

2019
Chief Legal Officer Survey
An Altman Weil Flash Survey



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The 2019 Chief Legal Officer Survey

For 20 years, Altman Weil's *Chief Legal Officer Survey* has reported on the job of managing a corporate law department from the perspective of its chief lawyer. In that time, we have tracked the increasingly complex challenges of the role, the parameters of an effective, highly-functioning department, and the growing sophistication of lawyers and other professionals who make law departments work. The context of the 2019 survey, conducted in September and October 2019, includes a greater measure of economic uncertainty than in recent years, arising from the threat of recession, unpredictable trade policy and a more volatile geopolitical environment.

Chief Legal Officers (CLOs) spend the bulk of their time advising the CEO and Board on strategy, governance and other corporate responsibilities, but they also are responsible for the business unit that is the law department. With only 16% of their time on average spent on department management, according to the 2019 survey, CLOs still have a mandate to run the department efficiently, control costs, manage risk, balance in-house and outside resources, and align legal services to support the strategic objectives of the organization.

Although CLOs of larger law departments traditionally have had lawyer-deputies to assist them in running the department, the increasing prevalence of Legal Operations Managers – a professional administrative position – is changing the trajectory of law department management. As one Chief Legal Officer in this year's survey commented *"Hire a Legal Ops Lead and let them run the business of law – the payback will be significant."*

When studying law department management in 2019, it is important to look at the work of the CLO and the operations team.

The law department budget

Forty percent of law departments report they increased their total budget in 2019; 38% report decreasing the budget, and 22% made no change. This differs from the prior three years when significantly more departments were making increases than those making budget cuts.

Internal expenditures including compensation and benefits, contract lawyers, facilities, technology and other operating costs constituted 49% of the average law department

budget in 2019. Outside counsel costs made up 45% of department spend. And 6% of the budget, on average, went to non-law-firm vendors of legal services.

For the second year in a row, internal spend represented the greatest portion of the total budget – something unprecedented before 2018.

In-house expenditures rose in 47% of departments from 2018 to 2019, and decreased in 23% of departments. This represents a slight pull back from the prior year, although increases still outpaced decreases by a two-to-one margin. Vendor budgets continued a multi-year trend of steady spending with three-quarters of departments maintaining spend levels, while 15% made increases and 9% made decreases.

Law departments reversed course on outside counsel spend from 2018 to 2019. Only 27% of departments increased their spending on law firms compared to 42% of departments that did so last year. At the same time, the number of departments making decreases was about comparable to the prior year.

This pull back on law firm spending may reflect the results of doing more work in-house, the use of lower priced firms or non-firm alternatives, renegotiated rate packages, or some combination of these and other cost control efforts. Of all the budget metrics the survey tracks, outside counsel spend has been the most volatile in the post-recession period as law departments have experimented with various tactics to reduce and/or rebalance their use of external resources.

In-house staffing

Thirty-six percent of law departments participating in the 2019 survey plan to increase their lawyer workforce in the next twelve months, while 9% of departments plan to make cuts. Although the number of departments planning increases dropped from 42% last year, this still continues a long-term trend of increases outpacing decreases by significant margins.

Nineteen percent of law departments will add contract lawyers to the staff in the next 12 months, up from 15% in 2018. Fewer departments will add to their paralegal and support staff positions in 2019 than in the prior year.

The Legal Operations Manager position continues to gain acceptance in law departments of all sizes. In 2019, 46% of law departments surveyed have full-time or

part-time operations managers, jumping from 39% last year. More than three-quarters of large law departments with over 50 lawyers employ someone in the role.

These professionals manage multiple functions in the department including finance, technology, people, outside counsel relationships, outside counsel spending and day-to-day operations – and they do their jobs well. When asked about the effectiveness of their operations managers and teams across each of these areas of responsibility, CLOs rated them at a median of '7' on a scale of 0 to 10 in managing outside counsel relationships and at an '8' in the other five categories.

In 65% of departments that have operations managers/teams, in-house ops professionals are also forging relationships with their counterparts in the outside law firms they retain. This is also proving to add significant value to the department according to Chief Legal Officers.

Law department management – A roadmap to what works

Since 2017, the survey has examined what management tactics law departments are using to improve performance *and which of those tactics are most effective*. This data, based on the track records of peer departments, provides leaders a practical roadmap to what works. We recommend careful consideration of each of the most effective techniques for possible adoption by any law department.

Although some tactics are scored as less effective, that should not be read as a reason to avoid them. Some efforts, although well worth pursuing, may require a longer-term investment, be less well-understood or simply be more difficult to execute. Review these tactics as well, and thoughtfully invest in those you believe have long-term potential for your organization.

Each year the survey finds that large law departments are more likely than smaller departments to pursue an array of management tactics designed to improve efficiency, control costs and manage outside counsel. Larger departments also report greater success from most tactics compared to smaller departments. This distinction can surely be attributed to larger departments' greater depth of resources and personnel.

What makes a law department more efficient?

Seventy-four percent of departments that have added operations personnel this year reported a significant improvement in efficiency. A greater use of paralegals and other

paraprofessionals increased efficiency in 73% of departments. Outsourcing to non-law-firm vendors was successful in two-thirds of departments, and the use of contract or temporary lawyers improved efficiency for 63% of departments that pursued the tactic. In each case, these are efforts to reallocate work assignments, delegating to the most efficient resource and level, thereby freeing up department lawyers to work at their fullest capacity. These are choices that generally produce positive results in a relatively short time.

The four tactics most commonly used to improve efficiency all fall into the lower tier of effectiveness ratings, including greater use of technology tools, collecting and analyzing management metrics, restructuring or reorganizing internal resources, and redesigning workflow processes. These improvements, though important, are clearly more difficult to implement effectively.

Controlling costs is a perennial concern for Chief Legal Officers. This year we bifurcated questions about internal and external cost control initiatives.

The survey found that reducing lawyer and non-lawyer staff are the most effective ways to cut internal costs (each effective in over 80% of law departments), followed by shifting in-house work from lawyers to paralegals (effective in 75% of departments), and using contract or temporary lawyers (effective for about two-thirds of departments). Again in this category, labor force tactics rise to the top in effectiveness.

The most frequently used internal cost control tactic – improving efficiency of internal processes and procedures – was effective in 55% of departments, putting it in the lower half of effectiveness ratings for this suite of efforts.

External cost control efforts focus on law firm and vendor expenditures. In this category, three of the four most effective tactics involve workforce/resource rebalancing, including outsourcing to non-law-firm vendors, shifting law firm work to in-house lawyers and shifting work to lower priced law firms. Although no more than a third of law departments are pursuing any one of these techniques, they are effective in about nine out of every ten departments that utilize them.

Negotiating price reductions on portfolios of law firm work is also highly effective (in 91% of departments), as are receiving discounts on law firm hourly rates (in 86% of departments) and using alternative fee arrangements (in 82% of departments). Despite the effectiveness of these rate reduction efforts, a significant number of law departments are not taking advantage of them.

When asked why they don't pursue greater discounts from outside counsel, 52% of CLOs say they don't have enough buying power to negotiate more effectively. Forty-nine percent of CLOs say law firms resist giving larger discounts.

Additionally, a third of CLOs say they do not want to damage good relationships by applying more pressure to outside law firms on rate discounts. This dilemma – where a law department's buying power comes up against its reluctance to disrupt law firm relationships – is a key component of the inside-outside challenge.

To better manage outside counsel, 81% of law departments report they provide guidelines for billing, expenses, matter staffing and matter management. However, only 62% of the same group enforce those guidelines. Similarly, 81% of departments require budgets for major matters, but only 46% enforce those budgets. Unsurprisingly, the two enforcement tactics are in the top tier of effectiveness in this category, improving outside counsel performance for three-quarters of law departments that have the discipline to insist on them.

This gap between guidance and enforcement illustrates a key problem. Standards without accountability are not really standards at all. Outside law firms are often criticized for not understanding what clients want, but it's a two-way street. Law departments don't need to be punitive or inflexible, but they should be consistent and serious about what they require of their outside counsel – and communicate expectations clearly.

The survey identifies three feedback tactics to improve outside counsel management – all of which are used infrequently. Just 31% of law departments provide post-matter feedback to outside counsel, while 16% of departments formally evaluate outside counsel at matter close. Nineteen percent of law departments ask law firms to give them feedback at the close of a matter.

Each of these tactics improved outside counsel performance in about 60% of the departments that utilize them. Any law department would be advised to routinely give and receive candid feedback in an ongoing dialogue with outside counsel.

2020 Outlook

Seventy-six percent of Chief Legal Officers surveyed this year expect there will be a recession in the US within the next 24 months. There are some early indicators of

caution on hiring and spending in this year's numbers, although the changes are modest.

If recession comes, we would expect to see law departments become more cautious about headcount growth, as they did during the last recession. Ten years on, CLOs have a broader range of outside law firm and non-firm resources available, along with the insight and experience to effectively leverage the array of choices. While accelerating outsourcing, a period of greater economic pressure may suppress more difficult, expensive or resource-heavy process change efforts that have already been moving more slowly in many departments.

Since the Great Recession, law departments have restructured in-house resources, invested in new technology, staffed up with operational management specialists and have become more sophisticated consumers of legal services. They will carry these strengths into the next downturn if or when it comes.

The 2019 Survey

The *Chief Legal Officer Survey* has been conducted and published annually by Altman Weil since 2000, most recently in September and October 2019. Two hundred and thirty-eight responses were received for the 2019 survey, 24% of the 977 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/CLO2019.

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.

