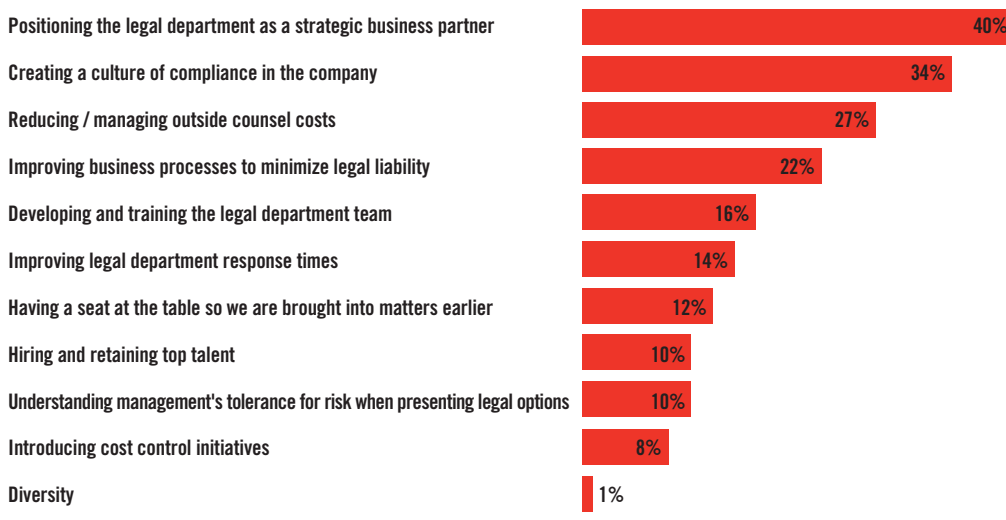


Many GCs also worried about an increase in health care costs, with 23 percent fearing it would have a big impact on their businesses. Spontaneously, some respondents also noted concerns about a rise in interest rates and changes in federal regulations.



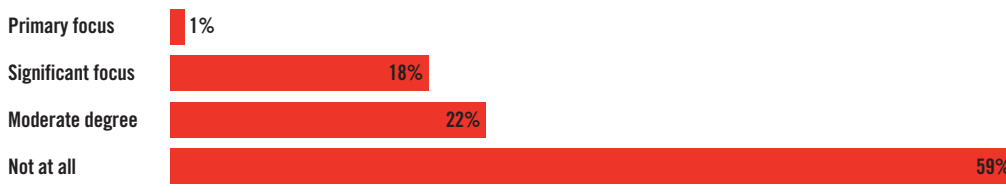
Like their peers nationally, one of the primary aims of GCs in the year ahead will be to position the legal department as a strategic business partner, as 40 percent reported. Though this response is expected and in line with national surveys, it becomes more relevant in a corporate environment where, as discussed below, many GCs are operating under budget restraints that some fear may expose the company to legal risk. “Creating a culture of compliance in the company” came in a close second as a legal department objective (34 percent), and “reducing and/or managing outside counsel costs” was not far behind, in third place at 27 percent.

**On which of the following legal department issues would you most like to focus in the coming year?**  
(Please select up to two)

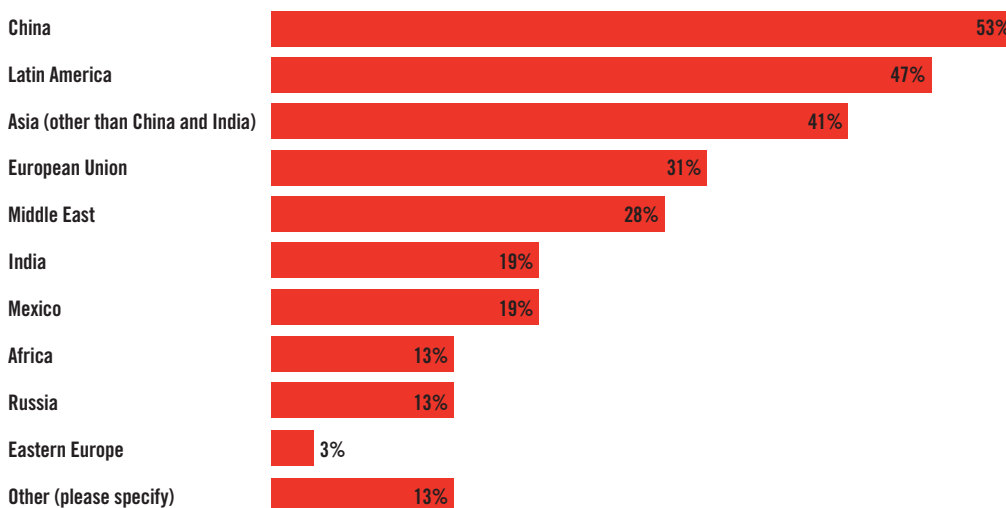


Around 11 percent of GCs said they plan to focus on problems of international compliance. This is not surprising, given that enterprises in both the Southeast and across the nation have an increasingly global focus, with 40 percent of GCs reporting that their companies view international expansion as a driver of growth. China was the most common target, with slightly more than half of the global-facing companies aiming at this lucrative market. Almost half of these GCs named Latin America, followed by Asia (outside China and India), the European Union and the Middle East. Other destinations for foreign investment from the Southeast include India, Mexico, Africa and Russia.

**To what extent is your company currently focused on international investment expansion as a long-term strategy to drive future growth of your business?**



**What regions does your company think present compelling opportunity for growth? (companies with int'l focus)**

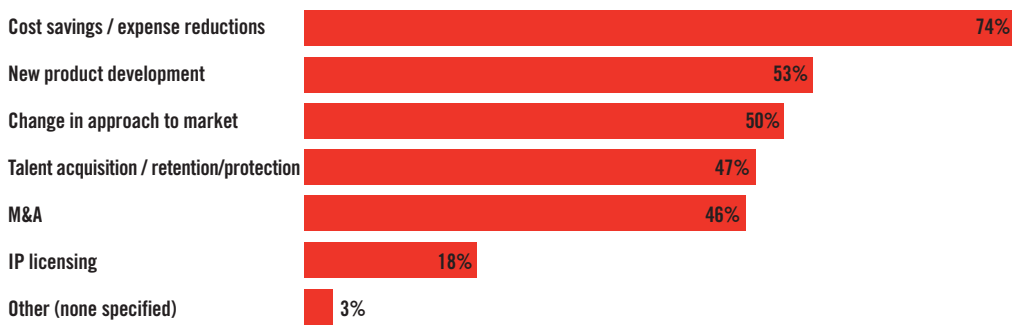


Naturally, many companies are also aiming at expansion into new domestic markets. Only 15 percent of GCs reported no such interest. Two-thirds of GCs expect their companies to expand regionally into other southeastern states, one-third into the Northeast, while around one in five see the Mid-Atlantic, West Coast, and Midwest as targets, and a smaller percentage eye the Rocky Mountain states.

