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Survey on Outsourcing of Legal Services in Switzerland - August 2011

Conclusion

What are the major findings:

1. peak coverage and expertise/know-how as major drivers for outsourcing of legal services;
2. litigation/arbitration, competition/antitrust, criminal by a majority fully outsourced ;
3. corporate secretary, training and compliance kept in-house;
4. one quarter spends at least half of the total legal budget for outsourced legal services;
5. a clear trend (64%) to build up more in-house legal capacity;
6. when outsourcing, more than just one legal service provider.

To sum up, external legal service providers who manage four points, namely

- to offer a good value proposition,
- because they understand the relevant industry and business their clients are in very well and
- deliver high quality
- at competitive costs,

will get their share of the market.

Sample of the survey - statistics

Survey from 16. to 29. August 2011

Listed Companies at Swiss Exchange (SIX) 309 Companies

Random Sample	122 (40%)
Participants	30 / 25%
Survey addressed to General or Legal Counsels	

Type of industry (n=30)

Banking / Insurance	21%
Service	4%
Health Care / Pharma	21%
Construction	14%
Machinery / Technology	28%
Others	14%

Number of employees on a global level (n=30)

< 500	7%
500 – 1'000	4%
1'000 – 5'000	17%
5'000 – 25'000	45%
25'000	27%

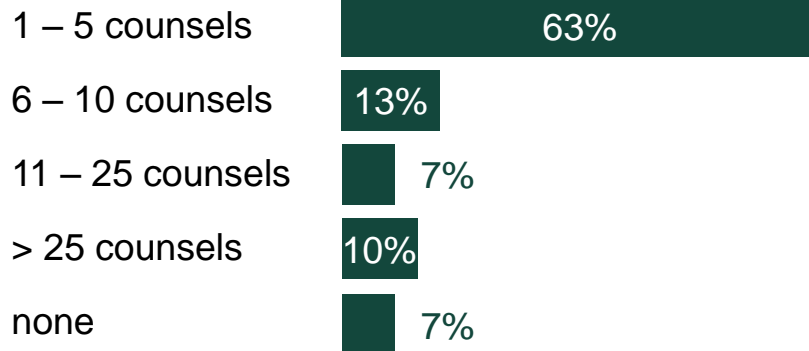
Turnover on a global level (n=29)

< 50 mio	7%
50 – 200 mio	0%
200 – 500 mio	10%
500 – 1'000 mio	4%
> 1'000 mio	79%

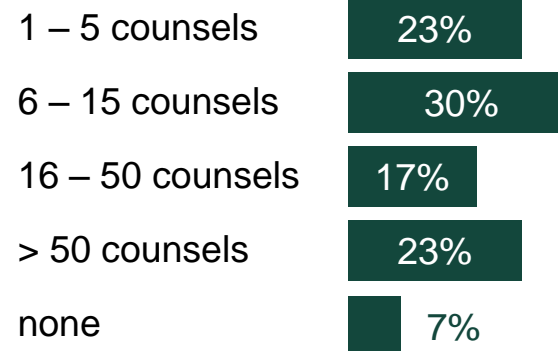
Most firms in Switzerland have 1 to 5 in-house counsels

How many in-house counsels has your company in Switzerland and on a global level ?(n=30)