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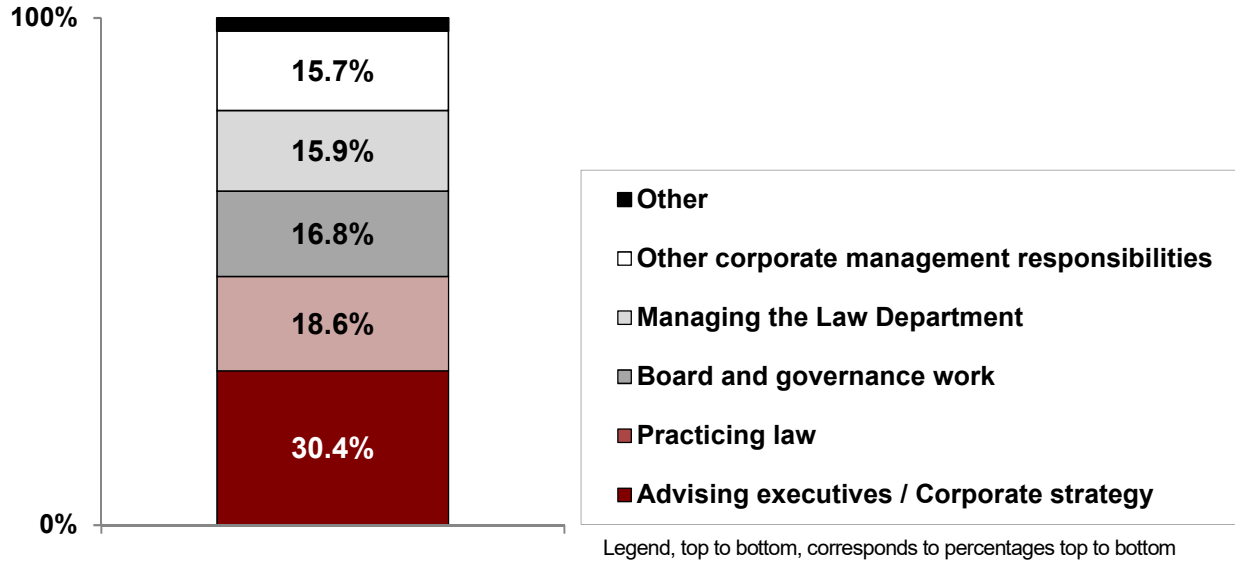


2019
Chief Legal Officer Survey
Participant Responses



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)

Litigation and risk management efforts

Enterprise information risk and cybersecurity

Government and industry relations

Regulatory and compliance issues

Executive responsibility for other business functions/divisions

External organizations and boards

Mentoring and training

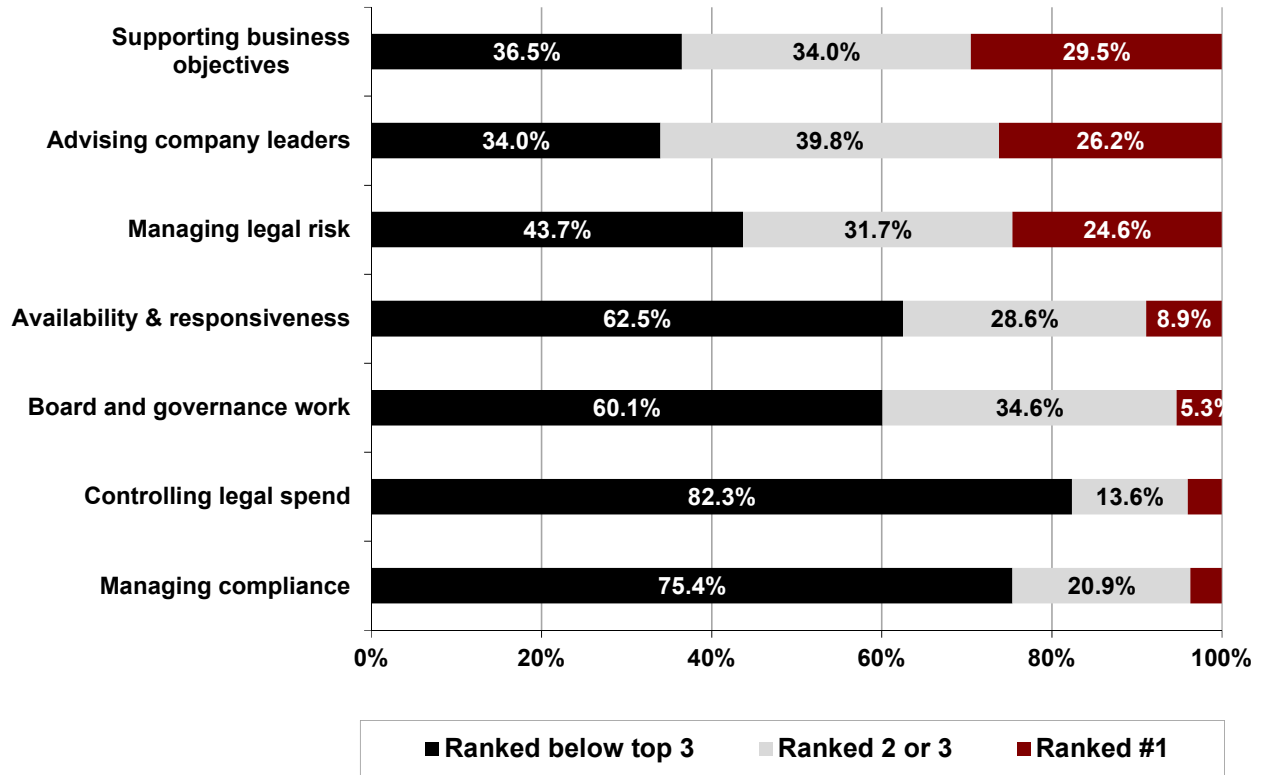
Pro Bono

Personal career development, CLE

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 7: 1= Most valuable to 7 = Least valuable.



OTHER (representative comments)

Judgment and commitment to core values and guiding principles

Managing litigations aggressively

Government relations

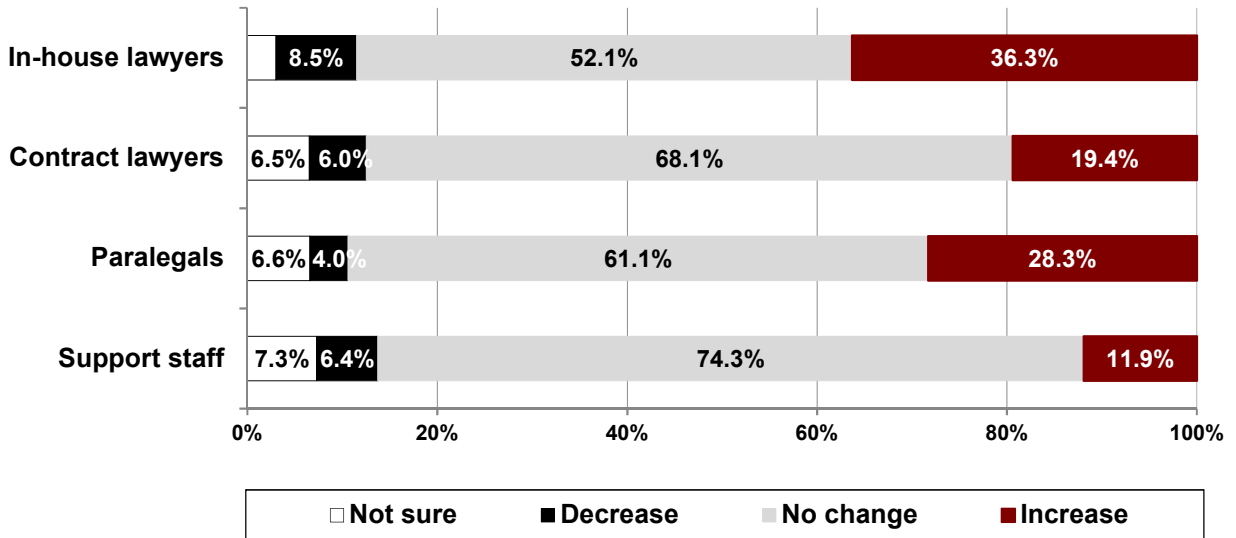
Consistent sounding board for strategy

The fact that we can multi-task the above seven activities so they are all, in effect, the highest priority

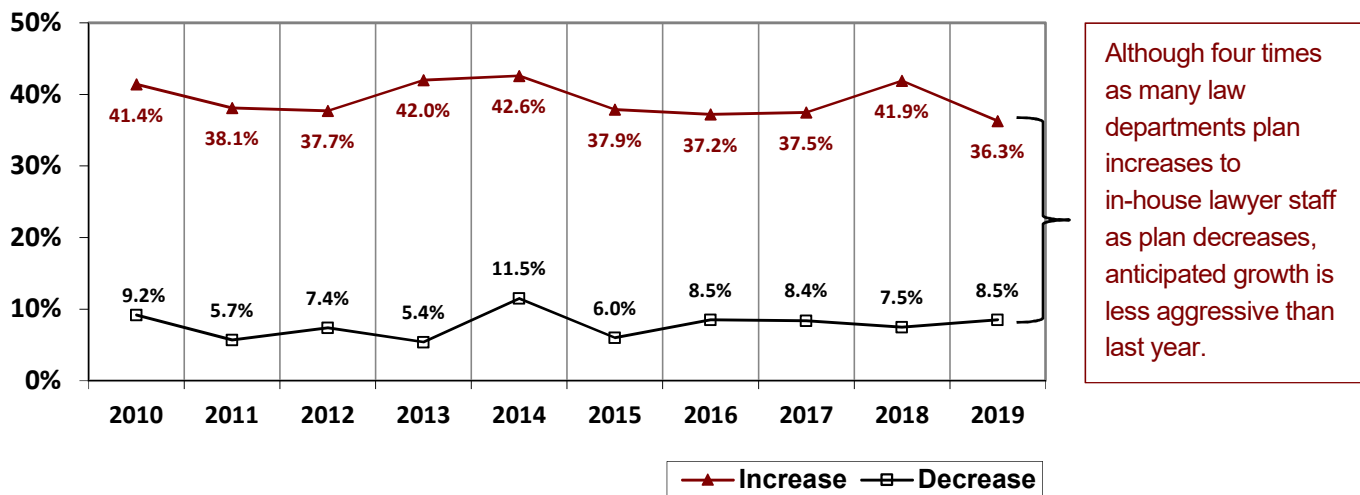
Law Department Workforce – Next 12 Months

