



## ASIA'S IN-HOUSE COUNSEL HAVE SPOKEN.

More than 200 corporate legal professionals took the ALB In-House Survey 2016, which quizzed them on a variety of subjects, including the work that's keeping them busy, the technology they're using, and how their relationships with external counsel are evolving. The results were most illuminating, offering a snapshot into the way the region's legal industry is headed.

For starters, 93 percent of respondents say that their in-house legal teams will either increase or, at the very least, stay the same. Additionally, 44 percent describe their team as "highly internal," which means the company has a highly developed in-house legal function that relies very little on external resources. Combined, these underscore the fact that an increasing amount of work is being carried out in-house. "These days, almost every part of the business is expected to manage costs and expenses," says Jil Leong, Hong Kong-based Assistant General Counsel at Thomson Reuters. "Legal teams are no different."

But it's not just budgeting pressures that are driving the work in-house. More than half (54 percent) of survey respondents observe that it is regulatory or governmental changes that keeps their departments most busy, and 42 percent cite ethics and compliance issues. Leong points out that the increase in regulatory and compliance functions that in-house teams have to carry out is also a factor. "A law firm can give you guidance and advice around the changing regulatory landscape," says Leong. "But for day-to-day monitoring and enforcement, there is typically a heavy reliance on your in-house team."

That said, only 21 percent of the respondents say their budget for external counsel will decrease, with 22 percent noting that it will increase and the rest expect it to stay the same. That is a statistic that Thavakumar Kandiahpillai, VP Legal Affairs at

SapuraKencana Petroleum in Malaysia, finds most surprising. "Everyone is being asked to cut costs, and even legal departments are not being spared the squeeze," he says. "Whether you're in oil and gas or banking, China's and the entire regions' slowdown is having a considerable knock-on effect across the region. Companies are tightening their belts everywhere."

When asked about the main services respondents would require external counsel in 2016, regulatory advice unsurprisingly came out on top (50 percent), with M&A/corporate work and arbitration and dispute resolution tied at second place at 47 percent. Then there is intellectual property, technology and data protection (28 percent) with employment law (24 percent) and general commercial transactions (24 percent) and banking and finance transactions (20 percent) just below that.

### A NEW RELATIONSHIP

With more and more legal work now being undertaken by in-house teams, the relationship between external counsel and their clients is also evolving. For one, in-house lawyers are becoming more discerning, both in terms of quality of work as well as fee arrangements. While survey respondents say they are "generally" satisfied with the law firms they are using, some concerns remain; and the topmost among this, unsurprisingly, is fees. Around 66 percent of survey-takers feel fees are too high or unexplained. **CONTINUED ON PAGE 28**



### THE FACTS:

- The survey was open between Nov. 15 and Dec. 31, 2015.
- More than 200 in-house counsel from across the Asian region (excluding China and Australia/New Zealand) took the survey.
- Among the final list of respondents, those based in North Asia (Hong Kong, Japan, South Korea and Taiwan) slightly outnumbered those in South and Southeast Asia by 52 to 48 percent.



## WHICH IS THE PRIMARY JURISDICTION OR JURISDICTIONS YOUR COMPANY OPERATES IN?

Brunei	1%	Macau	3%
Cambodia	1%	Malaysia	20%
China (PRC)	21%	Philippines	11%
Hong Kong	22%	Taiwan	9%
India	12%	Singapore	23%
Indonesia	16%	Thailand	13%
Japan	17%	Vietnam	9%
Korea	25%	Others	27%

## In 2016, do you expect your in-house legal/compliance team to change?

It will grow	42%
It will shrink	7%
It will remain the same	51%

## What kind of work keeps your department most busy?

Ethics and compliance issues	42%
Regulatory or governmental changes	54%
Information privacy	23%
Protection of intellectual property	23%
Mergers and acquisitions	34%
Anti-bribery issues	16%
Other	28%

## Which are the major regulatory issues that could pose a risk to your business?

Anti-corruption laws	29%
Industry-specific regulations	72%
Labour laws	23%
Environmental Laws	15%
Antitrust laws	35%
Other	9%

## What sort of tools are you currently using to manage your cases?

Excel spreadsheets	25%
Application developed in-house	27%
Custom-developed third-party application	16%
Not using anything at present	32%

## Which one of the below best describes your legal team?

Highly external (Majority of the work is managed by external law firms)	9%
Balanced (Equal reliance on external and internal lawyers. Exception: big ticket items such as large litigation, significant transactions)	47%
Highly internal (Relies very little on external resources. Highly developed in-house legal function; very close to business clients; tight control over outside counsel expenses)	44%

## Are there any new jurisdiction(s) in which you will require external counsel in 2016?

None	53%
Burma/Myanmar	7%
China (PRC)	8%
Hong Kong	2%
India	3%
Indonesia	6%
Japan	4%
Korea Rep	3%