Number of in-house counsels in Switzerland

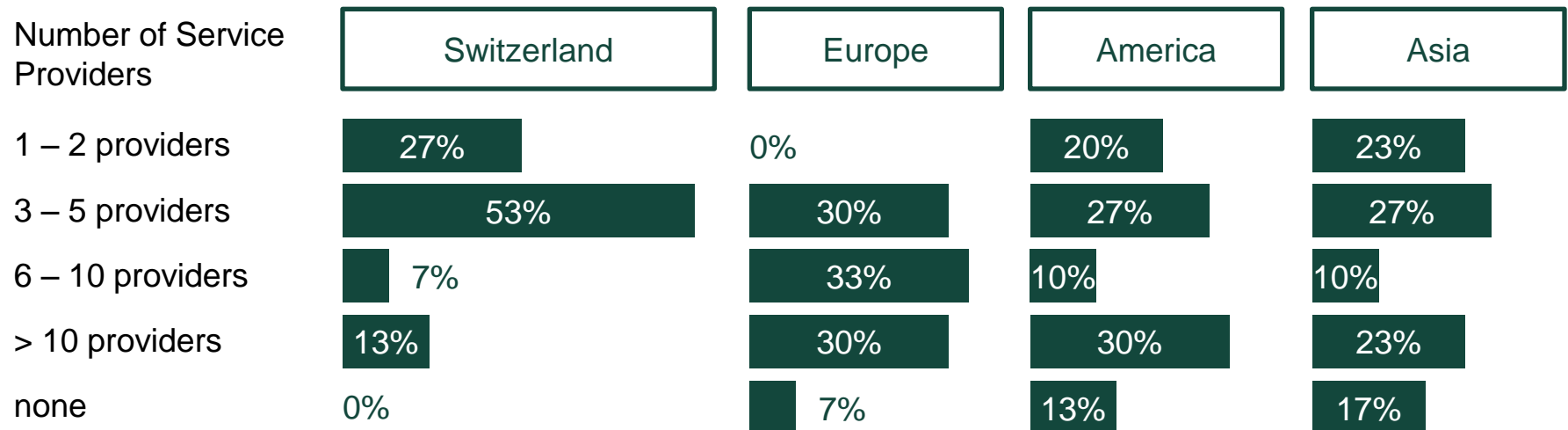


Number of in-house counsels on a global level



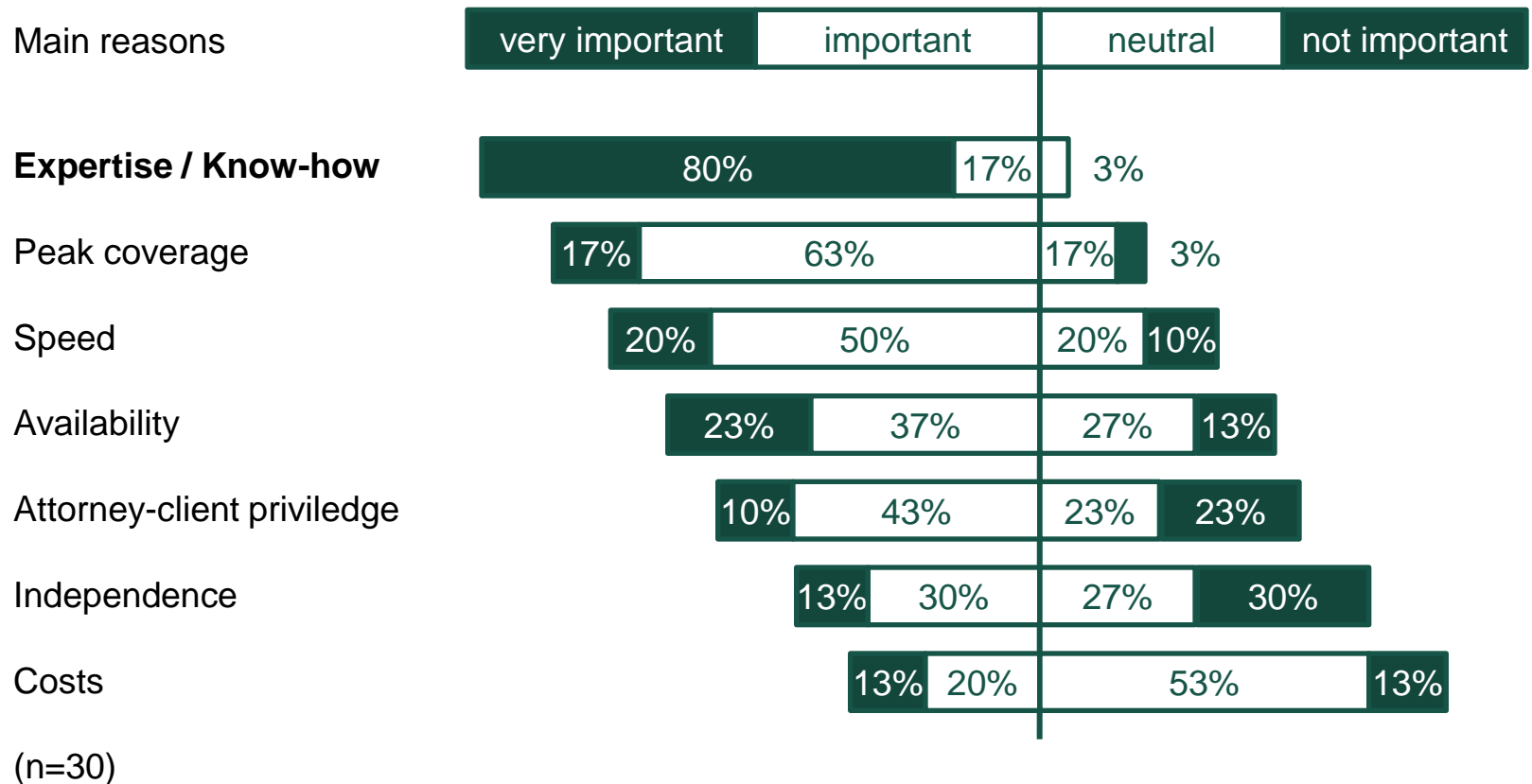
Most firms have 3 to 5 outsourcing partners

