



Ipsos Reid

***In-House Corporate Counsel
Barometer***

**Conducted by Ipsos Reid for Canadian Corporate
Counsel Association (CCCA)**

Sponsored by Davies Ward Phillips & Vineberg LLP

Final Report

April 2007



TABLE OF CONTENTS

STUDY INTRODUCTION	III
HIGHLIGHTS OF STUDY FINDINGS.....	V
BEING CORPORATE COUNSEL	1
LITIGATION	10
THE ROLE OF GENERAL COUNSEL	12
MANAGING THE RELATIONSHIP WITH OUTSIDE COUNSEL.....	17
INNOVATIVE BUSINESS PRACTICES	23

STUDY INTRODUCTION

ABOUT THE ORGANIZATIONS INVOLVED

Canadian Corporate Counsel Association (CCCA)

CCCA provides a national forum for corporate counsel to advance the development of their practice of law, professional skills and careers as corporate counsel. To advance this Mission, the Board of Directors focuses CCCA resources on the following six Strategic Objectives:

- Developing Our Community
- Fostering Professional Excellence
- Enabling Career Development
- Advancing the Practice
- Being the Association of Choice
- Supporting Our Chapters

CCCA now has over 8,400 regular and associate members and 11 regional chapters across Canada.

Davies Ward Phillips & Vineberg LLP

Davies Ward Phillips & Vineberg LLP is focused on business law and is consistently ranked by independent rating agencies as a market leader in each of the firm's core practice areas. With more than 235 lawyers in Toronto, Montréal, New York, and an affiliate in Paris, Davies manages complex and sophisticated commercial and financial matters, regardless of borders.

In the 2007 Lexpert/American Lawyer Media's *Guide to the Leading 500 Lawyers in Canada*, Davies is ranked as the foremost Canadian law firm for corporate transactions in each of the Toronto and Montréal markets, relative to firm size and once again Davies has the highest percentage of lawyers ranked out of any major Canadian firm.

Ipsos Reid

Ipsos Reid is Canada's market intelligence leader and the country's foremost provider of public opinion research. With operations in eight cities, Ipsos Reid employs more than 300 research professionals and support staff in Canada. The company has the biggest network of telephone call centres in Canada, as well as the largest pre-recruited household and on-line panels. Ipsos-Reid's Canadian marketing research and public affairs practices are staffed with seasoned

research consultants with extensive industry-specific backgrounds, offering the premier suite of research vehicles in Canada - including the Ipsos Trend Report, the leading source of public opinion in the country - all of which provides clients with actionable and relevant information.

THE PURPOSE OF THE STUDY

In 2005 Davies Ward Phillips & Vineberg LLP initiated a joint project with the CCCA to create, supervise and disseminate a survey of CCCA members' attitudes and opinions regarding topics of interest and importance to them, called *In-House Corporate Counsel Barometer*, to be presented at the annual Spring conference of CCCA. The study provided a wealth of interesting and useful information for our members. We were pleased to repeat the study in 2006, and are once again pleased to do so this year. Some questions have been repeated to develop trend information, and new questions have been added to provide insight on other areas. New questions throughout the report are indicated by **NEW**.

METHODOLOGY

For this survey, 722 in-house corporate counsel completed an on-line questionnaire. Given the finite CCCA membership population, the total sample can be considered accurate to within ± 3.4 percentage points, 19 times out of 20, of what it would have been had this entire population been polled. The margin of error will be larger within regions and for other sub-groupings of the survey population.

REPORTING CONVENTIONS

When analysing responses to four-point scales, often the "top two responses" and "bottom two responses" are grouped together in the presentation of findings. For example, "somewhat agree" and "strongly agree" responses are combined into a "total agree" percentage.

HIGHLIGHTS OF STUDY FINDINGS

CHANGES VS. PREVIOUS YEARS

Compared to 2005 and 2006, this year's *In-House Corporate Counsel Barometer* has picked up on some notable shifts with respect to internal and outside counsel tracking measures:

- Since 2005, the advantages of working as in-house corporate counsel over working in a law firm have gained strength (e.g. being an active part of business decisions, applying their legal training to a business environment, getting a variety of legal work, etc.)
- The perception that it is important to have law firm experience before becoming an in-house counsel is stronger than it was two years ago
- More in-house corporate counsel (78% vs. 71% in 2006) would recommend becoming an in-house counsel to their friends/colleagues who are currently in private practice
- Keeping overall costs down is an increasingly important challenge for in-house corporate counsel
- A new alternative for 2007, "Enterprise-wide risk management" has become the second most important issue with which General Counsel is perceived to be involved
- An increasing proportion of in-house corporate counsel are recognizing the value for money offered by outside counsel
- The use of fixed fees and percent discounts in their dealings with outside counsel is becoming more prevalent among in-house corporate counsel

NEW TOPICS FOR 2007

Many new topics and questions have been introduced in 2007. Specifically, this year's study focused on:

- Additional Advantage of Working As In-House Corporate Counsel
 - This year, a new item has been included in the list of advantages of working as in-house corporate counsel over working in a law firm: Enhancement of business skills. Another business-specific advantage, this item ranks *third* in the overall set
- Hours Worked
 - On average, in-house corporate counsel are working 50 hours a week, and for a majority (63%) of them, this amount has stayed the same over the past two years.
- Cost Saving Measures



- The most common cost saving measures implemented over the past two years by in-house legal departments include “brought more in-house” and “require less service from outside counsel”
- Diversity
 - “Diversity” within their legal departments emerges as a relatively unimportant issue for many in-house corporate counsel
- Litigation
 - Most (84%) in-house corporate counsel are working in organizations against which at least one legal dispute has been filed in the past year
 - And of those, one in three have been exposed to class action litigation over the past year
 - One third (35%) of in-house corporate counsel say that the amount of litigation their organizations have faced in the past five years has increased; more (44%) expect further increases in the next five years
- Choosing Outside Counsel
 - The level of communication/responsiveness of the firm and its lawyers appears to be the most important consideration in choosing outside counsel
- Terminating A Law Firm
 - Three in ten in-house corporate counsel are working in organizations that have terminated a law firm in the past year
 - Main reasons for termination include price, a general dissatisfaction with the level of service, and a lack of responsiveness
- Innovative Business Practices
 - Most (86%) of in-house corporate counsel say that outside counsel has not developed an appealing business practice for their organizations
 - “Discount fees/reduced rates” is the most commonly-implemented business practice

CONSISTENT WITH PREVIOUS YEARS

The *In-House Corporate Counsel Barometer* for 2007 also offers a consistent perspective from previous years when it comes to several in-house and outside counsel tracking measures:

