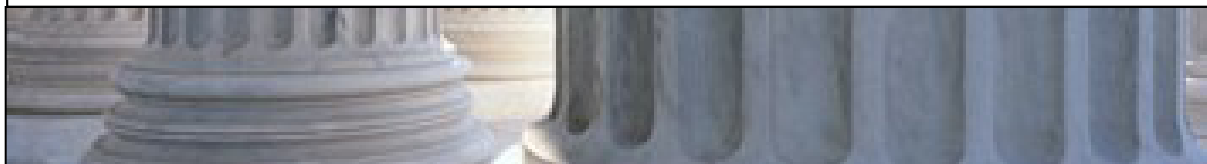


**2018**  
**Chief Legal Officer Survey**  
**An Altman Weil Flash Survey**



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## The 2018 Chief Legal Officer Survey

Now in its nineteenth year, the *Chief Legal Officer Survey* provides insights into the state of in-house law departments from the perspective of their chief lawyers. The survey identifies long-term trends, highlights new and emerging issues, and explores the reasons behind the findings.

In 2018, Chief Legal Officers (CLOs) spend 37% of their time advising their organizations' executives, 22% practicing law, 20% on other corporate responsibilities – *and just 18% of their time managing the law department*. In our work with law departments, we have observed that when CLOs don't have enough time to tend to all their duties it is often department management that suffers. However, despite the limited time allotted to the role, CLOs describe a growing expectation from CEOs that the law department will be run like a business unit.

In commentary about the management role, Chief Legal Officers outlined some key changes they are instituting in their departments. They describe developing a more robust in-house capability, restructuring department resources, becoming more sophisticated about which matters to outsource and which to manage internally, pursuing greater efficiency and cost control, and using data analytics to measure performance. Many are employing operations professionals with specialized expertise to assist in managing increasingly complex departments.

The decisions CLOs are making about these issues and the progress they have achieved are the subject of the 2018 survey.

### Law Department Growth

Law departments anticipate growing headcount for 2019, according to the survey. Forty-two percent of CLOs said they would increase their lawyer workforce in the next 12 months, compared to only 7.5% that plan a decrease. This degree of growth – in which four or five times as many departments plan increases over decreases – is part of a long-term trend the survey has tracked since 2010.

The top reason given for the expansion is to cover an increased overall workload. Other reasons cited are to fill open positions, handle new areas of expertise, handle new department responsibilities and expand the workforce geographically. Among those law

departments planning increases next year, one-third will hire new lawyers in an effort to save money on outside counsel.

### **Legal Operations Professionals**

Thirty-nine percent of all law departments surveyed in 2018 employ an administrator who manages law department operations, up from 33% in 2016. These professionals manage day-to-day department operations and are responsible for financial, technology, and people management, as well as outside counsel spend tracking and analysis. Over three-quarters of departments with more than 50 lawyers have either a full or part-time operations manager and, even among 11 to 50 lawyer departments, almost half have an administrator.

According to the survey, employing a legal operations manager is the most effective tactic to improve department efficiency.

Many larger law departments also have other operations professionals on staff in a variety of roles including litigation support, finance and budgeting, IT, outside counsel/vendor management, data analytics, HR and pricing. Getting operational work into the hands of trained specialists like these improves overall department performance and frees lawyers to concentrate on the practice of law.

### **The Law Department Budget**

Fifty-three percent of law departments increased total spending from 2017 to 2018, compared to 29% that decreased overall spend. A differential of this size – over 20 percentage points – between increases and decreases has not been seen since 2011. Smaller law departments with 1 to 10 lawyers were most likely to increase total spend last year.

Increasing workloads and growing lawyer and non-lawyer staff come at a cost. The survey found 54% of departments increased the in-house portion of their budget in 2018. About half of departments in each size category increased internal spend.

For the first time, the survey found that internal spend represented the greatest portion of total budget, with an average allocation of 48% of total budget going to in-house spend, 45% to law firms, and 6% to other non-law-firm vendors.

## Outside Counsel Spend

From 2017 to 2018, 42% of law departments increased outside counsel spend, while 32% decreased the amount spent on outside law firms. This is the first time since 2011 that increases have exceeded decreases in this category. Smaller departments were more likely to increase outside counsel spend.

When asked about anticipated law firm spend for 2019, a similar 41% of CLOs said they planned increases next year, compared to 29% who expect decreases. Again, smaller departments are more bullish on outside spending, but, even among departments with more than 50 lawyers, a full third plan to increase their spending on law firms next year.

This is the second year of a turnaround in expectations for law firm spend. Each year from 2008 (as the recession began) through 2016, predicted cuts outpaced increases by at least a two to one margin. But in 2017 those relative positions flipped and the percentage of those anticipating increases nearly doubled. That 2017 prediction is reflected in actual 2018 spending and is extended in the prediction for next year.

## Labor Arbitrage: Who Should Do the Work?

*Who should do the work of the law department?* In-house lawyers? Para-professionals? Law firms? Non-firm vendors? As the options multiply the question becomes more complex – and getting the mix right is an important and ongoing challenge in most law departments.

Department leaders are actively rethinking how they assign work to maintain good outcomes and achieve optimal cost effectiveness. This year, 36% of all law departments are bringing some work previously done by law firms in-house to be done by their own lawyer staff instead. They are also making use of contract and temporary lawyers to do in-house work on an as-needed basis, and pushing work down from in-house lawyers to paralegals and other para-professionals.

Aside from employing an operations manager, greater use of paralegals and contract lawyers are rated as second and third most effective among law department efficiency efforts. The high effectiveness ratings for these three tactics signal opportunities for CLOs to better leverage department personnel to get needed work done.

## Allocating Work to Law Firms

Nearly half of the law department budget is spent on outside law firms, and law firms will surely be the primary service provider to law departments for the foreseeable future. However, law firms are subject to ever-greater scrutiny as CLOs refine their strategy for law firm selection and cost control.

In 2018, 31% of CLOs report that they shifted law firm work to lower-priced firms. In additional survey commentary, department leaders noted that they are successfully using smaller law firms that offer quality work and service at considerable reductions in cost. According to the survey, shifting law firm work to lower-priced firms is the most effective cost control effort that law departments have undertaken this year. It is surprising that more departments are not making use of this tactic.

Sixty-two percent of law departments received price reductions from outside counsel this year, with a median discount of 10% off standard hourly rates. Overall, law departments estimate that they have negotiating power over three-quarters of fees on matters outsourced to law firms, including *significant* influence over 47% of fees. However, 55% report that law firms resist greater discounting.

Larger law departments are most likely to receive discounts – but they are also most likely to face resistance from outside counsel. This may be because large departments are often working with largest and most sophisticated law firms, the segment of the market where demand is most likely to outstrip supply.

## Outsourcing to Non-Firm Vendors

Although non-law-firm vendors represent only 6% of total law department spend, 47% of law departments outsource to vendors some work that they once gave to law firms. In departments with more than 50 lawyers, 77% are using outsourcing as a labor alternative. This illustrates the much talked-about 'unbundling' of legal services that has become the norm in more and more law departments.

The most frequent types of work outsourced are litigation discovery and document review. Other outsourced work includes due diligence, contract management, patent/IP work and legal research.

This shift from law firms to vendors is another tactic for departments seeking to increase efficiency and control costs.

## **Process improvement: How should the work be done?**

Pursuing process improvement is clearly more complicated than shifting work or cutting costs and as such it is slower to show results – but it also may deliver the greatest long-term payoff.

In 2018, law departments are pursuing a variety of process improvements aimed at increasing efficiency. Forty-two percent of law departments are redesigning workflow; 39% are restructuring internal resources, 27% have knowledge management programs, and 25% are adopting project management methods. However, process improvements are consistently rated as less effective in improving efficiency than shifting work internally.

A greater use of technology tools, reported by 67% of all law departments this year, is another way of investing in process improvement. The most frequently used and most highly rated technology is one that does not directly involve law practice – Board of Directors portal software. Other common technology investments include e-billing, contract management, matter management and litigation hold software.

Surprisingly, only half of departments say that their use of technology markedly improves efficiency efforts. There are several possible explanations for this. Some law departments may be applying new technology to flawed processes, rather than redesigning the methodology first and then automating it. Some in-house lawyers may resist the adoption of new or upgraded technology. Under-training is another likely culprit. In departments that do not offer practical training, many lawyers will utilize only a fraction of a system's capabilities.

Finally, 41% of departments are collecting and analyzing management metrics. This is a strategy to gain insight on department performance and identify areas where improvements are needed. But apparently law departments are still in the learning phase, as only 38% of users report improved efficiency as a result of their efforts in this area. Even so, we believe that law departments (and especially larger departments) gradually will become familiar with the powerful data analysis tools that are available and will increasingly extract more insights from their data sets.

## **Influencing Law Firm Processes**

Although law departments cannot dictate law firm methods, they do attempt to influence them – and many law departments are doing that in 2018.

A primary focus of their efforts is to create greater predictability and transparency on law firm fees. To that end, 48% of law departments require budgets from outside counsel, and 83% ask for budgets on major matters. Additionally, 24% of law departments are training in-house lawyers to manage outside counsel budgets. Unfortunately, when asked if the department *enforces* law firm budgets, only 38% said they do – creating a huge gap between awareness and implementation of budgeting efforts.

In another attempt to manage fee predictability, 63% of departments report they negotiate fixed, capped or alternative fees. This tactic rates as most effective in outside counsel management.

Law departments are also trying to influence the ways law firms manage their work. Seventy-nine percent of departments provide guidelines for billing, expenses, matter staffing and matter management. In this case, a healthier 66% also enforce those guidelines – another tactic that rates highly in effectiveness.

A surprisingly small number of departments give regular feedback to their law firms. Only 33% provide any post-matter feedback, although when done it is reported to be effective in improving law firm performance for 71% of law departments.

Thirty-nine percent of departments are performing data analysis specifically on outside spend, but they are not seeing an equal effort from the law firms they retain. Nearly three-quarters of law departments report that not one of their top ten firms provide them with a useful analysis of spending data. CLOs identified three categories of data analysis they would like to receive from outside counsel: analysis by timekeeper and experience level, analysis by matter type and task, and analysis demonstrating the law firm's cost control and efficiency tactics.

When asked which service improvements and innovations they would most like to see from outside counsel, the top response, from 58% of CLOs, was greater cost reduction. Only in the second tier of the wish list (selected by considerably fewer law departments) are process improvement tactics cited, including non-hourly pricing (38%), improved budget forecasting (35%); more efficient project management (32%), and more efficient project staffing (31%). Of course, smart employment of any of these tactics should serve to reduce costs.



**What's Next?**

Whether or not Chief Legal Officers welcome change, the imperative for change is being thrust upon them by their organizations' higher expectations of performance. In 2018, they are successfully building out their lawyer workforce and operational expertise, reallocating work to optimize effectiveness, and setting higher standards for law firm accountability.

These efforts seem like 'phase one' of law department change. It is easier to reallocate spend and hire or reassign people, than it is to transform traditional structures and approaches. And although many law departments have begun that second phase of the change process, most are still at the beginning.

## The 2018 Survey

The *Chief Legal Officer Survey* has been conducted and published annually by Altman Weil since 2000, most recently in September and October 2018. Two hundred and seventy-nine responses were received for the 2018 survey, 22% of the 1,261 law departments invited to participate. Demographic and budgetary data on responding law departments are included in the survey report.

The survey report follows and is online at [www.altmanweil.com/CLO2018](http://www.altmanweil.com/CLO2018).

## Survey Methodology

The large majority of survey questions were posed in a multiple-choice format and responses are reported as received. Question text is transcribed in the following report exactly as it appeared in the survey. Where there were special instructions, rating scales, or supplemental definitions, that information is also included.

Free text data submitted by respondents was reviewed and, in a handful of cases, edited to correct obvious typographical errors. For numeric entries, we made a small number of corrections where the intended response was clear. In a few instances we omitted a data point as impossible to derive from the information provided.

## About Altman Weil

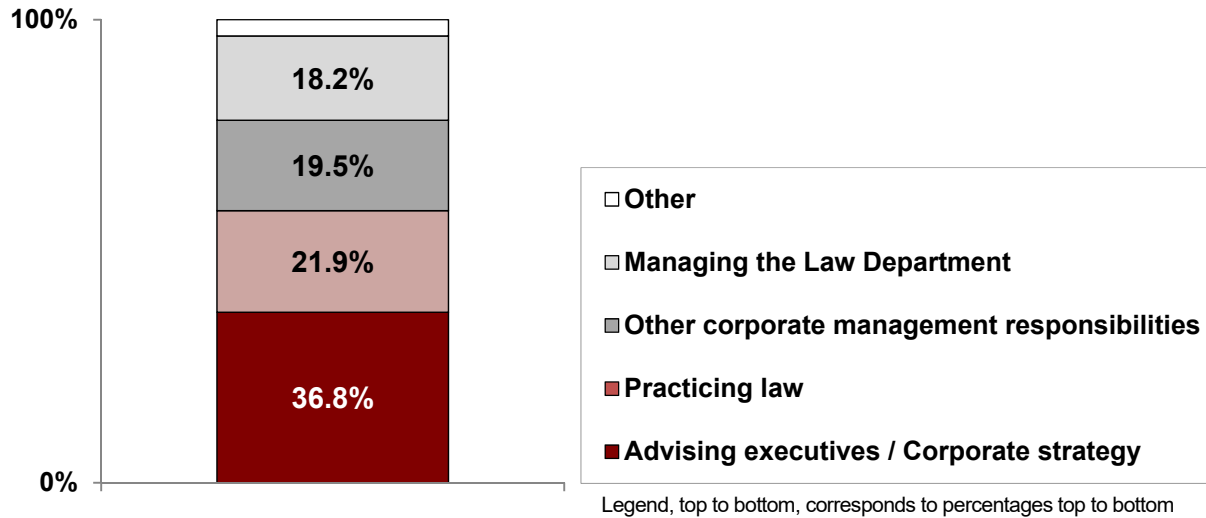
Founded in 1970, Altman Weil, Inc. is dedicated exclusively to the legal profession. It provides management consulting services to law firms, law departments and legal vendors worldwide. The firm is independently owned by its professional consultants, who have backgrounds in law, industry, finance, marketing, administration and government.

More information on Altman Weil can be found at [www.altmanweil.com](http://www.altmanweil.com).



## The Chief Legal Officer Position

Please estimate how your time was allocated over the last 12 months.  
(Responses must equal 100%.)



Other corporate management responsibilities is defined for this question as: “Compliance, HR, Security, etc.”

### OTHER (representative comments)

*Board and governance work*

*Risk management*

*Managing other departments outside of the Law Department*

*Coordination with other business leaders on business initiatives*

*Managing regulatory affairs*

*Lobbying*

*Mentoring and leadership development*

*Diversity and inclusion issues*

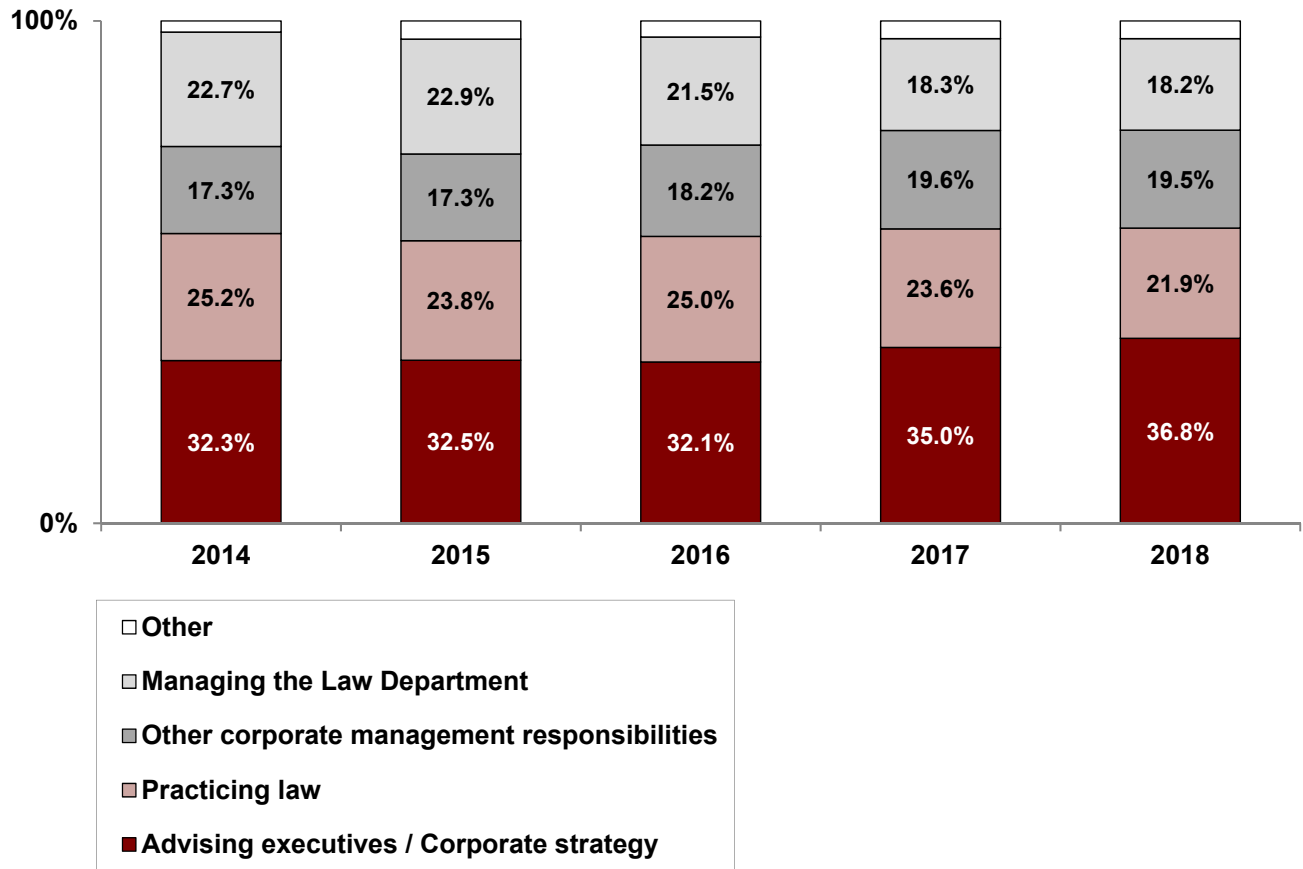
*Community leadership; Professional and industry activities*

## The Chief Legal Officer Position

Please estimate how your time was allocated over the last 12 months.  
(Responses must equal 100%.)

### CLO TIME ALLOCATION - BY YEAR

CLO time allocation has remained stable over five years, with a slight uptick in time spent on the advisory role and a similar small decline in time spent managing the law department.

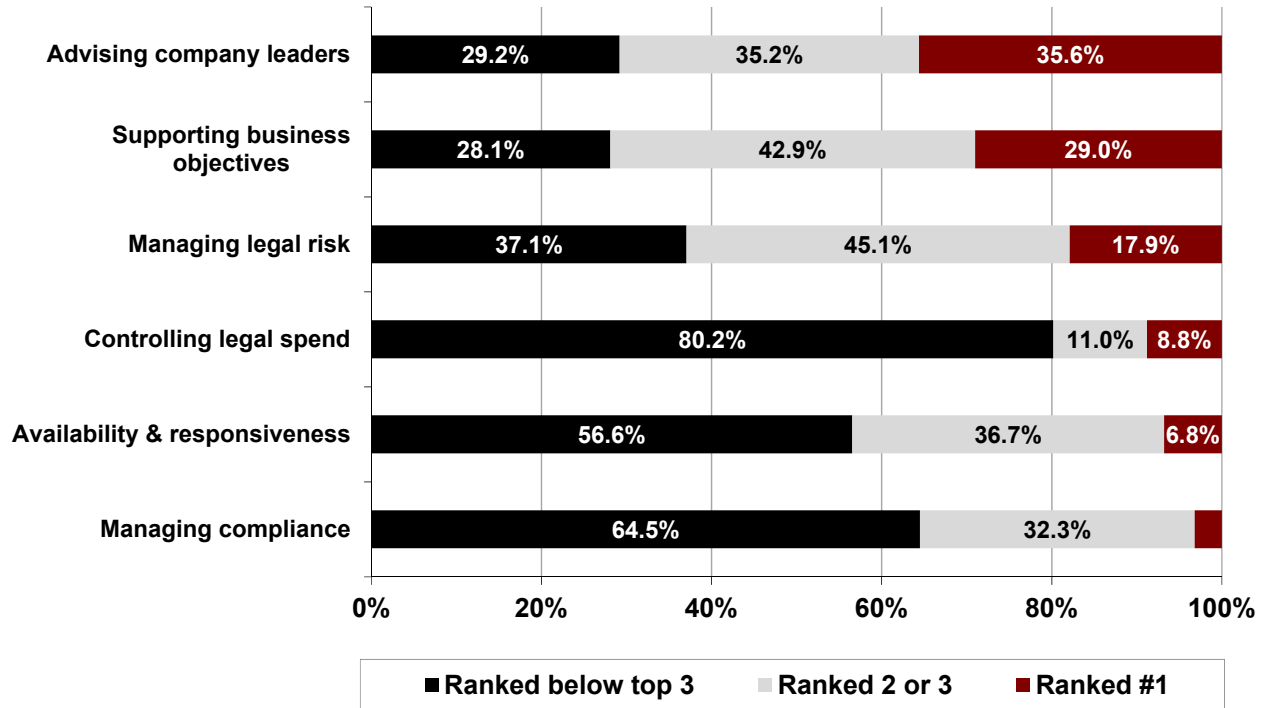


Legend, top to bottom, corresponds to percentages top to bottom

## The Law Department's Greatest Value

**Beyond effectively solving legal problems that arise, what does your CEO and/or Board of Directors value most in your Law Department's performance?**

*Rank the following activities from 1 to 6: 1= Most valuable to 6 = Least valuable.*