To how many external legal service providers (e.g. law firms, consultants, audit firms) do you currently outsource? (n=30)

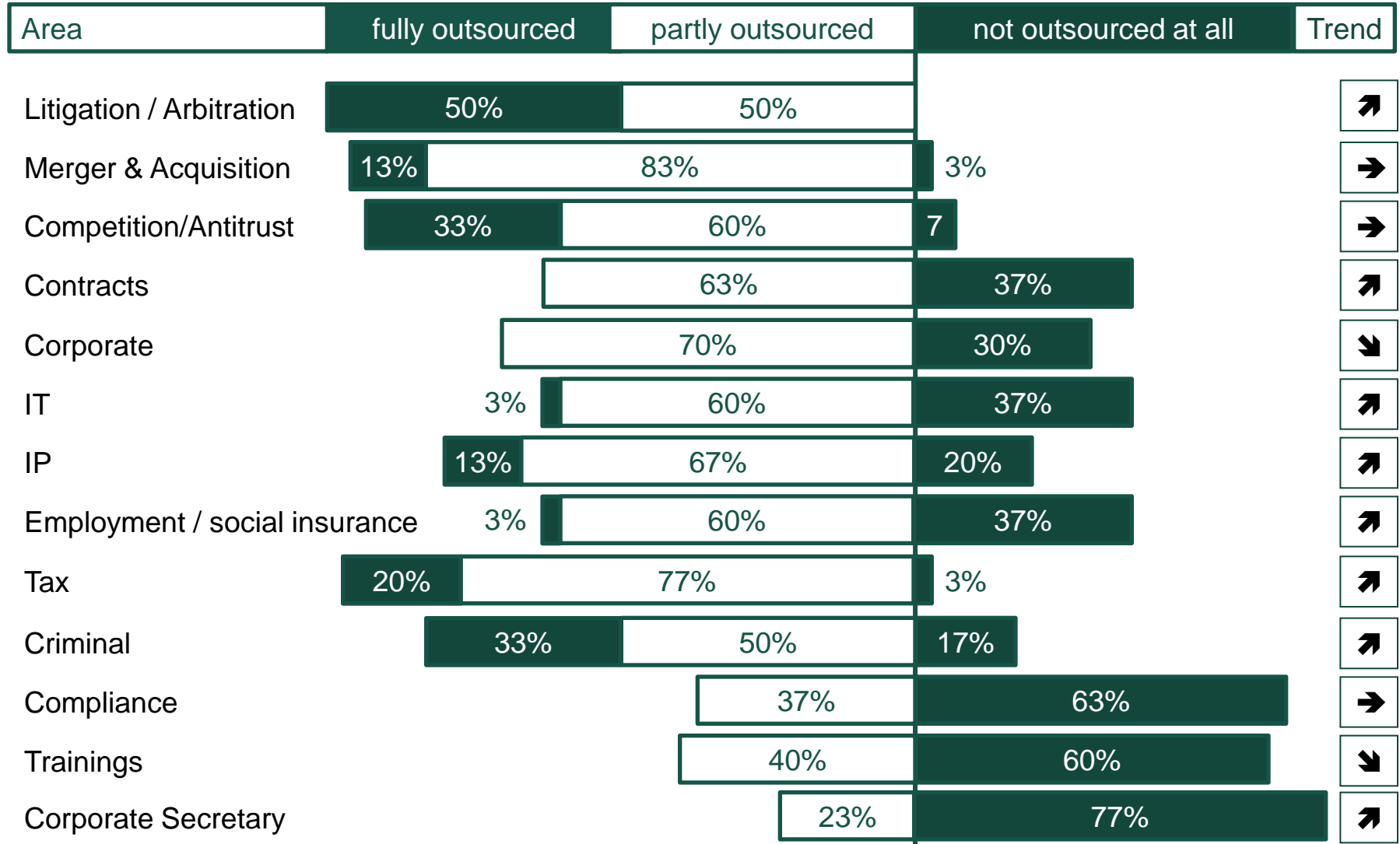


What are the main reasons for (partly or fully) outsourcing legal services

The access to legal expertise or additional know-how is the most important reason for outsourcing legal services. Operational reasons like peak coverage and speed are important. Costs are not a main point.