OUTLOOK 2020

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



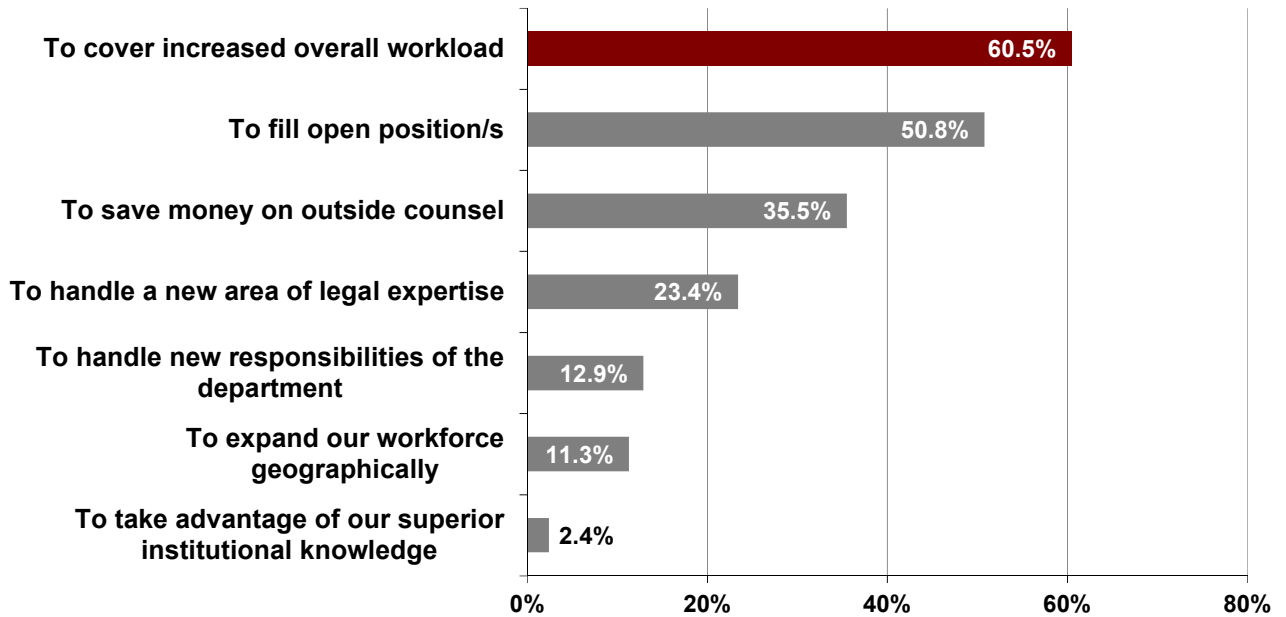
Trend data compiled from 2010 - 2019 Chief Legal Officer Surveys.

Reasons for In-House Hiring

OUTLOOK 2020

FOLLOW-UP QUESTION...

Asked of the 36.3% 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.)

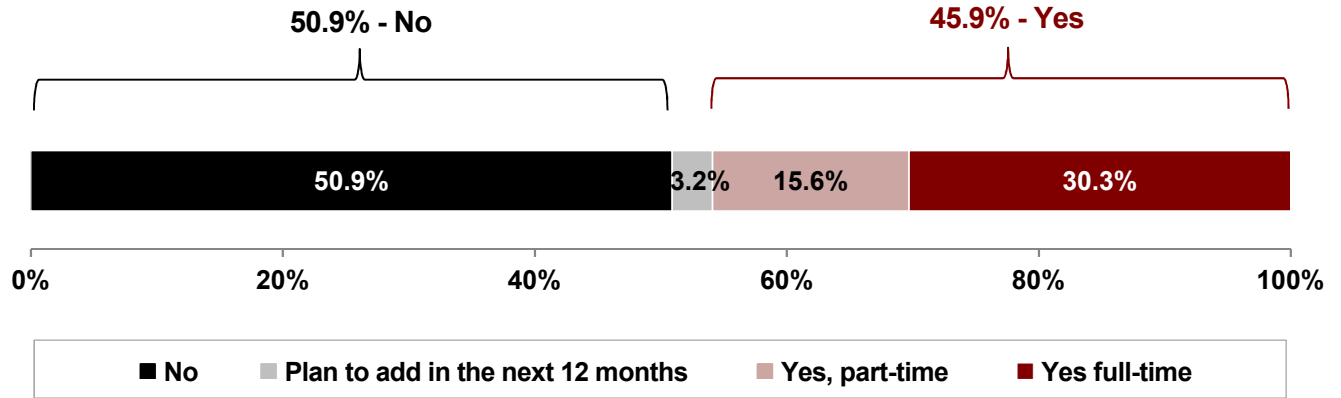


OTHER (representative responses)

Succession planning

Law Department Operations Managers

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



BY DEPARTMENT SIZE: Department has an operations manager

	No	Plan to	Yes Part-Time	Yes Full-Time
1 lawyer	89.5%	0.0%	0.0%	10.5%
2-10 lawyers	70.2%	4.8%	11.9%	13.1%
11-50 lawyers	35.5%	2.6%	26.3%	35.5%
51+ lawyers	20.5%	2.6%	10.3%	66.7%

BY YEAR: Department has an operations manager

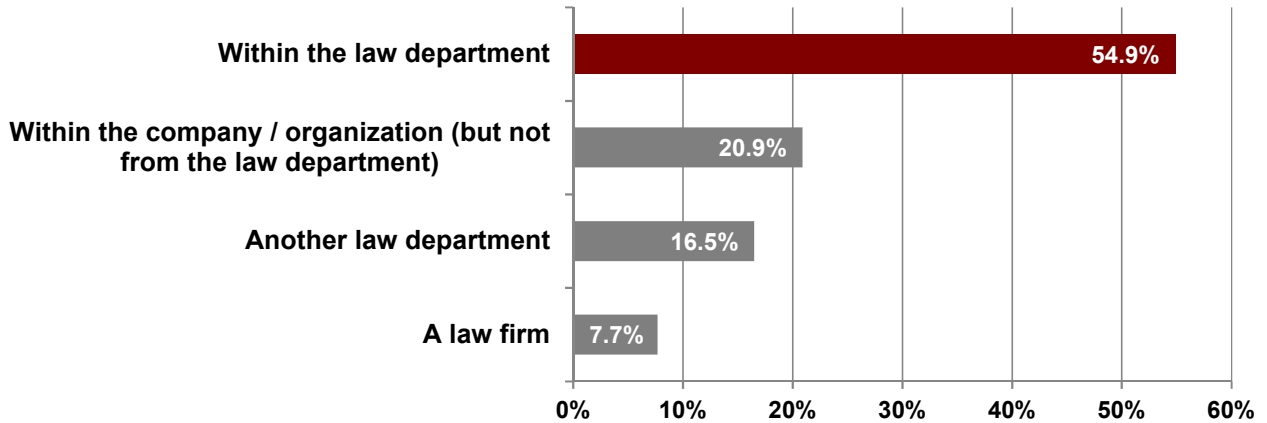
	No	Plan to	Yes
2016	64.0%	2.7%	33.3%
2017	59.3%	3.7%	37.1%
2018	56.0%	4.9%	39.1%
2019	50.9%	3.2%	45.9%

Law Department Operations Managers – Background

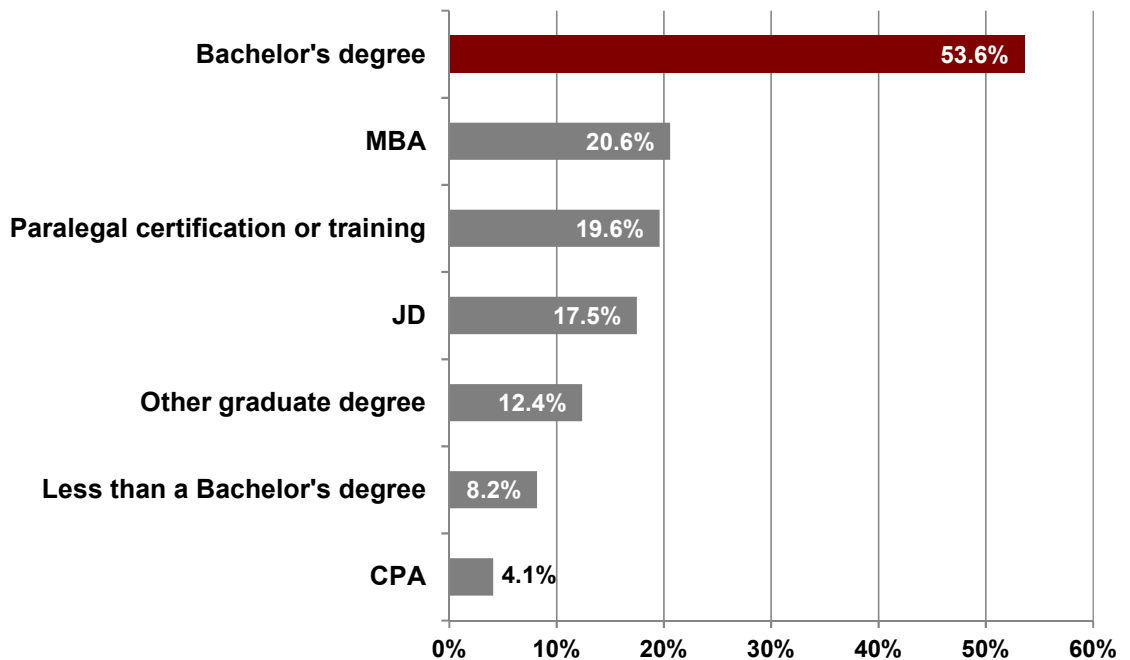
FOLLOW-UP QUESTION...

Asked of the 45.9% of departments that employ a Law Department Operations Manager (including full-time and part-time administrators).

Where did your law department operations manager come from?



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



Law Department Operations Managers – Background

This table cross-tabulates the four most common educational backgrounds of Law Department Operations Managers with law department size.