In-House Counsel

- In-house corporate counsel are just as likely as they were in 2005 to report increasing job satisfaction (72% both years)
- Nine in ten (89%) still feel that their company values their work
- The business-related advantages of working as an in-house corporate counsel over working in a law firm (being an active part of business decisions, applying legal training to a business environment) continue to be regarded as the most appealing
- In-house corporate counsel are still on the fence about whether or not they are losing touch with practice of law by working outside of a law firm (51% think they are, 49% do not think so)
- The *number one* challenge for in-house corporate counsel continues to be staying on top of the volume of work
- Regulatory compliance is still expected to be the most challenging area of law for in-house corporate counsel and their legal departments over the next one to two years
- Hiring intentions for in-house legal departments remain steady, with one in four (38%) expecting an increase
- General counsel's number one role is still seen as an advisory one (vs. management or legal)
- Regulatory compliance is still the top issue for general counsel, according to respondents surveyed this year and last

Outside Counsel

- One quarter (23%) of in-house corporate counsel continue to feel that the services supplied by outside legal counsel over the last year have improved, while the majority (68%) continue to feel that they have stayed the same.
 - The top reason for saying services have improved continues to be, "greater knowledge of our business needs" (37%)
- The same proportion of in-house corporate counsel (four in ten) indicates having had experience with alternative billing structures, other than hourly billing
- Expectations of increasing spend on outside counsel have remained constant

Detailed findings are presented in the following pages under the headings Being Corporate Counsel, Litigation, The Role of General Counsel, Managing the Relationship with Outside Counsel, and Innovative Business Practices.

DETAILED FINDINGS



BEING CORPORATE COUNSEL: FROM SATISFACTION TO MOTIVATION, FROM CHALLENGE TO DIVERSITY

JOB SATISFACTION AMONG IN-HOUSE COUNSEL REMAINS HIGH AND HAS RISEN SLIGHTLY SINCE 2006

Most in-house corporate counsel, 72% (identical to 2005), agree that compared to a year ago, they are more satisfied with their job today (26% strongly agree). The fact that nine in ten (89%) agree that their company values the work that they do may be a factor in this increasing level of satisfaction.

As was the case two years ago, respondents who have been in-house corporate counsel for one to three years remain more likely than their more experienced counterparts (in-house corporate counsel with more than three years experience) to register the highest level of satisfaction (85% vs. 68%).

IN-HOUSE CORPORATE COUNSEL SHOW HIGH AFFINITY FOR BUSINESS-RELATED ASPECTS OF THEIR ROLE

A majority of respondents see several advantages to working as in-house corporate counsel over working in a law firm; the highest ratings (an eight, nine or ten on a zero to ten “advantage scale”) coming from those advantages that relate specifically to the business environment. These advantages include “being an active part of business decisions” (72%), “applying legal training to a business environment” (64%), and, a new item introduced this year, “enhancement of business skills” (62%). Other highly-rated advantages of being in-house corporate counsel include the “variety of legal work” (57%) and “working for one client” (55%).

Table 1. Advantages Of Working As In-House Corporate Counsel Over Working In A Law Firm

% Of Respondents Who Rated Item In Top 3 Box (Answered 8, 9, Or 10)

Item	2005	2007
Being an active part of business decisions	63	72
Applying legal training to a business environment	56	64
Enhancement of business skills (new for 2007)	n/a	62
Variety of legal work	50	57
Working for one client	51	55
Work hours	47	48
Non-legal career advancement opportunities	35	43
Benefits package	35	39
Variable compensation (Bonus/stock options)	21	29
Prestige of the organization	16	24
Perks	16	21
Legal career advancement opportunities	10	12

Question: "Rate each of the following on a scale from 0 to 10, where 0 means it is of no advantage to working as in-house corporate counsel over working in a law firm and 10 means it is a great advantage to working as an in-house corporate counsel over working in a law firm."

Base = 722 (2007)

In-house corporate counsel show a greater affinity for most of the advantages, compared to two years ago. Ratings for "being an active part of business decisions" increased by 9 points, for "applying legal training to a business environment", "non-legal career advancement opportunities", "variable compensation" and "prestige of the organization" by 8 points each and for "variety of legal work" by 7 points.

In-house corporate counsel working in the government or for a government entity organization exhibit a distinct perspective on these advantages. They are less likely than other in-house corporate counsel to assign top ratings to "being an active part of business decisions" (61%), "applying legal training to a business environment" (45%) and to "enhancement of business skills" (45%), and see more of an advantage in their benefits package (52%).

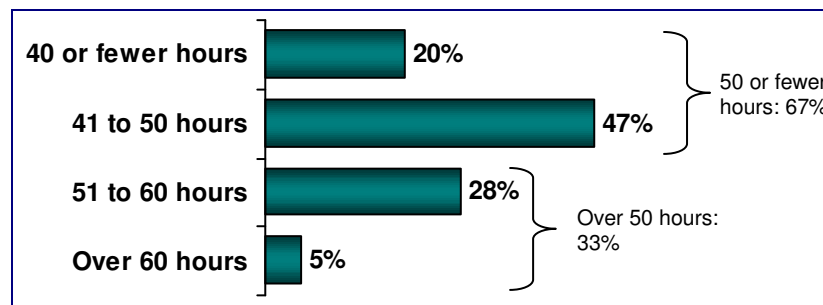
In-house corporate counsel in Quebec tend to be more positive about these advantages overall. Compared to their counterparts in other regions, they assign higher ratings to "enhancement of business skills" (71%), "benefits package" (48%), "non-legal career advancement opportunities" (57%), "perks" (32%), "variable compensation" (36%), "variety of legal work" (70%), and "prestige of the organization" (50%).

Organizations with smaller legal departments (1 to 20 lawyers) may offer their in-house corporate counsel more opportunities to participate in business-related aspects of the organization, as they are more likely to assign stronger ratings to “being an active part of business decisions” (74% vs. 60%), and “enhancement of business skills” (64% vs. 50%).

NEW - TWO IN THREE IN-HOUSE CORPORATE COUNSEL WORK 50 HOURS A WEEK OR LESS

In 2007, *In-House Corporate Counsel Barometer* increased its focus on one particular advantage of being an in-house corporate counsel: work hours. On average, in-house corporate counsel work 50 hours a week, with two thirds (67%) working 50 hours a week or less.

Figure 1. Hours Worked Per Week By In-House Corporate Counsel



Question: "On average, how many hours do you work each week? Please indicate number in space below."
 Base: 722

In-house corporate counsel working in public companies or wholly owned subsidiaries of a public company are more likely than those working in the government or a government organization to work more than 50 hours per week (37% vs. 24%).

Over the last two years, weekly hours worked has remained constant for a majority (63%) of in-house corporate counsel, while a quarter (24%) of respondents indicate that these hours have actually increased over that time period.

In-house corporate counsel in the East (i.e. Ontario and Atlantic Canada) are more likely to report an increase in the number of hours worked (28%) compared to those in the West (19%). Individuals in Quebec tend to report a constant number of hours worked (77%).

