

Value Practice:***Demonstrating the Law Department's Value: Calculating In-house Counsel Costs*****Charles Wunsch*****Interviewed while General Counsel and Corporate Secretary
Sprint Nextel Corporation, Inc.*****May 2009**

Sprint Nextel's law department uses a model that allows the department to quantify costs of in-house counsel. The model seeks to use real expense data coupled with informed assumptions to derive an apples-to-apples comparison with hourly rates for outside counsel.

Having the in-house cost numbers is valuable. The numbers allow the GC to:

- *Show Value To Business Clients:* the numbers are helpful in conversations with business clients to demonstrate in terms the clients easily understand—using numbers—the value of using in-house counsel
- *Help Assess Cost-Effectiveness of Performing Work In-house:* comparison cost data is helpful in assessing whether it would be more cost-effective to bring work in-house and add corresponding headcount
- *Focus Conversations with Law Firms:* sharing the cost numbers with law firms cuts off any thought the law firms have that they are more cost effective than in-house staff, and allows the conversation to focus on the crux of the issue: how the costs of given outside firm compare to their competition.

MODEL TO QUANTIFY LEGAL SERVICE COSTS**Levels of Lawyers and Legal Analysts; Calculated Hourly Rates**

The law department includes lawyers at the Vice President (managerial level), Senior Counsel and Counsel levels. In addition, the department includes Legal Analysts, Non-legal Managers, Secretaries and Support Staff.

Hourly rates can be calculated for all levels of service providers within the law department; however, the GC opts to focus for comparison purposes on costs at the Senior Counsel, Counsel and Legal Analyst levels. Calculated hourly rates by these titles are:

- **Senior Counsel** (10 plus years of experience)- **\$172/hour**

- **Counsel** (3-10 years of experience)- **\$126/hour**
- **Legal Analysts-** **\$71/hour**

Process and Assumptions for Calculating Rates

Following are the key steps and assumptions used to calculate the in-house hourly rates. A sample spreadsheet showing how data can be displayed (using different numbers as an example) can be accessed [here](#).

Step 1: Determine Total Employee Expenses

- **Use Actual Employee Data-** using actual salary data, calculate the costs for individuals at the various levels (e.g., Senior Counsel, Counsel and Legal Analyst)
- **Assume an additional 40% for each individual for taxes and benefits-** Wunsch consulted with the companies tax and HR professionals to derive this number
- **Add facilities expense for each individual-** the law department calculated \$6,700 per individual; cost includes office space, telephone, computers, equipment, etc.
- **Calculate expense by level of legal service provider-** add the above together for each individual and calculate total expenses for all individuals within a certain 'level' of work (e.g., Senior Counsel, Counsel or Legal Analyst).
- **Add 'non-legal allocated expense' based on percentage of level of service provider expenses to total employee expenses-** the non-legal allocated expense includes costs for all individuals within the law department other than lawyers and legal analysts (e.g., non-attorney Directors, Managers who don't provide legal services, IT specialists, secretarial staff). This expense category is grouped together and then a proportional percentage of these costs is added to the costs for levels of lawyers or legal analysts— based on how that service provider level of costs compares to total costs for employee expenses.
- **Calculate Total Expense by Level of Legal Service Provider-** includes specific costs by level of legal service provider plus the allocated expense

Step 2: Calculate Hours Worked per Year (1631 hours/year per person)

- **Assume Hours Worked per Week x 52 weeks-** assuming 40 hours per week (although 45-55 may be more reflective of practice) less one hour per day for non-legal matters
- **Subtract Holidays and Vacation-** subtract company holidays (in this case 7) plus vacation (in this case 4 weeks)

- **Total = 1631 hours /year per person**

Step 3: Multiply the Hours Worked by the Head Count Number for each Service Level

- **For example- Senior Counsel:** If there are 28 lawyers at the Senior Counsel level, multiply 1631 hours x 28 to determine the total hours worked for all professionals at that level

Step 4: Divide Total Costs for Service Level by Total Hours Worked >> Yields Hourly Rate for that Service Level

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