EDUCATIONAL BACKGROUND - BY DEPARTMENT SIZE

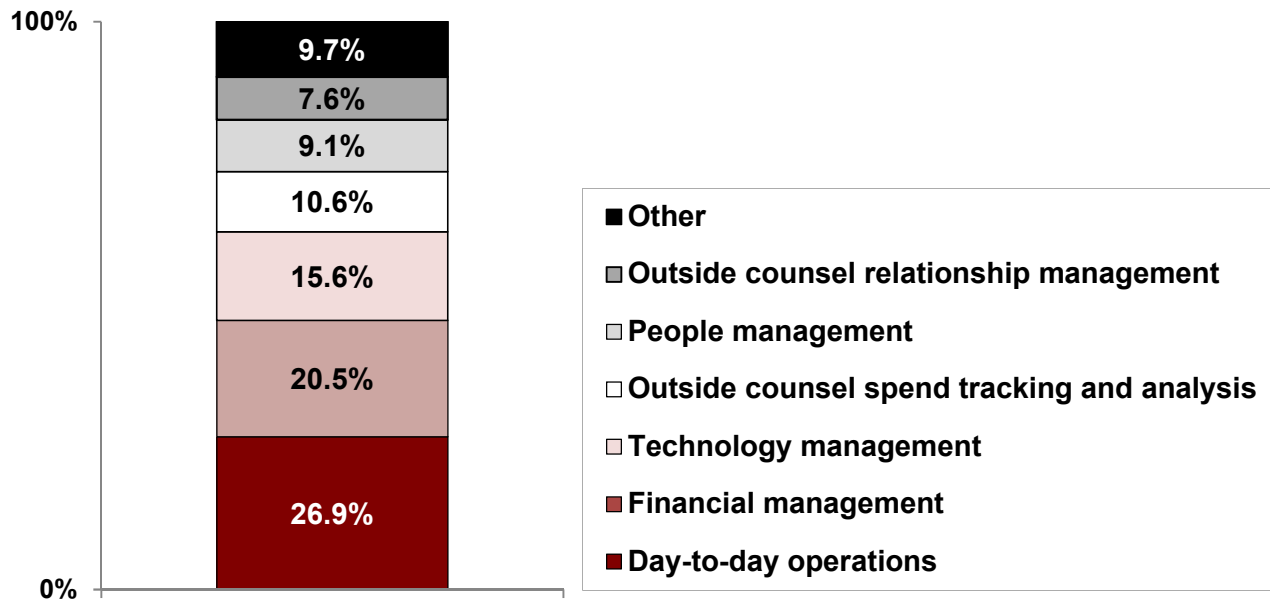
	BA	MBA	Paralegal Certification	JD
1 lawyer	100.0%	0.0%	0.0%	0.0%
2-10 lawyers	47.6%	23.8%	28.6%	14.3%
11-50 lawyers	60.9%	23.9%	26.1%	10.9%
51+ lawyers	42.9%	14.3%	3.6%	32.1%
ALL FIRMS	53.6%	20.6%	19.6%	20.6%

Law Department Operations Managers – Time Allocation

FOLLOW-UP QUESTION...

Asked of the 45.9% of departments that employ a Law Department Operations Manager (including full-time and part-time administrators).

Please estimate the percentage of time your law department operations manager spends on each of the following functions.



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

OTHER (representative responses)

Business process improvement; Efficiency improvements

Seeking strategies and best practices for the operation of the department

Records management

Program management, e.g.: Pro Bono, Diversity & Inclusion; Well-Being; Team Building & Recognition

Learning and development

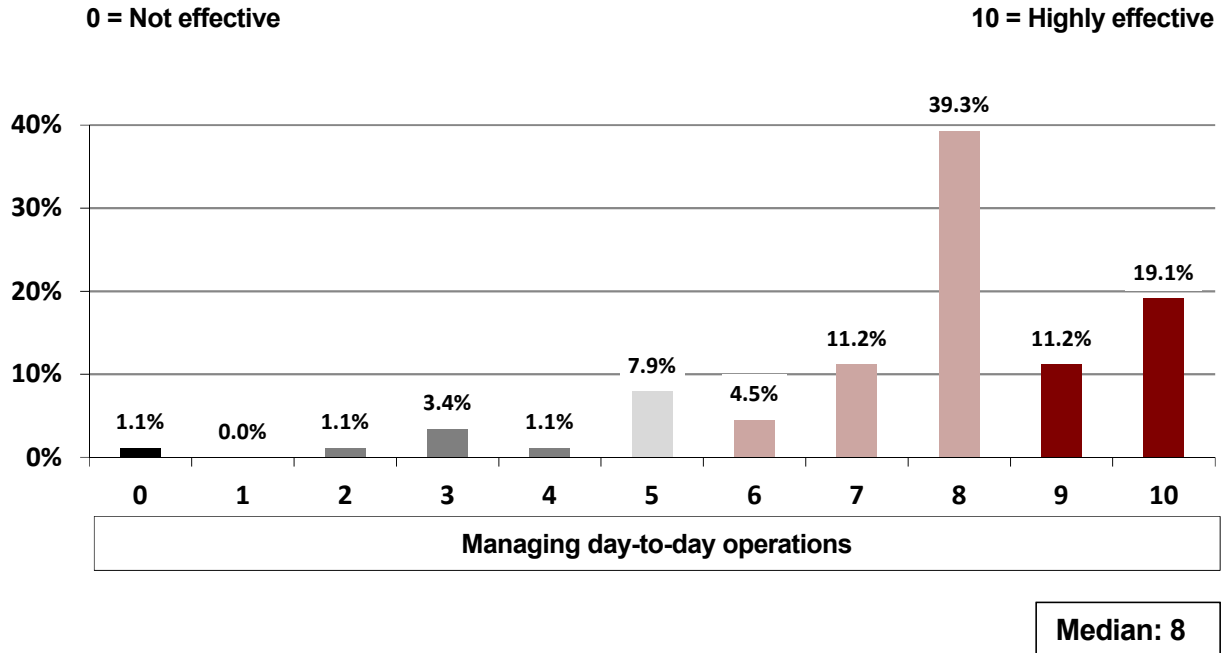
Management of other departments and non-law-department functions

Practicing law

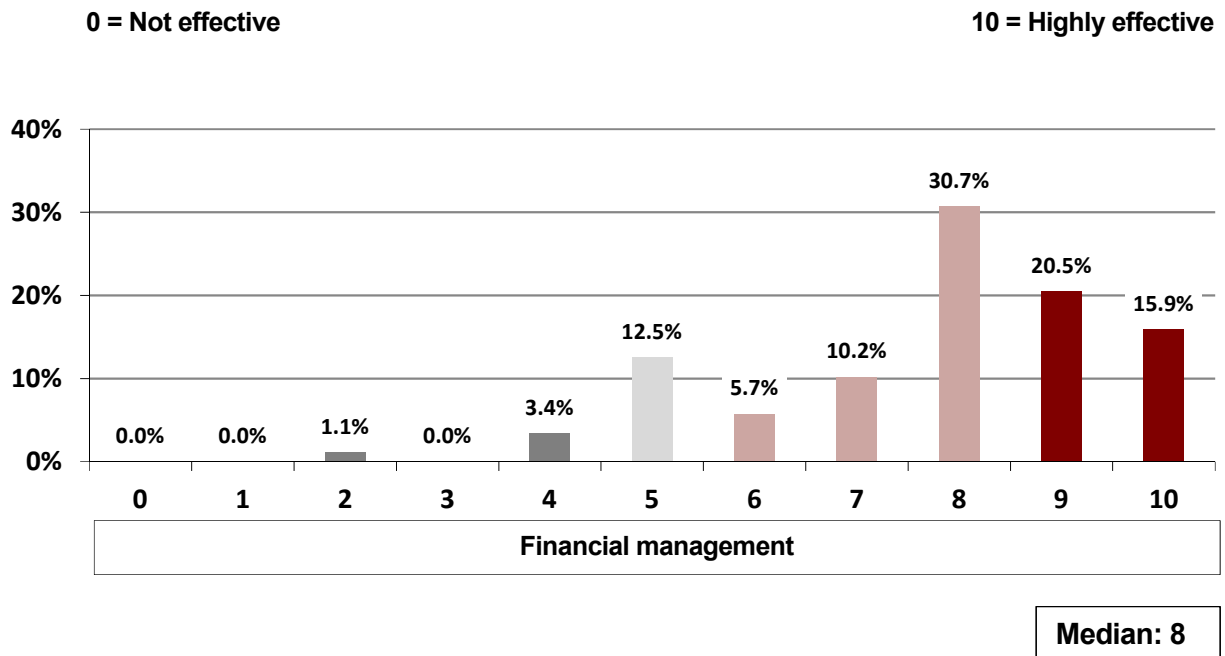
Paralegal work

Law Department Operations – Effectiveness

How would you assess the effectiveness of your law department operations manager/team in managing day-to-day operations?

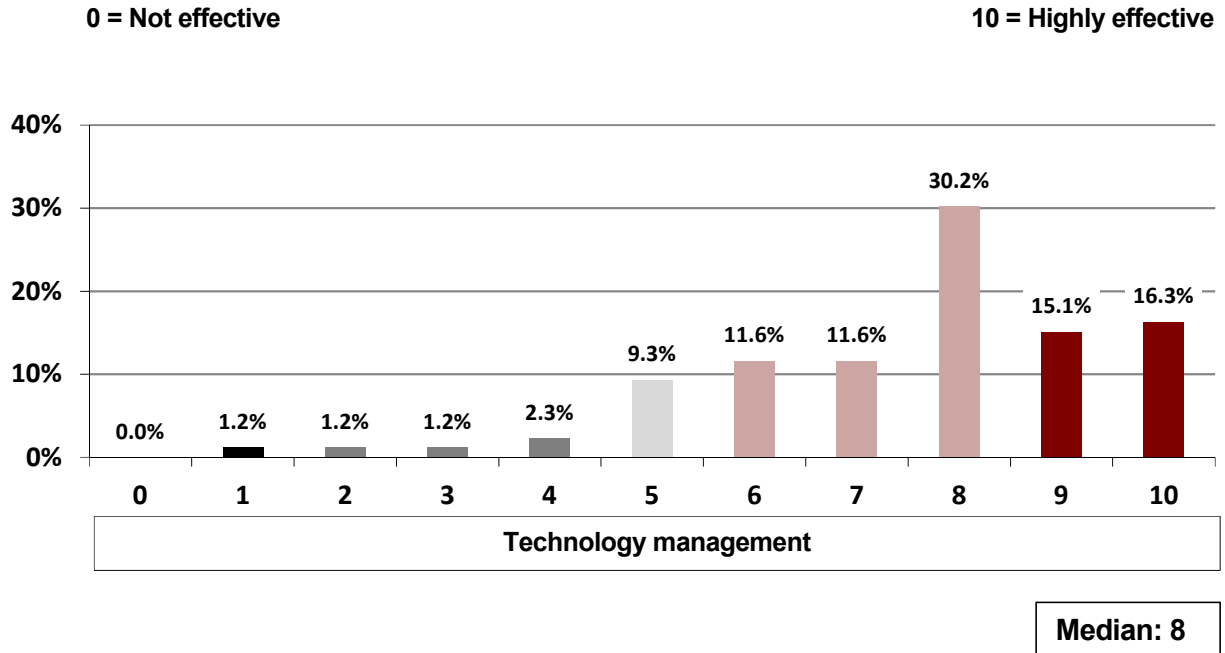


How would you assess the effectiveness of your law department operations manager/team in financial management?