IN-HOUSE CORPORATE COUNSEL STILL ON THE FENCE ABOUT WHETHER THEY ARE LOSING TOUCH WITH THE PRACTICE OF LAW

Half of in-house corporate counsel (51%) think their connection with the practice of law is decreasing; an impression that remains constant (47% in 2005).

The feeling that this connection is decreasing is most common among in-house corporate counsel who:

- Work in organizations with more modest annual revenues (62% agree where revenue is \$300 million or less)
- Work in private companies (61% agree)
- Act as the sole corporate counsel in their organizations (61% agree)
- Work in organizations against which 10 or fewer legal disputes have been filed in the past year (55% agree)
- Are male (57% vs. 45% of females agree)

IMPORTANCE OF HAVING LAW FIRM EXPERIENCE IS GROWING

Eight in ten in-house corporate counsel (81%, vs. 75% in 2005) agree that, “it is important to have law firm experience before becoming an in-house counsel” (52% strongly agree vs. 41% in 2005). The feeling that such experience is important is most pronounced among in-house corporate counsel:

- With fewer than 15 years experience working as corporate counsel (85%)
- Working in the resources sector (86%)
- Residing in the West (87% agree)

EIGHT IN TEN RECOMMEND BECOMING CORPORATE COUNSEL

Eight in ten in-house corporate counsel (78%) are likely to recommend becoming an in-house counsel to their friends/colleagues who are currently in private practice (33% are extremely likely to do so). The strength of this year’s recommendation is slightly elevated compared to previous years, (71% were likely to do so in 2006 and 75% in 2005).

In-house corporate counsel working for public companies are more likely to make this recommendation than are those working for other types of organizations (84% vs. 74%).

STAYING ON TOP OF THE VOLUME OF WORK REMAINS THE PRIMARY JOB CHALLENGE FOR IN-HOUSE CORPORATE COUNSEL

Over half of in-house corporate counsel (54% - compared to 56% in 2006 and 60% in 2005) assign the highest ratings (an eight, nine or ten on a zero to ten 'challenge-scale') to "staying on top of the volume of work" when considering several possible responsibilities faced by themselves and their legal departments. The responsibility of "keeping overall costs down" is the second highest-ranked responsibility (32%), and is perceived to be more challenging today than it was in 2006 (25%). Three in ten in-house corporate counsel (30%) assign very high ratings to "finding/keeping adequate resources to deal with responsibilities", 28% to "keeping current with relevant developments in the law" and one quarter (26%) rate "dealing with compliance issues" as a major challenge.

Less prominent challenges include "finding the right expertise" (16%), "managing internal and outside legal counsel" (12%) and "dealing with litigation" (11%).

Table 2. Job Challenges For Corporate Counsel And Their Legal Department

Respondents Who Rate Item In Top 3 Boxes (Answered 8, 9, Or 10)

Item	2005	2006	2007
Staying on top of the volume of work	60	56	54
Keeping overall costs down	24	25	32
Finding/ Keeping adequate resources to deal with responsibilities	30	33	30
Keeping current with relevant developments in the law	30	32	28
Dealing with compliance issues	21	26	26
Finding the right expertise	14	21	16
Managing internal* and outside legal counsel	11	15	12
Dealing with litigation	12	15	11

* "internal and" added to this item in 2007

Question: "Rate each of the following responsibilities on a scale from 0 to 10 where 0 means it is not a challenge for you and your legal department and 10 means it is a very big challenge for you and your legal department."

Base= 722

- Staying on top of the volume of work is of particular challenge to more experienced in-house corporate counsel (those with over three years of experience – 57%)
- In-house corporate counsel in Quebec assign lower ratings to the top three responsibilities (staying on top of the volume of work: 40%, keeping overall costs down: 23%, and finding/keeping adequate resources to deal with responsibilities: 16%)
- "Keeping overall costs down" represents the greatest challenge for counsel practising in organizations earning annual revenues in excess of \$2 billion (42%)
- "Finding/Keeping adequate resources to deal with responsibilities" appears to represent a greater challenge for organizations with over 20 in-house corporate counsel (39%)

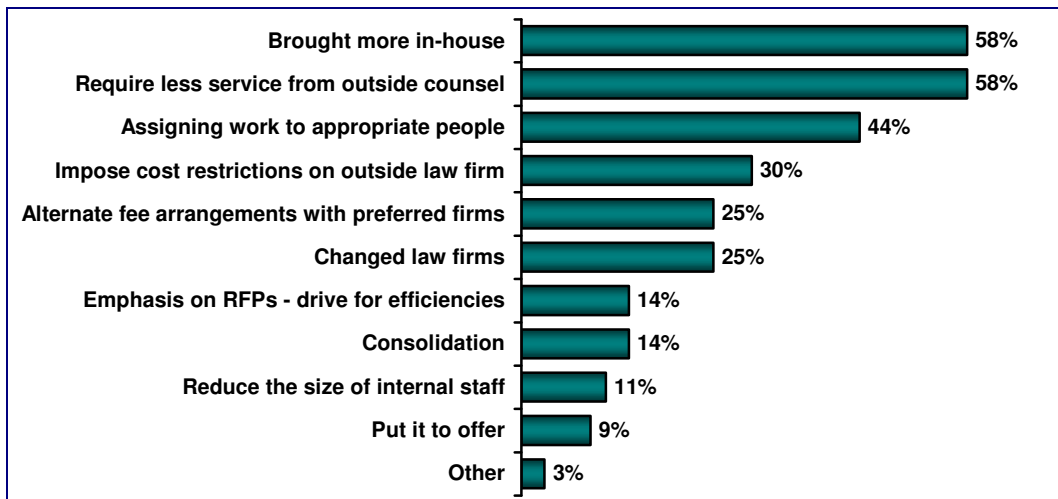
- There appears to be a positive relationship between hours worked and the intensity of the top three-rated challenges. Ratings are highest among those working over 50 hours per week (compared with those working 50 or fewer hours per week):
 - Staying on top of the volume of work (71% vs. 46%)
 - Keeping overall costs down (37% vs. 29%)
 - Finding/keeping adequate resources to deal with responsibilities (35% vs. 27%)

NEW - COST-SAVING MEASURES

To better understand the growing challenge of keeping overall costs down, this year's *In-House Corporate Counsel Barometer* explores cost-saving measures within in-house legal departments. When asked to indicate which measures their legal departments have implemented over the past two years to try to keep overall costs down, six in ten (58%) selected "brought more in-house" and the same proportion selected the related measure, "require less service from outside counsel".