## WHAT ARE THE MAIN SERVICES YOU WILL REQUIRE FROM EXTERNAL COUNSEL IN 2016?

M&A/Corporate finance	47%
Arbitration and dispute resolution	47%
Intellectual property, technology, data protection	28%
Employment law	24%
Real estate, property law	8%
Banking/finance transactions	20%
Regulatory advice	50%
General commercial contracts	24%
Other	9%

## WHICH OF THE FOLLOWING WOULD BEST DESCRIBE YOUR INDUSTRY?

Financial Services	22%
Technology, Media, Telecommunications	12%
Manufacturing	13%
Energy, Natural Resources	16%
Real Estate, Construction	3%
Wholesale/Retail Services	1%
Infrastructure	1%
Supply Chain/Logistics	2%
Life Sciences	2%
Government/Regulatory	3%
Other	25%

Malaysia	1%
Mongolia	2%
Philippines	3%
Qatar	2%
Saudi Arabia	1%
Singapore	6%
United Arab Emirates	2%
Vietnam	1%
Other	10%

### In 2016, will your budget for external counsel change?

Yes, the budget will increase	22%
Yes, the budget will decrease	21%
No, the budget will remain the same	57%

### How satisfied are you with the external counsel you are using?

Extremely satisfied	6%
Generally satisfied, although there are a few areas for improvement	85%
Not satisfied; there are one or more significant areas of concern	9%

### What are your main concerns when it comes to the external counsel you are using?

Fees are too high or unexplained	66%
They don't understand our company/industry	34%
They are not responsive enough to our concerns	33%
They are slow, inefficient, or give bad advice	20%

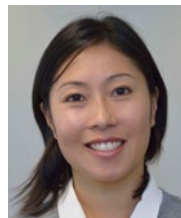
Partners are either not involved or don't provide input	15%
The partners/lawyers responsible have changed	6%
Other	6%

### If you were to employ new external counsel in 2016, what factors would most influence your selection?

Expertise in your industry	76%
Favorable fees/billing policies	65%
Responsiveness	70%
Brand name/Reputation of the law firm or lawyer	22%
Personal relationship with the law firm/lawyer	30%
Geographical reach/office locations	21%
Other	1%

### How do you plan to locate external counsel in 2016?

From list of company-approved external counsel	43%
Referrals from other in-house lawyers	49%
Referrals from other external counsel	26%
Law firm rankings	23%
Law firm marketing (seminars, client alerts, etc)	20%
Other	8%



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Jil Leong, Thomson Reuters





CONTINUED FROM PAGE 25 "I don't tend to get too shocked when the legal bills arrive because it wasn't that long ago that I was on the private practice side of the fence," says Leong. "But some of my business colleagues are genuinely surprised at the cost of quality legal services. Part of my job is to manage expectations internally, and also make sure the company gets value-add advice from the law firms we're using."

Of more importance to Kandiahpillai is the fact that lawyers in firms sometimes do not understand the company, and in some cases, the industry they are meant to offer guidance on. The same concern is echoed by more than a third of the respondents. "Take oil and gas, for example. Asian law firms rarely possess a high level of expertise, and international firms that specialise in the field have all their senior partners – the experts if you will – based in places like Houston, New York and London," he says. "Most of the partners I come across in Asia are not the most experienced that a particular law firm has available on a global basis, so there's a dearth of real experts here. Sometimes I want to ask them: 'Do you even know what crude oil smells like?' Receiving advice from them occasionally feels like being a parent receiving advice on parenting from someone who's never had children."



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**Thavakumar Kandiahpillai,**  
SapuraKencana Petroleum

Thomson Reuters' Leong says that it is important as a result to pick the right lawyers for each particular transaction. "Ideally, an external counsel should know both the law and the industry extremely well," she says. "But the ones that really set themselves apart are the ones that take the time and effort to know your company."

Also on the list of concerns that in-house counsel have about the law firms they use is a lack of adequate responsiveness to concerns (33 percent) and that they are slow, inefficient or give bad advice (20 percent).

It is no surprise that when it came to naming factors that will influence the selection of external counsel in 2016, expertise in the industry came out on top (76 percent), followed by responsiveness (70 percent) and favourable fees and billing policies (65 percent). As to how these lawyers would be located, nearly half say they will depend on referrals from other in-house lawyers. "I'm not surprised that in-house counsel seek referrals from their colleagues because that's one way we keep each other informed about who's good and who's not," says Kandiahpillai of SapuraKencana. "If someone messes up, word will get around." **ALB**

More analysis of the survey can be found on [www.legalbusinessonline.com](http://www.legalbusinessonline.com)



THE LUCKY DRAW WINNER OF THE APPLE WATCH IS JACQUELINE CHANG OF MBOSI, MALAYSIA. WE WILL BE CONTACTING YOU SEPARATELY ABOUT HOW TO CLAIM YOUR PRIZE.