### **OTHER (representative comments)**

*Connecting the dots between sometimes siloed corporate functions*

*Ethical leadership*

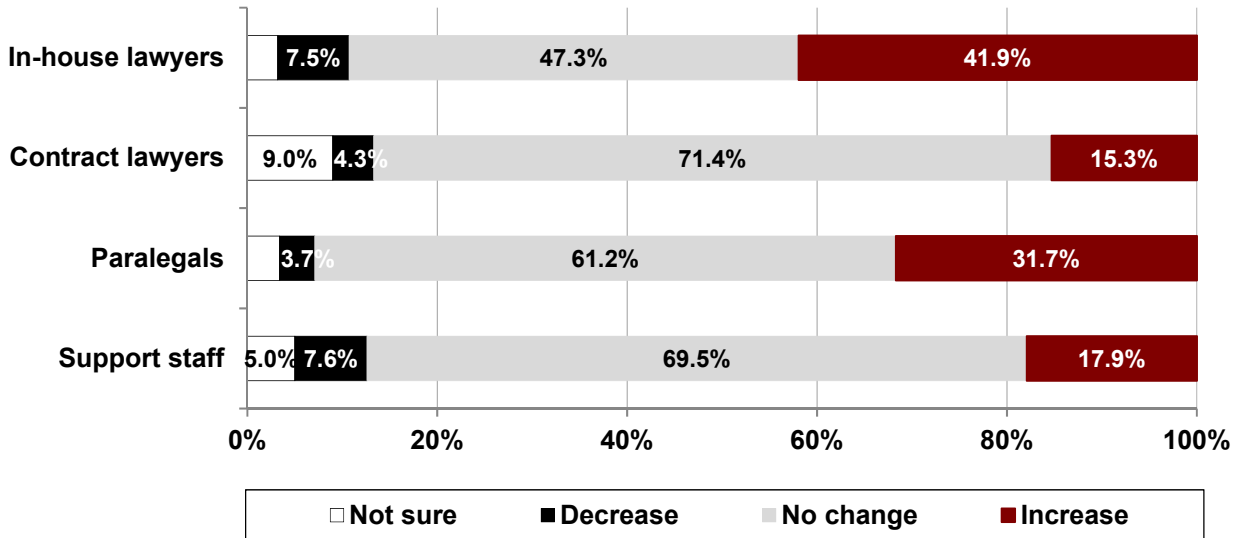
*Governance – Board, sustainability, shareholder engagement, etc.*

*Recovering money for the company from insurance and from cross-parties in litigation*

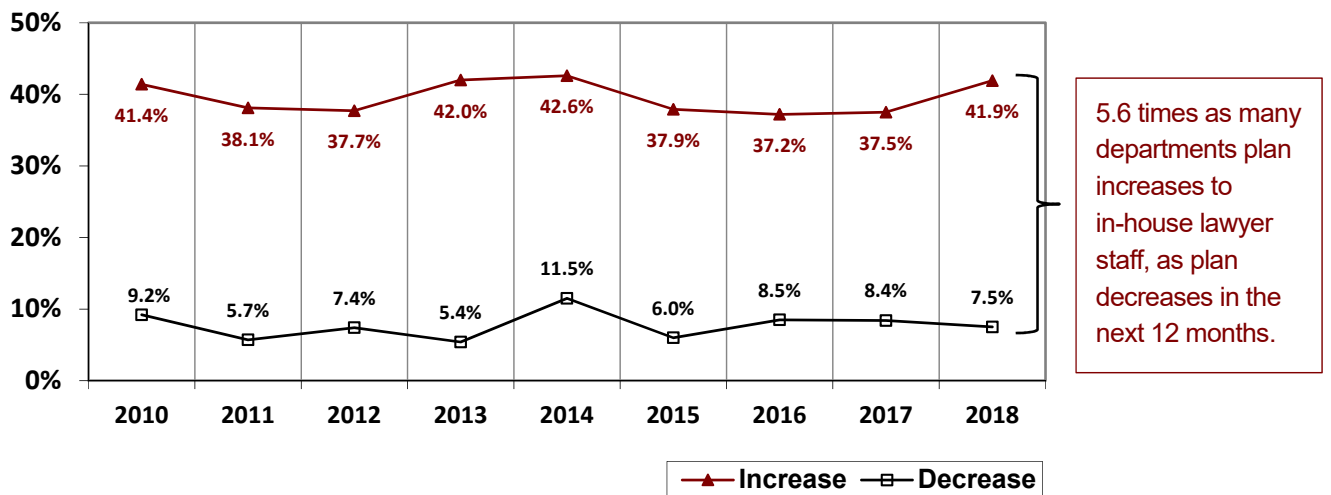
Law Department Workforce – Next 12 Months

**OUTLOOK 2019**

Within the next 12 months do you plan to increase or decrease your Law Department workforce?



**TREND: Increase or decrease in-house lawyer workforce in the next 12 months**



Trend data compiled from 2010 - 2018 Chief Legal Officer Surveys.

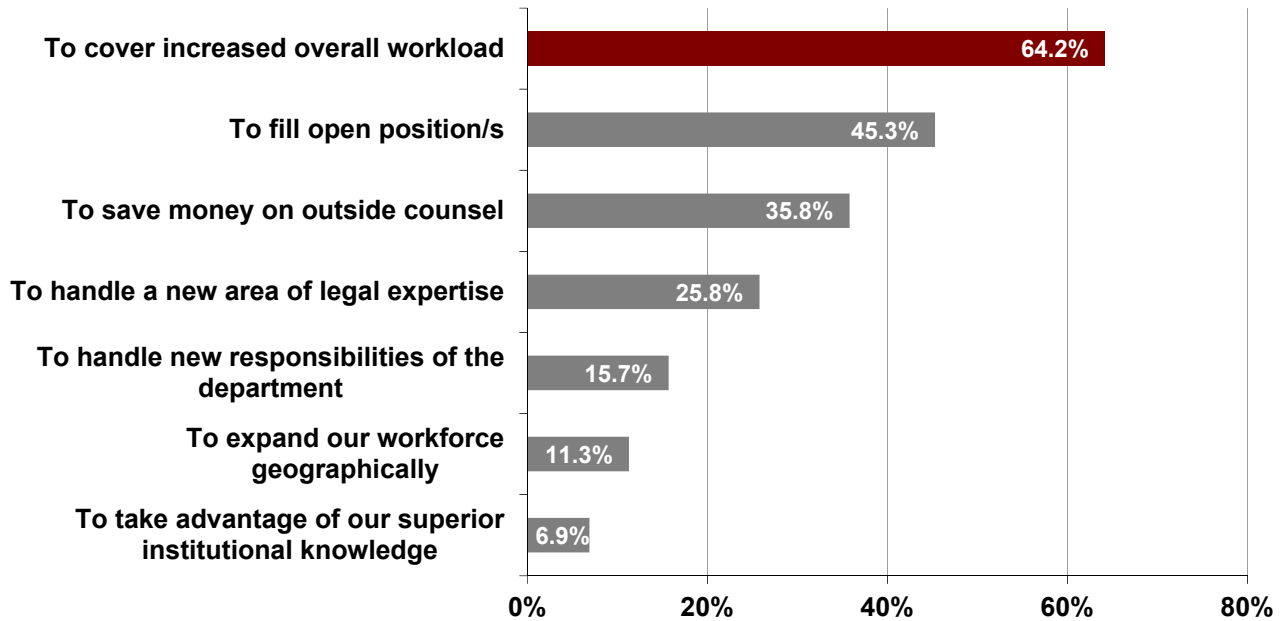
Reasons for In-House Hiring

**OUTLOOK 2019**

**FOLLOW-UP QUESTION...**

Asked of the 41.9% of departments that plan to add in-house lawyers in the next 12 months:

**If you plan to hire one or more in-house lawyer in the next 12 months, what are the primary reasons? (Check all that apply.)**

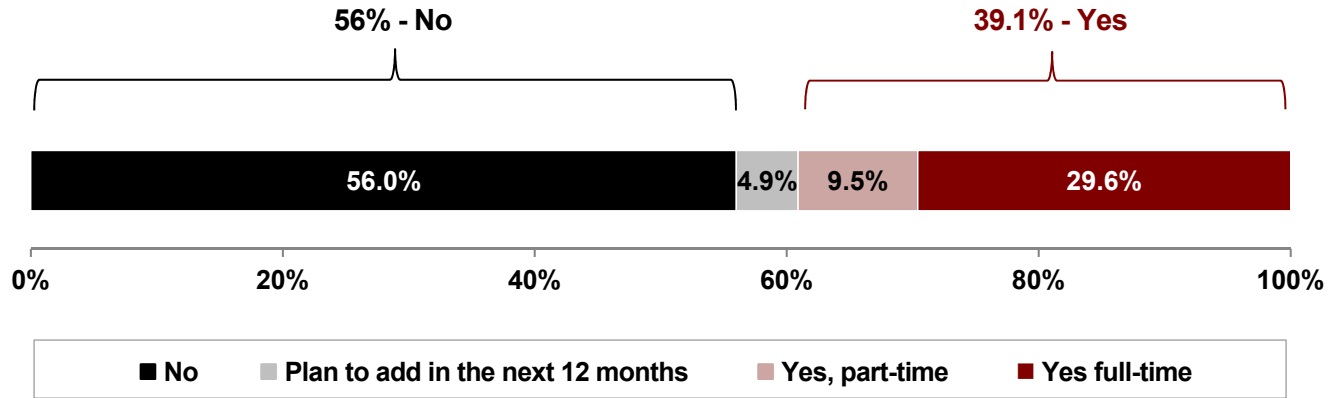


**OTHER (representative responses)**

*To fill positions due to pending retirements*

## Law Department Operations Managers

Do you have an administrator or other business manager who manages law department operations?



### BY DEPARTMENT SIZE: Department has a Law Department Administrator

	No	Plan to	Yes Part-Time	Yes Full-Time
1 lawyer	100.0%	0.0%	0.0%	0.0%
2-5 lawyers	85.5%	0.0%	7.3%	7.3%
6-10 lawyers	63.5%	1.9%	11.5%	23.1%
11-50 lawyers	46.3%	10.0%	12.5%	31.3%
51-100 lawyers	22.2%	0.0%	16.7%	61.1%
100+ lawyers	8.0%	12.0%	0.0%	80.0%

### BY YEAR: Department has a Law Department Administrator

	No	Plan to	Yes
2016	64.0%	2.7%	33.3%
2017	59.3%	3.7%	37.1%
2018	56.0%	4.9%	39.1%

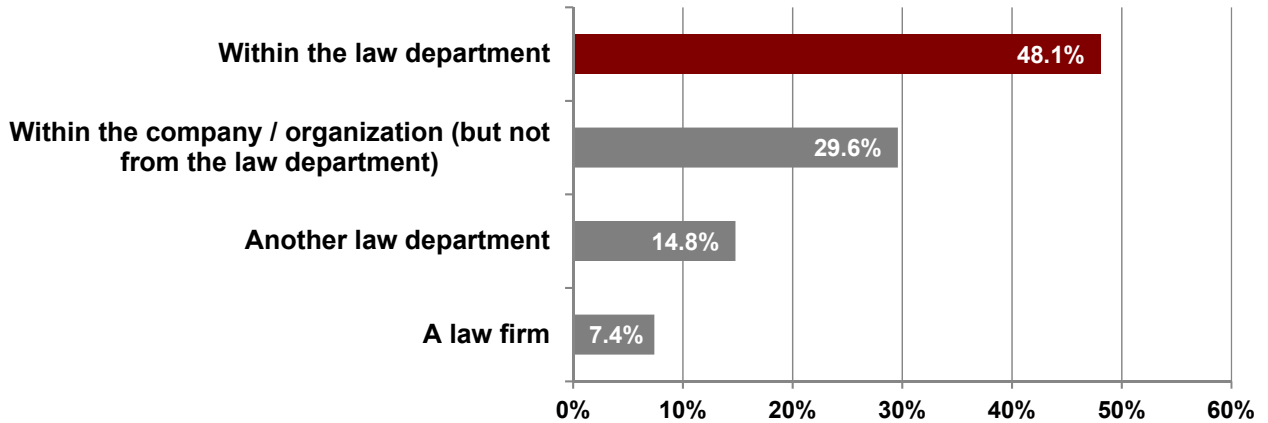


## Law Department Operations Managers – Background

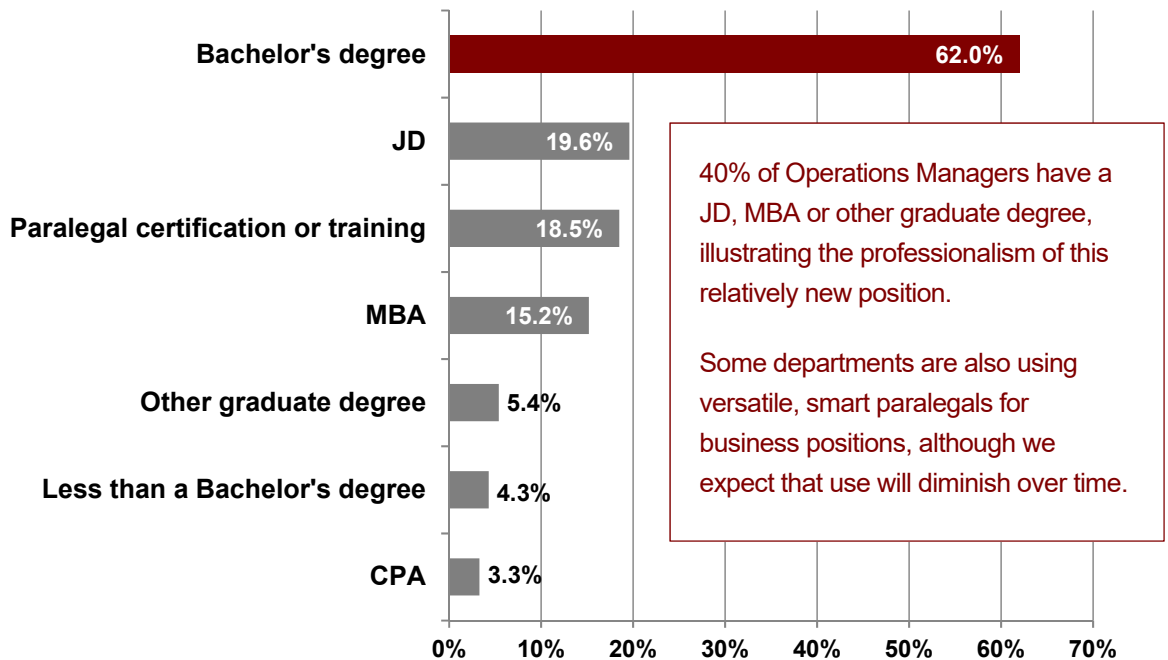
**FOLLOW-UP QUESTION...**

Asked of the 39.1% of departments that employ a Legal Operations Manager (including full-time and part-time administrators).

### Where did your law department administrator / business manager come from?



### What is your law department administrator's educational background? (Check all that apply.)



## Law Department Operations Managers – Background

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*This table cross-tabulates the four most common educational backgrounds of Law Department Operations Managers with the source of the hire.*

### **EDUCATIONAL BACKGROUND - BY SOURCE OF HIRE**

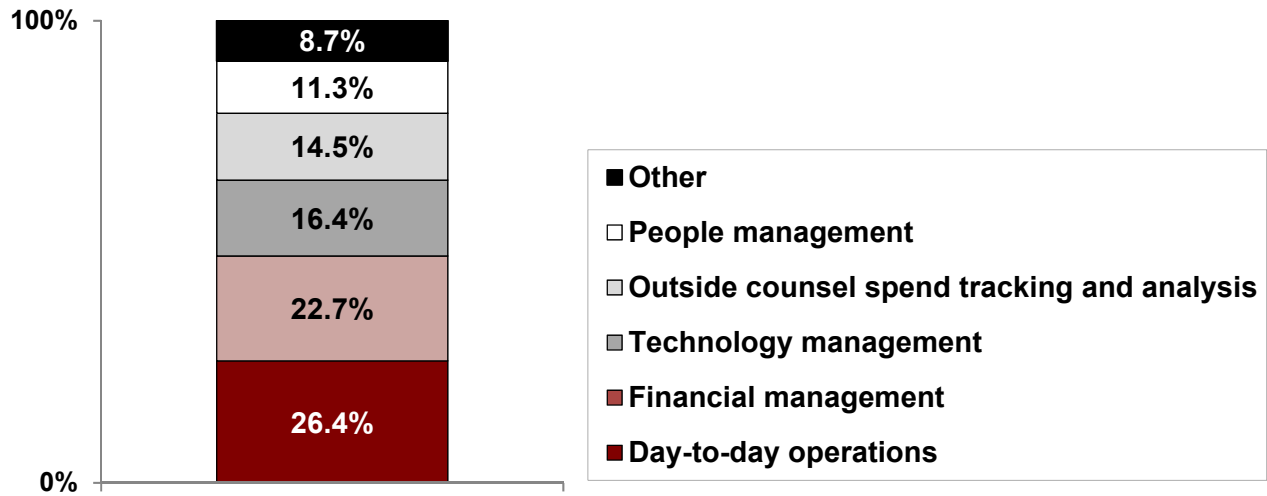
	<b>BA</b>	<b>JD</b>	<b>Paralegal Certification</b>	<b>MBA</b>
Within the law department	53.8%	28.2%	35.9%	7.7%
Within the organization	70.8%	4.2%	4.2%	20.8%
Another law department	66.7%	25.0%	0.0%	33.3%
A law firm	66.7%	16.7%	33.3%	0.0%
<b>ALL FIRMS</b>	<b>62.0%</b>	<b>19.6%</b>	<b>18.5%</b>	<b>15.2%</b>

## Law Department Operations Managers – Time Allocation

**FOLLOW-UP QUESTION...**

Asked of the 39.1% of departments that employ a Legal Operations Manager (including full-time and part-time administrators).

Please estimate the percentage of time your department administrator / business manager spends on each of the following functions.



Legend, top to bottom, corresponds to percentages top to bottom

**OTHER (representative responses)**

*Law department strategy*

*Business process improvement*

*Performance metric management*

*Managing internal business stakeholders*

*Facilities, business continuity, records retention, vendor management*

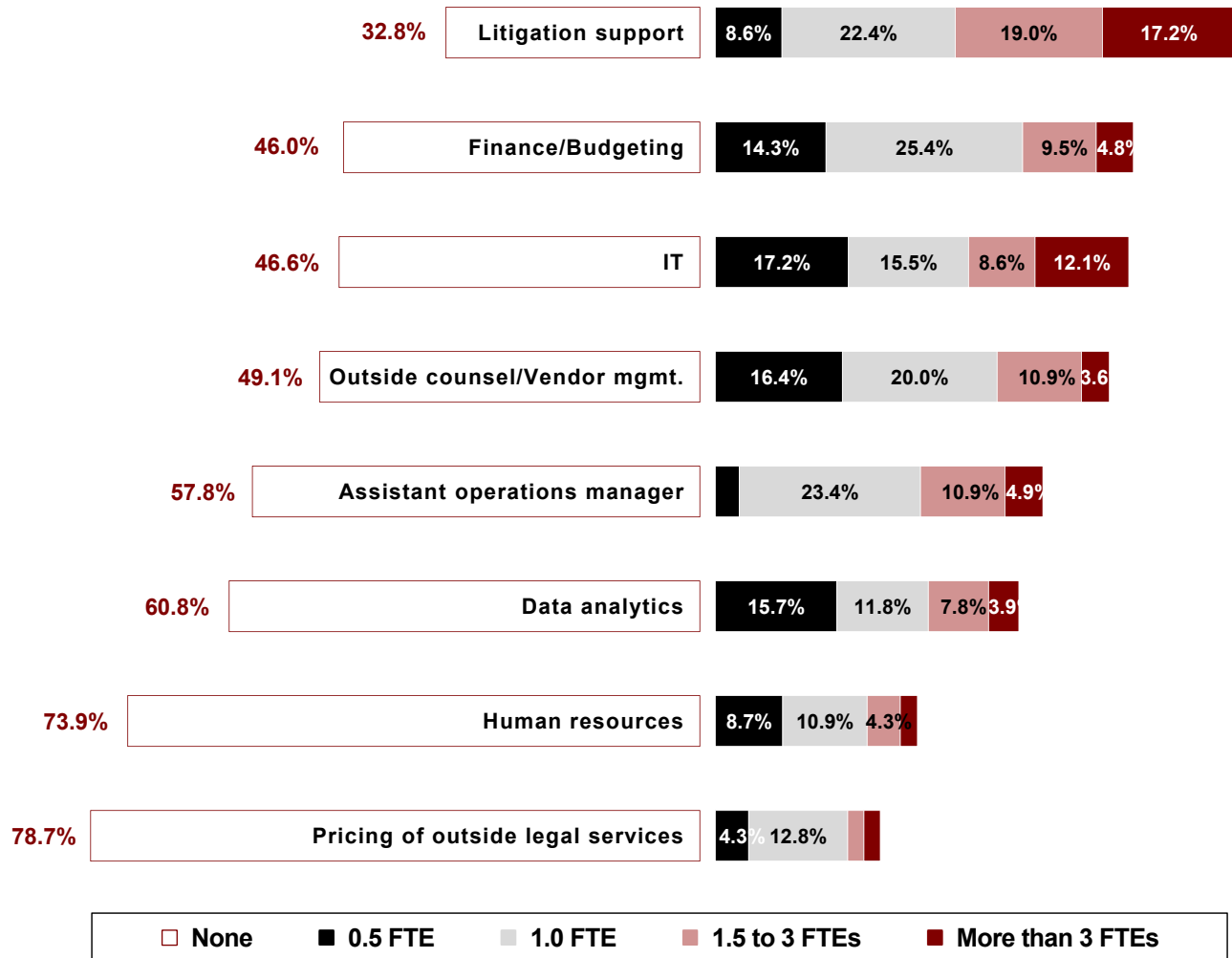
*Training personnel on technology usage and other law department processes*

*Practicing law*

*Paralegal functions*

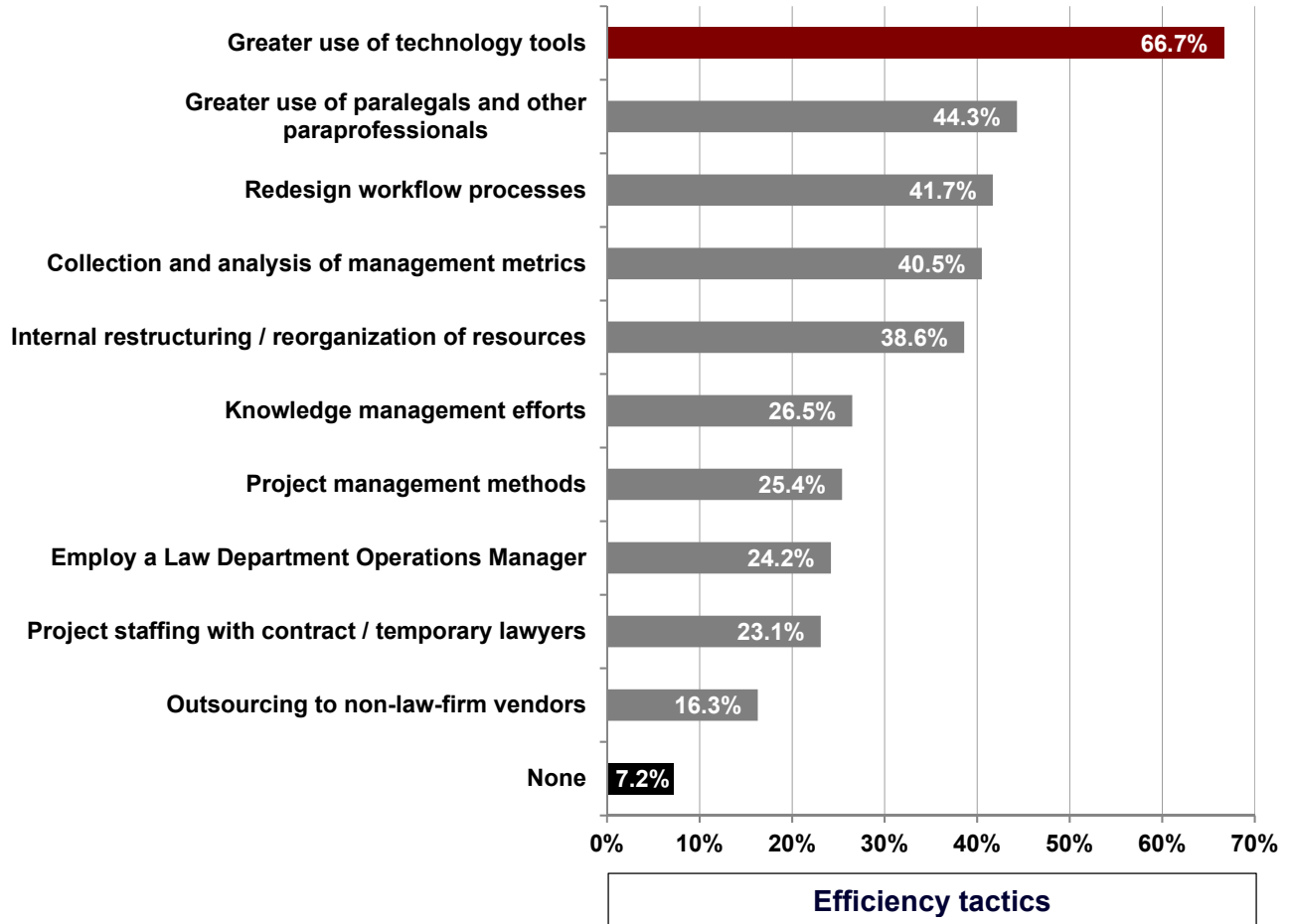
## Law Department Operations Staff

By category, how many additional full-time equivalent (FTE) operations professionals work in your law department in any of the following functional areas?