Figure 2. Cost-Saving Measures Past Two Years

% Of Respondents Selecting Each Measure



Question: "Which of the following cost-saving measures has your legal department implemented over the past two years to try and keep overall costs down? (Please check all those that apply)"

Base: 722

- The following types of organizations are more likely to have brought legal work in-house over the past two years in an effort to keep overall costs down:
 - Public companies (66%) vs. private companies (50%) or government organizations (52%)
 - Organizations operating in the resource sector (66%)
 - Organizations with higher annual revenues (over \$300 million: 65% vs. \$300 million or less: 47%)
 - “Require less service from outside counsel” appears to be more common within wholly owned subsidiaries of public companies (72%)
- Organizations with annual revenues in excess of \$2 billion are more likely than organizations earning more modest revenues to have implemented the following cost-saving measures over the past two years:
 - Implement alternate fee arrangements with preferred firms (38%)
 - Imposed cost restrictions on outside law firms (44% vs. 26% organizations earning more modest revenues)
 - Changed law firms as a means to keep costs down (34%)
- Organizations against which more than 10 legal disputes have been filed in the past year are more likely to have implemented the following cost-saving measures over the past two years:
 - Brought more in-house (67% vs. 54%)
 - Imposed cost restrictions on outside law firms (39% vs. 25%)
 - Set up alternate fee arrangements with preferred firms (33% vs. 21%)
 - Organizations with past-year class action exposure are particularly likely to have implemented alternate fee arrangements with preferred law firms (37% vs. 21%)

REGULATORY COMPLIANCE REMAINS THE AREA OF LAW THAT IS MOST CHALLENGING FOR CORPORATE COUNSEL

Over one quarter (27%) of respondents rank "regulatory compliance" first when asked to rank the top three areas of law that they think will be most challenging – more than double the percentage who rank the next two areas first: "governance" (13%) and "litigation" (10%). When each area's first, second, and third ranking scores are summed (into a "combined ranking"), the relative positions of these areas are maintained.

Overall, there has been little change in this ranking over the past two years.

Table 3. Ranking Of Most Challenging Areas Of Law For In-House Corporate Counsels' Legal Department Over The Next One To Two Years

% Of Respondents

	Combined Ranking 2005	Combined Ranking 2006	Combined Ranking 2007	Ranked First 2007
Regulatory compliance	56	56	57	27
Governance	44	45	48	13
Litigation	39	36	36	10
Intellectual property	24	25	24	8
Employment and Labour	20	22	26	7
General liability	32	29	24	5
Environmental	18	17	19	5
Securities	16	19	17	5
Tax	10	10	10	4
International	16	16	10	3
Pensions	9	9	10	3
Other	7	7	13	6

Question: "From the list below, rank what you think will be the three most challenging areas of law for you and your legal department over the next one to two years."

Base: 722

This year, "Regulatory compliance" ranks in the top three areas of law most frequently among in-house corporate counsel working in:

- The financial services sector (79%) compared to those working in the resources sector (67%) and those in the services sector (42%)
- Public companies (65%) and wholly owned subsidiaries of public companies (69%) compared to those working in private (48%) and government (50%) organizations.

In-house corporate counsel working within the resources sector demonstrate a slightly different pattern of expectations. For them, environmental law supplants litigation as the area of law ranked third in terms of expected challenge over the next one to two years (42% combined ranking).

In-house corporate counsel working in organizations that have had over 10 legal disputes filed against them in the past year also demonstrate a distinctive outlook on which areas of law will be the most challenging for them over the next one to two years. Within this group, expectations of litigation challenges are heightened (49%). Looking specifically at those in-house corporate counsel working in organizations with past year class action exposure, it appears that they expect regulatory compliance to be more challenging over the next one to two years compared to those without such past year exposure (67% vs. 54%).

HIRING INTENTIONS REMAIN STEADY – SIX IN TEN (57%) EXPECT THE NUMBER OF LAWYERS IN THEIR DEPARTMENT TO STAY THE SAME IN NEXT TWO YEARS

Looking at a two year horizon, about six in ten corporate counsel (57%) think the number of lawyers in their department will stay the same. Four in ten corporate counsel (38% vs. 36% in 2006 and 34% in 2005) think their legal department will increase in size – compared with 5% who expect the number to decrease over this period.

Certain in-house corporate counsel demonstrate a greater propensity to expect an increase in the number of lawyers in their legal departments over the next two years:

- Those working in organizations with annual revenues in excess of \$2 billion compared to those with smaller revenues (49% vs. 33%)
- Respondents also expecting the amount of litigation faced by their organization to increase over the next five years): 43%
- Males (43%, vs. females, 33%)

NEW - FOR MOST (62%), DIVERSITY WITHIN THEIR LEGAL DEPARTMENT NOT EMERGING AS AN IMPORTANT ISSUE

To examine how diversity is viewed among Canadian in-house corporate counsel, a new question series was included in this year's *In-House Corporate Counsel Barometer*. For six in ten respondents (62%), the issues of diversity and minority representation in their department do not emerge as being of specific importance (25% not at all important). Four in ten in-house corporate counsel (38%) do assign importance to these issues (9% very important).

The same proportion of respondents (62%) indicate that they do not assign importance to the role of their legal department in promoting diversity within their organization (24% say this role is not at all important), while four in ten (38%) do (8% a "very important" role).

The above, overall findings, may suggest that for at least some Canadian corporations, diversity and minority representation may be becoming "a given," and by consequence require less *specific* attention.

LITIGATION

This year's *In-House Corporate Counsel Barometer* also aimed to explore *litigation* – one of the top three challenges that in-house corporate counsel expect to face over the next one to two years – in greater depth.

NEW – MORE THAN EIGHT IN TEN (84%) HAVE HAD AT LEAST ONE LEGAL DISPUTE FILED AGAINST THEIR ORGANIZATION IN THE PAST YEAR

Over the past year, 84% of in-house corporate counsel have reported that at least one legal dispute has been filed against their organization. About one third (35%) work for organizations that faced one to five disputes, one quarter (24%) for organizations that faced six to twenty disputes, and another quarter (25%) for organizations that faced over twenty disputes. On average, respondents' organizations faced thirty-six legal disputes over the course of the past year.

The average number of filings seems to vary with the type and nature of organizations:

- Government organizations faced the greatest number of legal disputes last year (56), followed by public companies (47), wholly owned subsidiaries of public companies (22), and private companies (16).
- Companies in the financial services sector experienced a relatively high number of disputes last year (69) compared to companies in other sectors.
- As the number of lawyers in their respective legal departments increases, so too does the average number of legal disputes faced by their respective organizations (until there are 11-20 lawyers, at which point this number peaks, and then starts to decrease). Organizations with a sole corporate counsel faced, on average, four filings in the past year, followed by those with two to five lawyers (20), six to ten lawyers (34), and 11-20 lawyers (95), and over 20 lawyers (83).

NEW - ONE IN THREE WHO HAVE FACED LITIGATION OVER THE PAST YEAR HAVE BEEN EXPOSED TO CLASS ACTION LITIGATION

Of those in-house corporate counsel who have had at least one filing brought against their organization over the past year, one third (34%) report exposure to class action litigation.

Class action exposure is significantly more common among those working in financial services organizations (50% of those facing any suits in the past year), public companies (45%), and organizations with annual revenues exceeding \$2 billion (55%).