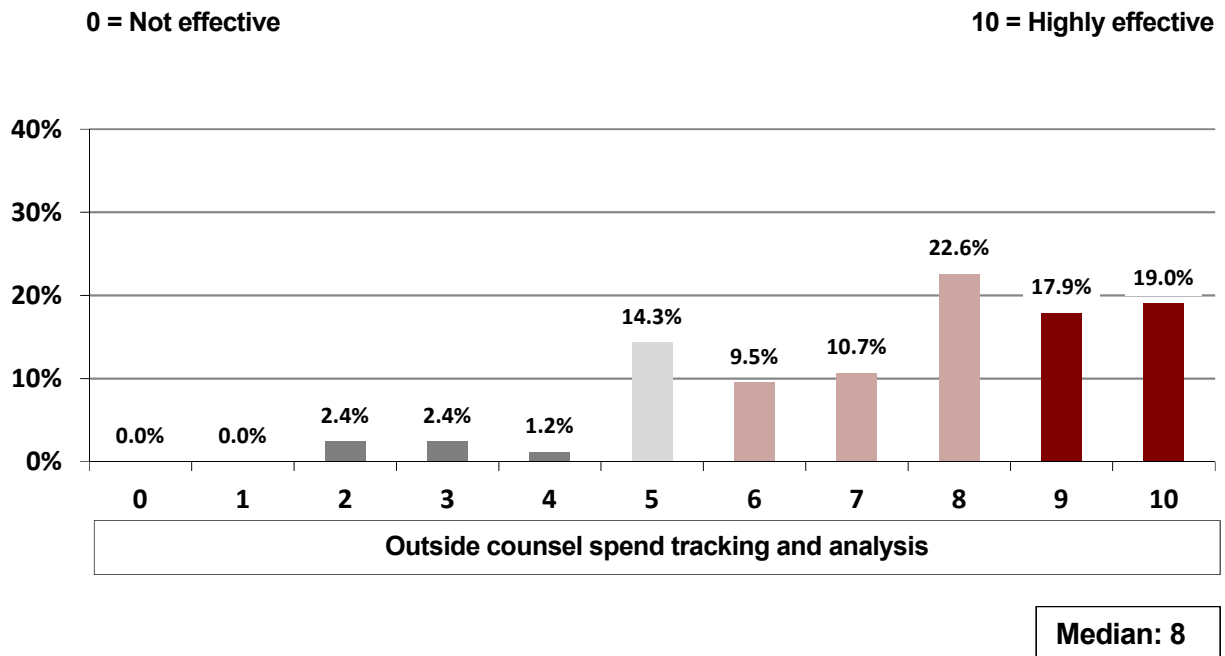


Law Department Operations – Effectiveness

How would you assess the effectiveness of your law department operations manager/team in technology management?

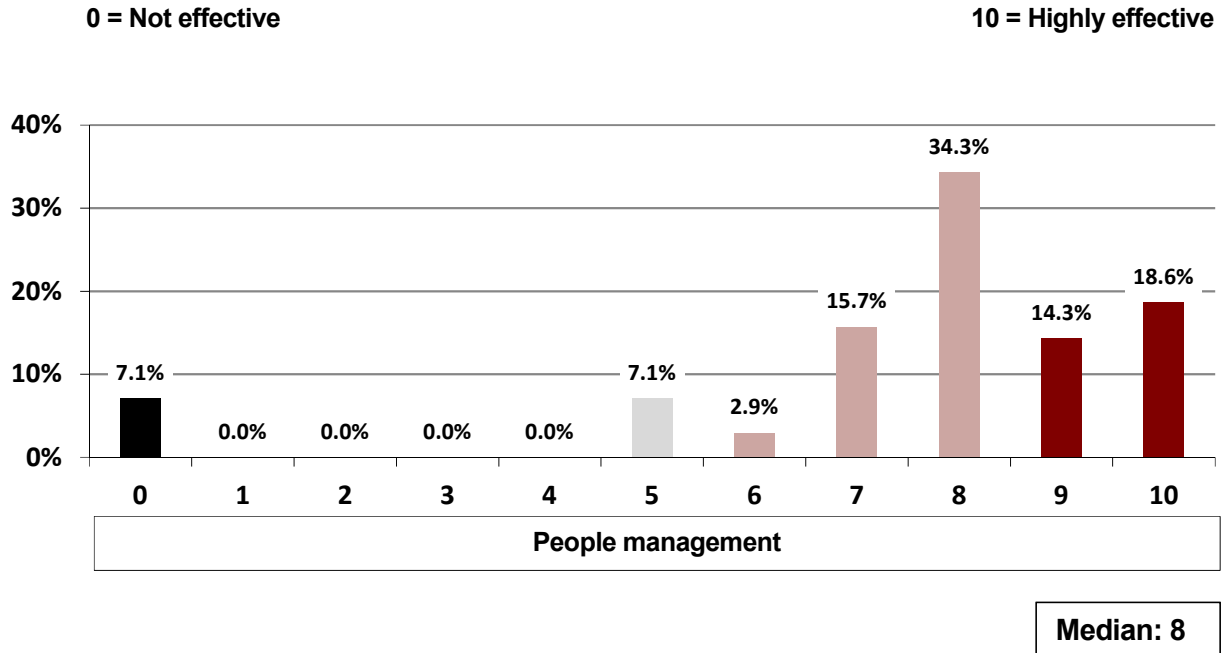


How would you assess the effectiveness of your law department operations manager/team in outside counsel spend tracking and analysis?

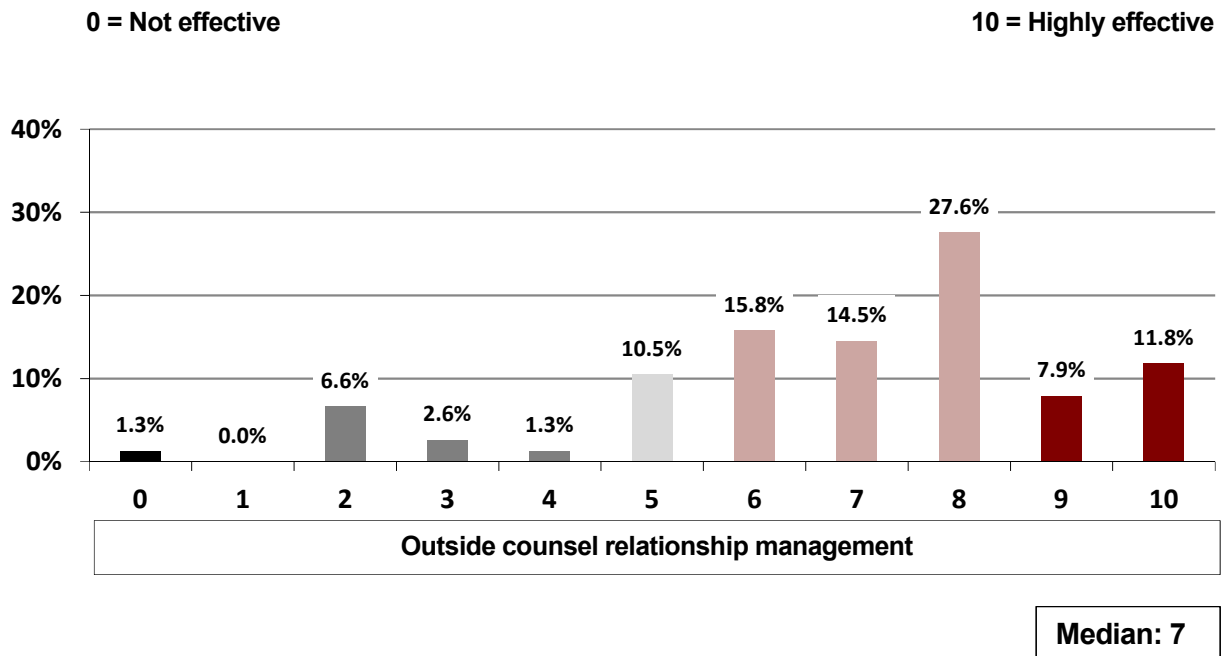


Law Department Operations – Effectiveness

How would you assess the effectiveness of your law department operations manager/team in people management?

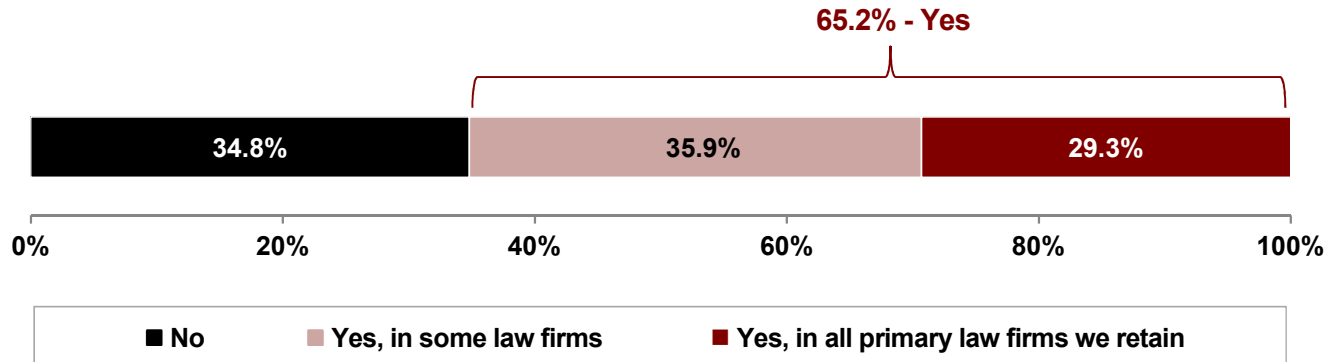


How would you assess the effectiveness of your law department operations manager/team in outside counsel relationship management?



Law Department Operations – Collaboration with Outside Counsel

Does your law department operations manager/team have collaborative working relationships with operational professionals (e.g., pricing, project management, data analysis professionals) in your outside law firms?