## LEGAL DEPARTMENT OUTLOOK

**G**ENERAL COUNSEL IN THE SOUTHEAST ARE OPERATING IN AN ENVIRONMENT where 74 percent characterized cost savings or expense reductions as the most critical element of their organizations' growth strategy. Only half put new product development or a new market approach in this category, while 47 percent named talent retention or acquisition, and mergers and acquisitions.

### Which areas do you characterize as most critical to your organization's growth strategy? (Top 3 choices)



With this bottom-line approach, it is not surprising that fewer than one in four GCs expects to hire more attorneys in the coming year. Similarly, only 28 percent plan to add staff. Two-thirds will maintain attorney and staff numbers at current levels, but 6 percent plan to reduce their attorney ranks and 9 percent will trim staff levels.

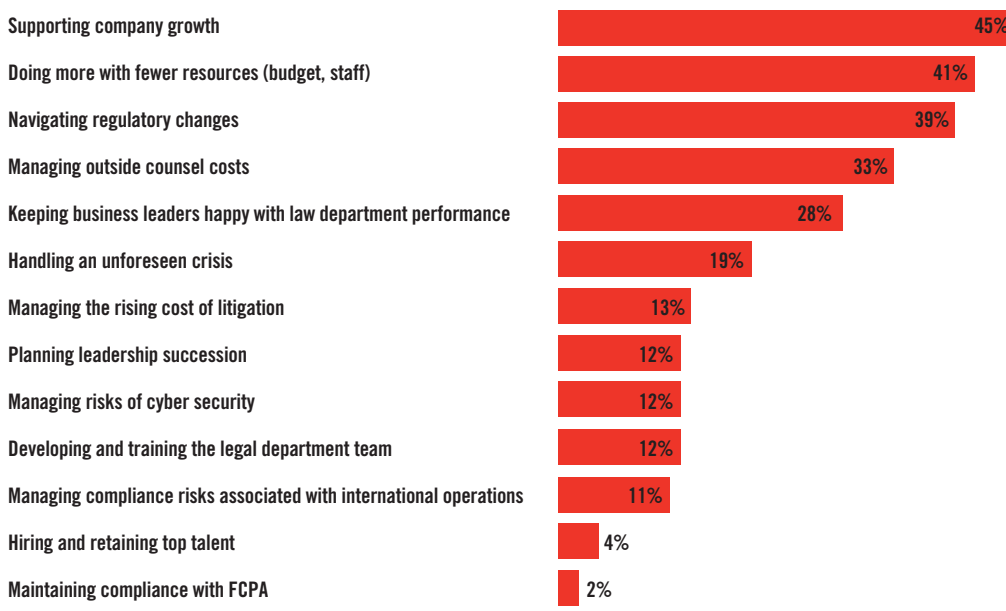
One heartening piece of news is that two-thirds of GCs expect to increase compensation (salary plus bonus and other items) in 2015 for in-house attorneys, though most increases will be below 5 percent. The remaining GCs plan to maintain attorney salaries at current levels.

In 2015, 45 percent of GCs expect increases in their annual budgets, in half the cases by less than 5 percent. Around 41 percent foresee no change, while 15 percent anticipate budget cuts. This is an improvement over 2014, when 40 percent experienced increases, 36 percent no change, and 23 percent cuts.

## LIMITED RESOURCES, MORE PRESSURE, MORE RISK

**A**S THE UNENDING CORPORATE SEARCH FOR WAYS TO DO MORE WITH FEWER resources (budget, staff) reverberates through many legal departments, 41 percent of respondents listed it as a top issue for them in the coming year. One-third also expects to focus on controlling outside counsel costs. Yet unstructured responses to the survey suggest many GCs worry that bringing more work in-house with a restricted budget or staff could expose the company to risk. This is especially true at a time when, as one respondent put it, “More robust economy increases need for transactional support from legal.”

**What issues do you expect will be of most concern to you in the coming year? (Please select up to three)**



Some comments tell the tale:

- “Depth of review of transactions is limited by time and resource constraints. This increases risks associated with unknown and unrecognized liabilities.”
- “Hard to stay abreast of best practices when not relying as much on outside counsel/resources.”
- “Not enough in-house attorney or legal staff time available for contract review and revision.”
- “The pressure to become knowledgeable and competent (or at least more so) in many different areas of law, including tax and IP.”
- “The challenge we face is making sure nothing slips through the cracks when we are juggling so many items at one time.”
- “We do not have sufficient support staff to allow us to focus on our primary responsibilities – working our cases. Instead, because of reduced staff support, we are doing more and more non-attorney clerical-type work.”
- “Trying to push more work down to the most junior in-house person and making sure that such person/people are equipped to handle the work and manage outside counsel more efficiently.”

A number of the comments referred to longer hours and burn-out, as well as problems with employee morale under stressful conditions, as the legal department was stretched thin. Several respondents cited the challenges of trying to prioritize workloads, especially when an unexpected event could disrupt the process.

Others emphasized the importance of bringing in—or retaining—in-house lawyers with the requisite specialized types of legal expertise. However, as one stated, “This is an expensive and time intensive process that in and of itself requires superior management skills.”

Despite these risks, several respondents appear to have given up on convincing senior management of the need to strengthen the legal department. “Simply not enough staff nor understanding outside legal of need for more staff,” commented one. “The challenge always is the expectation of non-attorney management that legal services can be completed in 2-3 hours, rather than the reality of a complex transaction or project taking exponentially more time than the expectation,” wrote another.

## STREAMLINING OPERATIONS

**A** **MIDST THESE CHALLENGES, RESOURCE-STARVED LAW DEPARTMENTS** have experimented with various techniques to manage their workload and contain expenses. One GC reported that his department has begun to modify its existing practice and work with untested vendors and resources in an effort to reduce cost but provide a better overall process for corporate transactions. “Processes are in flux while larger and more complex transactions are underway. There is the risk of slowing acquisitions down with new process that is in conflict with the absolute need to conduct deals more efficiently and at lower cost,” he commented.

Another in-house legal department has developed an internal request form. In addition to the legal review, the person seeking it is asked to read and review the agreement, contract or other document. The department attempts to use its template documents when possible. Others do as much as possible in-house but use outside counsel for specific functions such as due diligence or drafting or closing documents. Several GCs now appear to call on outside lawyers only as a last resort, when they lack internal expertise.