NEW - NEXT FIVE YEARS MAY SEE MORE OF AN INCREASE IN LITIGATION THAN LAST FIVE YEARS

For one-third of in-house corporate counsel (35%), the amount of litigation faced by their organizations has increased over the past five years. This amount has decreased for 7% and has stayed the same for six in ten (58%).

In contrast, overall expectations for increasing litigation over the next five years are 9 points higher, with 44% anticipating such a change; few (6%) anticipating a decrease and half (50%) anticipating no change.

In the context of litigation, past five year trends appear to fuel next five year expectations: Over two in three in-house corporate counsel (69%) who saw an increase in litigation at their organizations in the past five years expect further increases in the next five years, while a similarly high proportion (66%) of those who saw steady litigation levels expect such levels to remain constant between now and 2012.

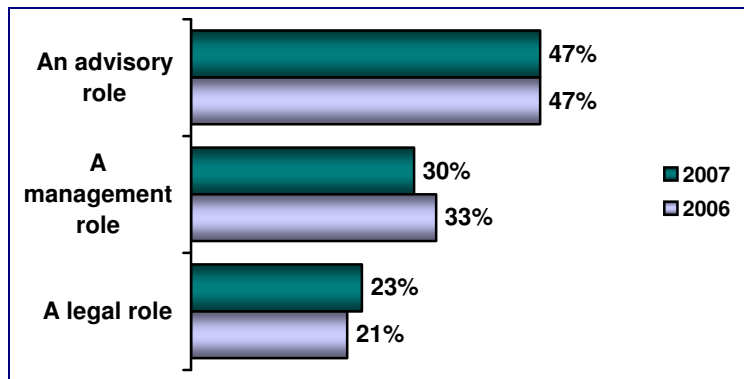
Expectations for increases in litigation in the next five years are particularly high among in-house corporate counsel working in the services sector (49%) and among those working in organizations planning to increase spending on outside counsel in the next two years (58%).

THE ROLE OF GENERAL COUNSEL

ADVISORY ROLE REMAINS NUMBER ONE

Almost half of in-house corporate counsel (47%, unchanged since last year) still feel that the advisory role is the most important one fulfilled by the General Counsel of their organizations; three in ten (30%, 33% in 2006) continue to feel that the management role is most important; and about two in ten (23%, 21% in 2006) still indicate that the legal role is most important.

Figure 3. Most Important Role Fulfilled By General Counsel



Question: "Of the following roles which do you feel is the most important one fulfilled by the General Counsel for your organization?"
Base: 722

Respondents acting as the sole corporate counsel in their organizations are most likely to feel that the legal role is the most important (32%). In contrast, those working in organizations with larger legal departments (over 20 lawyers) are the most likely to feel that it is the management role that is most important (38%).

While the perception that the advisory role is General Counsel's most important is consistent among in-house corporate counsel across all sectors, there is less agreement regarding the relative importance of the management and legal roles:

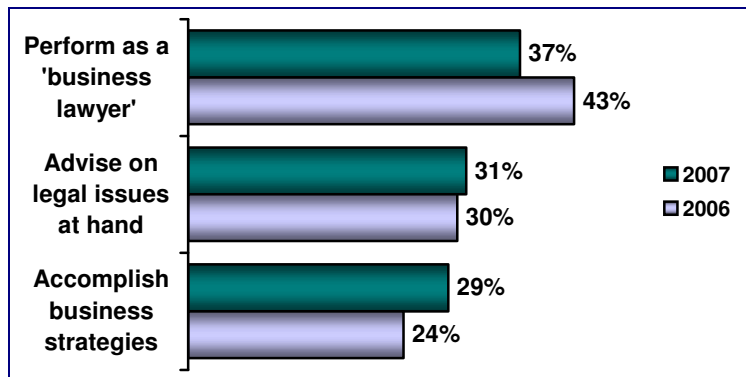
- Those in the resources sector are more likely to point to *management* as the top role (40%), while those in the services sector are less likely to do so (25%).
- The *legal* role is less likely to be identified as the top role by those in the financial services sector (18%).

WHAT SKILL IS MOST IMPORTANT FOR GENERAL COUNSEL WHEN IT COMES TO PERFORMING AN ADVISORY ROLE?

General counsel's most important skill is the ability to perform as a 'business lawyer', according to in-house corporate counsel who believe that a general counsel's most important role is an advisory one. Shared by almost four in ten (37%) of those holding this belief, the perception that this skill is most important has decreased slightly in strength since 2006 (43%). This year, three in ten (29%, similar to 24% in 2006) are of the opinion that the skill of accomplishing business strategies is most important, and another three in ten (31%, 30% in 2006) continue to identify "advise on legal issues at hand" as the most important skill for this role.

Figure 4. Skill Most Important For General Counsel When It Comes To Advisory Role

% Of Respondents Who Said Advisory Role Is The Most Important For General Counsel



Question: "In your opinion, what skill is most important for the general counsel when it comes to performing an advisory role?"

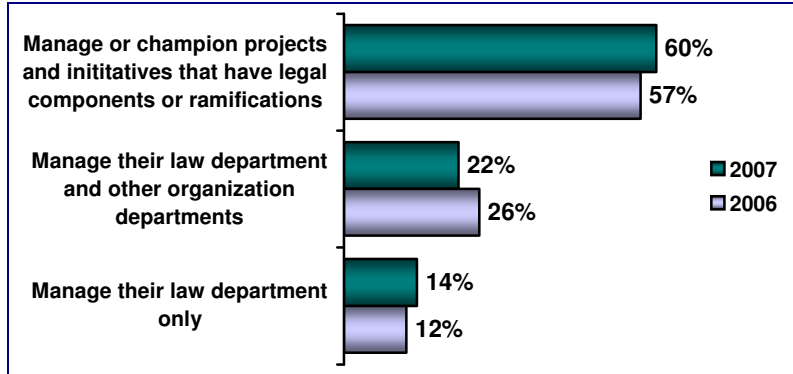
Base: 342

WHEN IT COMES TO PERFORMING A MANAGEMENT ROLE...

Among those who feel that the management role is the most important for general counsel, six in ten (60% in 2007, vs. 57% in 2006) continue to choose "manage or champion projects and initiatives that have legal components or ramifications" as the most important skill in fulfilling this role. About two in ten (22% - similar to 26% in 2006) choose "manage their law department and other organization departments", and about one in ten (14%, 12% in 2006) choose "manage their law department only" as most important.

