

Thumbs up for in-house work

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Cost-conscious companies facing an uncertain economic environment are looking to beef up their in-house legal departments as a way to reduce total legal spending.

"Everybody is under pressure to keep costs down and, in particular, legal costs seem to be rising all the time - whether they be in-house or external - so whoever is responsible for that is under pressure to find innovative ways to keep them down," Australian Corporate Lawyers Association chief executive Peter Turner said.

Management consultant and leadership psychologist Ryszard Bliszczyk has worked with Telstra, AMP and National Australia Bank to restructure their legal units. He said that he advised all three companies to take on more of the expensive and strategically important work in-house and to outsource more of the relatively simple work.

"The drive for cost cutting is coming from the CFO of most organisations, and the legal department is at the end of a long line of parts of the organisation coming under scrutiny," Mr Bliszczyk said.

"You can make a very good business case for increasing the size and expertise of the in-house team, but at the same time you end up saving a significant amount of dollars in your total legal spend."

Telstra general counsel Will Irving said the telco had been forced to increase total legal spending in recent years due to some major litigation, but that the company was outsourcing less "business as usual" work since Mr Bliszczyk conducted his review, which had led to a steady decline in partner hours at Telstra's law firms since 2002.

Mr Irving said Telstra had altered the mix of the work done in-house, "so more higher value work came in-house and we built a knowledge management system to support that, and then more lower value work was outsourced to smaller firms or turned into systems that commercial folk could run with limited hands-on legal involvement."

Earlier this year, two-thirds of respondents to a survey by ACLA reported they planned on expanding in-house legal departments over the next two years. "The in-house resource is cheaper than the external one - that is a historical fact," Mr Turner said. "But that is not the end of the story. Much more important is how the resource is used. If you've got proper staffing in-house, then you will be able to instruct the external people much more meaningfully, and direct their attention to those things that really matter."

KEY POINTS

- An in-house team saves significantly on legal spending.
- Two-thirds of respondents to a survey plan to expand in-house legal departments.