Still, “telling your boss that you don’t have the staff you need can be a loaded statement, because the question is then whether the work you are doing is inadequate,” said one GC in an interview. At the same time, he says doing more with less is something every legal department should expect, given overall hiring trends. “If you are not able to do more with less as part of a \$1 billion company you are not keeping up; you are moving backwards,” he said. His own department consists of himself, an attorney, and a newly hired paralegal.

Resisting the use of outside lawyers can include doing the initial research on an unfamiliar legal issue in-house—for example, using an online search engine as a starting point to find relevant articles, and then digging deeper using Lexis/Nexis if needed. Only in high-stakes matters do some GCs turn to outside counsel for in-depth analysis.

Under significant cost pressure, some companies are not even using lawyers to read over contracts, especially the smaller documents that often include boilerplate language. Instead, they are training non-legal staff, such as paralegals or “contract negotiators,” to review contracts. “Contract negotiators are a niche above paralegals,” said the GC. “They mark up contracts the same as an attorney would, and you would only pull in an attorney if there were a provision they were not familiar with or if it is a big transaction such as a large merger or acquisition.”

## LEGAL PROJECT MANAGEMENT

**W**HILE ALMOST HALF THE RESPONDENTS TO OUR SURVEY PLANNED TO implement operational improvements to enhance efficiency and create standards, such as task automation and project management, only 18 percent are currently implementing legal project management tactics in day-to-day matters. In one case, this consists simply of having daily stand-up meetings to keep department members informed, with regular weekly reports to management to ensure the department is working on current priorities.

In other cases, GCs have turned to commercial software programs for matter management or to manage legal spend and legal hold. Some also use web applications to improve document management and collaboration, or for records retention and compliance initiatives. One respondent said legal project management is seen as a cost measure, “trying to reduce the number of firms as well as implement alternative fee arrangements where feasible.” Another GC noted that projects have varying life cycles associated with business life cycles. Legal project management “allows us to organize and resource projects effectively” to meet the needs of business clients, he said.

Yet, not all users were convinced that software was helpful. One complained that the software systems his department is using “have complicated already existing demands upon our time.” Another said he remained skeptical because it took a lot of time to set the systems up, and maintaining them sometimes became an additional burden, sentiments we’ve heard from other survey respondents, including on the law firm side.

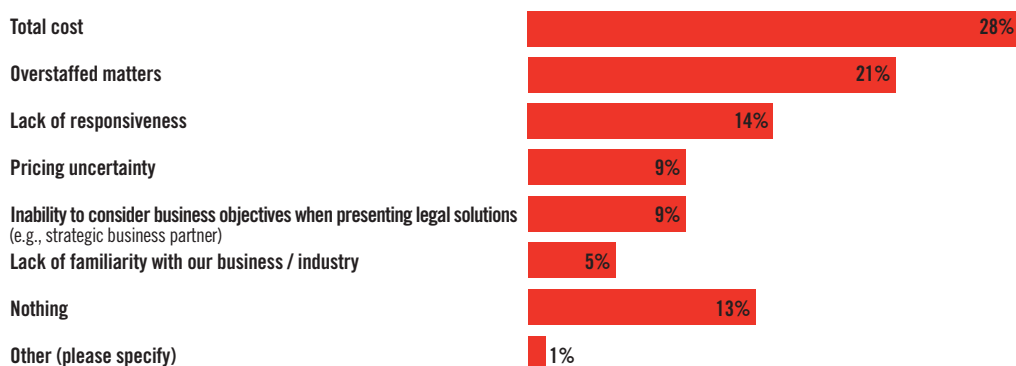
## RELATIONSHIPS WITH OUTSIDE COUNSEL

Litigation is by far the arena in which GCs in the Southeast are most likely to call in outside counsel for assistance, checked by three-quarters of respondents. Some 46 percent usually rely on a law firm in intellectual property and labor and employment matters. Approximately one in four uses external counsel for mergers and acquisitions, regulatory, and securities or financial work, and one in five for tax and ERISA matters or corporate transactions. For other matters, 10 percent or fewer of the GCs responding are likely to rely on an outside law firm. This is generally the same breakout of types of matters for which we see GCs turning to law firms in the national survey.

Almost 80 percent of GCs in the Southeast say responsiveness is the quality they value most (besides quality of work) when they do turn to external counsel. Half are also influenced by the hourly rate charged or by their personal relationship with one or more attorneys in the firm. Pricing predictability—such as budgets, fee caps, and fixed fees—is important to 42 percent. Project management skills, staffing on matters and the size of the discount are lower on the list of priorities.

When prompted, GCs tell us that what irritates them about their law firms generally fall around costs or overstaffed matters. Other issues appear to be less common. One respondent pointed to the “failure to recognize when early settlement of litigation is in the corporation’s best interest.” Indeed, 18 percent of the GCs reported they will aim for quicker settlement in their future litigation strategy. Ten fortunate GCs said nothing irritates them about the law firms they work with.

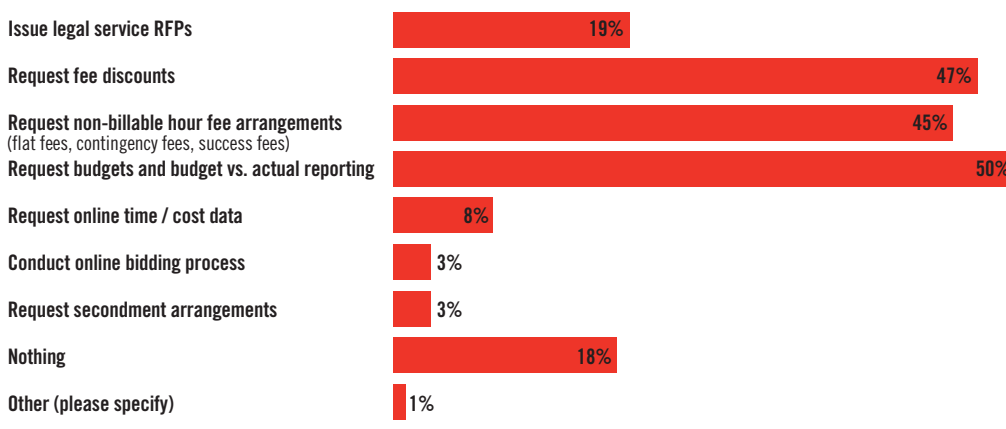
### What aspect of your relationship with your most valued law firms irritates you the most?