Figure 5. Skill Most Important For General Counsel When It Comes To Management Role

% Of Respondents Who Said Management Role Is The Most Important For General Counsel



Question: "In your opinion, what skill is most important for the general counsel when it comes to performing a management role?"
Base: 216

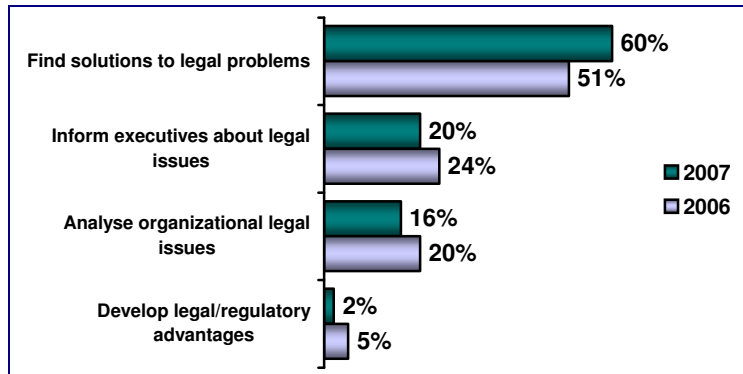
AND PERFORMING A LEGAL ROLE...

Of those who feel that a legal role is the most important for general counsel, six in ten (60%) point to "finding solutions to legal problems" as the most important skill for this function. Two in ten (20%) feel the most important skill is informing executives about legal issues, 16% feel it is analysing organisational legal issues, and 2% feel it is developing legal/regulatory advantages.

While the relative importance of each of these skills has not changed since last year, the opinion that general counsel's most important skill in this role is finding solutions to legal problems is even stronger than it was last year (60% vs. 51%).

Figure 6. Skill Most Important For General Counsel When It Comes To Legal Role

% Of Respondents Who Said Legal Role Is The Most Important For General Counsel



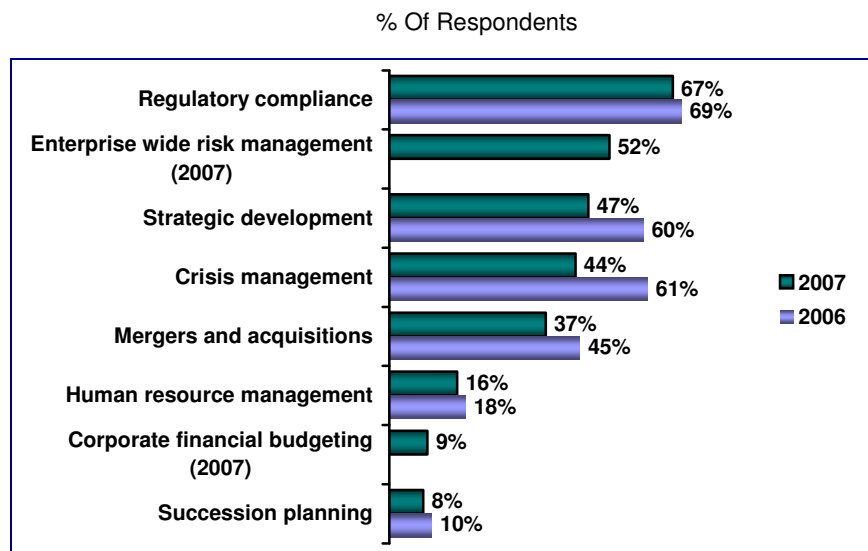
Question: "In your opinion, what skill is most important for the general counsel when it comes to performing a legal role?"
Base: 164

'REGULATORY COMPLIANCE' AND 'ENTERPRISE WIDE RISK MANAGEMENT': TOP ISSUES FOR GENERAL COUNSEL

When asked what corporate strategic issues their organization's general counsel is involved in directly, two thirds (67%) point to regulatory compliance and one in two (52%) point to enterprise wide risk management. A significant number also point to strategic development (47%), crisis management (44%), and mergers and acquisitions (37%).

While these latter three issues appear to have decreased in importance since last year's survey, the addition of two new choices in the 2007 list of issues may have motivated some in-house corporate counsel to select "enterprise wide risk management" or (to a lesser extent) "corporate financial budgeting" instead of other issues, since they were asked to choose up to three issues in response to this question.

Figure 7. Corporate Strategic Issues With Which General Counsel Are Involved Directly



Question: "What are the corporate strategic issues with which the general counsel in your organization is involved directly? Please choose up to three."

Base: 722

This year, the results of the survey suggest that the following variations exist for the following issues with which general counsel is involved directly:

- Regulatory compliance
 - This issue appears to be of greater importance to general counsel in the financial services sector (81%), and of lesser importance to general counsel in organizations with larger legal departments (55% over 20 lawyers)
- Enterprise wide risk management

- Of greatest concern to general counsel in Quebec (60%)
- Strategic development:
 - Of more importance to general counsel in private companies (54%) and in government or a government entity organization (52%); of lower importance to those practising in wholly owned subsidiaries of a public company (37%)
- Crisis management
 - A greater issue for general counsel in government (55%), in the services sector (51%), and working in organizations against which over 10 legal disputes have been filed over the past year (54%, vs. 28% where no legal disputes have been filed)

MANAGING THE RELATIONSHIP WITH OUTSIDE COUNSEL

NEW - COMMUNICATION/RESPONSIVENESS IS THE NUMBER ONE CONSIDERATION WHEN CHOOSING AN OUTSIDE LAW FIRM

To better understand how in-house corporate counsel select an outside law firm(s), a question was added this year. By far, the number one consideration is the level of communication/responsiveness of the firm and its lawyers, with eight in ten (82%) saying this consideration is “very important” in making a decision as to which outside law firm to use for their legal needs. The law firm’s specialization (57%), the depth of a law firm’s prior experience and results (53%) and existing relationships/referrals (49%) are next in importance.

Figure 8. Considerations In Choosing Outside Counsel

% Saying This Consideration is “Very Important”



Question: “In making a decision as to which outside law firm to use for your legal needs, how important are each of the following considerations (very/somewhat/not really/not at all important)?”

Base: 722

There is a great deal of variation with respect to the importance attributed to many of these considerations:

- The level of communication/responsiveness of the firm and its lawyers is least important to in-house corporate counsel working in government organizations (73%)
- The law firm’s specialization is more important to those working in the resources sector (65%)
- After the level of communication/responsiveness of the firm and its lawyers, existing relationships/referrals is the most important consideration for wholly owned subsidiaries (61%)
- In-house corporate counsel working for organizations that expect litigation to increase in next five years are more likely to consider the following “very important”:
 - Depth of a law firm's prior experience and results (57%)

- The law firm's cost/billing rate (37%)
- The law firm and individual lawyer ratings (23%).
- Respondents working in organizations that have been exposed to class action in the past year assign more importance to having access to a law firm's premier lawyers than do those who have not had such exposure (40% vs. 27% very important).
- In-house counsel in Quebec assign greater importance to...
 - The law firm's specialization (71%)
 - Consistency of a law firm's performance between offices, departments (46%)
 - ...And less importance to:
 - The depth of a law firm's prior experience and results (44%)
 - Access to a law firm's premier lawyers (21%)