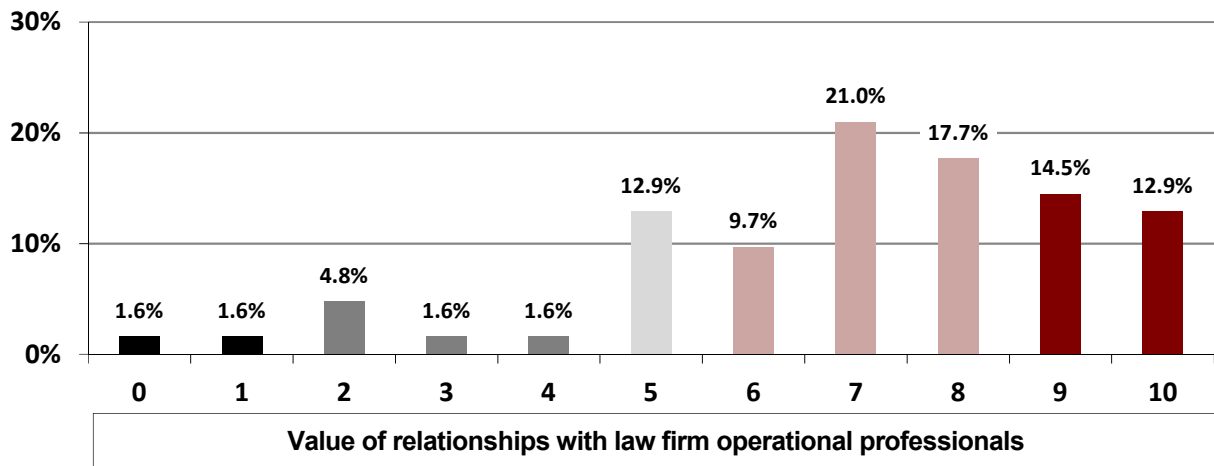
FOLLOW-UP QUESTION...

Asked of the of 65.2% departments that have collaborative relationships with law firm operations professionals in some or all of their outside firms.

How would you assess the overall value of relationships with operational professionals in outside firms in furthering your department's objectives?

0 = No added value

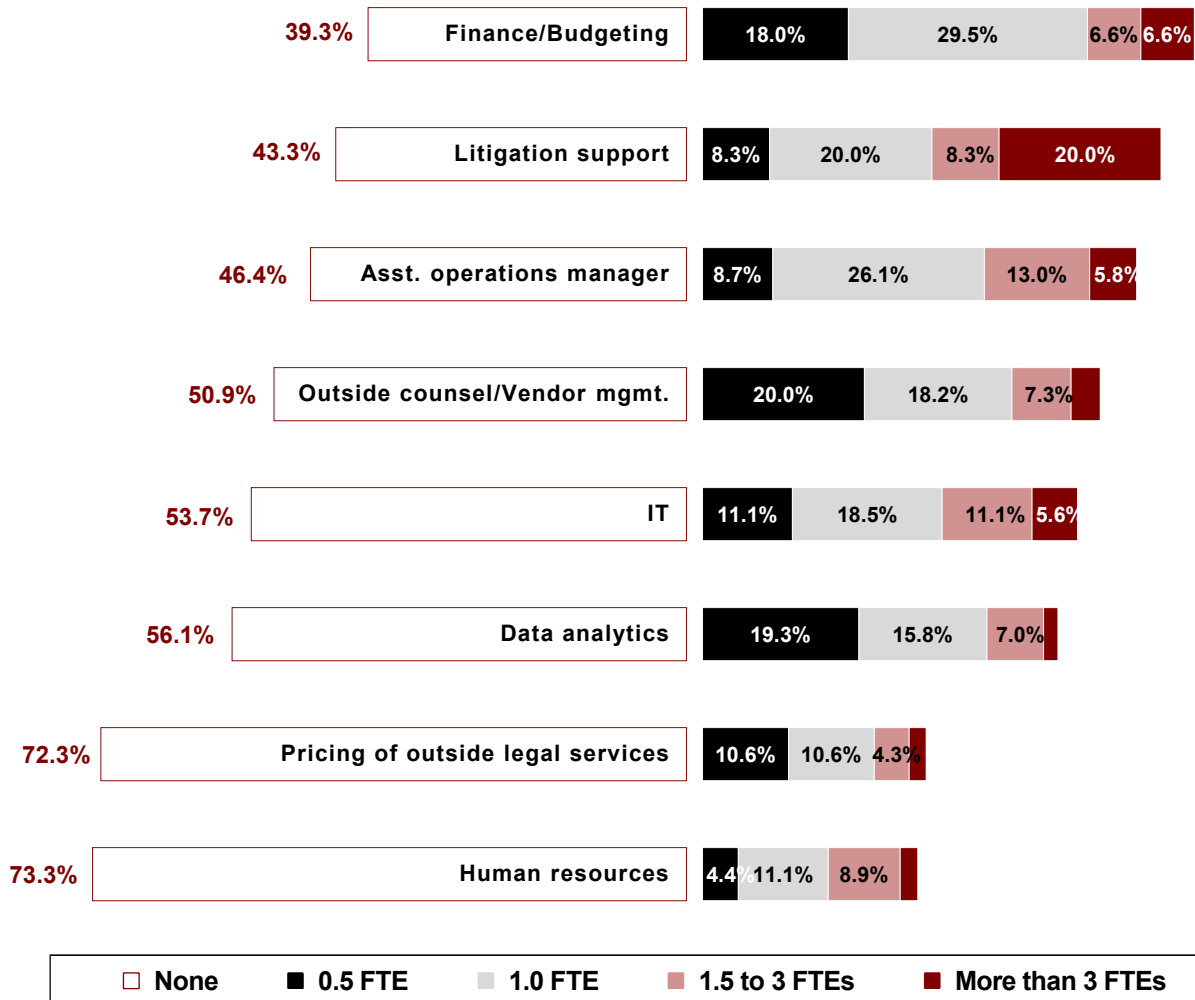
10 = Highly valuable



Median: 7

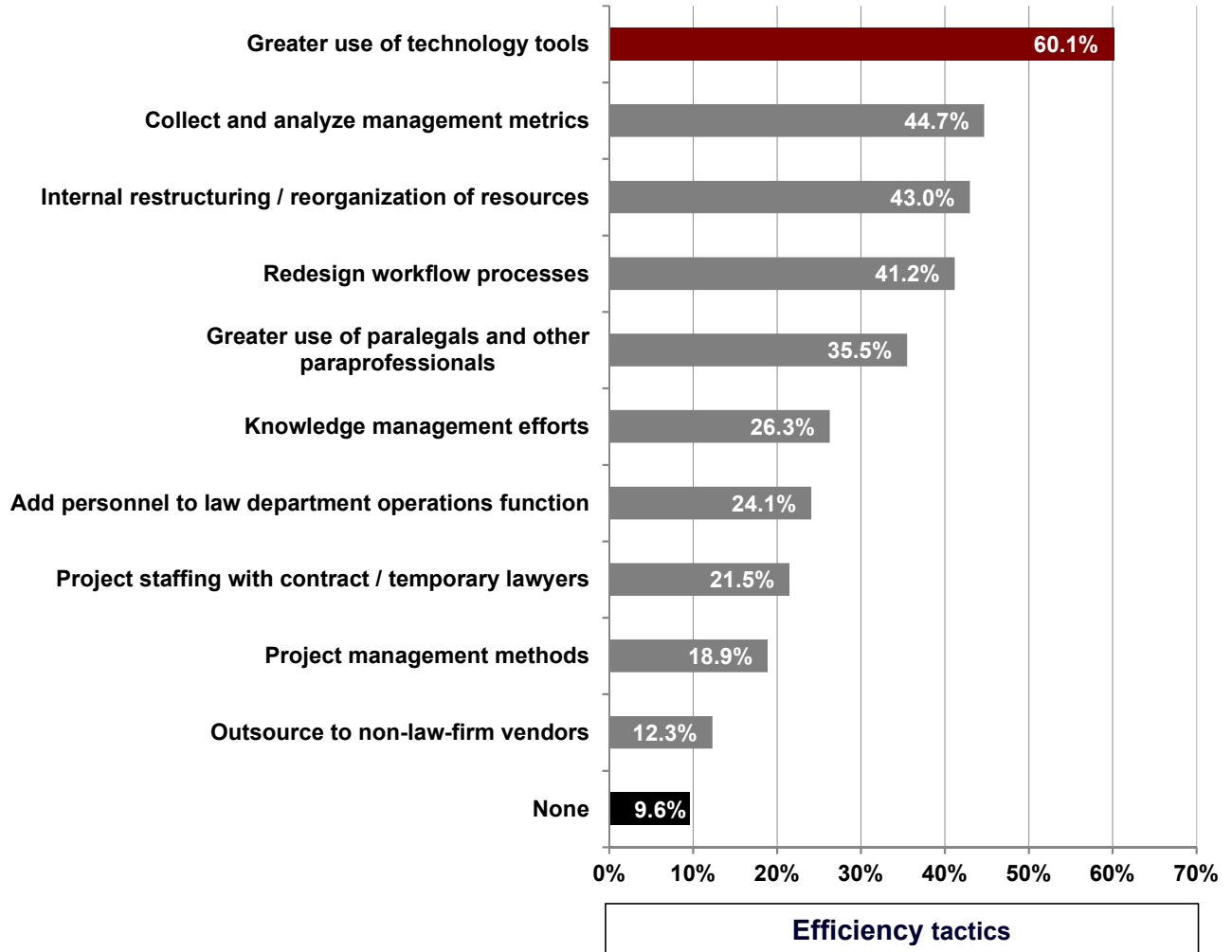
Law Department Operations Staff

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.)