Meanwhile, the GCs responding are also keeping an eye on their law firms' billing practices. Half said they are considering requesting budgets, and almost half may request fee discounts or non-billable hour fee arrangements like flat fees, contingencies, and success fees. One GC said he plans to "better manage eDiscovery through one firm and preferred vendors." Only 18 percent said they plan to do nothing.

**In an increasingly competitive legal market, which of the following tactics are you considering using to change how you work with outside counsel? (Please choose all that apply)**



**CONCLUSION**

**M**UCH LIKE THEIR BRETHREN THROUGHOUT THE COUNTRY, GCs in the southeastern region of the US are adapting to tighter legal budgets as a fact of life. Even as many of the corporations they represent target overseas as well as domestic expansion, and face increasing regulatory challenges in addition to the normal legal issues arising from daily operations, GCs are struggling to keep pace without adding legal or administrative staff. Many are also reducing their use of outside counsel, except in cases where internal resources are inadequate. At the same time, many GCs fear that by restricting the use of external expertise they may increase the company's legal exposure if risks are missed or specific skills or knowledge are not available in house. Meanwhile, Southeastern GCs are implementing a variety of strategies, including the expanded use of paralegals, sophisticated software, and legal project management, to contain costs and improve efficiency. When they do select law firms, these GCs are influenced by the responsiveness, hourly rates, and personal relationships with attorneys. Litigation is the most common reason to hire outside counsel, but many GCs plan to aim for quicker settlement of litigated cases.

With pressure from above, GCs in the southeastern United States are concentrating on solving organizational problems that they tend to share with their brethren across the country. And top issues don't necessarily always start and end with cost, but rather how to work more efficiently with fewer resources while still having the ability to look forward and head off trouble down the pike.

## APPENDIX: SURVEY RESULTS

### 1. Which of the following best describes your title or job function?

General Counsel / Chief Legal Officer (or equivalent)	55%
Deputy or Associate General Counsel (or equivalent)	26%
Corporate Counsel	10%
Other	9%

### 2. Whom do you report to now and whom will you report to next year?

	2014	2015
The CEO	78%	78%
The CFO	5%	7%
The board	16%	16%

### 3. What are your expectations for 2015 compared with 2014?

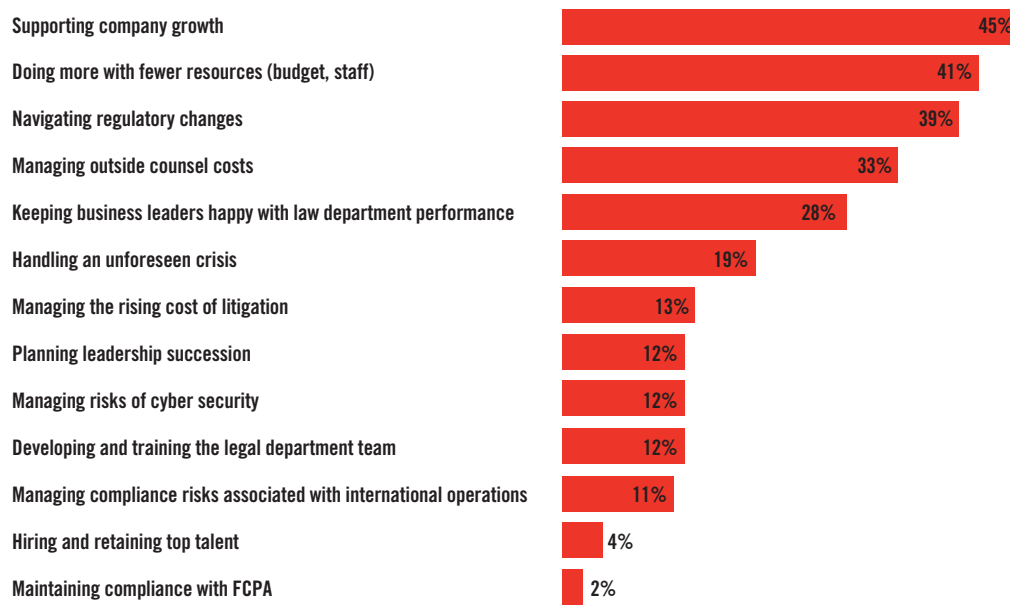
	1 = Much worse	2 = Worse	3 = About the same	4 = Better	5 = Much better
The global economy will be:	0%	11%	67%	23%	0%
The US economy will be:	0%	7%	48%	41%	4%
My industry's economic health will be:	0%	17%	39%	42%	2%
My company's financial health will be:	0%	12%	30%	54%	4%

## APPENDIX: SURVEY RESULTS

### 4. On which of the following legal department issues would you most like to focus in the coming year? (Please select up to two.)