## Law Department Management – Efficiency

In the last 12 months, have you done any of the following to increase your law department’s efficiency in its delivery of legal services? (Check all that apply.)



**OTHER (representative responses)**

*Developed intake process and educated clients about accessing legal services*

*Trying to stop doing work that brings less ROI/value*

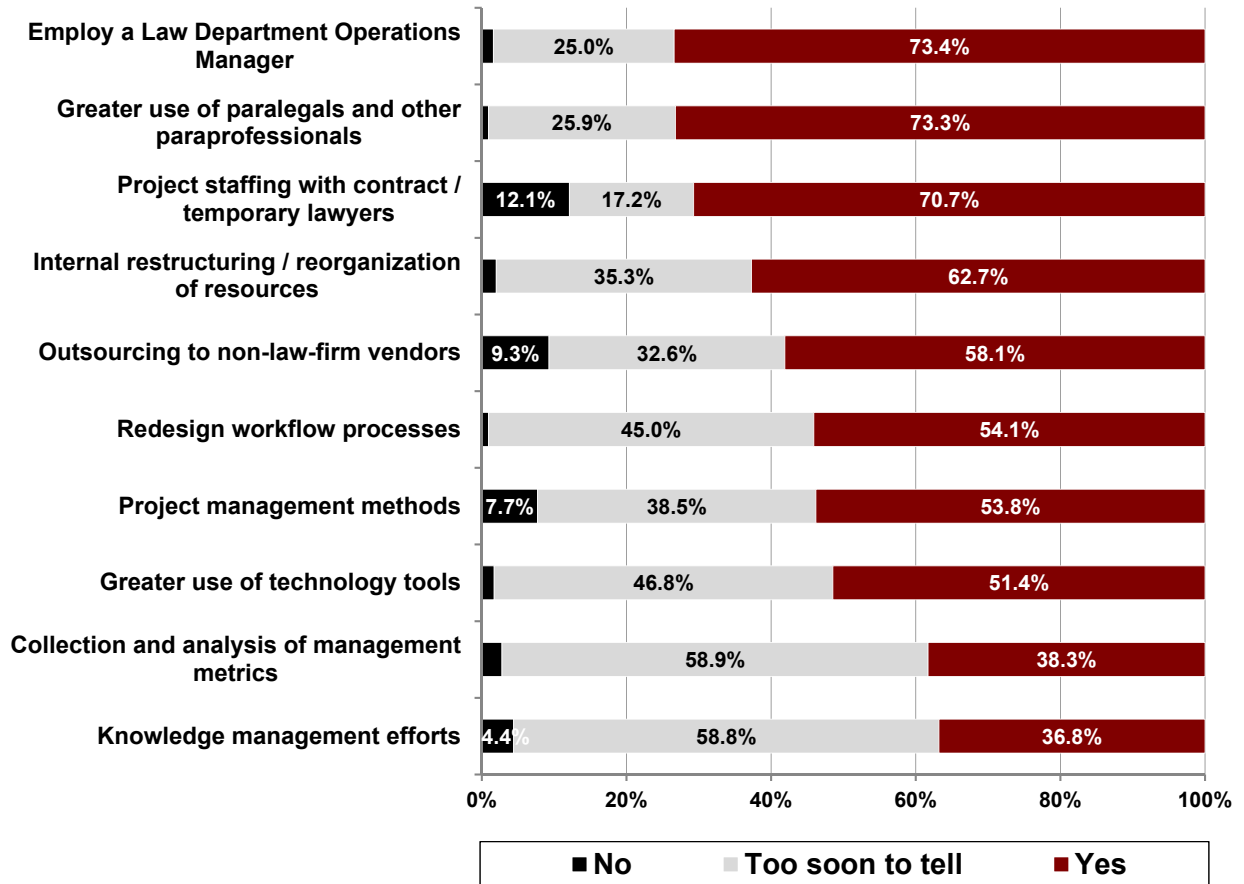
## Efficiency Tactics – By Department Size

In the last 12 months, have you done any of the following to increase your law department's efficiency in its delivery of legal services? (Check all that apply.)

	1 lawyer	2-10 lawyers	11-50 lawyers	51 lawyers or more
Greater use of technology tools	53.8%	55.9%	73.9%	81.3%
Greater use of paralegals / paraprofessionals	53.8%	41.4%	43.5%	50.0%
Redesign workflow processes	38.5%	36.9%	45.7%	45.8%
Collection and analysis of management metrics	38.5%	24.3%	47.8%	64.6%
Restructure / reorganize internal resources	15.4%	32.4%	41.3%	54.2%
Knowledge management efforts	7.7%	17.1%	27.2%	52.1%
Project management methods	30.8%	19.8%	29.3%	29.2%
Employ a Law Department Operations Manager	0.0%	13.5%	27.2%	50.0%
Project staffing with contract / temporary lawyers	23.1%	16.2%	26.1%	33.3%
Outsource to non-law-firm vendors	7.7%	12.6%	15.2%	29.2%

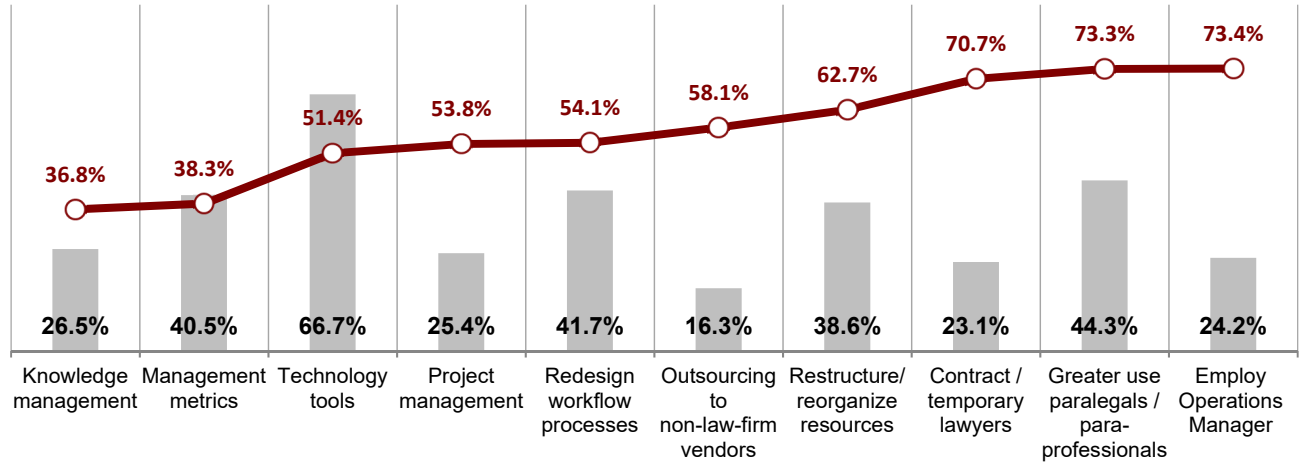
## Efficiency Tactics – Significant Improvement

For each of the initiatives you've undertaken to improve efficiency in the last 12 months, has it resulted in a significant improvement in efficiency of legal service delivery?



## Efficiency Tactics – Comparison of Use and Results

*This chart combines findings from the two prior questions. Each bar shows the percentage of law departments using that tactic. Data points on the line show the percentage of those departments using each tactic that report it has delivered a significant improvement in performance.*

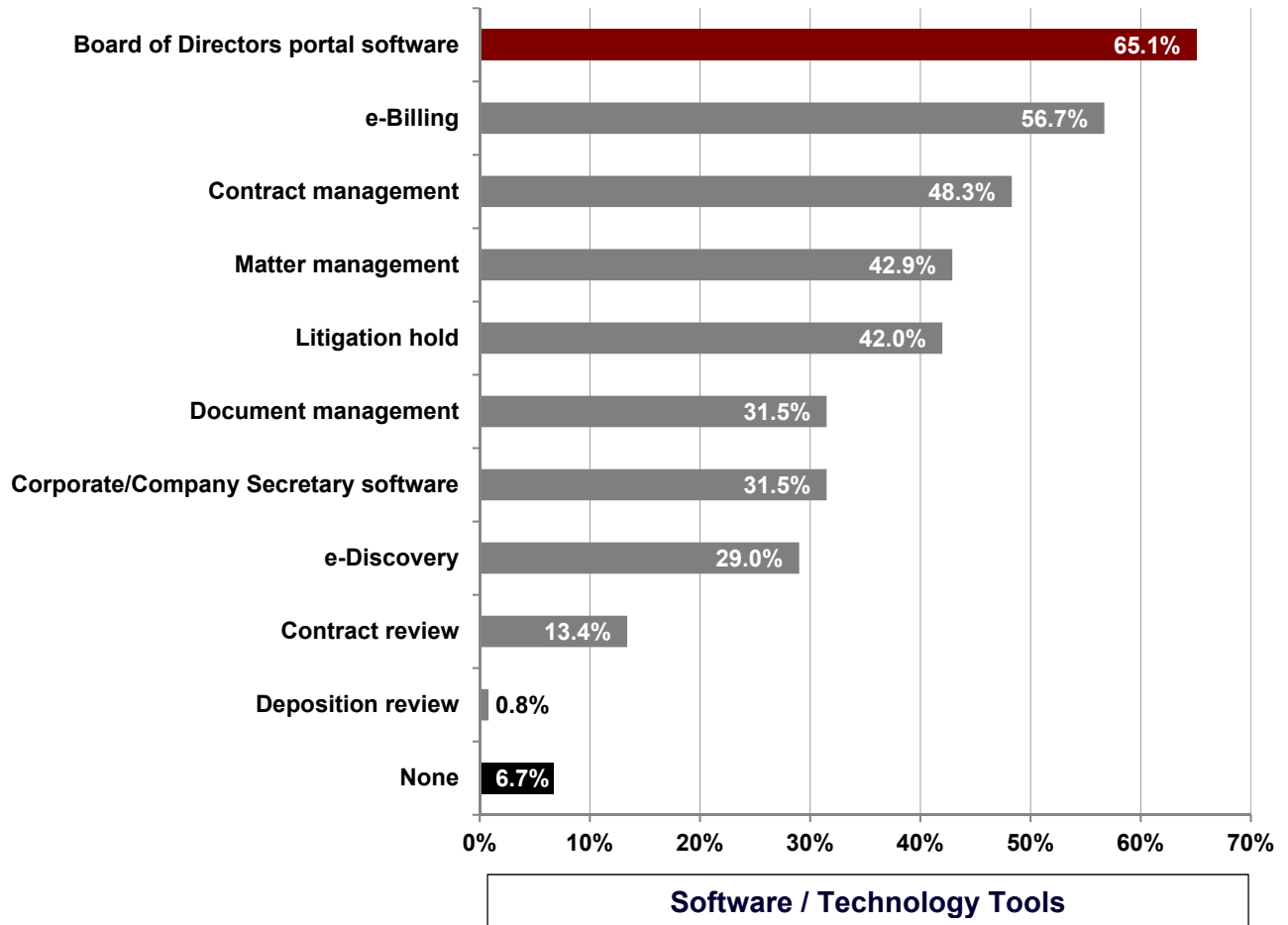


■ % using tactic    ○ Of those using tactic, % experiencing significant improvement in efficiency



## Law Department Management – Software / Technology Tools

Has your law department invested in any of the following software / technology to improve your law department's efficiency? (Check all that apply.)



**OTHER (representative comments)**

*IP management*

*Governance Risk Compliance*

*Project management; Workflow software*

*Reporting and metrics tools*

*Digital signature*

## Software / Technology Tools – By Department Size

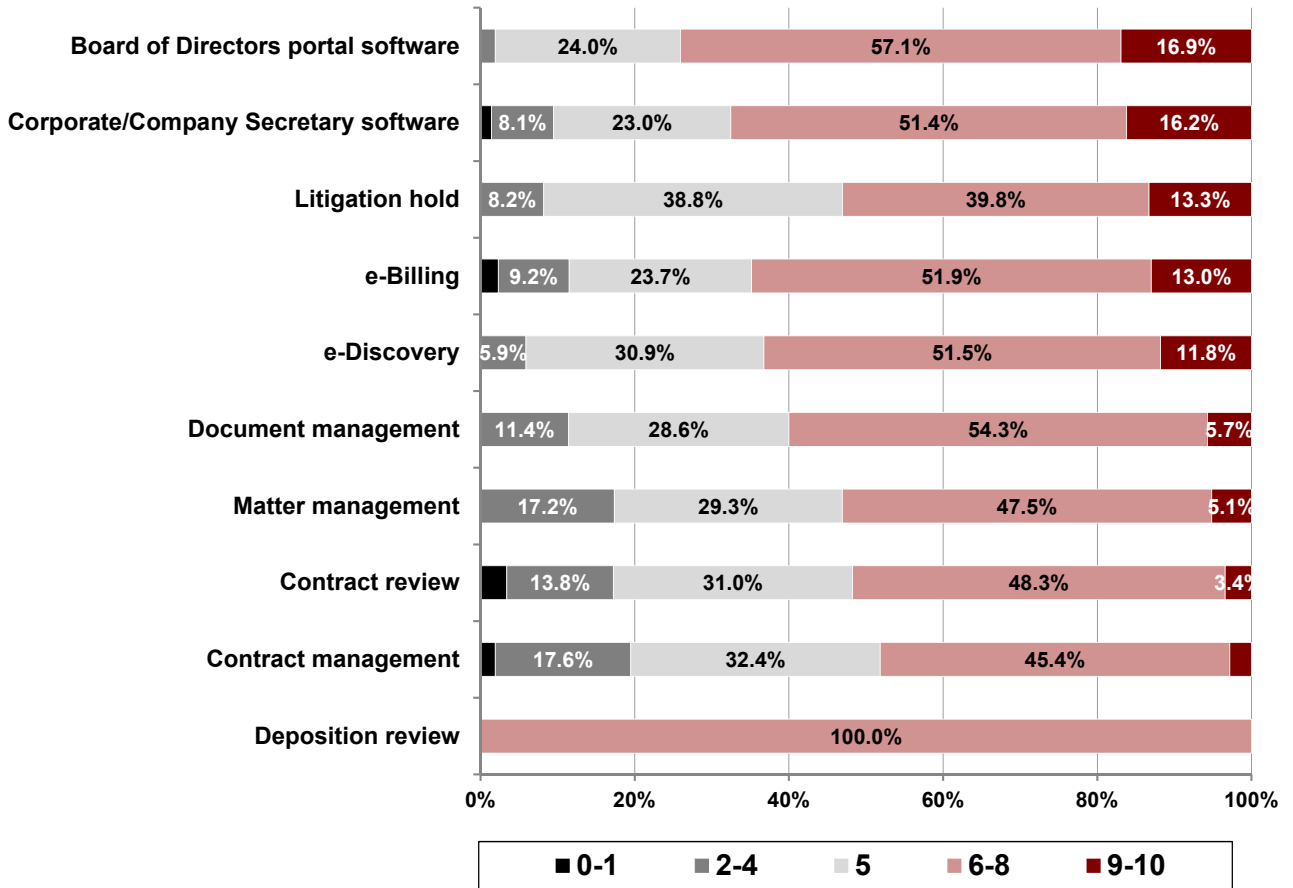
Has your law department invested in any of the following software / technology to improve your law department's efficiency? (Check all that apply.)

	1 lawyer	2-10 lawyers	11-50 lawyers	51 lawyers or more
Board of Directors portal software	27.3%	57.0%	76.7%	68.8%
e-Billing	9.1%	36.6%	69.8%	83.3%
Contract management	18.2%	48.4%	50.0%	52.1%
Matter management	18.2%	29.0%	47.7%	66.7%
Litigation hold	9.1%	29.0%	45.3%	68.8%
Document management	18.2%	24.7%	30.2%	50.0%
Corporate/Company Secretary software	9.1%	16.1%	43.0%	45.8%
e-Discovery	0.0%	17.2%	34.9%	47.9%
Contract review	18.2%	10.8%	14.0%	16.7%
Deposition review	0.0%	1.1%	0.0%	2.1%
None	45.5%	8.6%	2.3%	2.1%

## Law Department Management – Software / Technology Tools

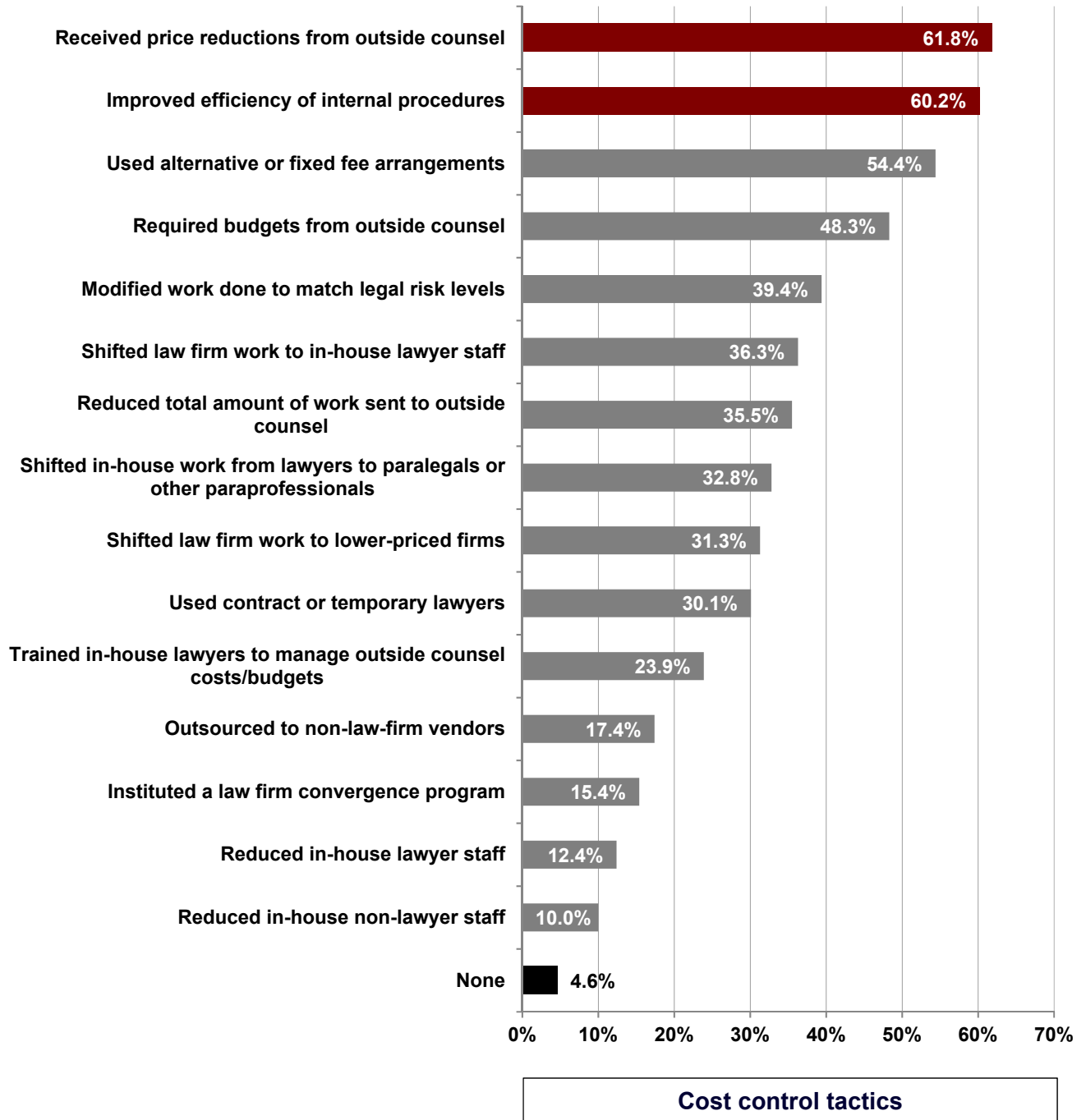
For those software / technology investments your department has made to improve efficiency, to what degree has each investment met your expectations?

Rate on a scale of 0 to 10: 0 = Not at all; 5 = Met expectations; 10 = Far exceeded expectations.



## Law Department Management – Cost Control

In the last 12 months, have you done any of the following to control law department costs? (Check all that apply.)