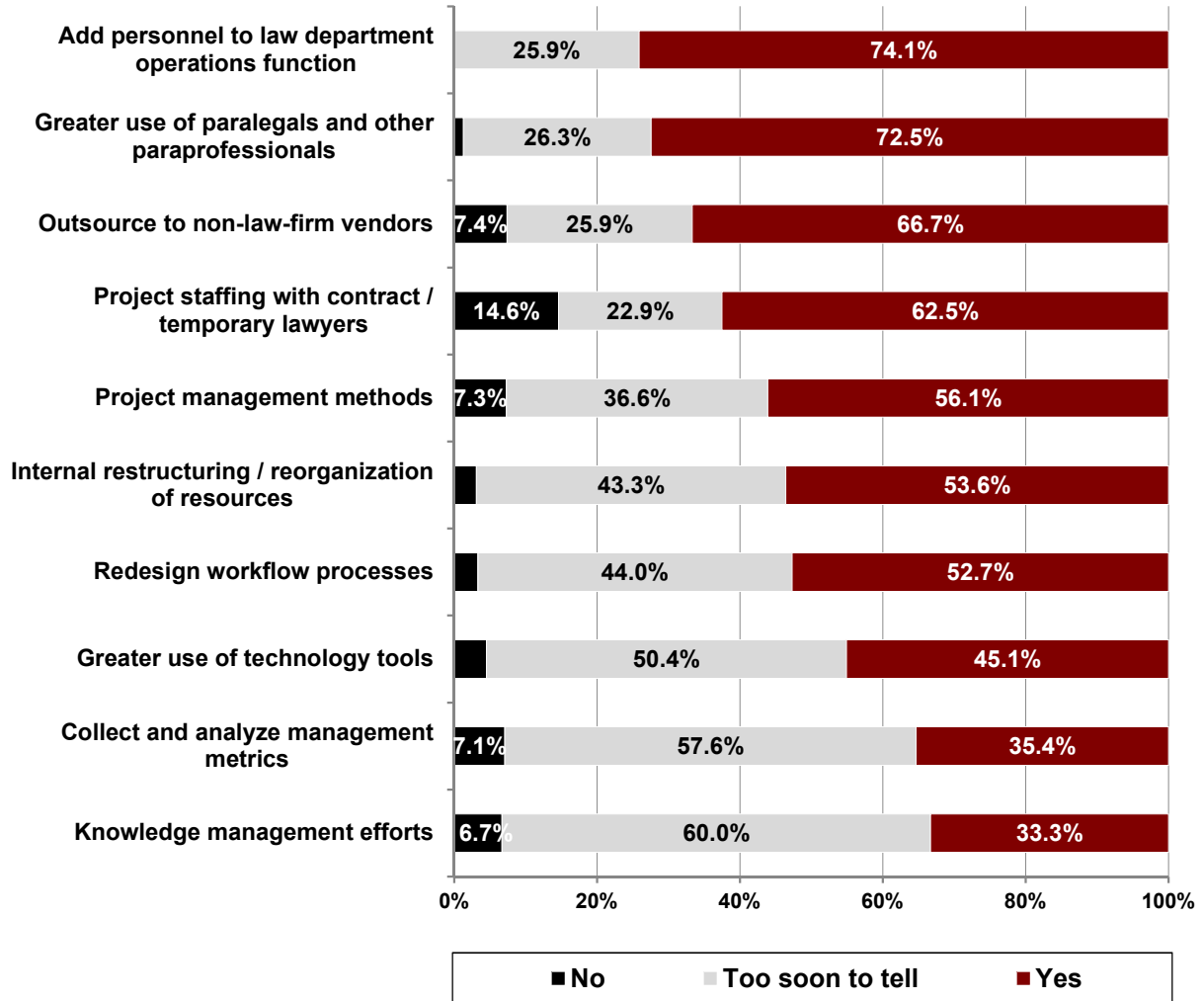
Efficiency Tactics – By Department Size

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	35.0%	42.5%	71.6%	87.5%
Collect and analyze management metrics	30.0%	29.9%	55.6%	62.5%
Restructure / reorganize internal resources	5.0%	41.4%	44.4%	62.5%
Redesign workflow processes	40.0%	36.8%	39.5%	55.0%
Greater use of paralegals / paraprofessionals	15.0%	42.5%	33.3%	35.0%
Knowledge management efforts	15.0%	16.1%	24.7%	57.5%
Add personnel to department operations function	15.0%	26.4%	18.5%	35.0%
Project staffing with contract / temporary lawyers	10.0%	14.9%	24.7%	35.0%
Project management methods	25.0%	14.9%	16.0%	30.0%
Outsource to non-law-firm vendors	0.0%	8.0%	13.6%	25.0%

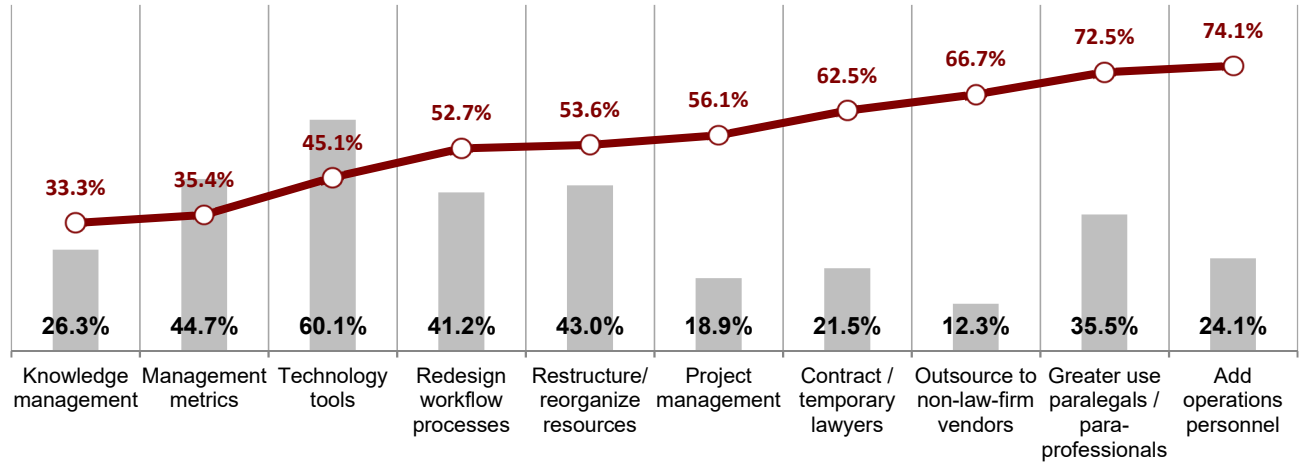
Efficiency Tactics – Significant Improvement

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

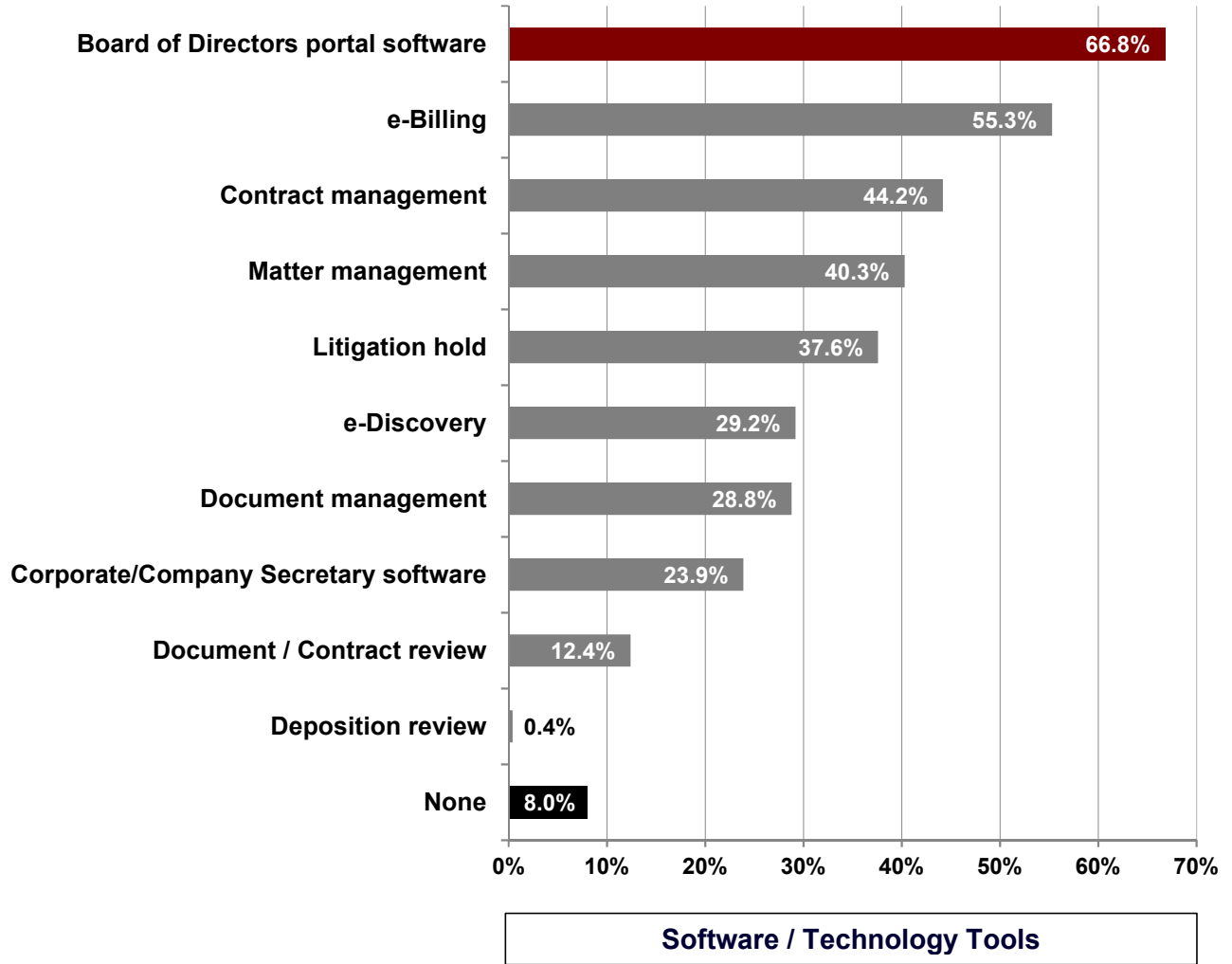
This chart combines findings from the two prior questions. Each bar shows the percentage of law departments using that tactic. Data points on the line show the percentage of those departments using each tactic that report it has delivered a significant improvement in performance.