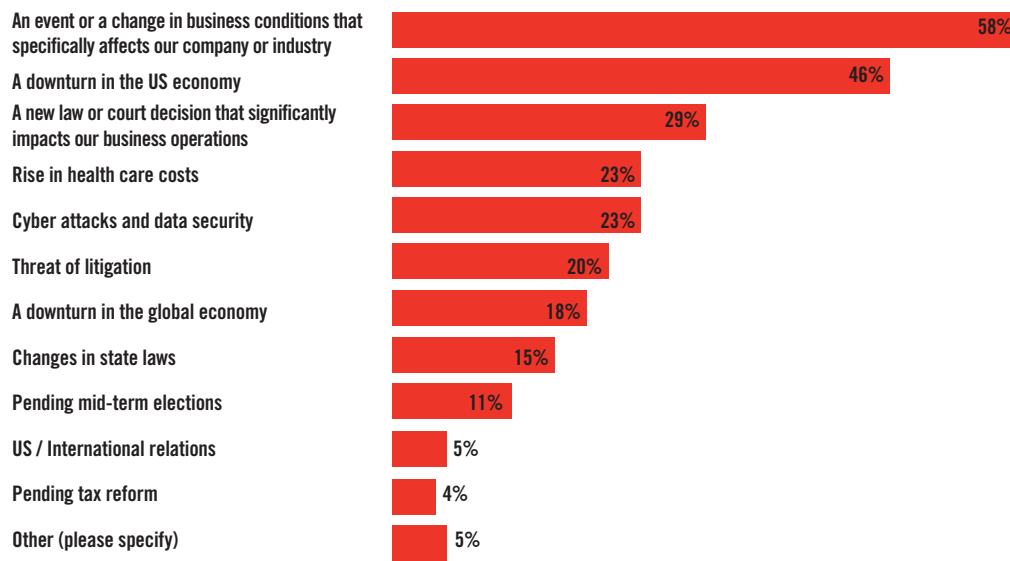


### 5. What issues do you expect will be of most concern to you in the coming year? (Please select up to three.)



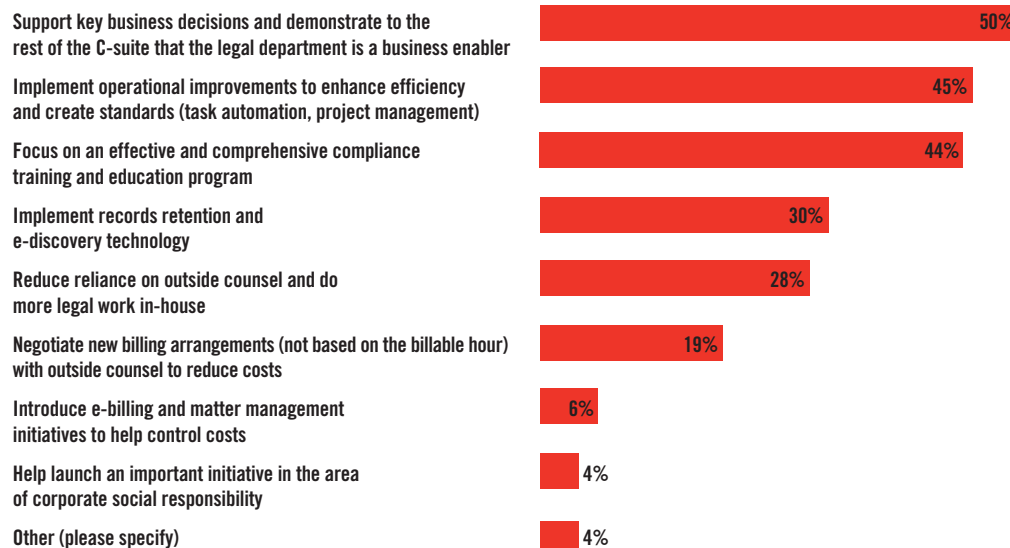
## APPENDIX: SURVEY RESULTS

### 6. What macro-economic issues do you foresee having the greatest impact on your business in the coming year? (Please select up to three.)



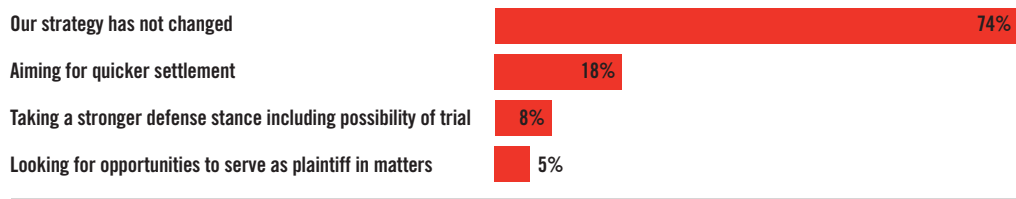
### 7. What are the biggest opportunities you will face in the coming year as corporate counsel? (Please select up to three.)

#### The legal department will / plans to...



## APPENDIX: SURVEY RESULTS

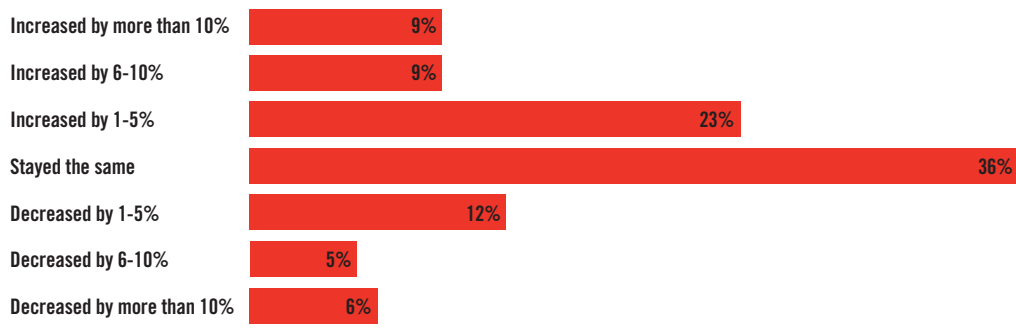
### 8. How has your litigation strategy changed since the economic downturn?



### 9. Next year, our legal department will make the following adjustments in staffing:

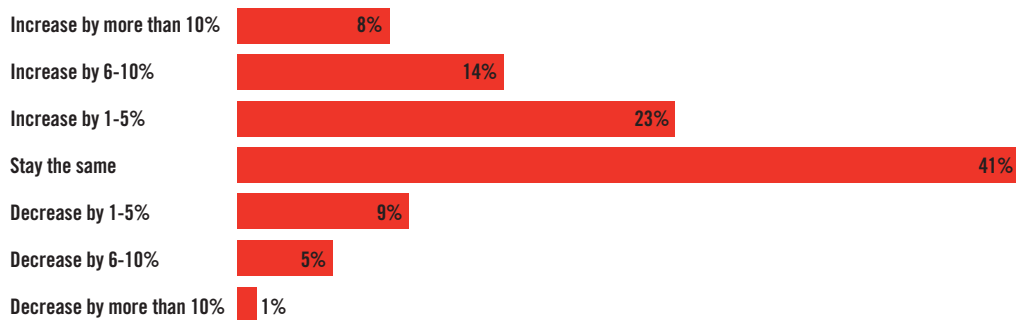
	Attorneys	Staff
Hire	23%	28%
Reduce	6%	9%
Keep level	66%	62%
Outsource	5%	1%