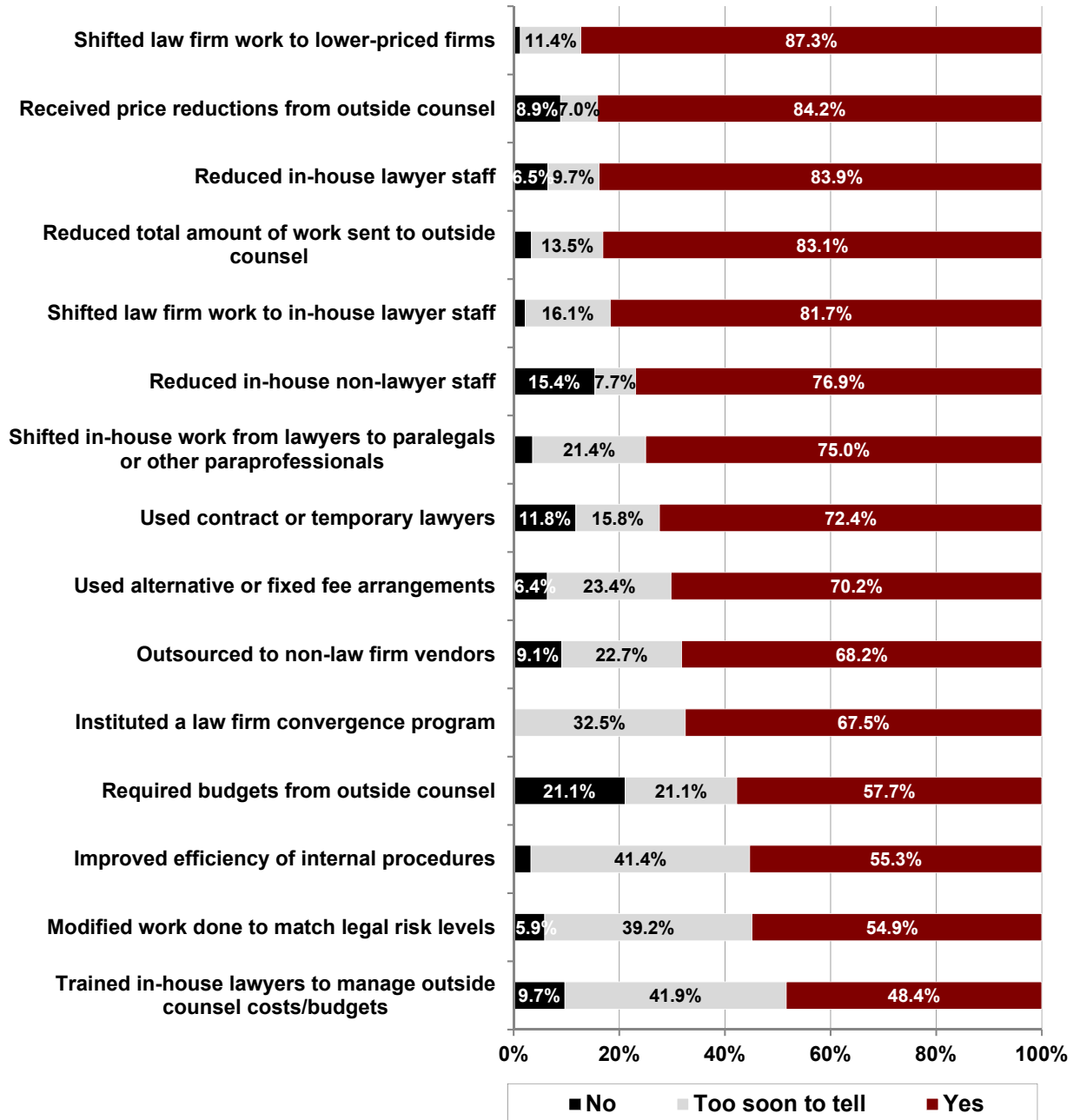
## Cost Control Tactics – By Department Size

In the last 12 months, have you done any of the following to control law department costs? (Check all that apply.)

	1 lawyer	2-10 lawyers	11-50 lawyers	51 lawyers or more
Received price reductions from outside counsel	30.8%	56.8%	63.6%	78.7%
Improved efficiency of internal procedures	38.5%	55.0%	63.6%	72.3%
Used alternative or fixed fee arrangements	30.8%	45.0%	58.0%	76.6%
Required budgets from outside counsel	23.1%	45.0%	47.7%	63.8%
Modified work done to match legal risk levels	30.8%	34.2%	43.2%	46.8%
Shifted law firm work to in-house lawyers	15.4%	37.8%	35.2%	40.4%
Reduced total work sent to outside counsel	53.8%	41.4%	29.5%	27.7%
Shifted in-house work to paralegals	30.8%	27.9%	36.4%	38.3%
Shifted law firm work to lower-priced firms	23.1%	31.5%	33.0%	29.8%
Used contract or temporary lawyers	23.1%	21.6%	33.0%	46.8%
Trained lawyers to manage outside counsel costs	0.0%	20.7%	31.8%	23.4%
Outsourced to non-law-firm vendors	7.7%	15.3%	15.9%	27.7%
Instituted a law firm convergence program	7.7%	5.4%	19.3%	34.0%
Reduced in-house lawyer staff	0.0%	10.8%	11.4%	21.3%
Reduced in-house non-lawyer staff	7.7%	4.5%	12.5%	19.1%

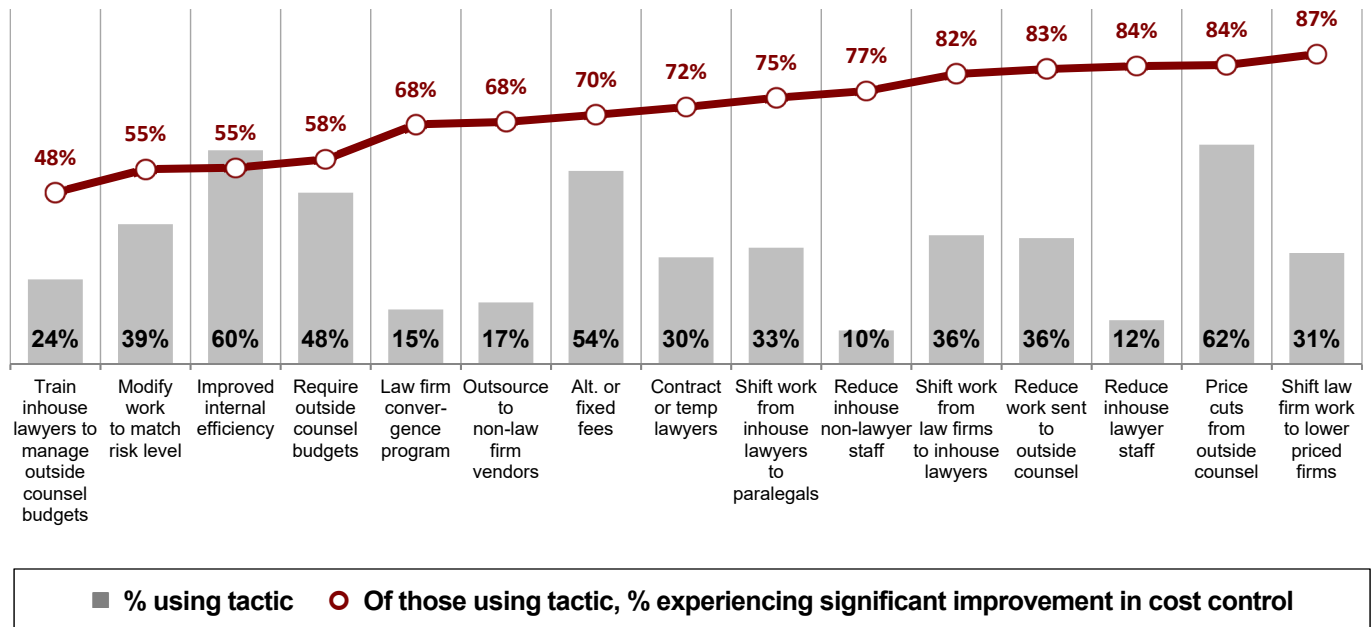
## Cost Control Tactics – Significant Improvement

For each of the initiatives you’ve undertaken to control costs in the last 12 months, has it resulted in a significant improvement cost control?



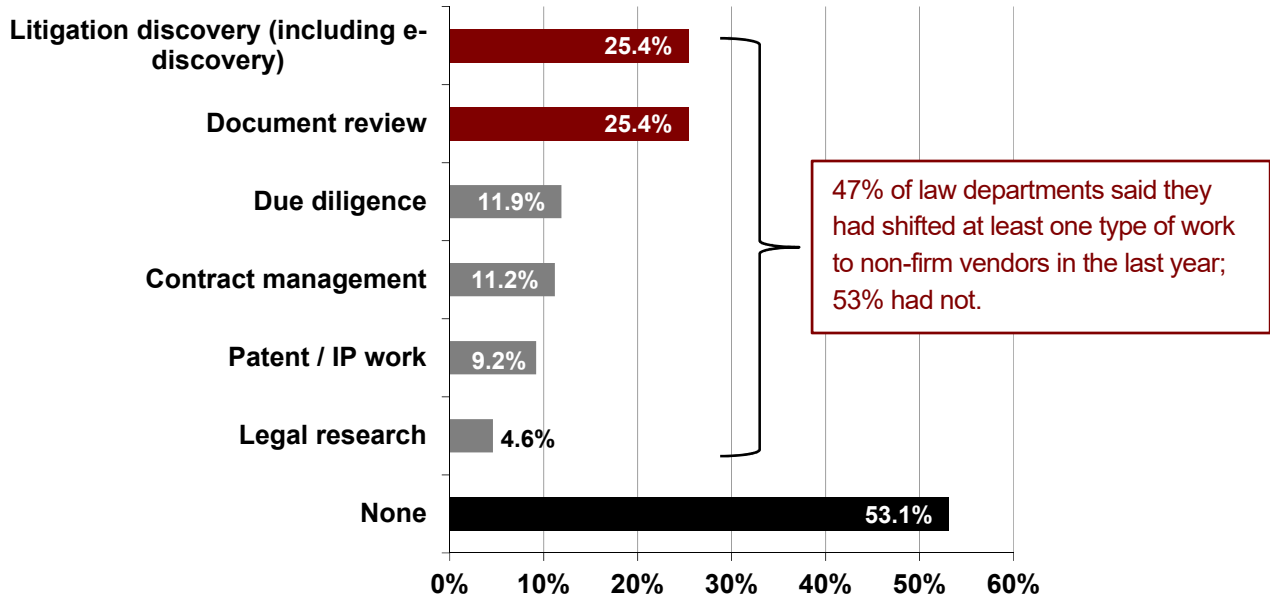
## Cost Control Tactics – Comparison of Use and Results

This chart combines findings from the two prior questions. Each bar shows the percentage of law departments using that tactic. Data points on the line show the percentage of those departments using each tactic that report it has delivered a significant improvement in performance.



## Outsourcing

What types of work have you outsourced to non-law-firm vendors in the last 12 months that you used to give to law firms? (Check all that apply.)



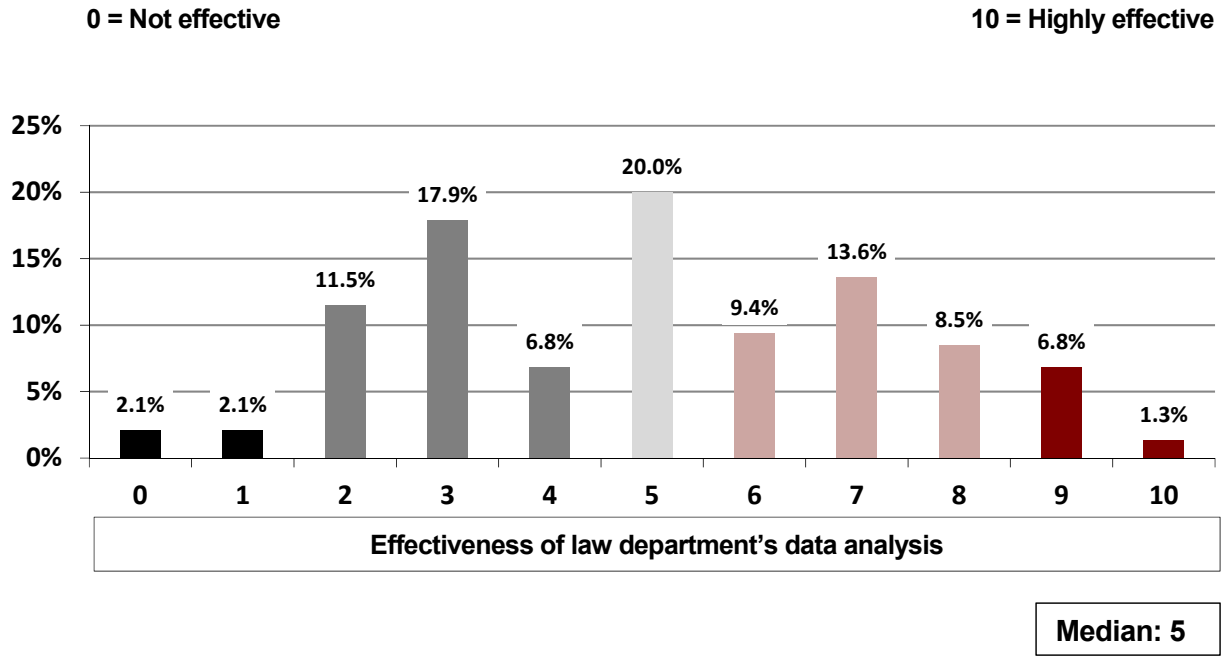
### BY LAW DEPARTMENT SIZE

	1 lawyer	2-10 lawyers	11-50 lawyers	51 lawyers or more
Litigation discovery (including e-discovery)	7.7%	17.3%	22.5%	54.2%
Document review	0.0%	17.3%	28.1%	45.8%
Due diligence	7.7%	8.2%	14.6%	16.7%
Contract management	7.7%	9.1%	10.1%	18.8%
Patent / IP work	0.0%	8.2%	7.9%	16.7%
Legal research	0.0%	3.6%	3.4%	10.4%
None	76.9%	60.0%	57.3%	22.9%



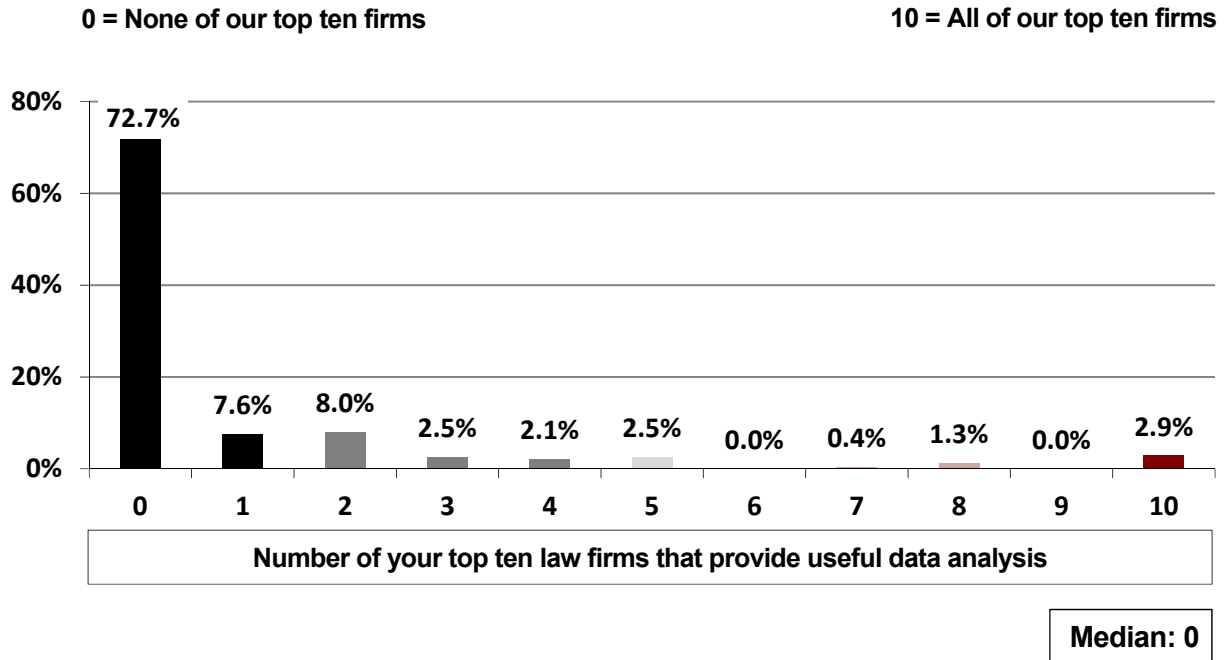
## Data Analytics – Internal Analysis of Outside Spend Data

How effectively does your law department analyze the data available to you on outside counsel spending?



## Data Analytics – Outside Spend Analysis Provided by Law Firms

Considering the ten law firms that receive the largest proportion of your outside counsel spend, in the last 12 months how many of those firms have provided you with an analysis of spending data that was useful to your law department?



## Data Analytics – Desired Analysis from Law Firms

---

**Please describe what kind of data analysis, if any, is or would be useful to receive routinely from outside counsel. (Open-ended question)**

*We categorized responses and have included a selection of comments.*

### Data Analysis by Timekeeper / Experience Level

---

*Total partner to associate ratio of time spent on matter*

---

*Breakdown of how work is allocated among partners, associates, staff*

---

*Total time for tasks performed below level (e.g., associates doing paralegal work)*

---

*Average attorney staffing on comparable matters*

---

*Rates by experience level*

---

*Partner vs. associate spend*

---

*Staffing on phone calls, meetings, documents*

---

### Data Analysis by Matter Type / Task

---

*Average legal spend by type of case*

---

*Spending by type of matter; Spending by task*

---

*Spend during phases of projects (due diligence, deal negotiation, etc.)*

---

*Blended average billing rates for matters or types of matters and trends in same*

---

*Total hours spent on a particular task (e.g., drafting a motion) among all lawyers and staff*

---

*Routine vs. specialized advice*

---

*Cycle times for routine matters*

---

## Data Analytics – Desired Analysis from Law Firms

Please describe what kind of data analysis, if any, is or would be useful to receive routinely from outside counsel. (Open-ended question)

*We categorized responses and have included a selection of comments.*

### Data on Efficiency and Cost Control Efforts

*Relative efficiency – average time to complete matters compared to (a) other lawyers in the firm, (b) other clients*

*Internal guidelines on the use of associate or junior lawyers on matters. To what extent does associate billing time actually reflect training inexperienced attorneys on my matters? What is the discount applied for such training experience?*

*Show me on a no names basis how I compare with industry peers [the law firm] also represents in similar cases. Meaning, if there is a better internal-external "mousetrap" we would like to know about it.*

*Efficiency of work spread across associate, senior associate and partners. So we can drive work to the right level of professional in the firm*

*Budget vs. actual, and reasons for differences (our inefficiency, change in scope, higher billing lawyer, etc.)*

*I want to know how law firms are making smart business decisions so that the administrative costs they pass on to me are negotiated low rates*

*Data related to efficiency rather than hours or spend. I want information about getting results efficiently.*

*Consistency of personnel on company matters; avoid relearning burden*

*Use of technology for efficiency and cost savings initiatives*

*Analysis of methods to lower costs*

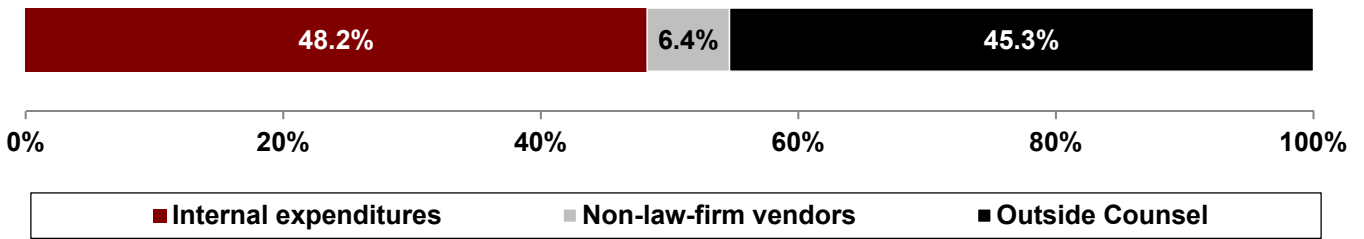
*Proactive suggestions for cost-control/reduction*

*Unbilled time to increase firm support of or knowledge of company*

## Law Department Budget Allocation 2018

Please estimate the percentage of your total 2018 Law Department budget (internal and external legal spend) that each of the following components comprise. (Responses must equal 100%.)

Outside expenditures (law firm plus vendor spend) constitute 51.7% of the total law department budget. Of that total outside spend, 88% goes to law firms, and 12% to non-firm vendors.



**Definitions:**

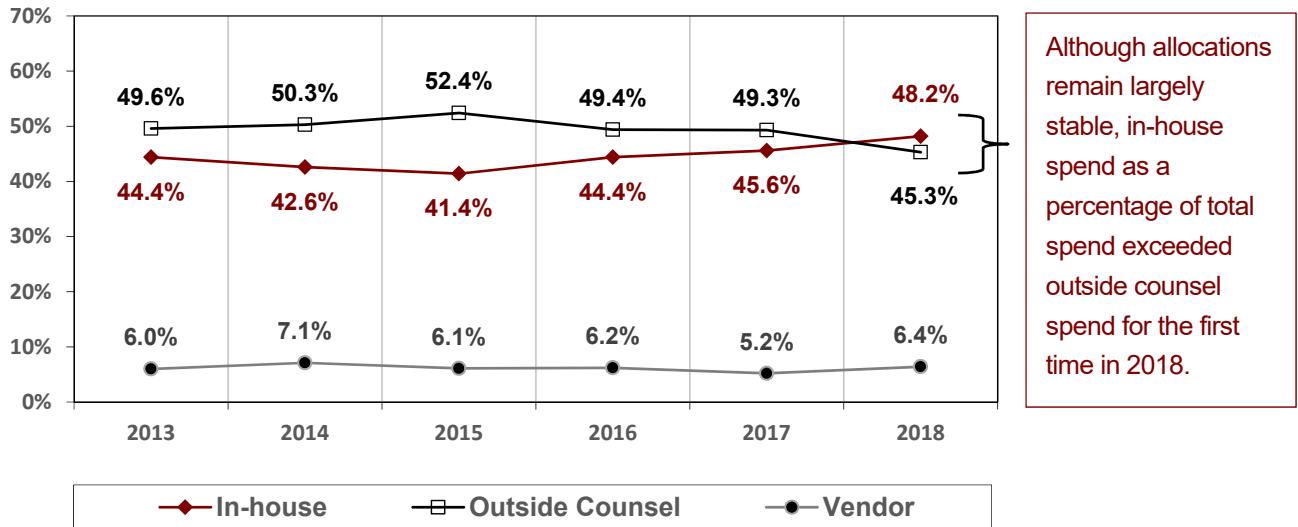
**Internal expenditures:** e.g., Department compensation and benefits; contract lawyers, facilities, technology and other operating costs

**Non-Law-Firm Vendor:** Expenditures for legal matters, e.g., e-discovery, document review, due diligence, legal research, etc.