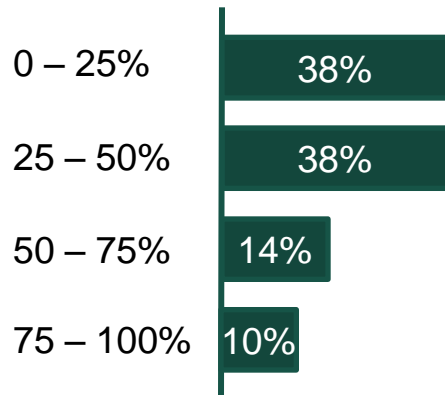


Current outsourcing of legal services and trend for future outsourcing

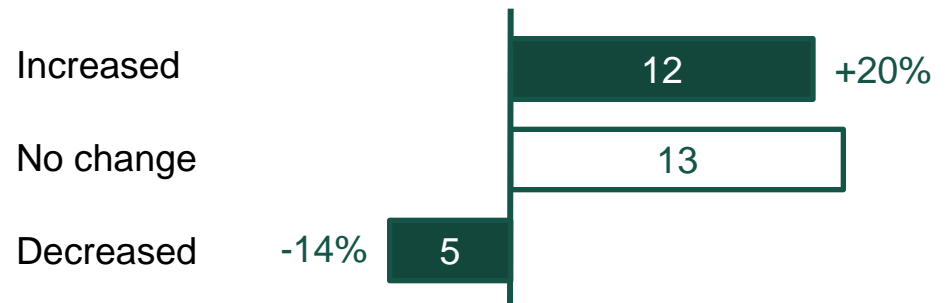


The budget for outsourced legal services is in average about 50% of the inhouse budget

Percentage for legal services outsourced of the total legal budget (n=29)



The developpment of the budgets over the last 3 years and the percentage of change



The developpment of the budgets in the 3 coming years and the percentage of change



Market Development: There is a trend for building up more in-house capacity

Trend to more outsourcing or more building up in-house capacity (n=30)

more outsourcing

10%

more in-house

64%

no change

26%

Reasons for more outsourcing:

- Internal headcount reduction

Reasons for no change:

- Use only outsourcing where our internal professionals cannot handle the matter.
- We built up inhouse resources to cover the general legal needs of the company. For specific tasks and special areas of law, we retain outside counsel. The size of the legal department also requires to retain outside counsel for "extraordinary" projects or at peak times.
- Both actually - more in-house versus outside counsel, but selected outsourcing of certain routine activities of in-house counsel.

Market Development: There is a trend for building up more in-house capacity

Is there a trend to more outsourcing or more building up in-house capacity (n=30)