### 10. In 2014, our department's annual operating budget:

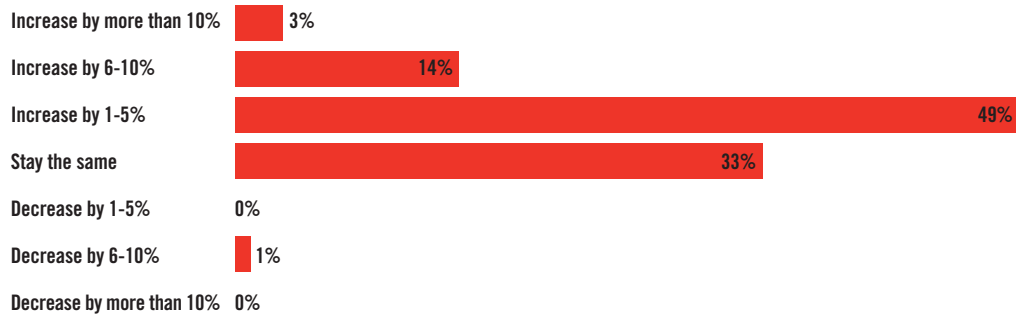


## APPENDIX: SURVEY RESULTS

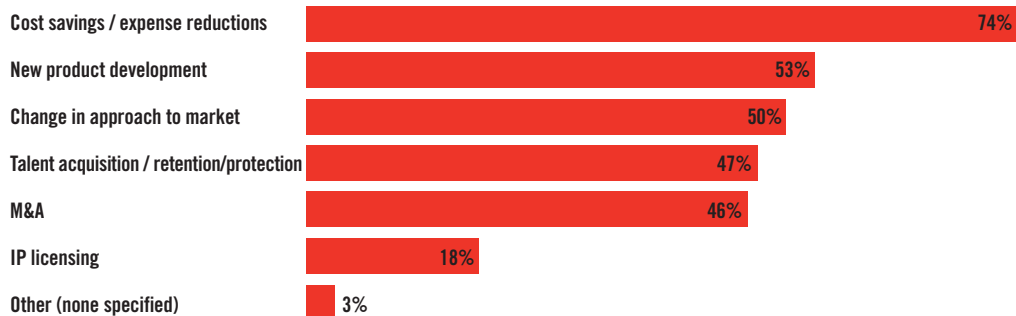
### 11. In 2015, I expect that our legal department's annual operating budget will:



### 12. In 2015, compensation (salary plus bonus, etc.) for lawyers in my department is likely to... (Please select only one.)