**Outside Counsel:** Total expenditures to outside law firms

## Law Department Budget Allocation – By Year

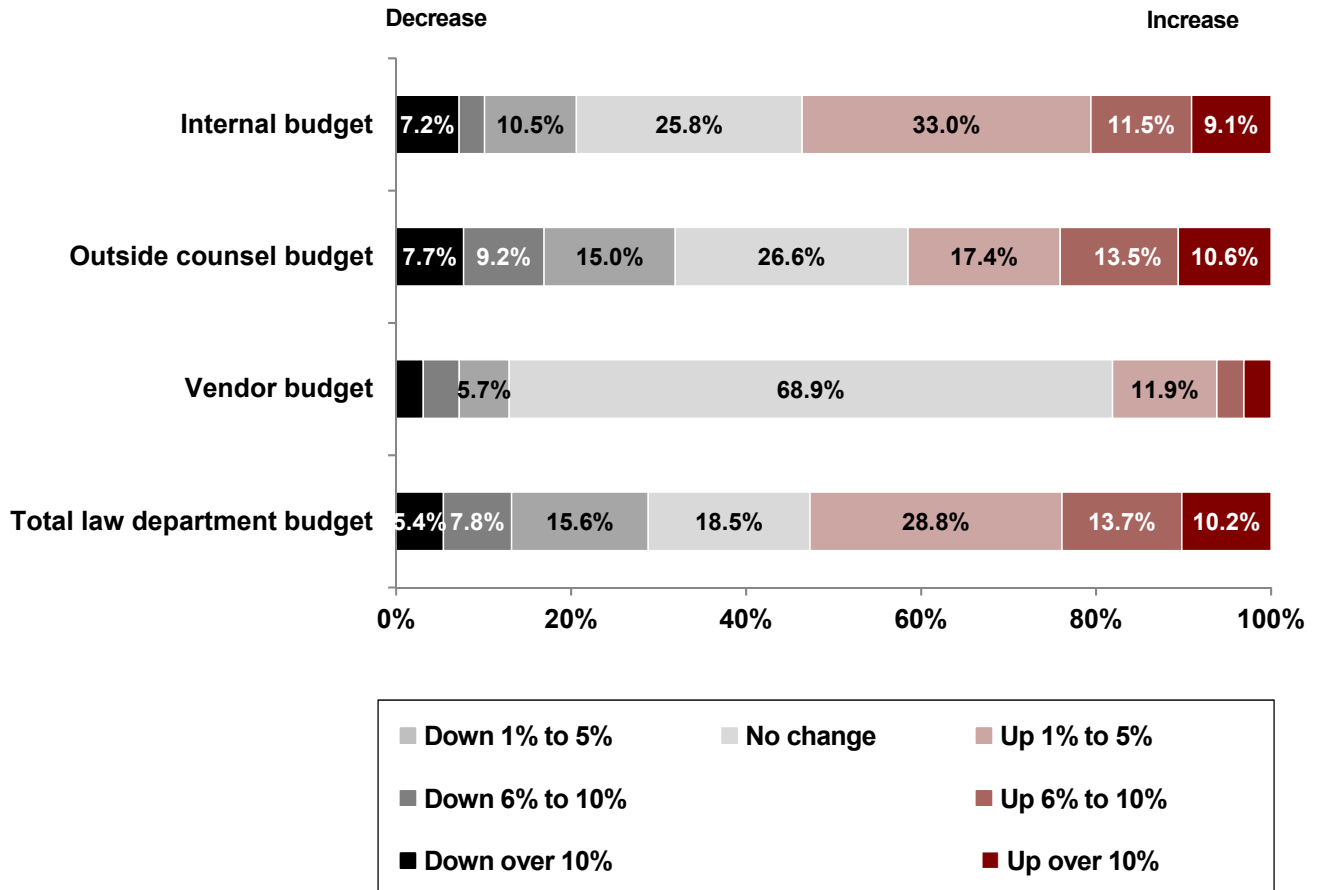
Please estimate the percentage of your total Law Department budget (internal and external legal spend) that each of the following components comprise. (Responses must equal 100%.)



Trend data compiled from the 2013 - 2018 Chief Legal Officer Surveys.

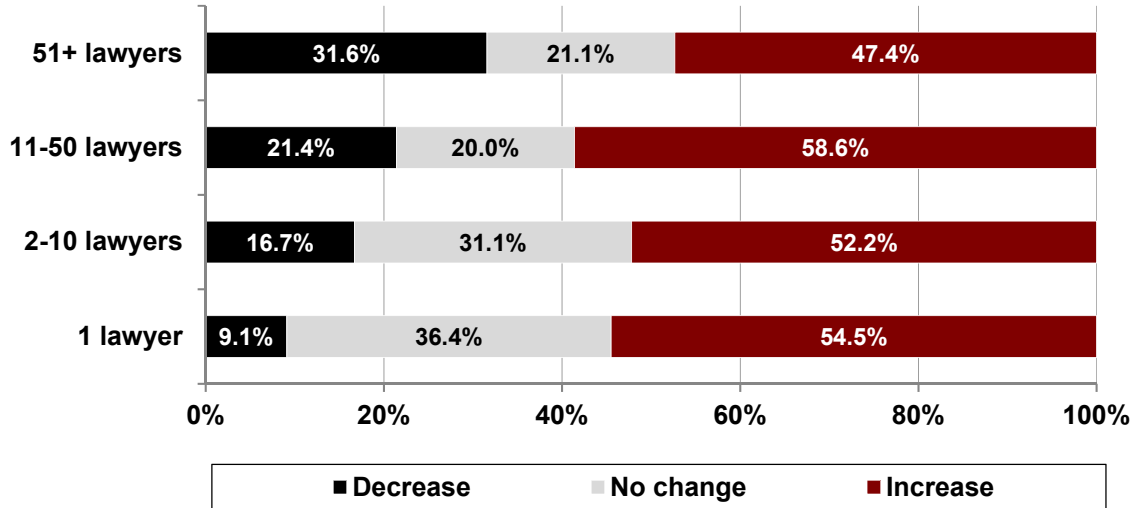
## Law Department Budget Changes: 2017 to 2018

Please estimate the percentage increase or decrease in your Law Department budget from 2017 to 2018.

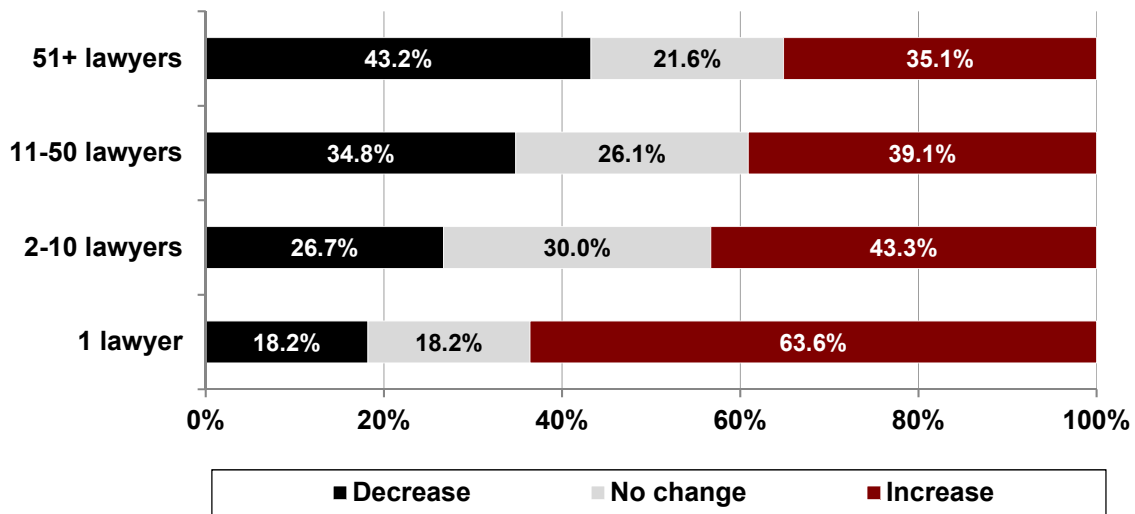


Law Department Budget Changes 2017 to 2018: By Department Size

**IN-HOUSE BUDGET**



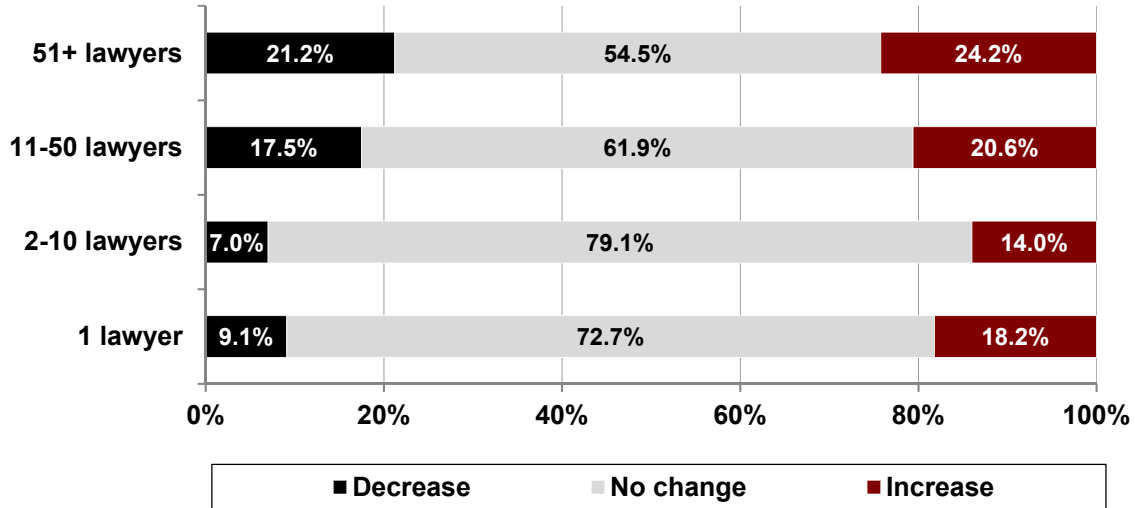
**OUTSIDE COUNSEL BUDGET**



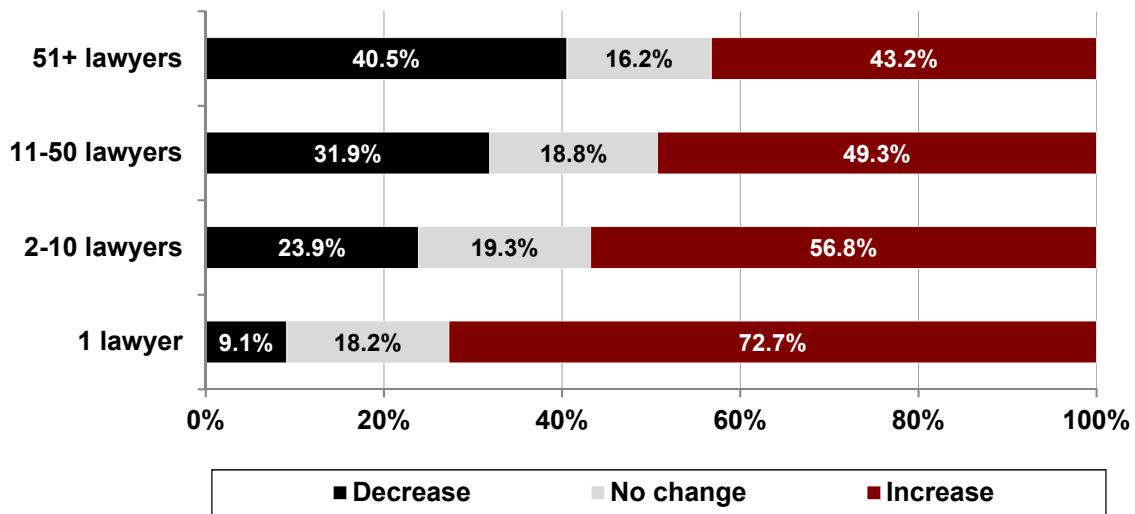


Law Department Budget Changes 2017 to 2018: By Department Size

**VENDOR BUDGET**



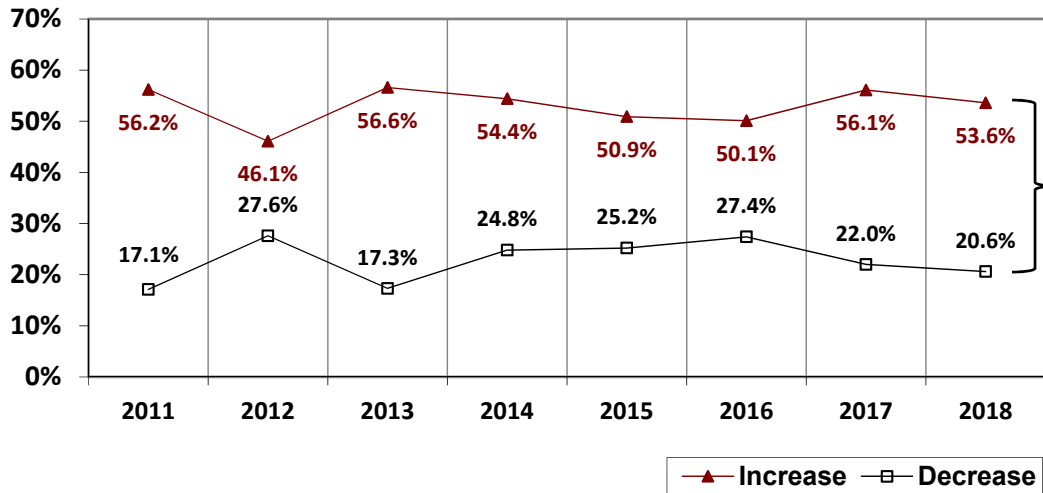
**TOTAL BUDGET**



**TREND: Change in Law Department Budget**

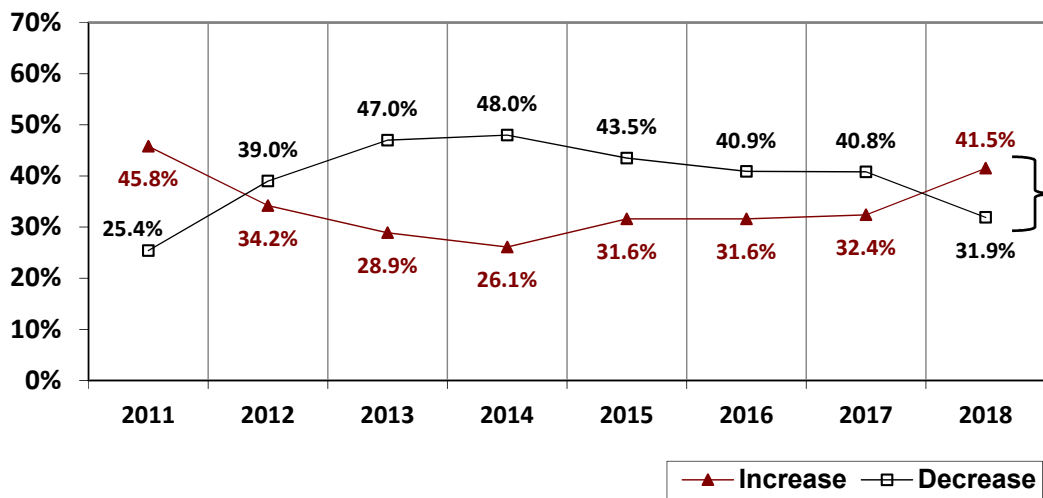
Charts show what percentage of departments increased their budget, and what percentage decreased their budget in each category. The balance of departments, to total 100%, made no change in the budget category and is omitted in each of these charts.

**IN-HOUSE BUDGET**



More than twice as many departments increased in-house budgets this year, as those that made cuts – continuing a multi-year trend.

**OUTSIDE COUNSEL BUDGET**



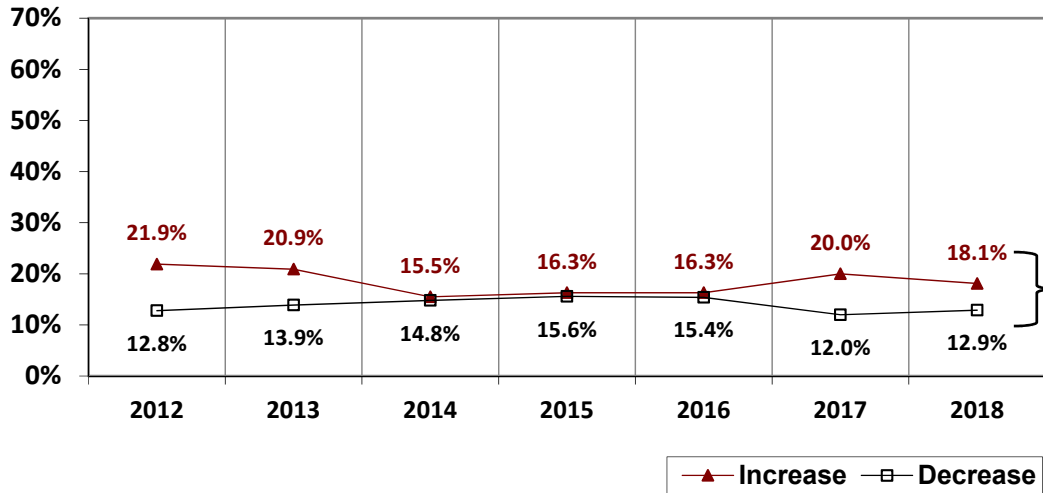
In 2018 – for the first time since 2011 – more law departments increased their outside counsel spending than decreased that part of their budget.

Trend data compiled from 2011 - 2018 Chief Legal Officer Surveys.

**TREND: Change in Law Department Budget**

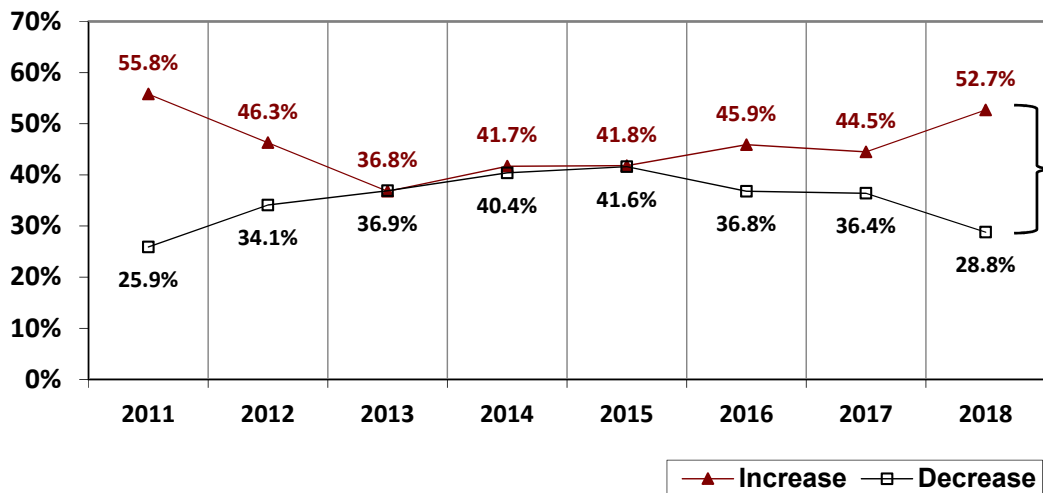
Charts show what percentage of departments increased their budget, and what percentage decreased their budget in each category. The balance of departments, to total 100%, made no change in the budget category and is omitted in these charts.

**VENDOR BUDGET**



For the second year in a row, more law departments made increases in their vendor budgets, compared to those making decreases.

**TOTAL BUDGET**



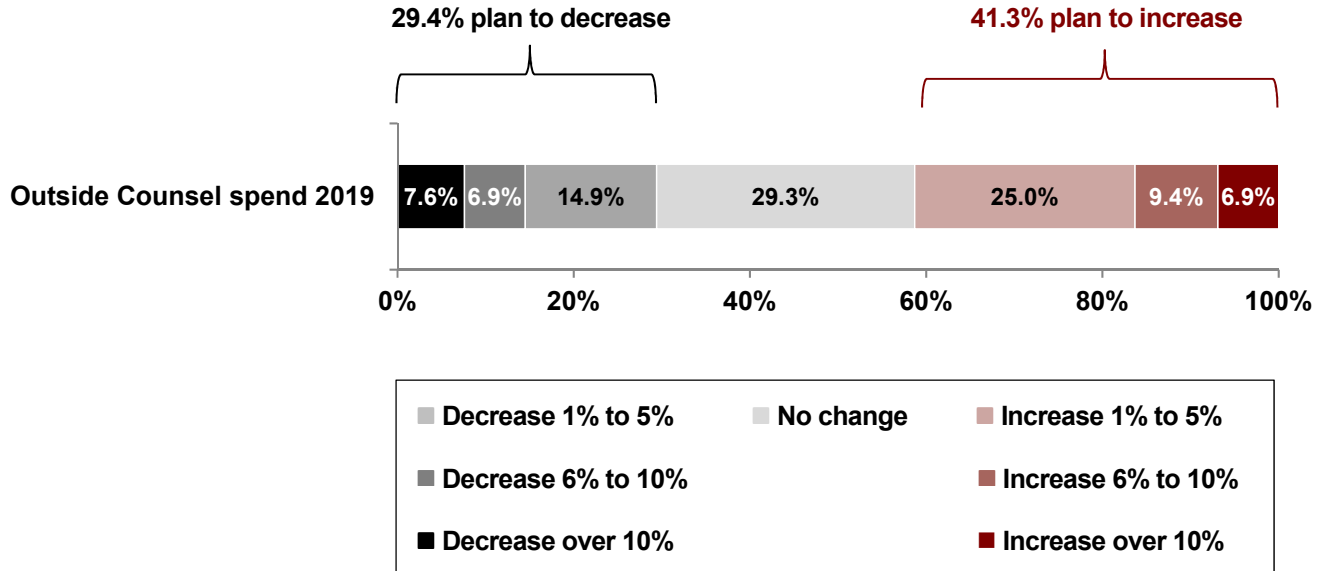
Almost twice as many law departments report increasing vs. decreasing their overall budget in 2018 – a differential not seen since 2011.

Trend data compiled from 2011 - 2018 Chief Legal Officer Surveys.

Outside Counsel Spend – Planned for 2019

**OUTLOOK 2019**

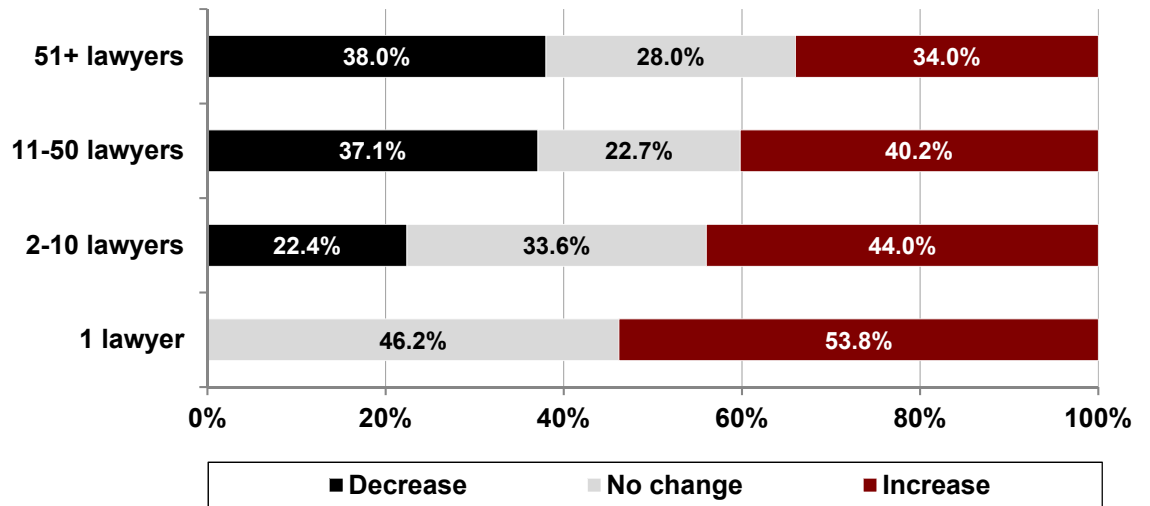
For your fiscal year 2019 budget, please indicate the change you have made / will make in your overall spend on outside counsel?