more outsourcing

10%

more in-house

64%

no change

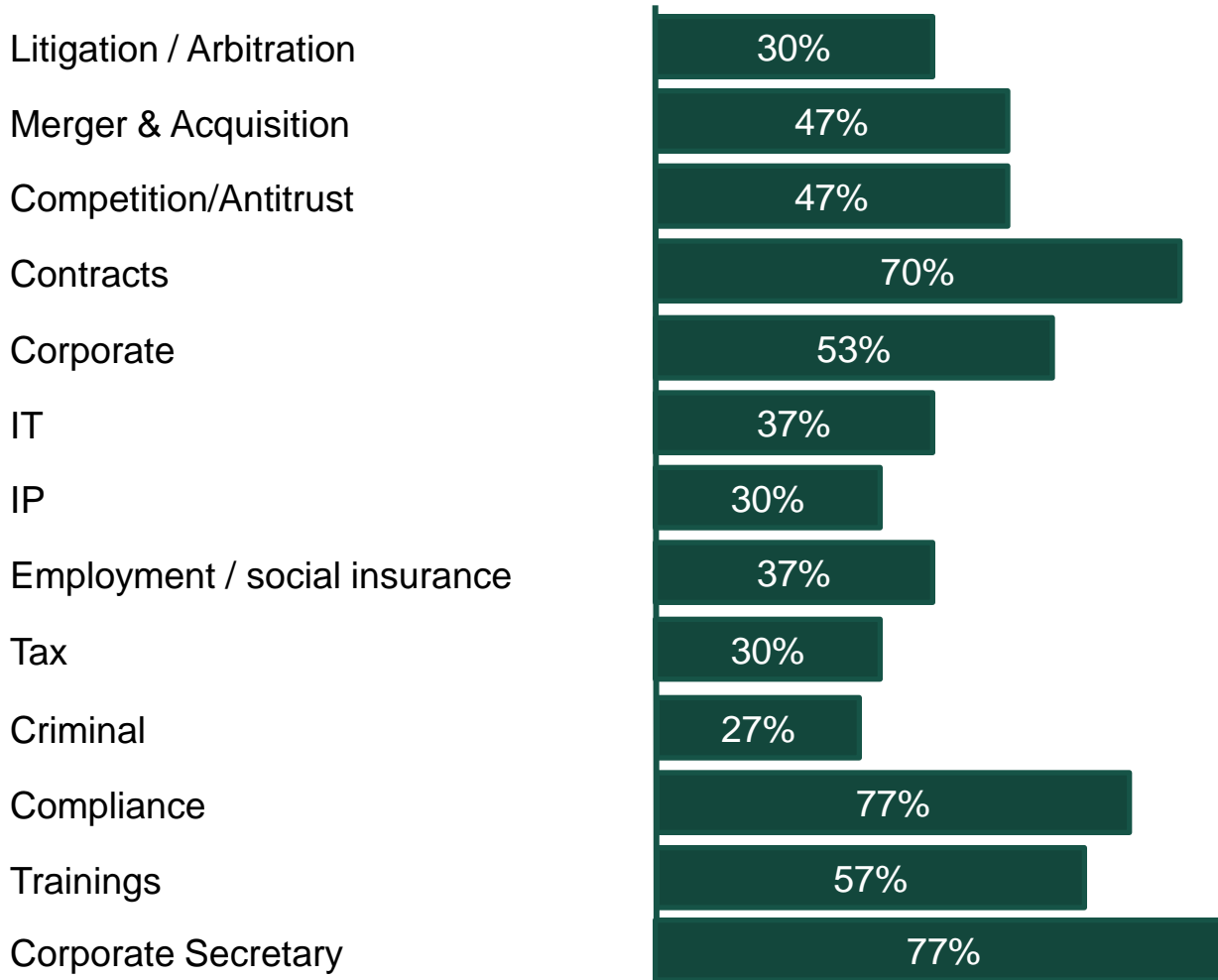
26%

Reasons for more in-house:

- Costs. Specific knowledge not easily available in outside counsel at reasonable costs.
- Depending on subject-matter areas: In-sourcing may be more efficient in high-margin areas and out-sourcing may be more efficient in high-volume areas.
- cheaper, better understanding of the business.
- closer to the business, more ownership, less expensive.
- This is not a clear answer as in some areas we see offshoring (captive or outsourcing) as a valid options. In addition, the outsourcing could increase in certain types of non-standard transactions.
- There is a high speed of change in regulation which needs to be dealt. Legal issues become more and more important in all-day-practice.
- closer to business; speed; increasing quality of in-house lawyers.
- Know-How gained should be preserved internally -outsourcing more in areas of a) peak administration and b) litigation/administrative procedures.
- Costs cutting, know how and experience acquired by the in-house team.
- Build up know-how within the company Costs.

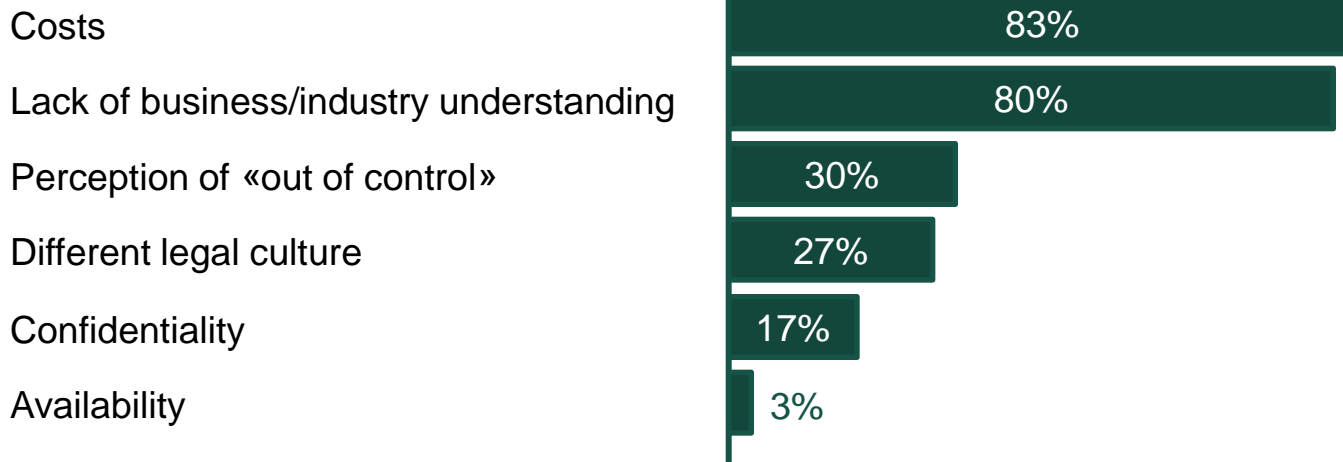
Corporate secretary function and Contract Law would mostly not fully outsourced