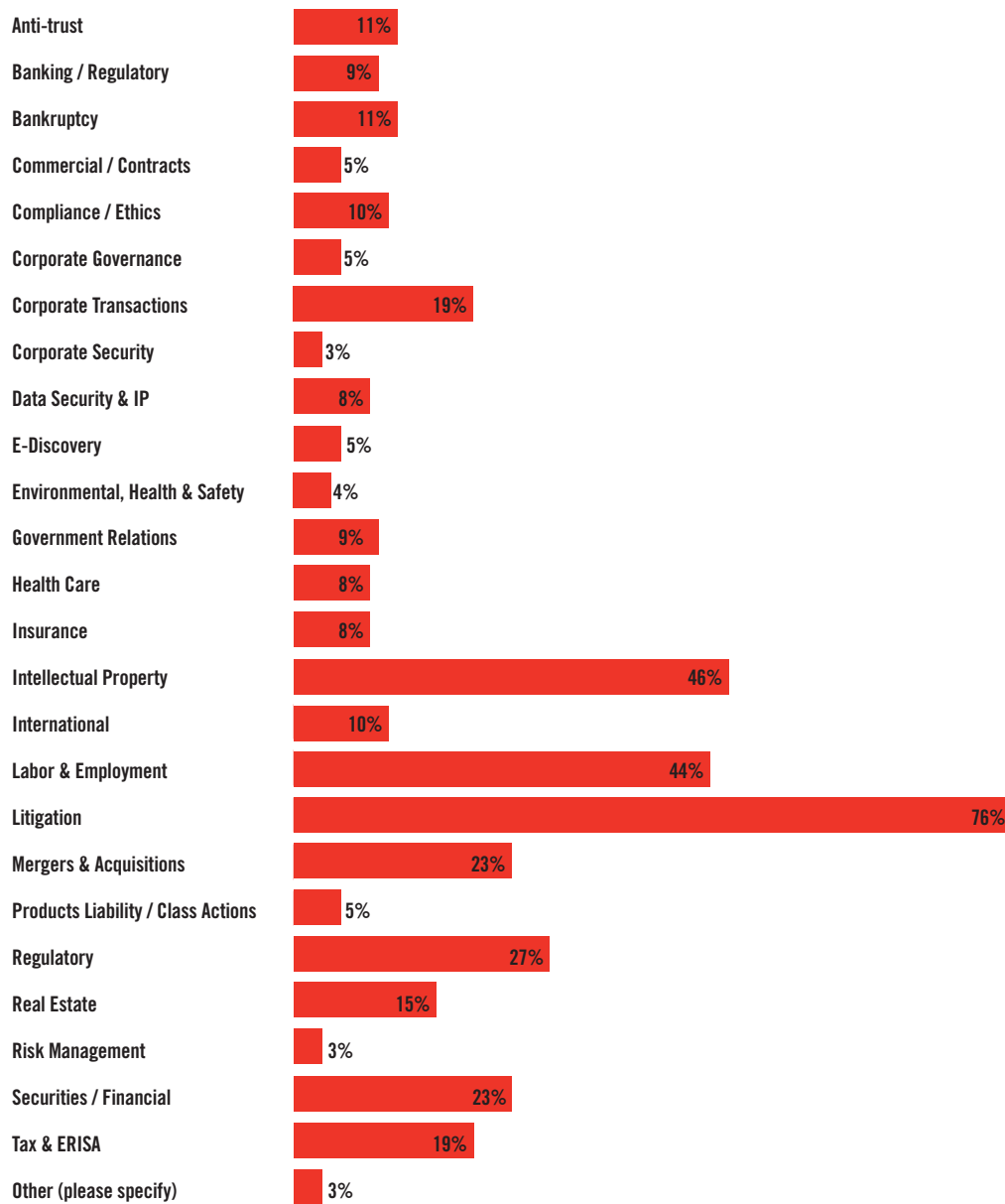


### 13. Which areas do you characterize as most critical to your organization's growth strategy? (Top 3 choices)



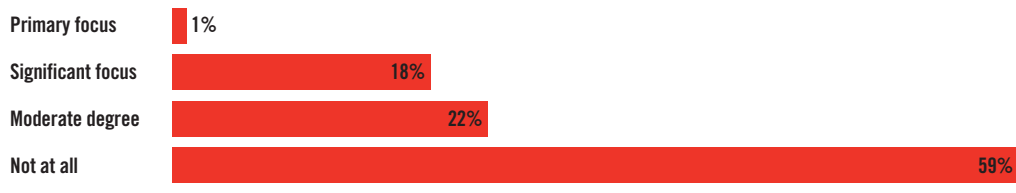
## APPENDIX: SURVEY RESULTS

### 14. In what areas do you rely on outside counsel most often? (Please check the top 5.)

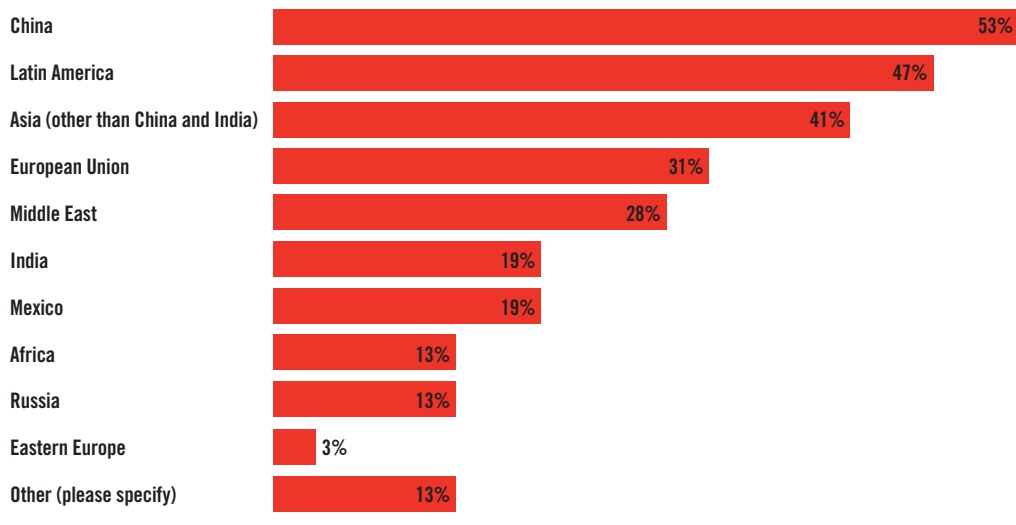


## APPENDIX: SURVEY RESULTS

### 15. To what extent is your company currently focused on international investment expansion as a long-term strategy to drive future growth of your business?



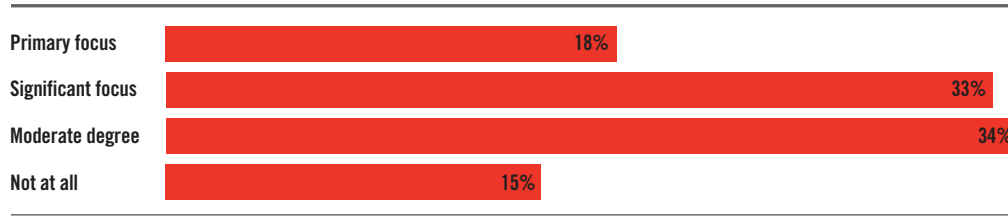
### 15a. What regions does your company think present compelling opportunity for growth? (Companies with int'l focus)



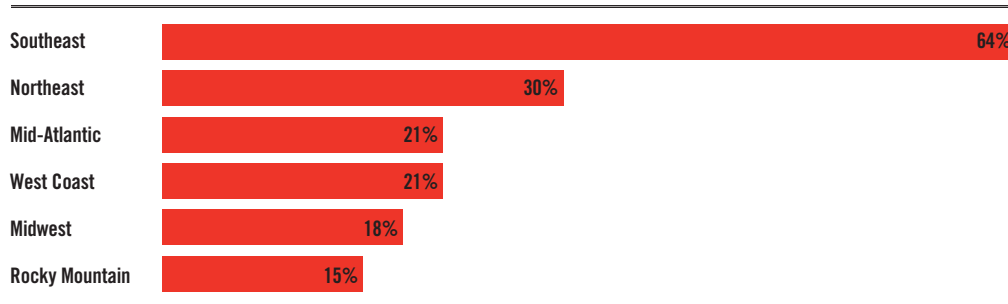


## APPENDIX: SURVEY RESULTS

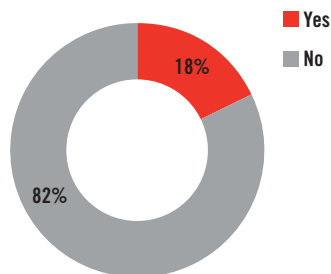
### 16. To what extent is your company currently focused on expansion into new domestic markets as a long-term strategy to drive future growth of your business?



### 16a. What regions does your company think present compelling opportunity for growth? (Companies w/regional focus)

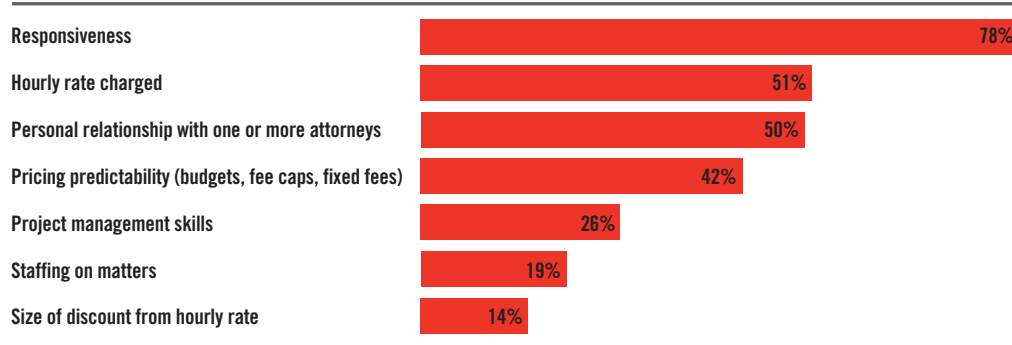


### 17. Is your legal department currently implementing Legal Project Management tactics in day-to-day matters?

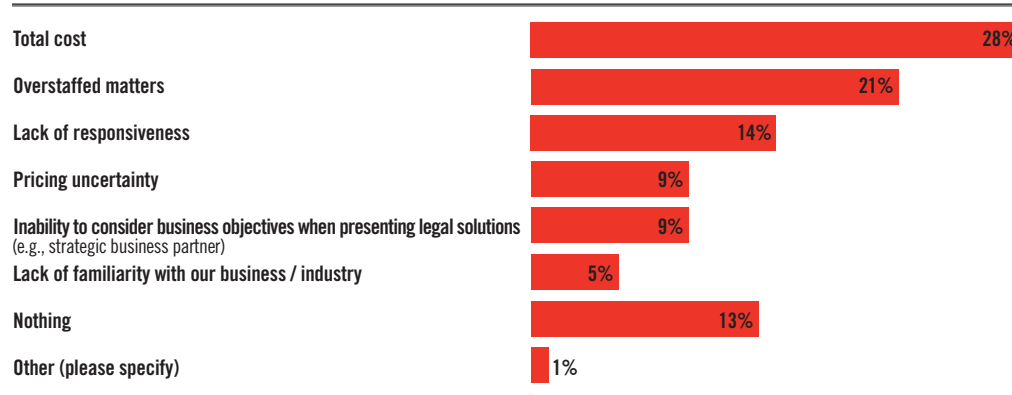


## APPENDIX: SURVEY RESULTS

### 18. With respect to your relationship with your most valued law firms, quality work is now taken to be a given. Which of these other qualities are also important to your legal department? (Please choose up to three.)

