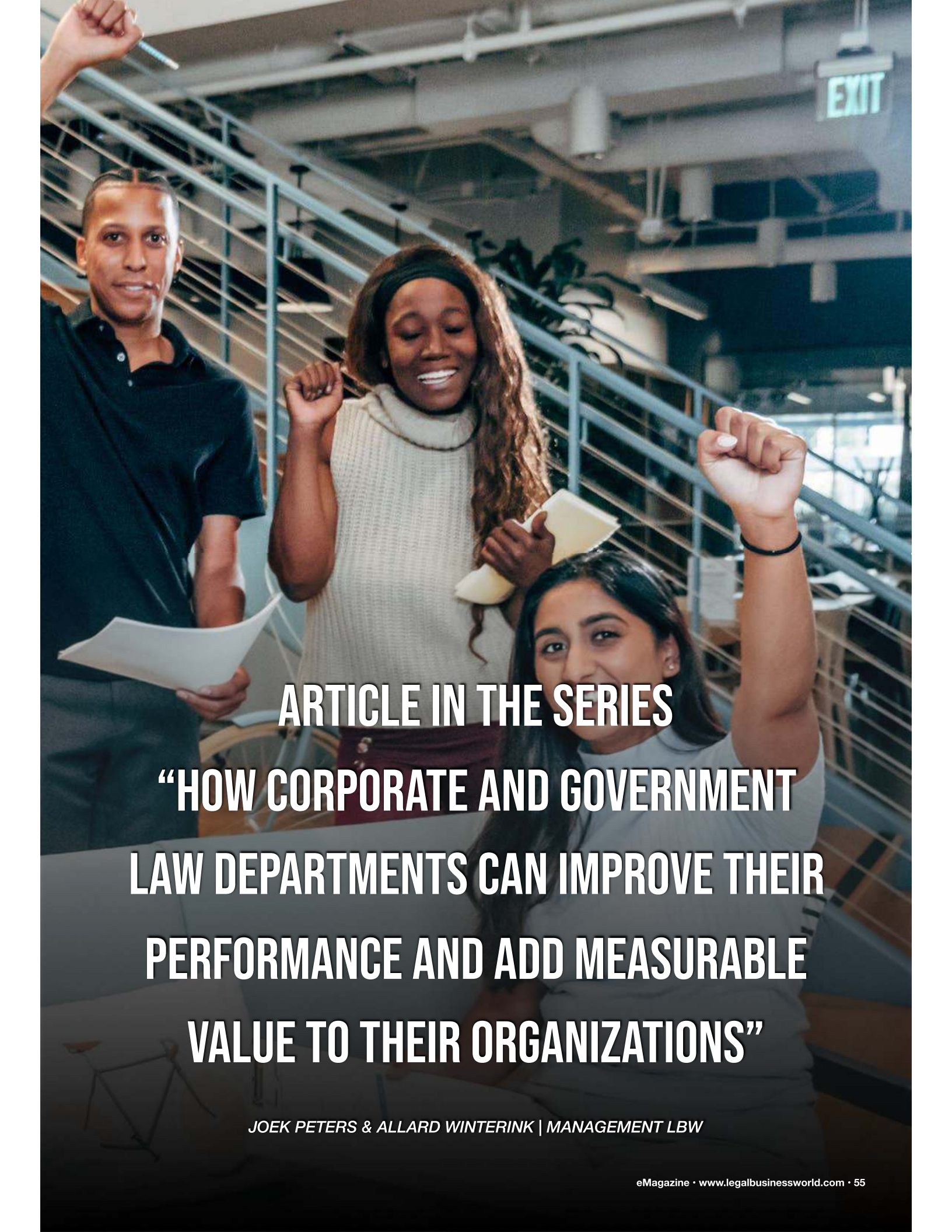


A photograph of an office interior. In the foreground, a man in a checkered shirt is smiling and raising his right fist. Behind him, a woman in a red top is also smiling and raising her right fist. To the right, another person's arm with a tattoo is visible, also raised. The background shows a modern office with a staircase, framed pictures on the wall, and a desk with a small plant.

**ON BEHALF OF THE LBW EDITORIAL TEAM
WE LIKE TO CONGRATULATE RICHARD G.
STOCK ON HIS
30TH**

A photograph of three diverse professionals in a modern office setting. On the left, a man in a dark polo shirt holds a white document and has his fist raised. In the center, a woman in a white sweater smiles and has her fist raised. In the foreground, a woman in a light blue t-shirt looks towards the camera with her fist raised. The background shows a staircase with blue railings and an 'EXIT' sign.

ARTICLE IN THE SERIES
**“HOW CORPORATE AND GOVERNMENT
LAW DEPARTMENTS CAN IMPROVE THEIR
PERFORMANCE AND ADD MEASURABLE
VALUE TO THEIR ORGANIZATIONS”**

JOEK PETERS & ALLARD WINTERINK | MANAGEMENT LBW

Adding Another Lawyer to the Law Department?