Which legal areas would you never outsource fully? (n=30)



Costs and lack of business or industry understanding are the most important concerns

What are the concerns or even limits for outsourcing (n=30)



Comments

Im my experience, companies with inhouse legal departments tend to cover 90% of the work inhouse and, hence, build up inhouse know-how for standard questions. One key aspect for such inhouse legal departments is training and education to a) ensure general legal compliance and b) to reduce the number of similar questions. Business opportunities for outside counsel in general compliance areas are mainly existing for mid-sized companies with an international business but no inhouse legal department.

Development of new providers (CPA Global, Integreon, Pangea3, Clutch Group, Unitex Lex) to be monitored. Lack of business understanding is a hinderance for more out-sourcing. I am interested in exploring new ways to adress this issue, eg by exchange of in-house counsel to law firm and vice-versa, eg for a secondment in-house.

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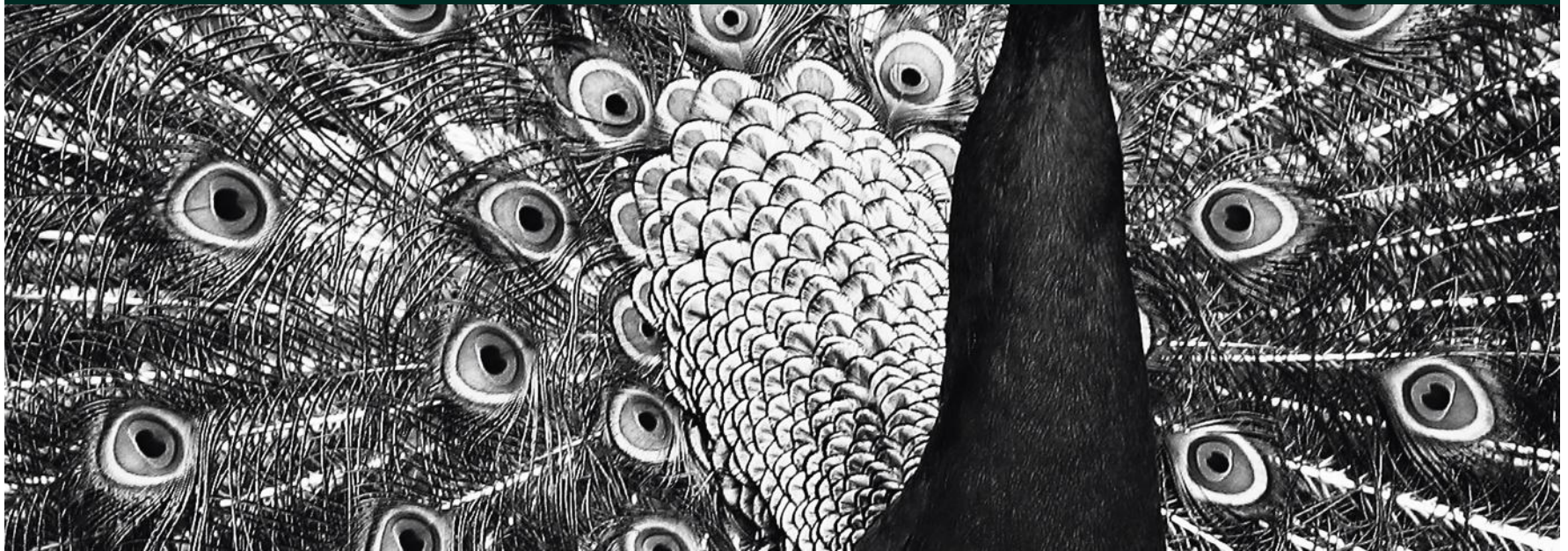
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