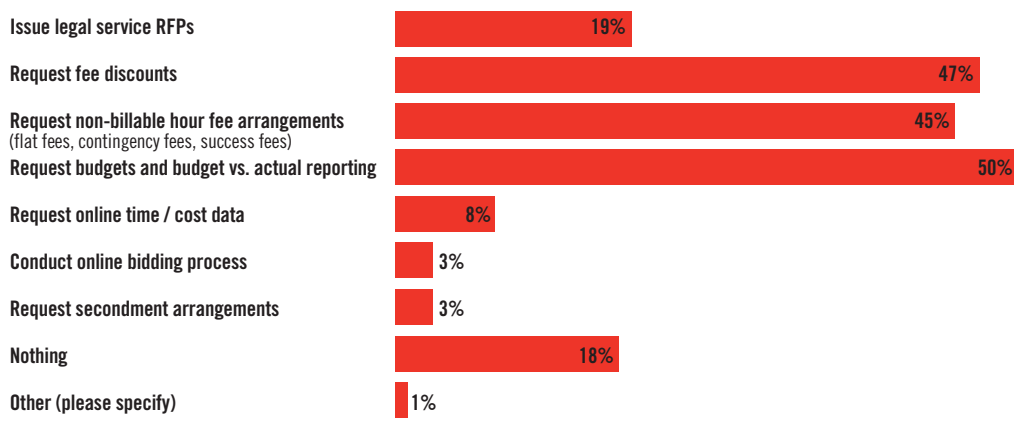


### 19. What aspect of your relationship with your most valued law firms irritates you the most?

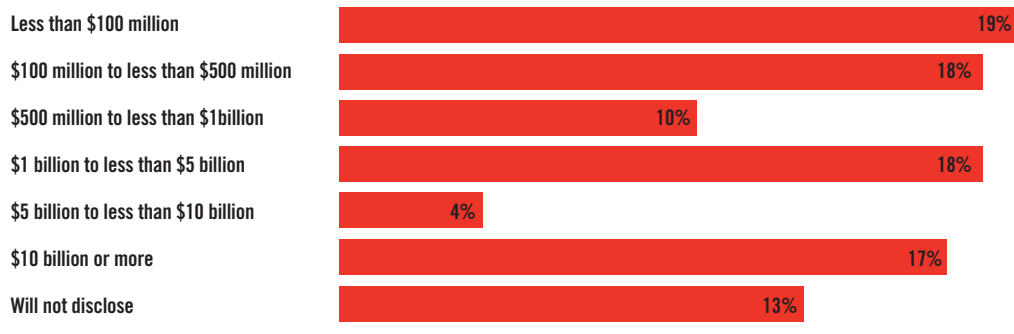


## APPENDIX: SURVEY RESULTS

### 20. In an increasingly competitive legal market, which of the following tactics are you considering using to change how you work with outside counsel? (Please choose all that apply.)



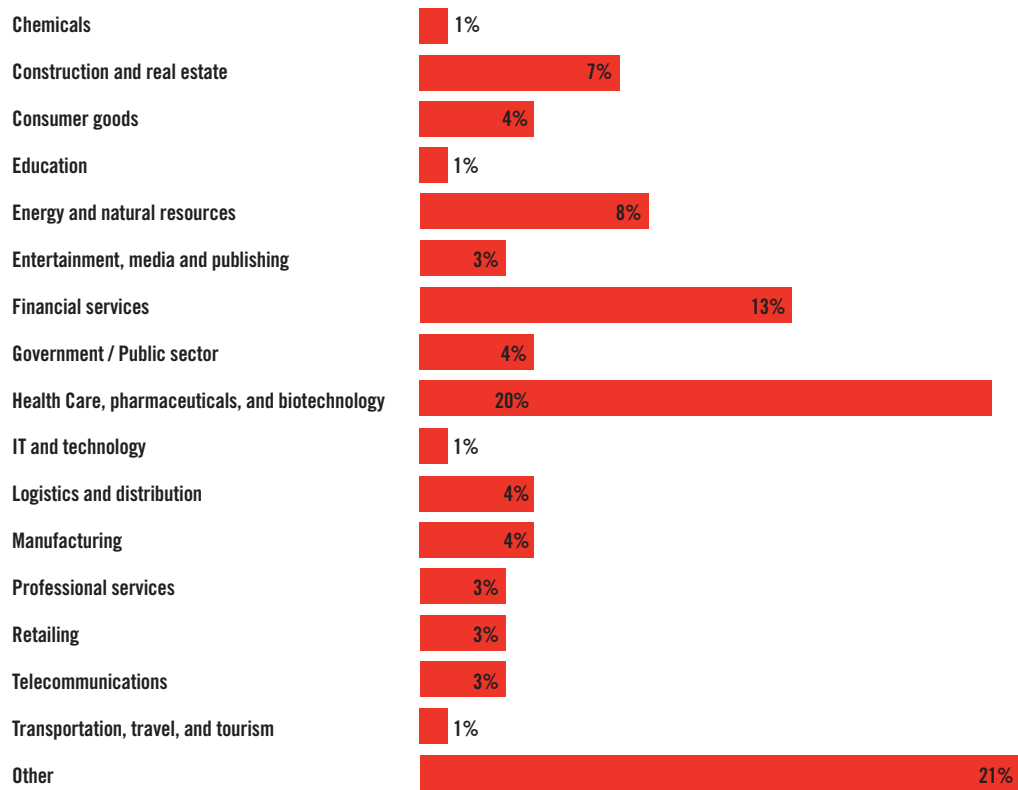
### 21. What is your company's annual revenue?



## APPENDIX: SURVEY RESULTS

### 22. What is your company's primary industry?

---





### **About ALM Legal Intelligence**

ALM Legal Intelligence offers detailed business information for and about the legal industry, focused on the top U.S. and international law firms. The division's online research web service (<http://www.almlegalintel.com>) provides subscribers with direct, on-demand access to ALM's extensive database of surveys, rankings, and lists related to law firms and the legal industry. The site also includes an online store where non-subscribers can, on an individual basis, purchase and download preformatted individual law firm reports, ALM Legal Intelligence research reports, and selected current-year survey data.