

# Despite Pressure to 'Do More with Less,' Law Departments Still Hesitant to Negotiate Outside Counsel Rates

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Attorneys are often known for their negotiation skills. However, a recent study found that many in-house departments do a lackluster job when it comes to negotiating with third-party counsel over rates. Many admit they make no effort to exercise any control over their outside counsel spend, likely resulting in steep increases in costs.

A new [Wolters Kluwer report](#) found that many legal departments aren't effective in negotiating outside counsel rates. The report found that corporate legal departments at large organizations experienced a 21 percent increase in outside counsel spend and a 36 percent increase in mean outside counsel spend from 2020 to 2021. The exception: financial companies that often assume their legal teams will hire overpriced counsel, so they pay pricing experts to handle negotiations. However, dedicated pricing experts don't make sense for all legal departments.

## Handling the Benefits – and Costs – of Outside Counsel

Although many legal departments see the benefits of outside counsel, including their significant legal expertise, this experience often comes at a considerable cost that eats up a large part of an in-house department's budget. Given the current cost-reduction environment, many law departments are implementing outside counsel guidelines (OCGs) and management programs to control costs, make greater use of alternative fee arrangements, and focus on securing better rates through

According to a [2021 survey of General Counsel](#) conducted by legal managed services leader EY Law and the Harvard Law School Center on the Legal Profession:

- Fifty-nine percent of the 2,000 general counsel who participated in the survey said focusing on negotiating better rates creates at least some opportunity for cost savings.
- Seventy-two percent of the GCs surveyed believe that reducing the number of providers can simplify operations and save in-house teams money.
- Eighty-three percent said they have too many providers to manage, and 81 percent lack the necessary resources to efficiently manage their current providers.
- Seventy-nine percent of the GCs said their guidelines are not detailed enough, and 85 percent admitted that providers don't follow them.

Regardless of the size of a legal department, there will always be times when it is advisable to bring in outside counsel. According to the [EY Law Survey](#), GCs expect their department's workloads to increase by 25 percent over the next three years, yet staffing was anticipated to only grow by three percent. To stretch already thin resources, CEOs ready to adjust their business processes, named digitization as their top priority, with 61 percent planning to make significant investments in data and technology. Fifty-nine percent said they believe technology offers substantial or very substantial opportunity for cost savings, much more than any other prospects.

## Why Legal Departments Pay Too Much

Corporate legal departments can't afford to set and forget their outside counsel spend management systems because if they do, the results will likely be expensive and unsustainable. So why do corporate legal departments neglect to negotiate rates with outside counsel and instead pay higher legal fees than they should? Here are some of the possible reasons:

- Corporate counsel often fails to ask for preferred rates or discounts because they value the relationship and are afraid to have a potentially uncomfortable discussion.
- Many in-house lawyers frequently lack the skills, initiative, and temperament to take a more proactive approach to rate negotiations with outside counsel – often with unsurprising results.
- In-house legal teams do not always have access to spend management systems capable of establishing well-defined billing guidelines and evaluating law firm invoices for compliance.

In response to rising costs, some in-house teams keep repetitive or routine work in-house. The EY survey found that one out of every five in-house counsel hours are spent on low-value tasks, with 87 percent admitting that their team spends too much time on non-complex work. However, nearly 50 percent of respondents said increasing volumes of work have adversely impacted department morale.

E-billing enables a corporate legal department to adopt industry standards for formats and billing codes. In addition, it allows in-house teams to utilize artificial intelligence (AI) to capture and digest data for reporting and analysis. However, while these platforms identify potential billing errors based on a set of unbiased rules, they are typically not enough to create an effective spend management system. To accomplish this, many legal teams utilize both an AI-powered legal management system and third-party bill analysis by human reviewers.

## How “People and Process” Legal Bill Review Services Can Help

Understandably, in-house legal departments often shy away from negotiating rates with outside counsel because they want to avoid the tense conversations that often ensue when they negotiate rates or question line items on an invoice. However, they must do so to generate additional efficiency and reveal cost savings opportunities

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In-house teams are increasingly taking advantage of third-party [legal bill review and spend management services](#) to outsource the review of the bills received from outside counsel. These services will typically:

- Lessen the internal staff's burden of invoice review
- Consistently enforce outside counsel guidelines
- Increase transparency surrounding the work outside counsel is performing
- Determine the accuracy and reasonableness of legal charges
- Provide in-house legal teams with the time to focus on substantive duties
- Make the bill review process more efficient
- Negotiate bill adjustments when necessary
- Reduce overall spending on outside legal counsel

LegalBillReview.com is a customizable, full-scope service, not a tool. Our process handles both the bill analysis and the negotiation of direct bill reductions with your law firms, providing immediate and realized cost savings each month. [Contact us](#) to find out more about how results-based legal spend analysis will remove the friction between your in-house team and your outside counsel, increase the efficiency of your department, and help you avoid difficult conversations with law firms about rates and billing issues.

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