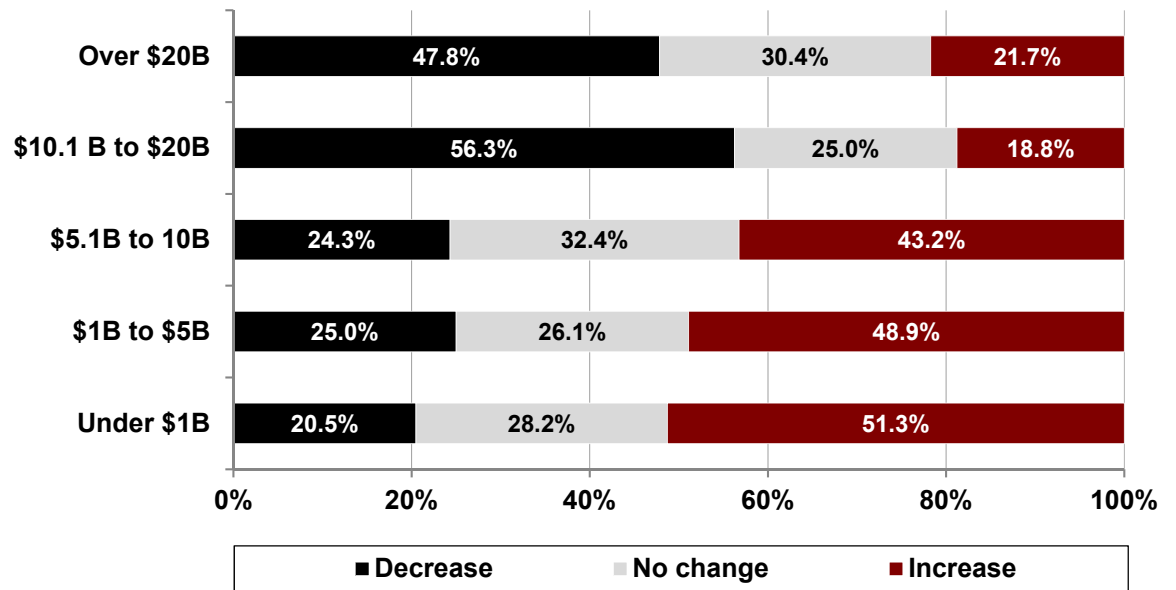
Outside Counsel Spend – Planned for 2019

**OUTLOOK 2019**

**BY DEPARTMENT SIZE:** Planned change in outside counsel spend in 2019



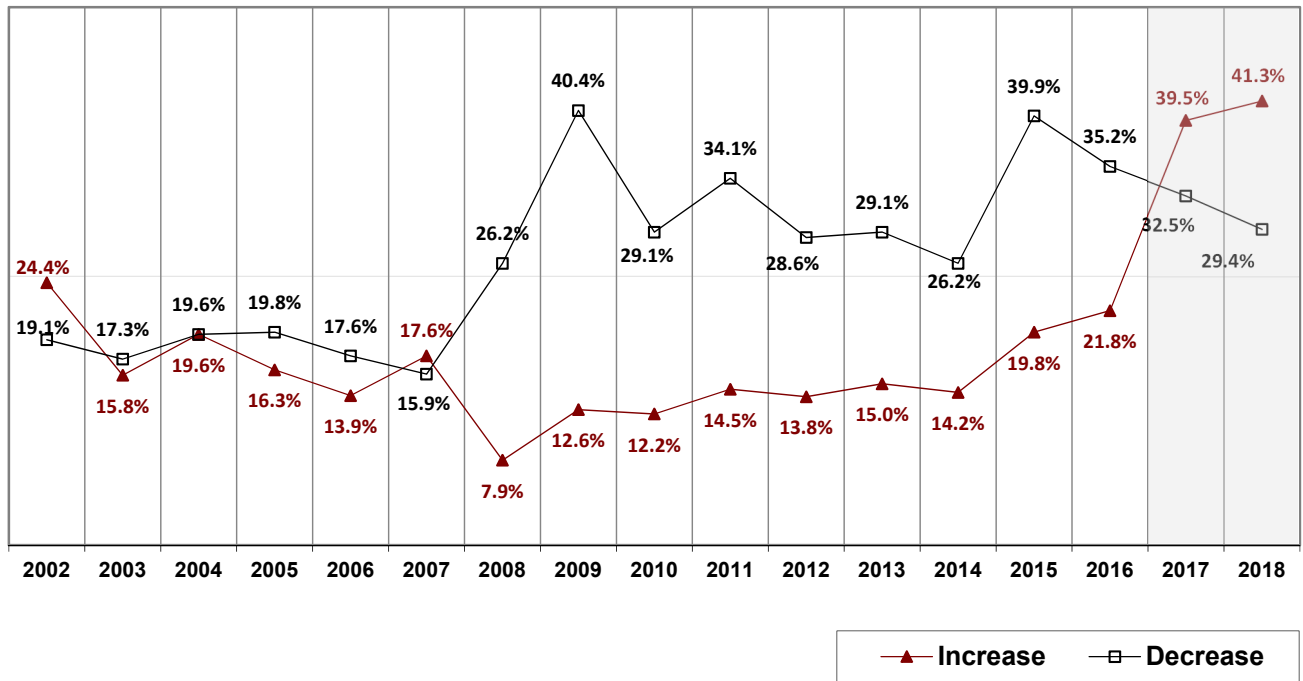
**BY ORGANIZATION REVENUE:** Planned change in outside counsel spend in 2019



**TREND: Plan to increase / decrease Outside Counsel spend in the following year**

*This chart shows what percentage of departments planned to increase their outside counsel spend in the next year, and what percentage planned to decrease outside counsel spend. The balance of departments, to total 100%, planned no change and is omitted in this chart.*

For the second year in a row, more law departments project they will increase than decrease their outside counsel spending next year. Since 2017, we've seen a significant turn-around in the long-term trend of decreases exceeding increases, as well as a 20-point jump in the absolute number of departments planning to spend more on outside counsel the following year.



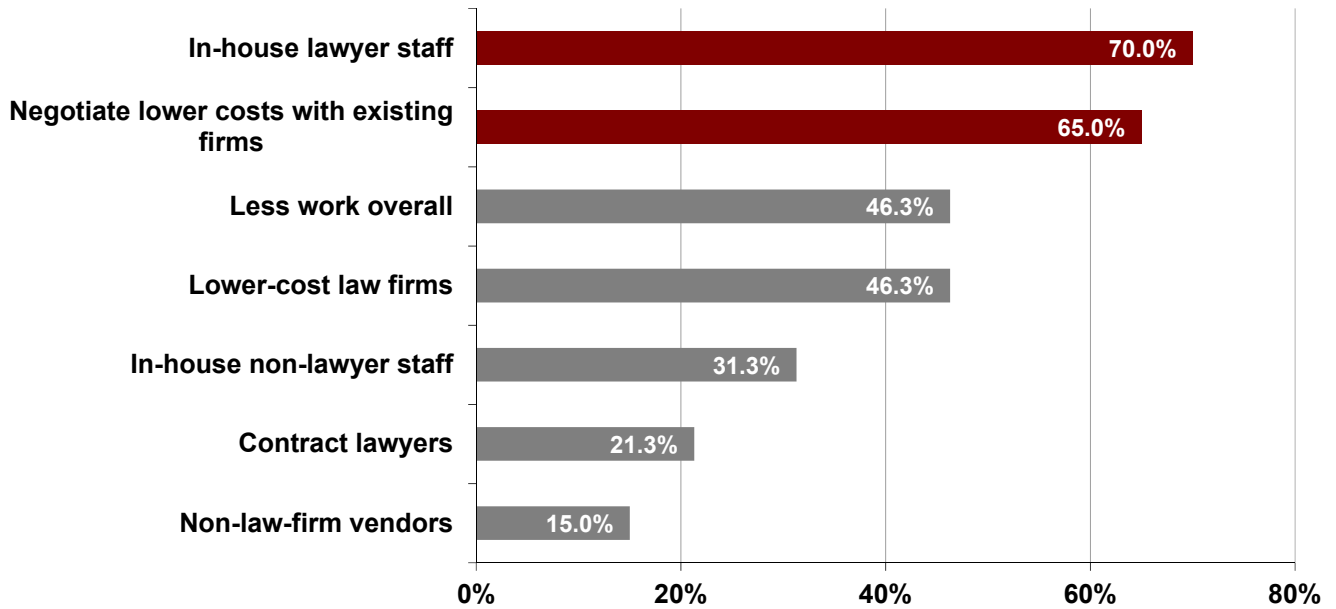
Trend data compiled from 2002 - 2018 Chief Legal Officer Surveys.

Reallocation of Outside Counsel Spend

**OUTLOOK 2019**

**FOLLOW-UP QUESTION...**

Asked of the 29.4% of departments that plan to decrease outside counsel spend in 2019:  
**If you plan to decrease your spend on outside counsel in the next 12 months, how will you cover the work? (Check all that apply.)**



*Less work overall – “due to changing business priorities, preventative law efforts, higher risk tolerance, etc.”*

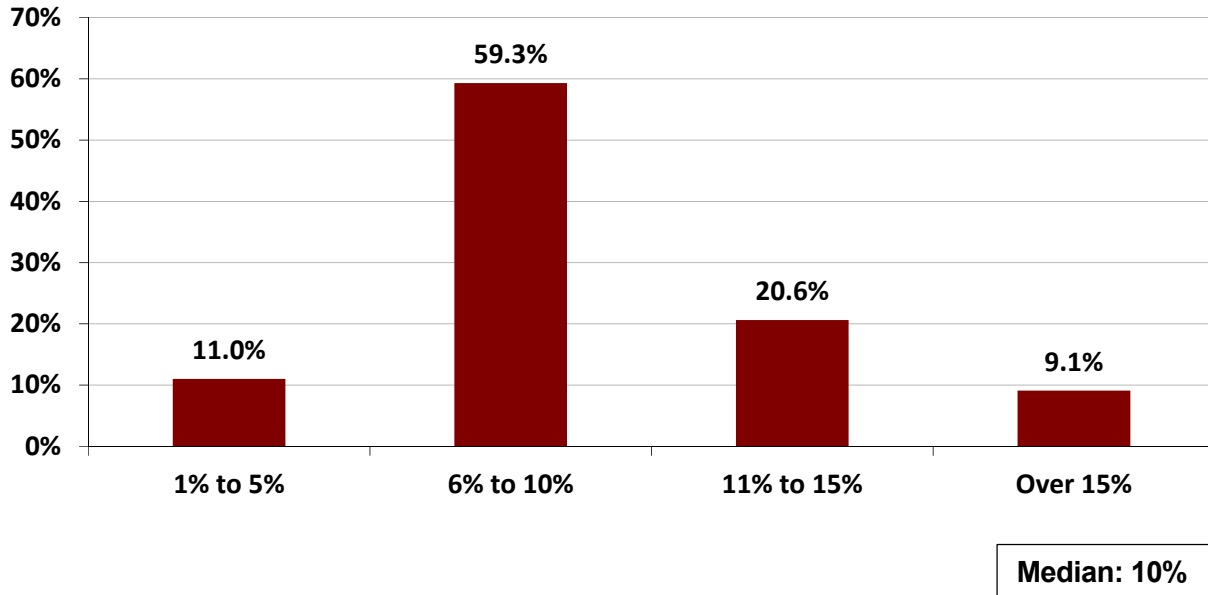
*Non-law-firm vendors – “e.g., for e-discovery, document review, due diligence, legal research, etc.”*

**OTHER (representative responses)**

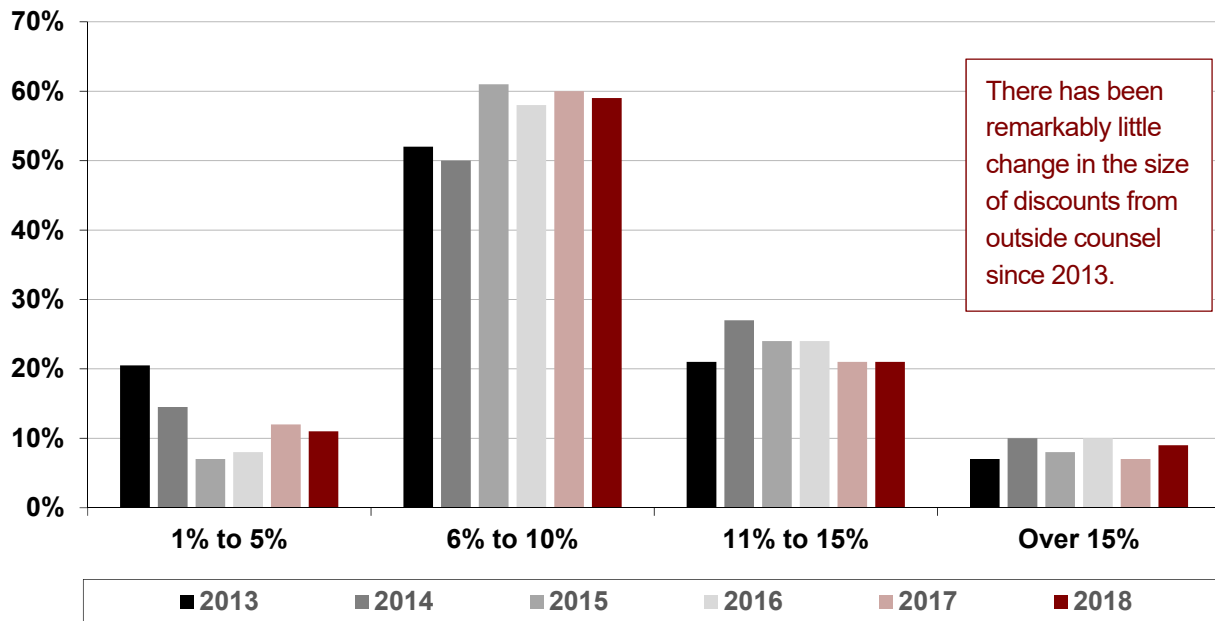
*Implementation of AI/bots for certain admin work*

## Discounts on Outside Counsel Rates

If you received discounts on standard rates from outside counsel in the last 12 months, what was the average price reduction received?



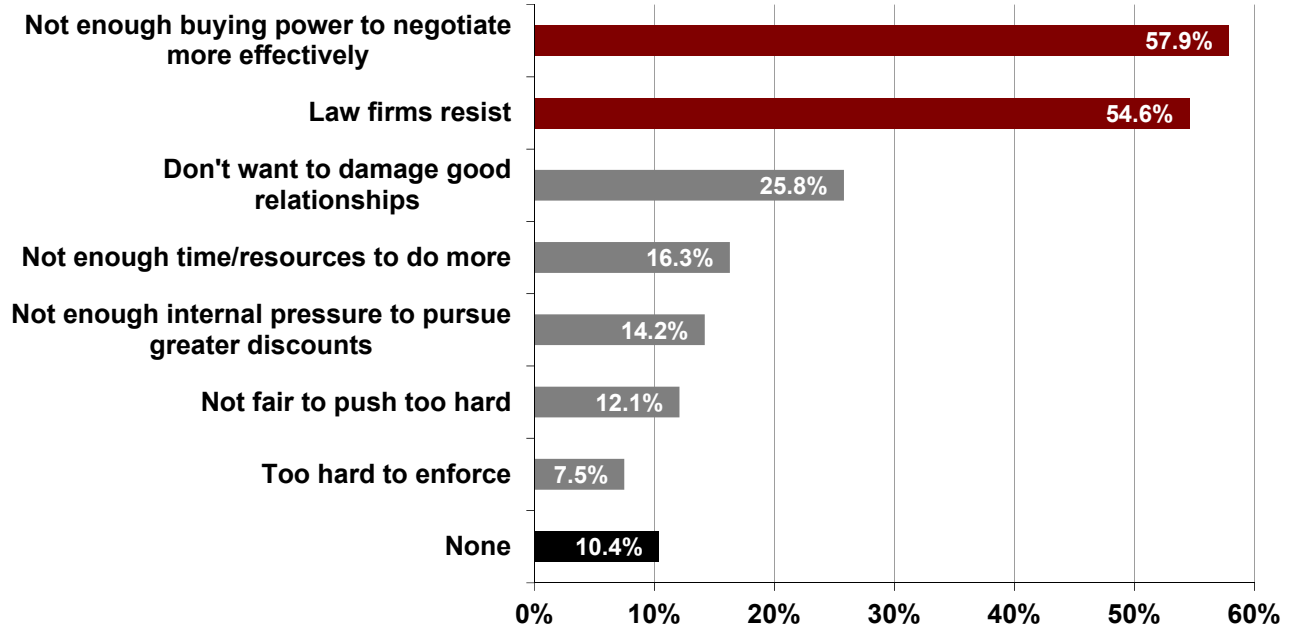
### TREND: Average Price Reductions from Outside Counsel by year





Outside Counsel Rates – Obstacles to Greater Discounts

What obstacles, if any, do you face in getting greater discounts from outside counsel? (Check all that apply.)

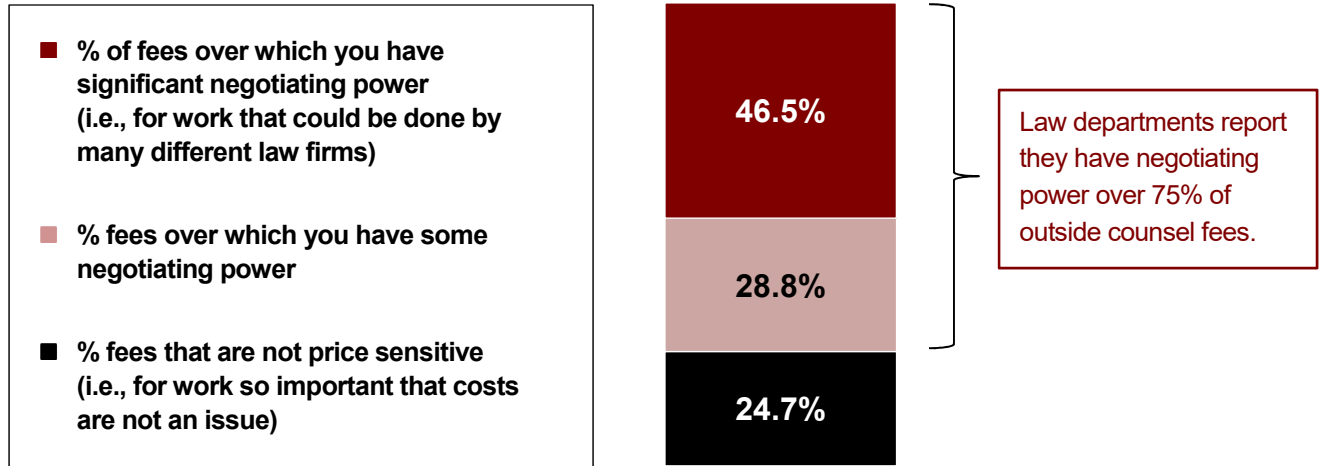


**BY LAW DEPARTMENT SIZE**

	1 lawyer	2-10 lawyers	11-50 lawyers	51 lawyers or more
Not enough buying power to negotiate effectively	53.8%	73.8%	53.8%	29.5%
Law firms resist	38.5%	54.4%	51.2%	65.9%
Don't want to damage good relationships	30.8%	23.3%	25.0%	31.8%
Not enough time/resources to do more	15.4%	20.4%	12.5%	13.6%
Not enough internal pressure to pursue	7.7%	17.5%	10.0%	15.9%
Not fair to push too hard	0.0%	9.7%	16.3%	13.6%
Too hard to enforce	0.0%	7.8%	10.0%	4.5%
None	23.1%	5.8%	13.8%	11.4%

## Outside Counsel Fees – Negotiating Power

Please estimate the approximate percentage of total outside counsel fees that fall into each of the following types of matters that you outsource to law firms. (Responses must total 100%.)



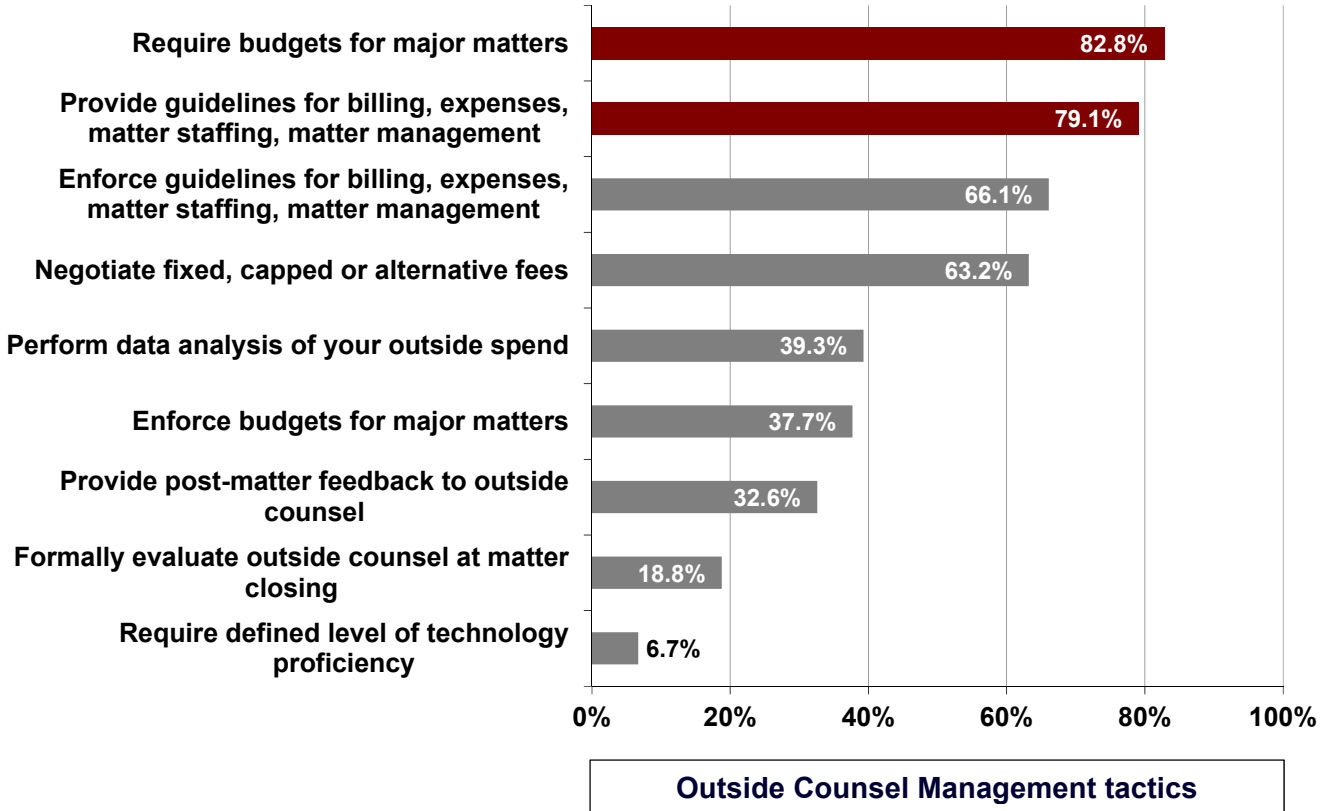
Legend, top to bottom, corresponds to percentages top to bottom

### BY DEPARTMENT SIZE: Negotiating Power over Outside Counsel Fees

	Significant power	Some power	Fees are not price sensitive
1 lawyer	31.5%	35.8%	32.7%
2-5 lawyers	39.3%	27.3%	33.4%
6-10 lawyers	43.0%	29.8%	27.2%
11-50 lawyers	50.9%	28.9%	20.2%
51-100 lawyers	56.3%	27.1%	16.6%
100+ lawyers	56.9%	26.8%	16.3%

## Outside Counsel Management Tactics

Does your law department routinely do any of the following to manage outside counsel? (Check all that apply.)