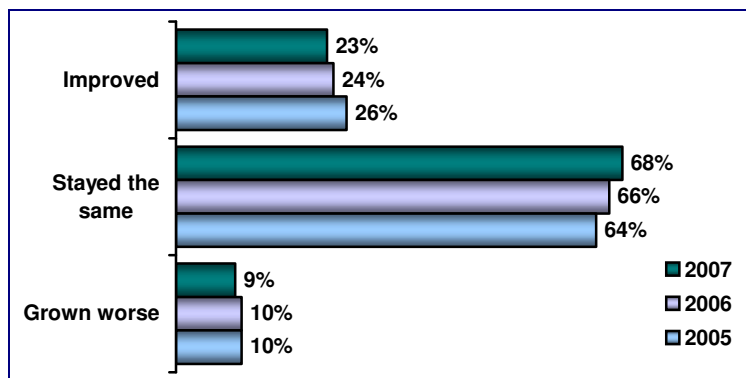
"The media coverage that a law firm receives" received little consideration in making the decision (1% a "very important" consideration). This suggests that in-house counsel tend to look to many other factors first in selecting an outside law firm. (That said, the specific wording of this option may not adequately denote the firm's *overall* public profile – including both paid for and earned media – and so the importance of this consideration may be understated.)

QUALITY OF SERVICES SUPPLIED BY OUTSIDE LEGAL COUNSEL REMAINS STEADY

Thinking generally about the services supplied by outside legal counsel to their organization over the last year, one quarter of in-house corporate counsel (23%) say services have "improved", while one in ten (9%) say that they have "grown worse" – numbers virtually identical to those recorded in the previous two years' surveys. Two thirds (68%) say the services provided to them by outside counsel have "stayed the same" over the last year.

Figure 9. Quality of Services Supplied By Outside Legal Counsel: Past Year

% Of Respondents



Question: "Thinking generally about the services supplied by outside legal counsel to you or your organization over the last year, would you say that they have improved, stayed the same, or grown worse than they have been in the five years before that?"

Base: 722

TOP REASONS FOR IMPROVED SERVICE ARE OUTSIDE COUNSEL'S GREATER KNOWLEDGE OF THEIR BUSINESS NEEDS (37%) AND BETTER REACTION TIME/RESPONSIVENESS (29%)

Among in-house corporate counsel who say that services supplied by outside counsel have improved, the largest proportion (37%) attribute this improvement (unaided) to outside counsel having greater knowledge of their business needs. The next most commonly cited reason for improvement is that there is "better reaction time/responsiveness" (29%), followed by "better communication" (20%).

Table 4. Reasons For Saying Services Supplied By Outside Counsel Have Improved
 % Of Respondents Who Say Services Have Improved

	2005	2006	2007
Greater knowledge of our business needs	36%	37%	37%
Better reaction time/ responsiveness	17%	12%	29%
Better communication	8%	13%	20%
Better value/ better cost control	19%	20%	18%
Better service	20%	29%	16%
Better access to expertise	12%	8%	13%
Greater ability to work together/ stronger relationship	23%	13%	12%

Question: "Why do you say that services supplied by outside counsel have improved?"

Base= 164

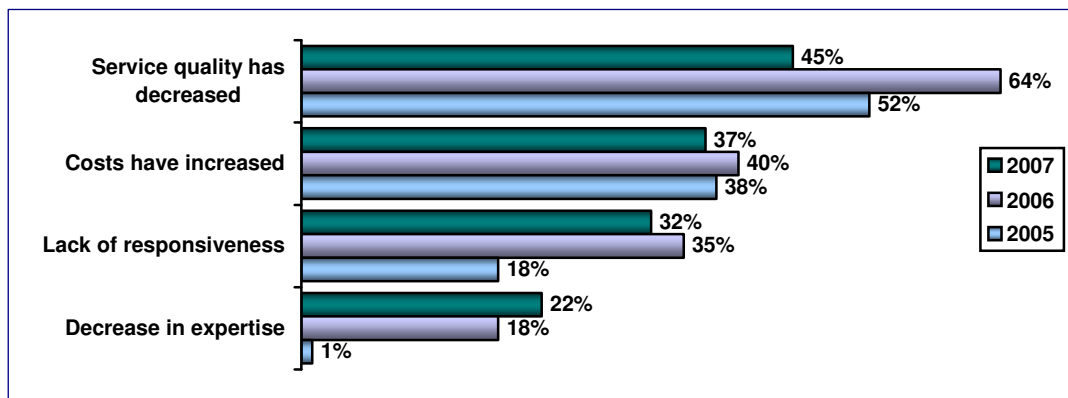
RIISING COSTS AND LACK OF RESPONSIVENESS AMONG REASONS CITED FOR WORSENING SERVICE

Of those in-house corporate counsel who say that services supplied by outside counsel have grown worse over the last year, 45% offered an unaided general comment about the "service decreasing." Almost four in ten (37%) attribute the perceived decline to increasing costs, one-third (32%) to a lack of responsiveness, and two in ten (22%) to a decrease in expertise.

While with a small sample size such as this one (n=65), responses from year-to-year should be viewed with caution.

Figure 10. Reasons For Saying Services Supplied By Outside Counsel Have Grown Worse Over The Past Five Years

Of Respondents Who Say Services Have Grown Worse



Question: "Why do you say that services supplied by outside counsel have grown worse?"
Base= 65

THREE QUARTERS (74%) SEE VALUE IN OUTSIDE COUNSEL'S SERVICES

Three quarters of in-house corporate counsel (74% - up five points from 2006) agree with the statement, "the services supplied by outside counsel over the last year have demonstrated value for money to you and your organization" (16% strongly agree). Still, one in four (25%) disagree with this statement.

In-house corporate counsel working in organizations against which no legal disputes were filed in the past year are less likely to agree with this statement (63%). Similarly, those in Quebec are less likely to agree (65%).

NEW - THREE IN TEN HAVE TERMINATED A LAW FIRM IN THE PAST YEAR

The experience of terminating a law firm was explored in some detail in this year's *In-House Corporate Counsel Barometer*. Three in ten in-house corporate counsel (30%) work in organizations that have terminated a law firm(s) in the past year. This experience appears to be most common among those working in the financial services sector (40%) and in public companies (38%), and less common among those working in private companies (25%) and government or government entity organizations (23%). Those who act as the sole corporate counsel in their organizations are the least likely to have had this experience over the last year (19%).

PRICE THE NUMBER ONE REASON FOR TERMINATING A LAW FIRM

When asked to articulate the reasons behind the decision to terminate a law firm in the past year, in-house corporate counsel working in organizations that had done so cite price (23%), a general dissatisfaction with the service provided (19%) and a lack of responsiveness (18%) as the main reasons.

Figure 11. Main* Reasons Organization Decided To Terminate A Law Firm In The Past Year

% Mentioning Each Reason (unaided)



*Responses under 4% not shown

Question: "And, what were the main reasons your organization decided to terminate a law firm(s) in the past year?"