By Richard G. Stock, M.A., FCG, CMC, Partner with Catalyst Consulting

This is the thirtieth in a series of articles about how corporate and government law departments can improve their performance and add measurable value to their organizations.

Surveys and interviews show that one of the biggest challenges facing General Counsel and their legal teams are workloads and workflows including the pace of work. The frustrations can be quite specific and include demands from clients with incomplete documentation and poorly considered scope of work. These issues take time to sort out, but the deadlines do not change. And of course, clients believe that the legal department is responsible for the hold-up.

Corporate counsel are annoyed with constant interruptions, the volume of e-mails (many of them useless) and the extent of hand-holding required by clients. Careful analysis shows that up to 15% of a work week is lost and unproductive for want of relevant legal practice and relationship management protocols. This can amount to 300 hours of “lost time” per lawyer per year.

Preparing the business case to add a lawyer to the legal department begins by ensuring that the department is highly productive. This is quite different than ensuring that everyone is committed and working hard. Those who approve additional head count will be more sympathetic to a request for resources if a measurable improvement to productivity can first be demonstrated.

The second element of the business case depends on the preparation of a detailed demand forecast, typically expressed as the number of matters, the legal specialties, the number of hours and the level of complexity of the work for each major client group within the company. This matrix of work should incorporate planning assumptions and their probability for

two or three years. Formal discussions with each client group are essential. They should occur at the same time as the annual business planning cycle. The General Counsel then has a graphic representation of the legal work by type and business unit. It should be 90% accurate for the year.

The third element of the business case entails matching the demand with the available internal and external resources. Most legal departments tend to refer litigation, labour and employment, intellectual property, tax and other specialty matters to external counsel. The preference is to handle most corporate and commercial work internally. Smaller legal departments typically refer M+A and securities work because they rarely have the experience mix and availability to take on the work. Consideration should be given at this stage to in-sourcing some of the work often referred to external counsel.

The fully-loaded hourly rate for inside counsel is typically 40-45% of the hourly rate of external counsel for the same level of experience. For example, the work of external counsel billing at €480 per hour (this is on the low end for senior partners in larger metropolitan areas) can be done by qualified inside counsel whose notional hourly rate is €180 to €220 per hour. This type of in-sourcing only works if there is a critical mass of this work available for two or more years.

External counsel working 650 hours per year at €480 per hour will cost €312,000. Most legal departments can afford a full-time senior counsel position for this amount of money.

Assuming a yearly target of 1850 hours, 650 hours are directed to work previously referred out, leaving 1200 hours of standby capacity to be allocated. This type of business case is the easiest to make because it does not require the company to increase its total legal spend—only to approve an increase in head count.

In circumstances where in-sourcing is not a realistic option and the demand forecast indicates a resource shortage in the department, two options are available. Neither, however is popular with inside counsel, mostly because they introduce more structure in the relationship with clients and in how individual practices are managed.

The first option is to identify the number of “occasional users” of the legal department. Studies show that up to 25% of all users require less than 30 minutes of legal support in a week. General Counsel introduce working protocols with business units to reduce the number of individuals that can call the legal department. The same protocols describe the demand for legal work by the business unit and reduce the number of users to a minimum—often only to experienced users of legal services. The pain is worth the productivity gain of 5%-10% or 100 to 200 hours per year in counsel time.

The second option is mitigate the volume of work at the point of intake. Some legal departments publish quite explicit guidelines on when to call—and when not to call—the legal department. Often, the “risk management reflex” in a legal department is to have everyone call and let the lawyers sort it out. A more cost-effective approach however, is to train

clients to make these choices and be accountable for them.

After careful consideration of these alternatives and the determination that there are at least 1000 hours of unallocated work in the plan, then the business case for another position should be presented accompanied by the demand forecast, evidence of appropriate in-sourcing, service level agreements with business units, and productivity improvements within the legal department.

Assuming that a case is made for the addition of another position, what type and level of position should it be? It rarely makes sense to add a junior lawyer with less than 4 years of experience. Inside counsel tend to do 100% of the work in 90% of their files, even in larger departments. Law firm staffing profiles with leveraged junior positions rarely make sense for a law department—with one exception: experienced paralegals. A review of the tasks assigned to corporate counsel shows that 10%-20% are paralegal or clerical in nature. When pressed, lawyers say they do this work because there is no one to give it to or because they believe it is more efficient to do everything themselves. The reality is that often inside counsel have poor delegation skills and very little experience working with paralegals.

The addition of a position to a legal department is a unique opportunity to manage client expectations, save money with in-sourcing, inject discipline in how lawyers work with their clients, and re-distribute tasks across the legal team. General Counsel should consider all of the angles.

About the Author

Richard G. Stock, M.A., FCG, CMC is the senior partner with **Catalyst Consulting**. The firm has been advising corporate and government law departments across North America, Europe, the Middle East and Australia since 1996. For law department management advice that works, Richard can be contacted at rstock@catalystlegal.com.





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