**OTHER (representative comments)**

*Evaluations required quarterly with fees tied to evaluations*

*Measure law firm performance on diversity and inclusion factors*

*Require bi-weekly updates on billing amounts. Require notice on any added billers*

*Provide consistent outcome metrics relative to peer firms*

*Issue RFPs and then negotiate down from there with desired firm*

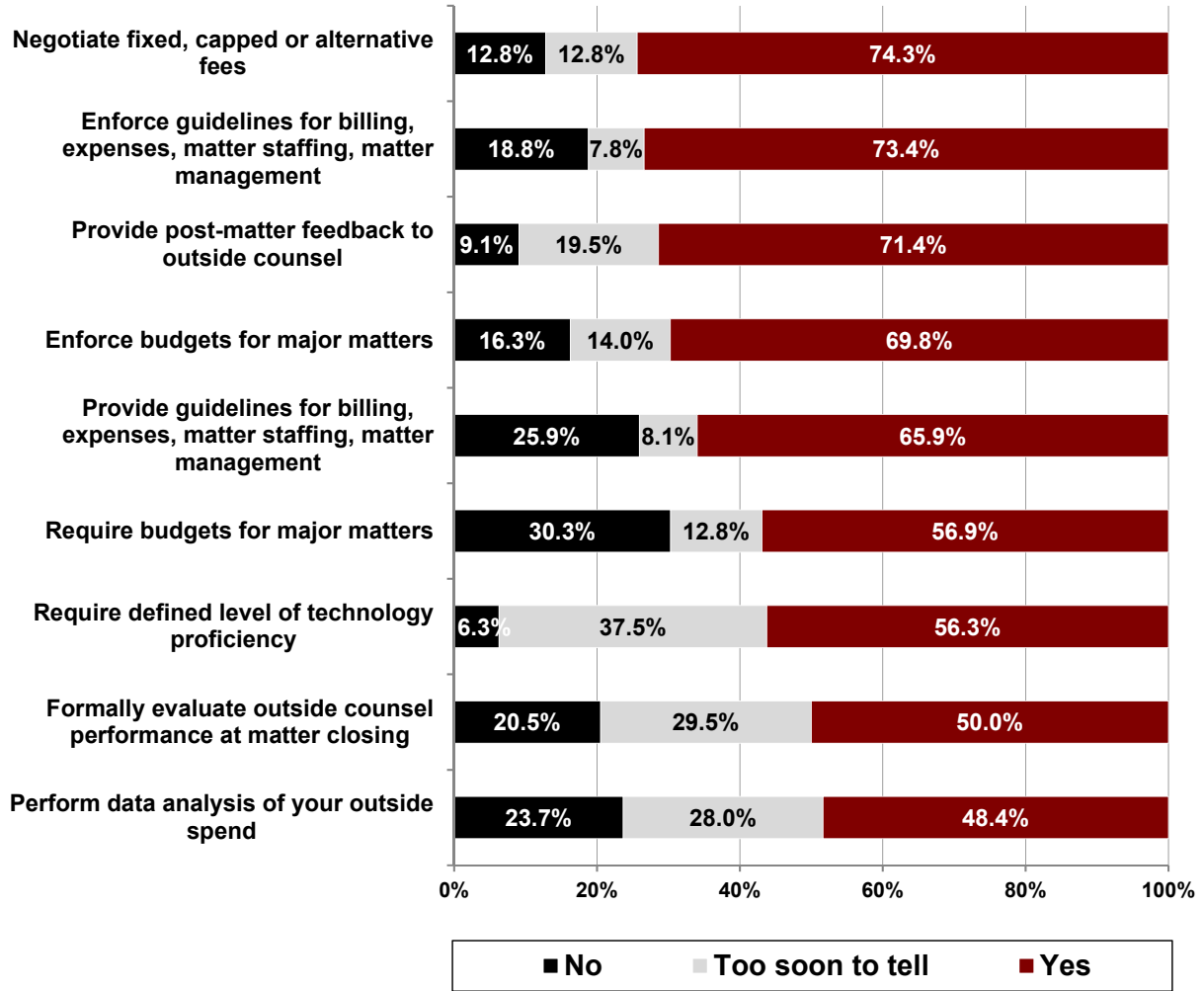
## Outside Counsel Management Tactics – By Department Size

Does your law department routinely do any of the following to manage outside counsel? (Check all that apply.)

	1 lawyer	2-10 lawyers	11-50 lawyers	51 lawyers or more
Require budgets for major matters	53.8%	84.3%	80.8%	91.3%
Provide guidelines for billing/expenses/staffing etc.	23.1%	65.7%	96.2%	95.7%
Enforce guidelines for billing/expenses/staffing etc.	23.1%	53.9%	79.5%	82.6%
Negotiate fixed, capped, or alternative fees	23.1%	58.8%	66.7%	78.3%
Perform data analysis on outside spend	15.4%	30.4%	42.3%	60.9%
Enforce budgets for major matters	30.8%	30.4%	44.9%	43.5%
Provide post-matter feedback to outside counsel	46.2%	25.5%	28.2%	52.2%
Formally evaluate outside counsel at matter closing	0.0%	10.8%	21.8%	37.0%
Require defined level of technology proficiency	7.7%	3.9%	9.0%	8.7%

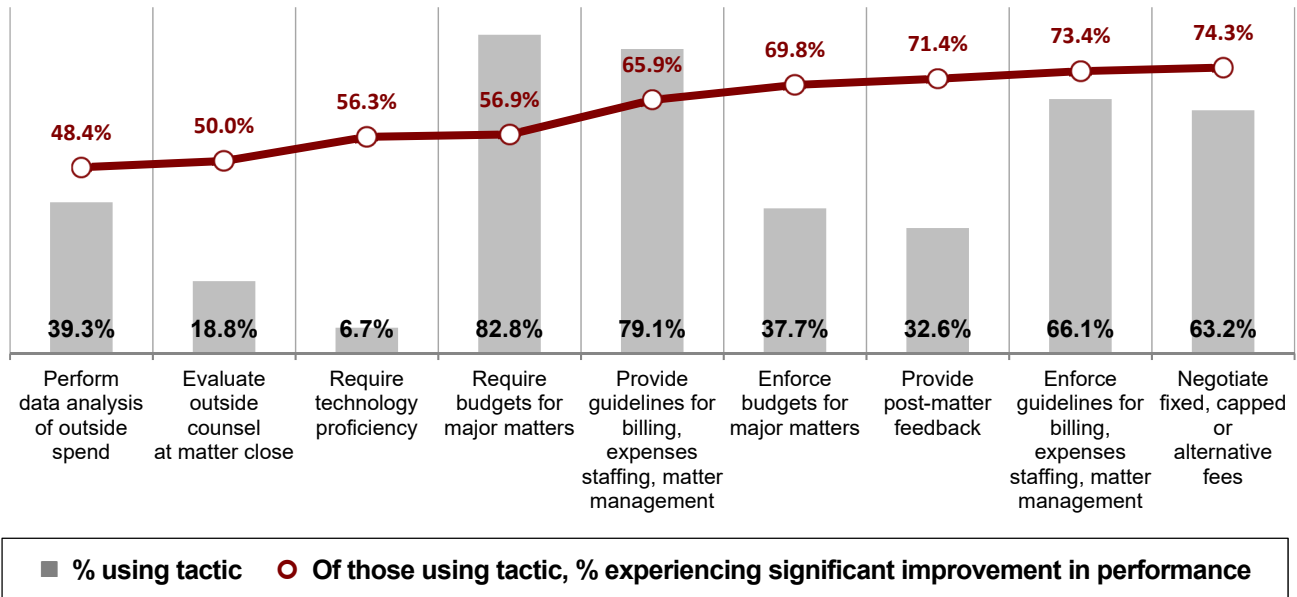
## Outside Counsel Management Tactics – Significant Improvement

For each of the outside counsel management techniques your law department uses, has it resulted in a significant improvement in outside counsel performance?



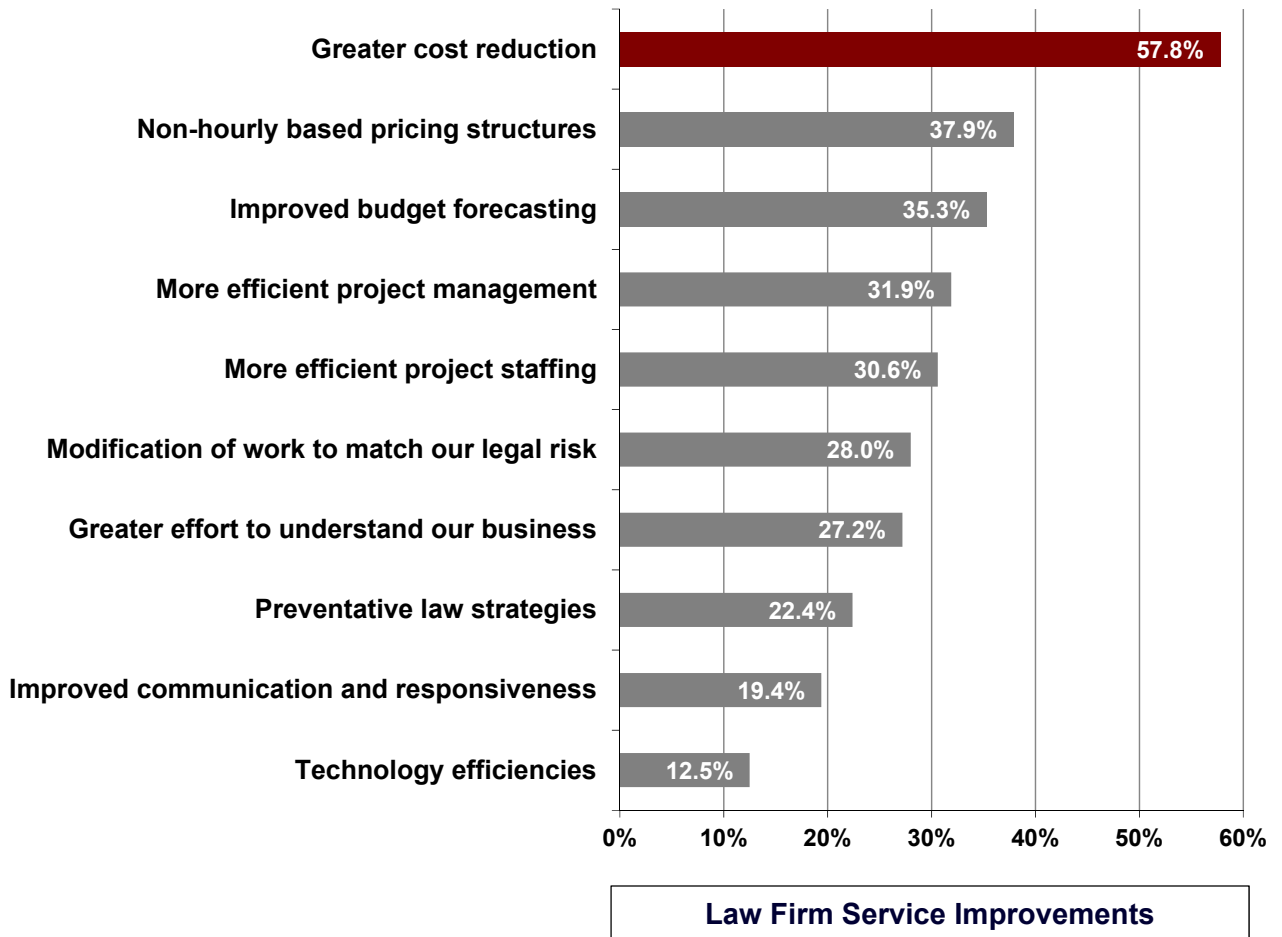
## Outside Counsel Management Tactics – Comparison of Use and Results

This chart combines findings from the two prior questions. Each bar shows the percentage of law departments using that tactic. Data points on the line show the percentage of those departments using each tactic that report it has delivered a significant improvement in performance.



## Law Firm Service Improvements

Of the following service improvements and innovations, please select up to three that you would most like to see from your outside counsel. (Select up to three.)



### OTHER (representative responses)

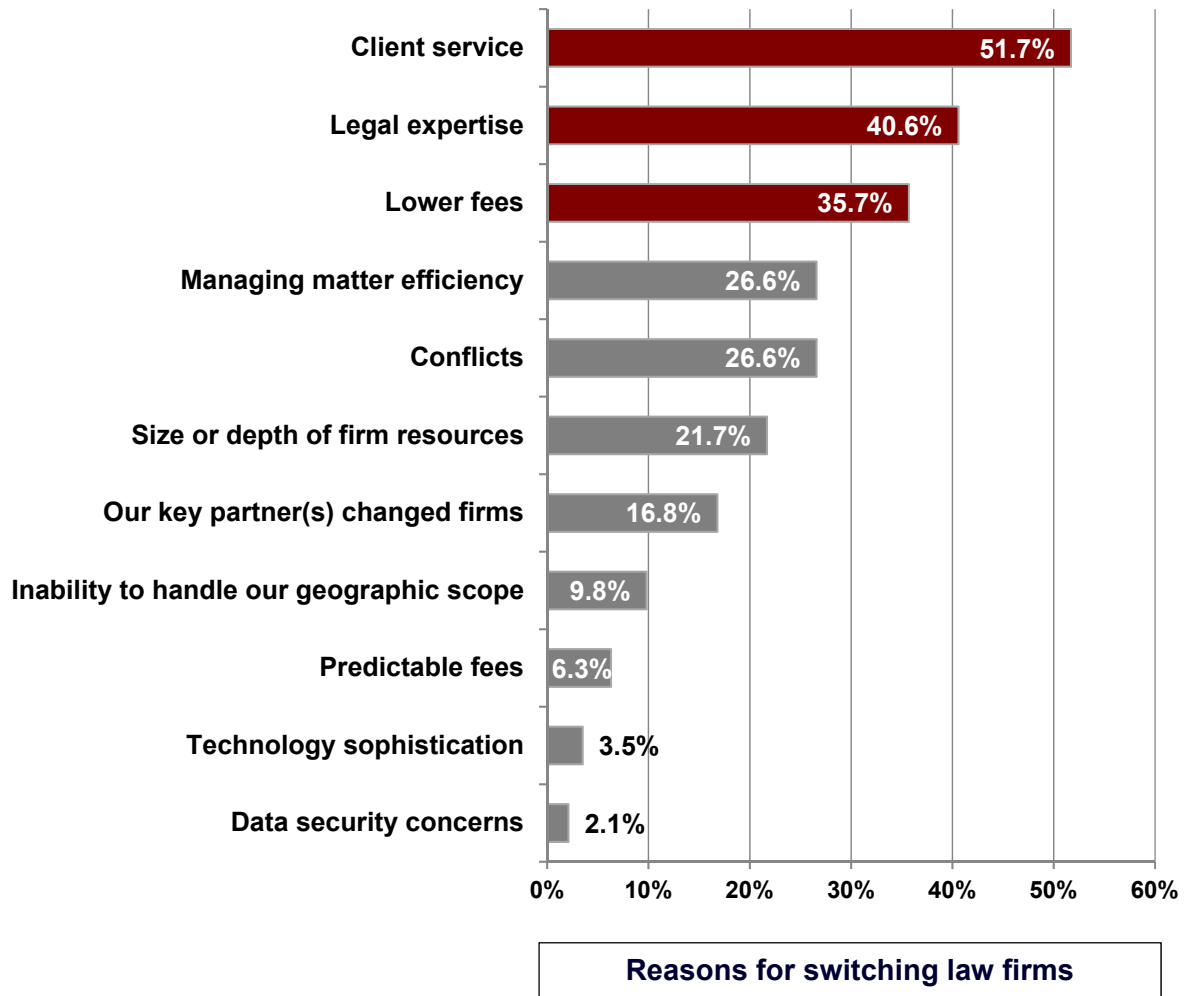
*Diversity representation on teams working our matters*

*Fit work to purpose - actionable, practical counsel and service*

*Demonstrate efforts to reduce the cost of legal service delivery – i.e., run your law firm like a business*

## Reasons for Switching Law Firms

In the last 12 months, have you shifted a portfolio of work worth \$50,000 or more from one law firm to another for any of the following reasons? (Check all that apply.)



**OTHER (representative responses)**

*Diversity and inclusion*

*Negative publicity / treatment of women*

*We're in the midst of a convergence program*



## Reasons for Switching Law Firms – By Department Size

In the last 12 months, have you shifted a portfolio of work worth \$50,000 or more from one law firm to another for any of the following reasons? (Check all that apply.)

Larger law departments with greater legal spend overall, are more likely to shift significant portfolios of work.

	1 lawyer	2-10 lawyers	11-50 lawyers	51 lawyers or more
Client service	33.3%	49.2%	50.0%	63.0%
Legal expertise	0.0%	35.4%	52.1%	37.0%
Lower fees	66.7%	29.2%	39.6%	40.7%
Managing matter efficiency	0.0%	29.2%	25.0%	25.9%
Conflicts	33.3%	24.6%	22.9%	37.0%
Size or depth of firm resources	0.0%	20.0%	25.0%	22.2%
Our key partner(s) changed firms	33.3%	16.9%	12.5%	22.2%
Inability to handle our geographic scope	0.0%	10.8%	10.4%	7.4%
Predictable fees	0.0%	3.1%	6.3%	14.8%
Technology sophistication	0.0%	4.6%	2.1%	3.7%
Data security concerns	0.0%	0.0%	4.2%	3.7%

## Significant Changes in Legal Management

---

Thinking back over the last 3 or 4 years, what changes in legal management (in law departments or law firms) have you felt to be most significant? (Open-ended question)

*We categorized free-text responses and have included a selection of comments*

### Role and Sophistication of the Law Department

*Elevation of the in-house legal department role to high status in companies*

*Managing a law department like a business is a key expectation of CEOs*

*Restructuring and better resourcing the department, aligning the legal team with the business strategy*

*Developing a more robust in-house legal capability to allow more of our work to be performed in-house*

*More sophistication about which matters to outsource and which ones to insource*

*Professional legal operations managers that focus on the business of the law department*

*Quality of lawyers choosing to practice in house; Specialization of in-house lawyers*

*More law departments are asked to do more non-legal work like overseeing other business functions*

### Metrics / Data Analytics

*The rise of data and analytics to understand how we are spending our money and where we can drive efficiencies*

*Increased use of data analytics to drive decision making and early case assessment*

*Increased emphasis on using metrics and data to measure performance*

*Increased use of technology and data to assess risks and manage costs*

## Significant Changes in Legal Management

---

Thinking back over the last 3 or 4 years, what changes in legal management (in law departments or law firms) have you felt to be most significant? (Open-ended question)

*We categorized free-text responses and have included a selection of comments.*

### Technology

*Use of new technologies to drive greater efficiencies in managing cost and sharing knowledge*

*More use of technology and less use of administrative staff and legal staff in general*

*The increase in available technology, but also increasing constraints in available spend*

*Greater adoption of technology by inside counsel*

### Efficiency

*Emphasis on driving efficiencies in a law department through technology, processes and operations management*

*Focus on operational efficiency and process in claims/litigation support*

*Increasing application of Lean Six Sigma tools to law departments*

*Efficient delivery of limited resources*

### Costs

*Formalized and disciplined departmental budgeting and forecasting processes*

*Law departments requiring law firm accountability with costs*

*More firms willing to give fixed fee arrangements and offer discounts*

*Greater focus on value per dollar spent*

## Significant Changes in Legal Management

---

Thinking back over the last 3 or 4 years, what changes in legal management (in law departments or law firms) have you felt to be most significant? (Open-ended question)

*We categorized free-text responses and have included a selection of comments.*

### Alternative Legal Service Providers

---

*Partnering with LPOs*

---

*Increased reliance on non-law-firm vendors for discovery*

---

*Increase in offshore options for outsourcing*

---

### Risk

---

*Greater assessment of risk/benefit as driving legal spend and resource decisions*

---

*Focus on risk mitigation rather than work done*

---

### Compliance

---

*The rise of compliance as a separate competency from practicing law*

---

*Increasing compliance burdens*

---

### Diversity and Inclusion

---

*Addressing employee demand for an energizing and transparent work environment focused on career development and diversity and inclusion*

---

## Significant Changes in Legal Management

---

Thinking back over the last 3 or 4 years, what changes in legal management (in law departments or law firms) have you felt to be most significant? (Open-ended question)

*We categorized free-text responses and have included a selection of comments.*

### The Use of Law Firms

---

*Willingness to use smaller, more cost-effective firms rather than dependence on the big law universe*

---

*Sourcing the best firm for the particular matter, which often includes mid to smaller firms*

---

*Shifting work to boutique firms: same level of expertise, better service, and much lower rates*

---

*Diversification of law firms used geographically*

---

*Consolidated work with fewer firms*

---

*Forging relationships with firms that recognize they work primarily to support in-house staff for overflow / expertise*

---

*Greater flexibility in rates and acceptance of staffing recommendations*

---

### Other

---

*The most significant change is to the culture. We are shifting the strategy to run the corporate law department like a business wherein we continually strive to optimize the balance of cost, speed and quality of our legal work. As soon as we put pressure on cost and speed, the question of legal quality is raised: What is good enough? Who makes the determination of 'good enough' quality of legal work? Can our clients make this determination?*