Base: 216

While data cited in Figure 8 ("Considerations in Choosing Outside Counsel") suggests that when presented with a list of criteria in choosing an outside law firm, "the law firm's cost/billing rate" is not among the most important considerations, "price" does appear among the top reasons for terminating an outside firm. This contrast may suggest that in an environment increasingly concerned with keeping costs down, in-house corporate counsel may be increasing the level of negotiation with firms and maintaining higher expectations of value in terms of service and responsiveness.

MANY (44%) CONTINUE TO EXPECT THE AMOUNT OF MONEY SPENT ON OUTSIDE COUNSEL WILL INCREASE OVER THE NEXT TWO YEARS

Over the next two years, over four in ten corporate counsel (44% vs. 40% in 2006 and 43% in 2005) expect that the amount of money their company spends on outside counsel will "increase". In comparison, just 16% of survey respondents expect their company to "decrease" this amount. The remaining 40% of respondents believe the amount of money spent by their company on outside legal counsel will "stay the same" over the next two years.

In-house corporate counsel most likely to expect an increase in spending on outside counsel over the next two years include those:

- In the resources sector (52%)
- Expecting that the legal departments in their *own* organizations will increase in size over the next two years (51%)
- Expecting to see increased litigation in their organizations in the next 5 years (58%)

INNOVATIVE BUSINESS PRACTICES

Last year's *In-House Corporate Counsel Barometer* specifically examined experiences with alternative billing structures; this year's survey has tracked this experience, and also taken a broader look at innovative business practices in general.

NEW - FOR MOST (86%), OUTSIDE COUNSEL HAS NOT DEVELOPED AND IMPLEMENTED AN INNOVATIVE, APPEALING BUSINESS PRACTICE

According to a strong majority of in-house corporate counsel (86%), over the past five years, outside counsel has not developed and implemented an innovative billing or other business practice that strongly appeals to their organization; for 14%, outside counsel has done so. Such development/implementation appears to be most common:

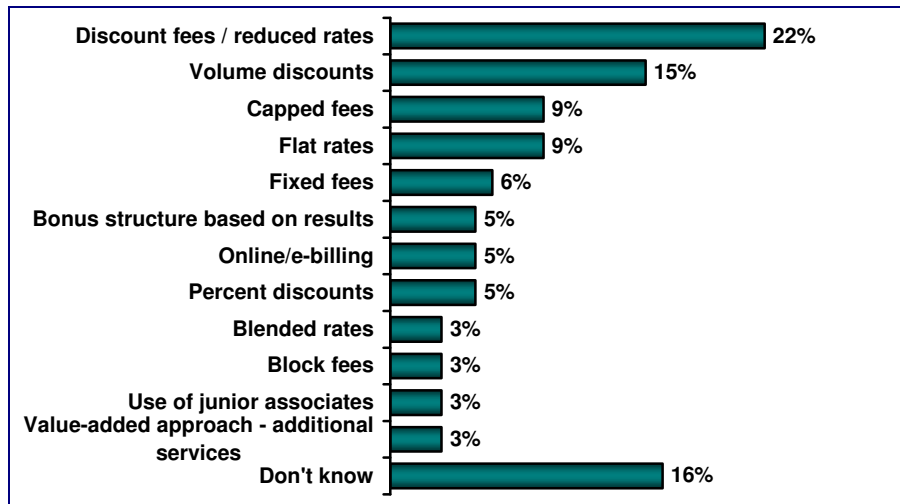
- In public companies (20%)
- Among those in-house corporate counsel who see the service of outside counsel as having improved over the past year (23%)
- In organizations with greater annual revenues (21% over \$2 billion vs. 9% \$300 million or less)

NEW - DISCOUNT FEES/REDUCED RATES MOST COMMONLY-IMPLEMENTED INNOVATIVE BUSINESS PRACTICE BY OUTSIDE COUNSEL

In-house corporate counsel for whom outside counsel *has* developed and implemented an innovative billing or other business practice point to discounted fees and reduced rates (22%) and volume discounts (15%) when asked to describe this innovative practice.

Figure 12. Main* Innovative Practices Developed/Implemented By Outside Counsel over the Past Five Years

% of Respondents For Whom Outside Counsel Have Developed/Implemented an Appealing Business Practice



*Wide variety of practices mentioned by fewer than 3% not shown
Question: "Please describe this innovative practice(s)."
Base: 100

FOUR IN TEN (39%) HAVE HAD EXPERIENCE WITH ALTERNATIVE BILLING STRUCTURES

When asked specifically about experience with alternative billing structures in their dealings with outside counsel, four in ten in-house corporate counsel (39%, unchanged from 38% 2006) say that they or their organization have had experience with "alternative billing structures, other than hourly billing" in the past.

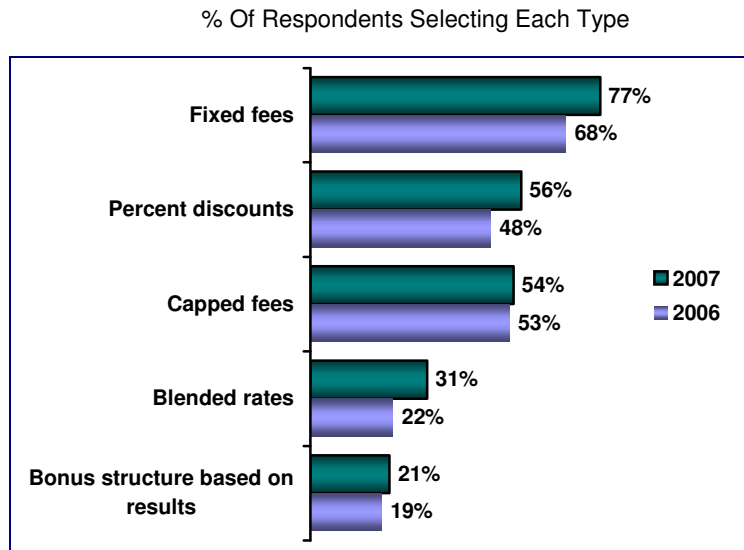
In-house corporate counsel appear to be more likely to have experienced alternative structures if they:

- Work in public companies (45%)
- Work in organizations that plan to increase spending on outside counsel in the next two years (44%)
- Feel that outside legal counsel services have improved over the last year (49%)
- Practice in higher-revenue organizations (45% over \$300 million annually)

MORE USING FIXED FEES (77% VS. 68%)

Of those who have had experience with alternative billing structures, other than hourly billing, more are experiencing a fixed fee structure this year than were doing so in 2006 (77% vs. 68%), and more are using percent discounts (56% vs. 48%). Other popular alternatives include capped fees (54%), blended rates (31%, up from last year's 22%), and a bonus structure based on results (21%).

Figure 13. Main* Types of Alternative Billing Structures Corporate Counsel Have Experienced In Dealings with Outside Counsel



* Responses under 3% not shown.

Question: "From the list below please indicate which types of alternative billing structures you or your organization have experienced in your dealings with outside counsel."

Base: 283