---

*The rise of insourcing is a short-term, unsustainable response. It's just another form of labor arbitrage focused on who does the work as opposed to focusing on how the work is done. [We] need to shift to lawyers as process owners instead of process operators. [We] need to shift to 'why' the work is done and reduce demand for service through prevention as opposed to optimization of effort.*

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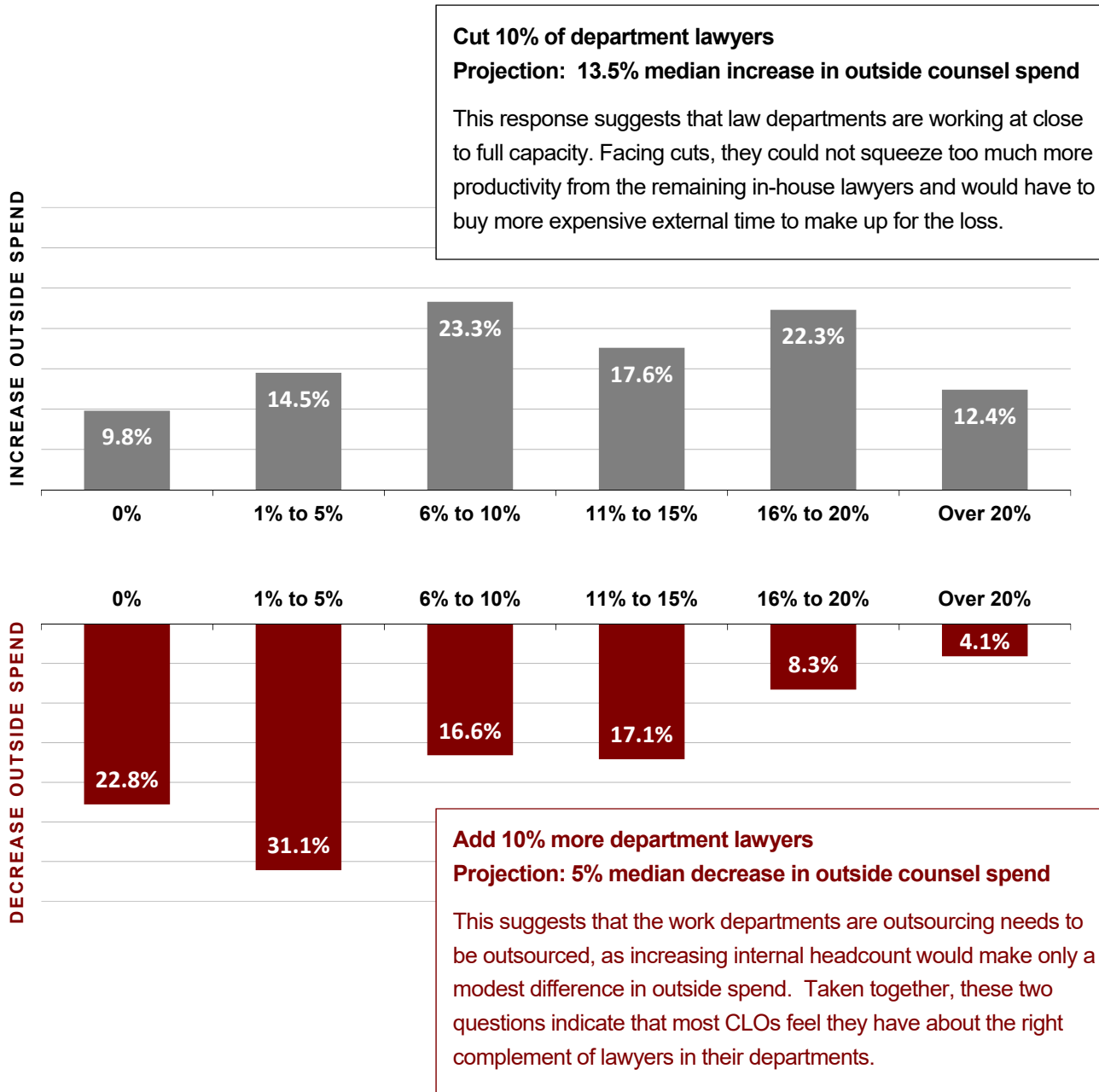
*Regarding the shift towards having a COO for the law department: I want to practice law, manage material risks, be involved in complex transactions, not read spread sheets all day. I need [a COO] desperately, but my CEO does not yet see the value.*

---

**BONUS QUESTION – Interplay of Inside and Outside Spend**

**If you had to *cut 10% of the lawyers* in your law department, by what percentage would you project your outside counsel spend to increase in the next fiscal year?**

**If you could *add 10% more lawyers* to your law department, by what percentage would you project your outside counsel spend to decrease in the next fiscal year?**



**2018**  
**Chief Legal Officer Survey**  
**Participant Demographics**

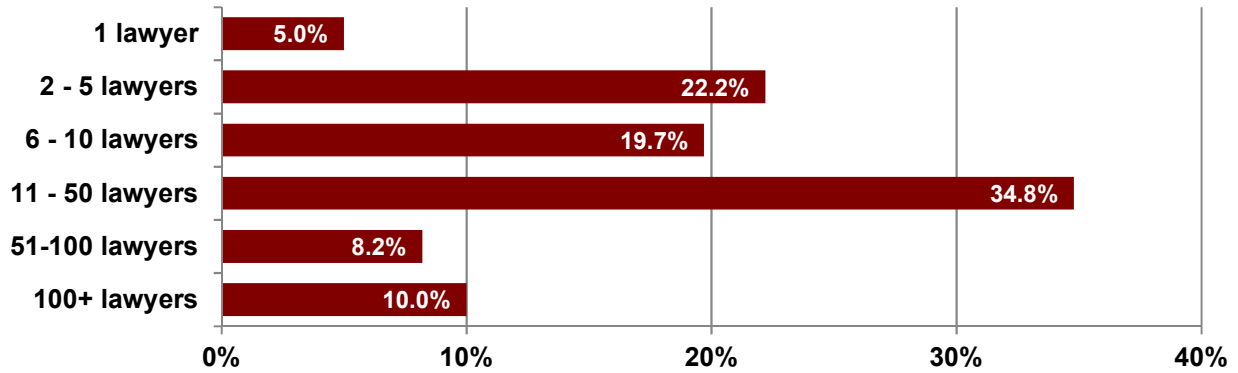


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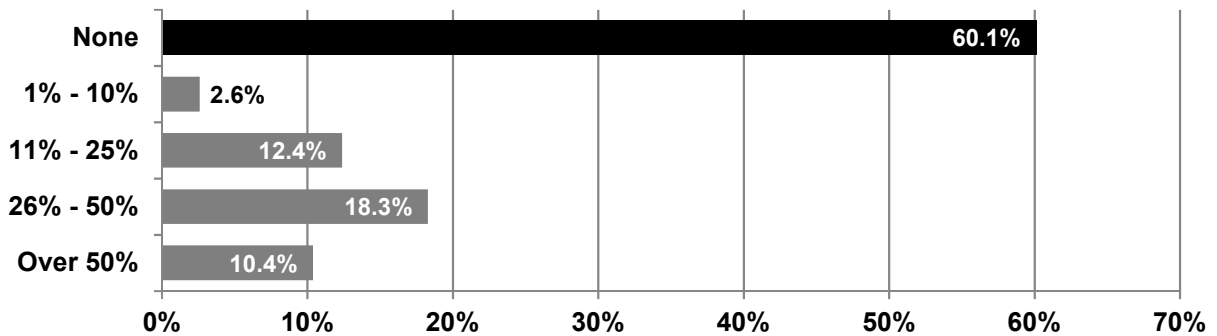


Law Department Demographics – Lawyers

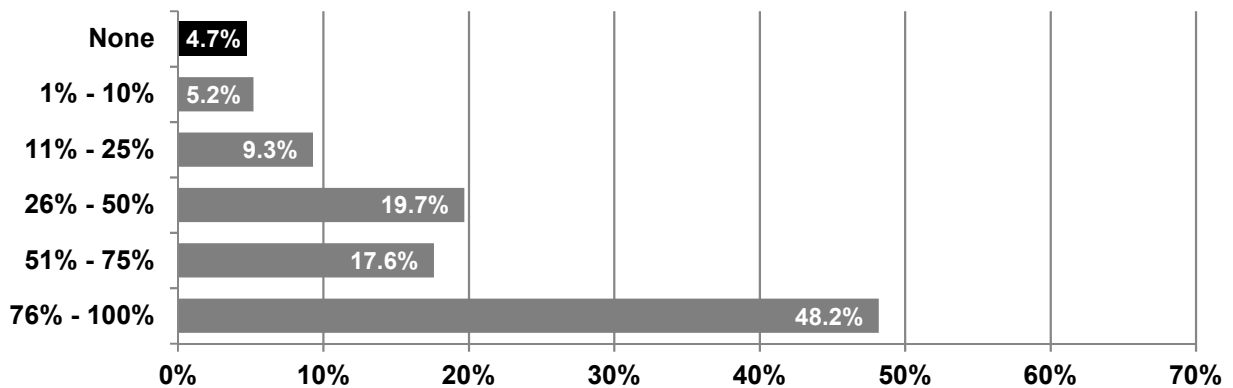
How many lawyers are in your department (in all locations)?



How many lawyers in your department are based outside the US?

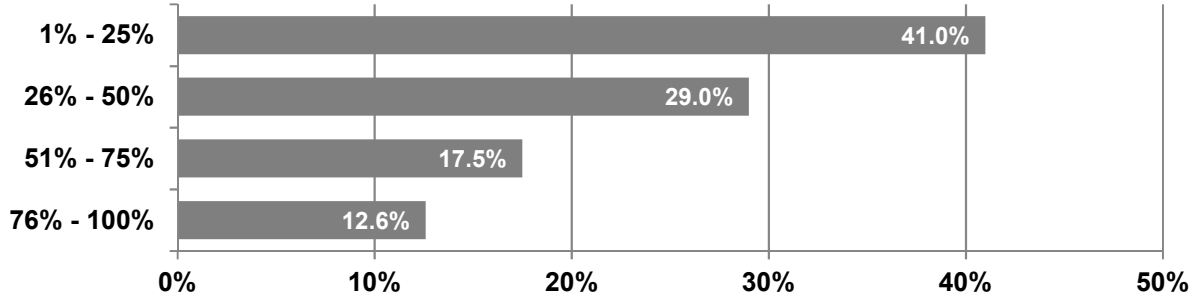


How many lawyers in your department work from your organization's largest site?

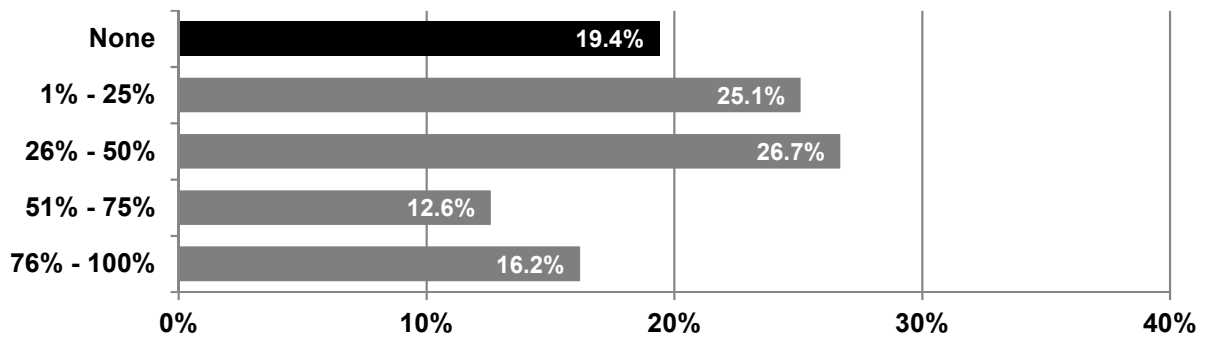


## Law Department Demographics – Lawyers

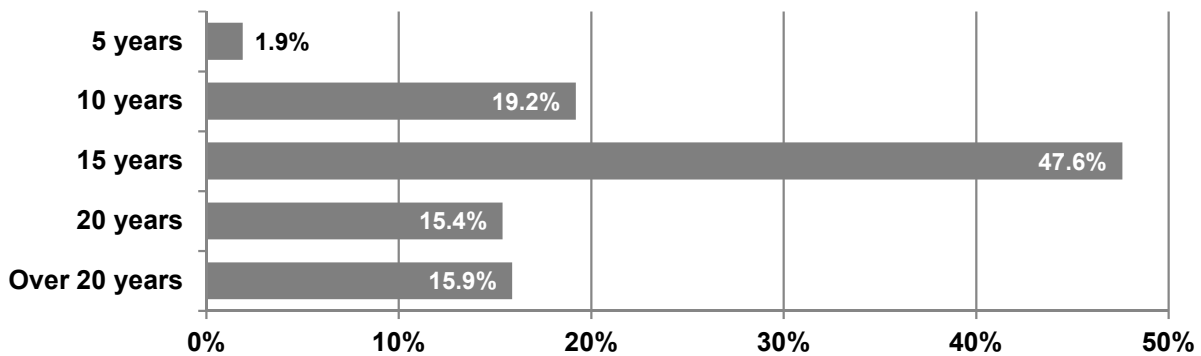
How many lawyers in your department report directly to the most senior lawyer (Chief Legal Officer, or General Counsel)? *Responses exclude 1-lawyer departments.*



How many lawyers in your law department are primarily specialists in an area of law (e.g., HT, Securities, Litigation, Patents) as compared to lawyers who are primarily corporate generalists?



Please estimate the average number of years the lawyers in your department have been admitted to the bar.



Law Department Demographics – Lawyers by Department Size

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**In 2 to 5 Lawyer Departments:**

# of Lawyers	Outside US	At largest site	CLO direct report	Legal specialists
<b>Average</b>	0.3	2.9	2.3	0.9
<b>Median</b>	0.0	3.0	2.0	1.0
<b>% of all</b>	7.1%	85.0%	68.6%	26.4%

**In 6 to 10 Lawyer Departments:**

# of Lawyers	Outside US	At largest site	CLO direct report	Legal specialists
<b>Average</b>	0.9	6.6	4.3	3.5
<b>Median</b>	0.0	6.0	4.0	3.0
<b>% of all</b>	12.0%	78.4%	51.6%	42.1%

**In 11 to 50 Lawyer Departments:**

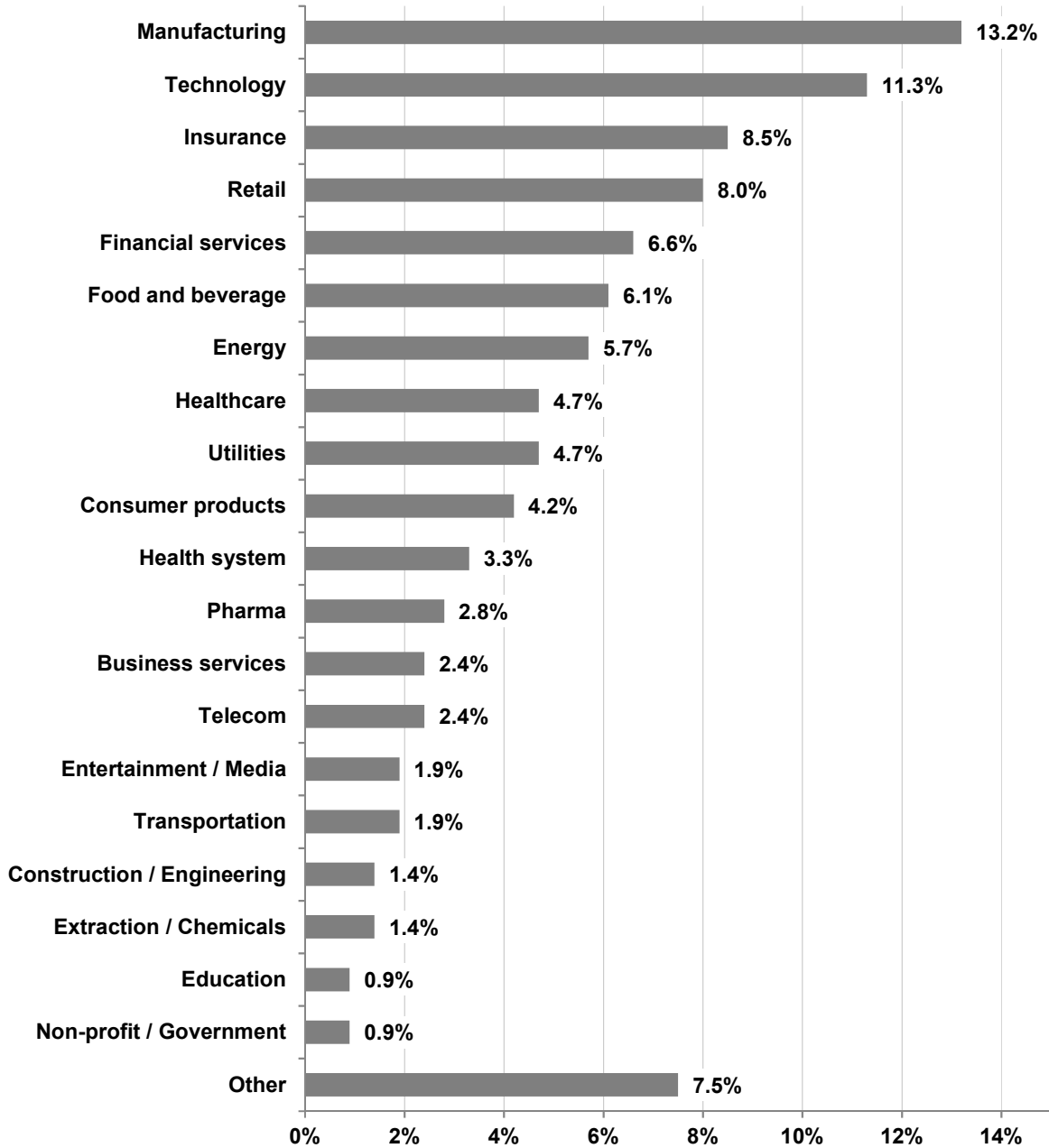
# of Lawyers	Outside US	At largest site	CLO direct report	Legal specialists
<b>Average</b>	4.8	15.3	5.4	10.6
<b>Median</b>	2.0	12.0	5.0	7.0
<b>% of all</b>	19.4%	62.6%	22.7%	45.4%

**In 51+ Lawyer Departments:**

# of Lawyers	Outside US	At largest site	CLO direct report	Legal specialists
<b>Average</b>	35.1	57.8	14.3	81.7
<b>Median</b>	37.5	45.0	7.0	53.5
<b>% of all</b>	20.7%	34.1%	8.9%	48.9%

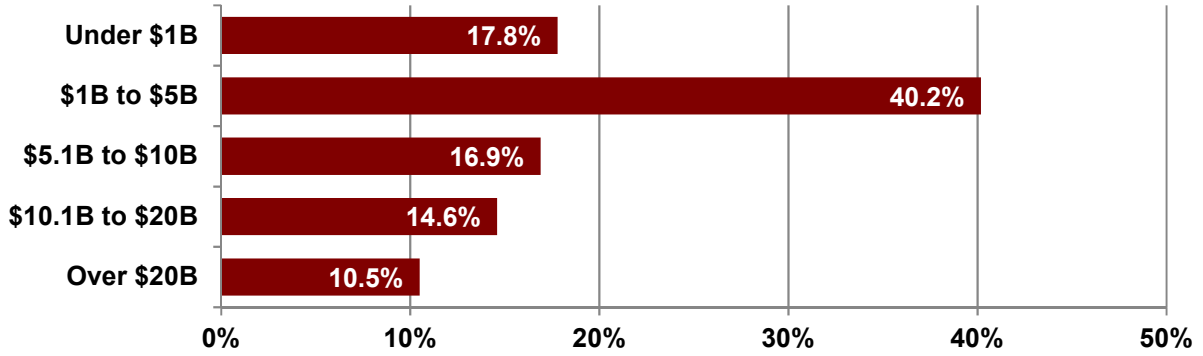
Law Department Demographics – Industry

What is your organization’s primary industry?

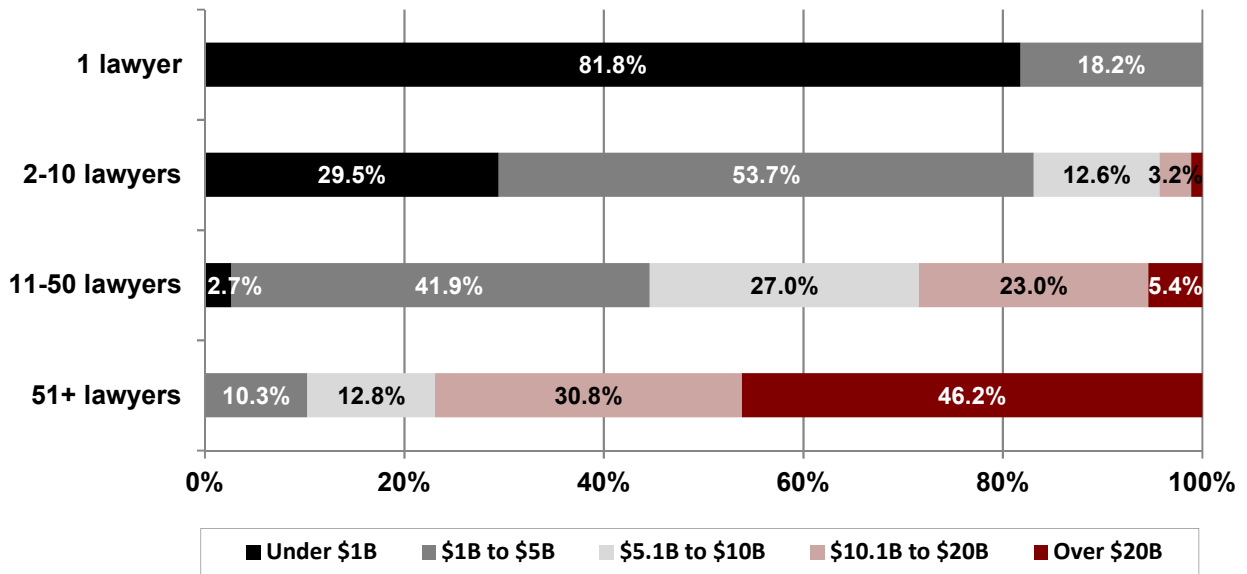


Law Department Demographics – Organization Revenue

What were your organization’s annual revenues in fiscal year 2017?



**ANNUAL REVENUE BY DEPARTMENT SIZE:**



## Law Department Demographics – Average Total Legal Spend

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What is the average of your law department's total legal spend (inside and outside, including all legal costs borne by the department) over the last two years?