■ % 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)

Compliance software

Document generation automation

Digital signature

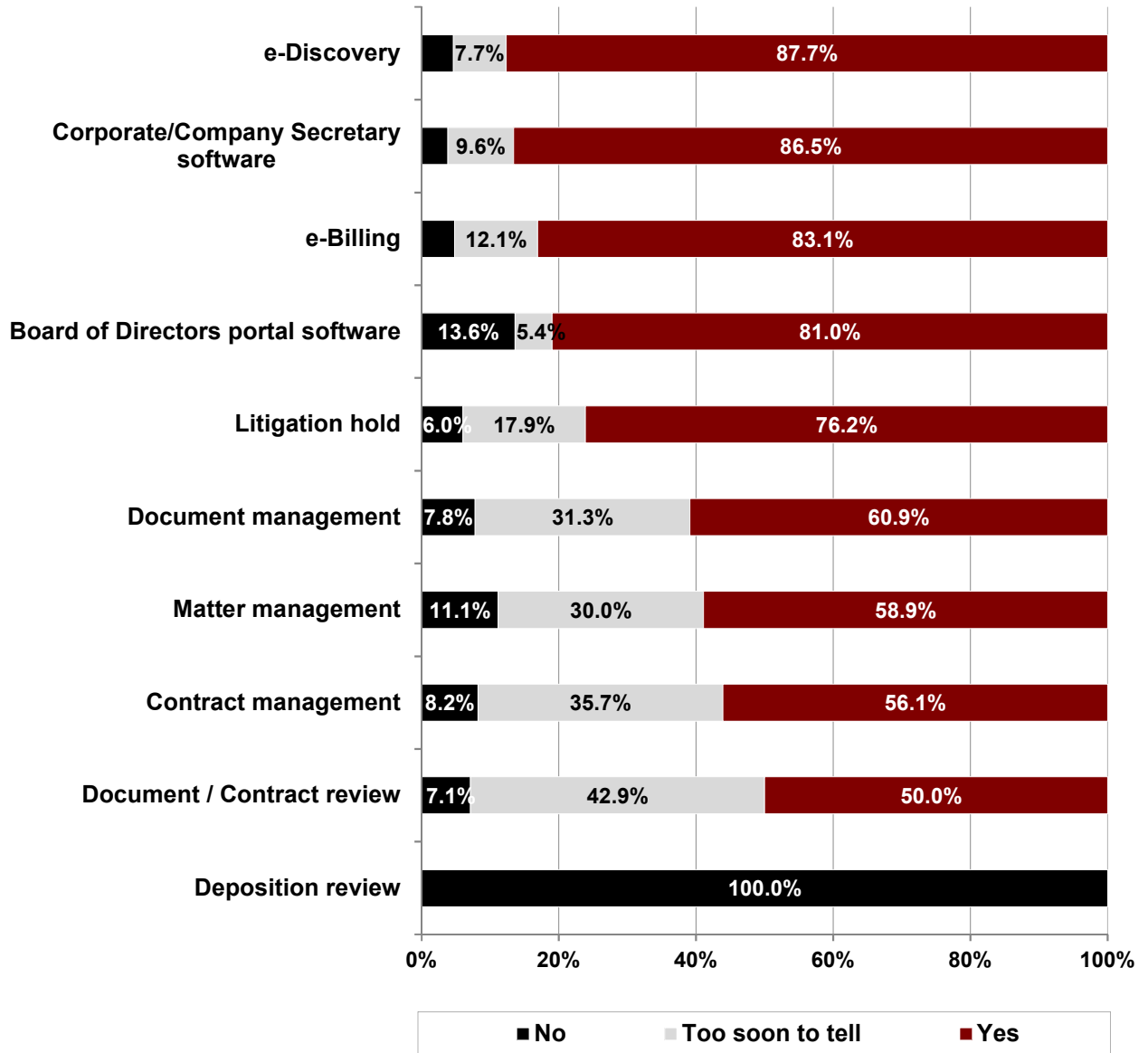
Software / Technology Tools – By Department Size

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	26.3%	65.1%	81.3%	62.5%
e-Billing	10.5%	32.6%	75.0%	87.5%
Contract management	36.8%	44.2%	46.3%	45.0%
Matter management	15.8%	30.2%	45.0%	65.0%
Litigation hold	15.8%	19.8%	51.2%	60.0%
e-Discovery	5.3%	14.0%	40.0%	52.5%
Document management	21.1%	14.0%	36.3%	50.0%
Corporate/Company Secretary software	5.3%	10.5%	35.0%	40.0%
Document/Contract review	15.8%	8.1%	8.8%	27.5%
Deposition review	0.0%	0.0%	0.0%	2.5%

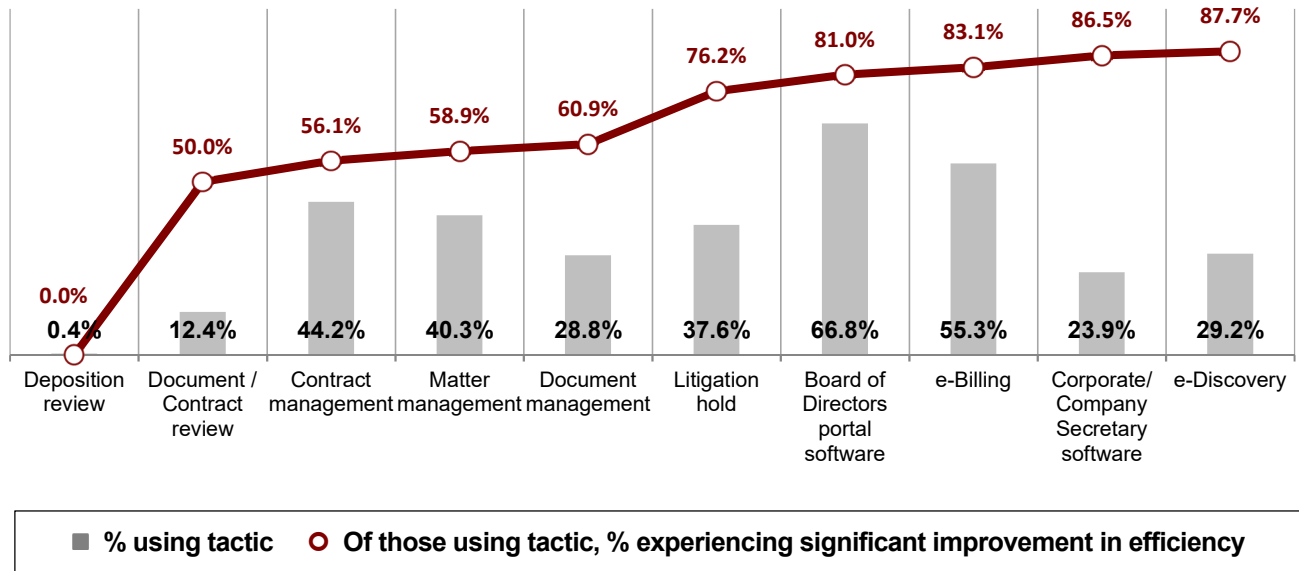
Software / Technology Tools – Significant Improvement

For those software / technology investments your department has made, has it resulted in a significant improvement in law department efficiency?



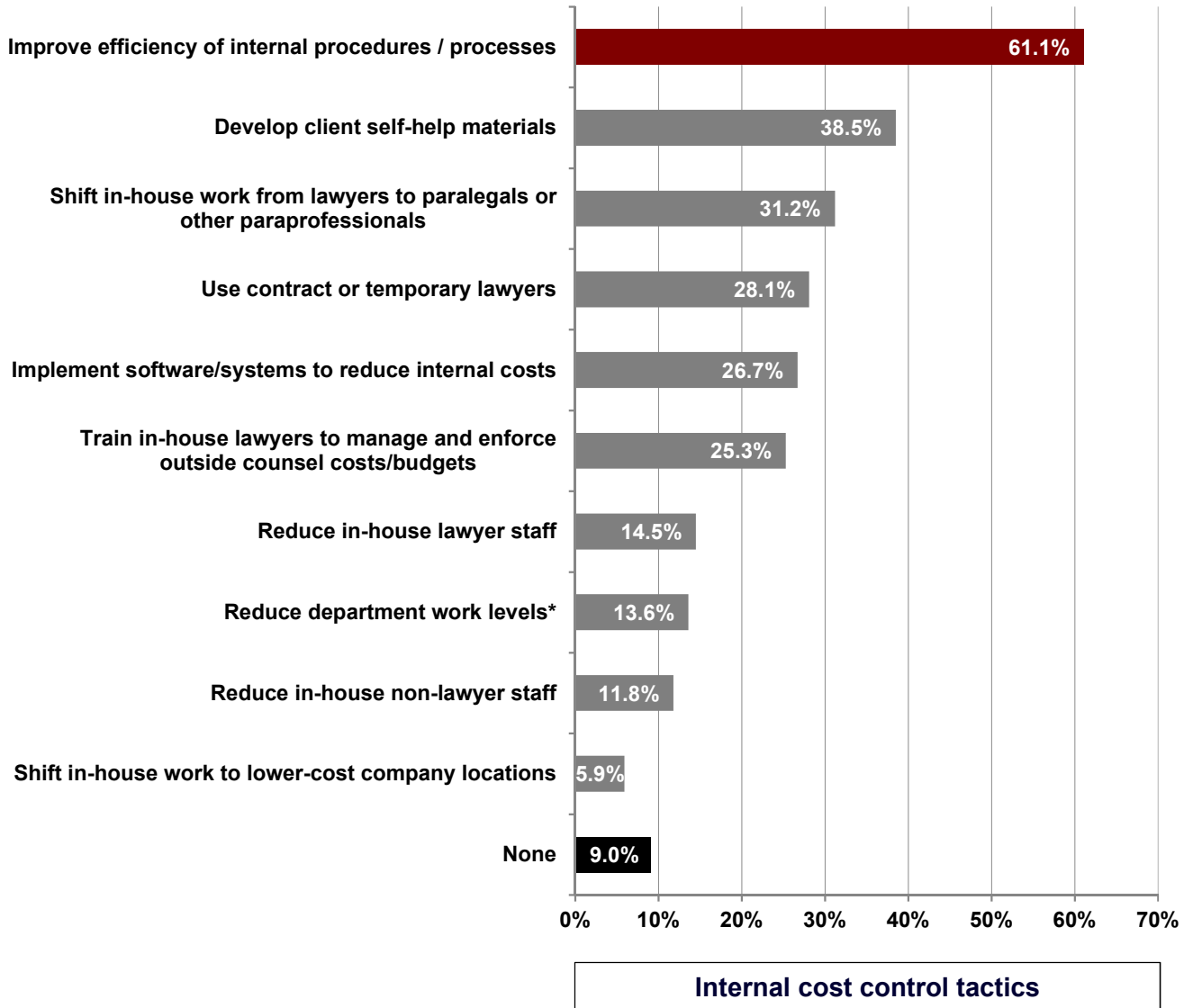
Software / Technology Tools – Comparison of Use and Results

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 Department Management – Internal Cost Control

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



**Reduce department work levels – "due to changing business priorities, preventative law efforts, higher risk tolerance, transfer of work to business units, etc."*

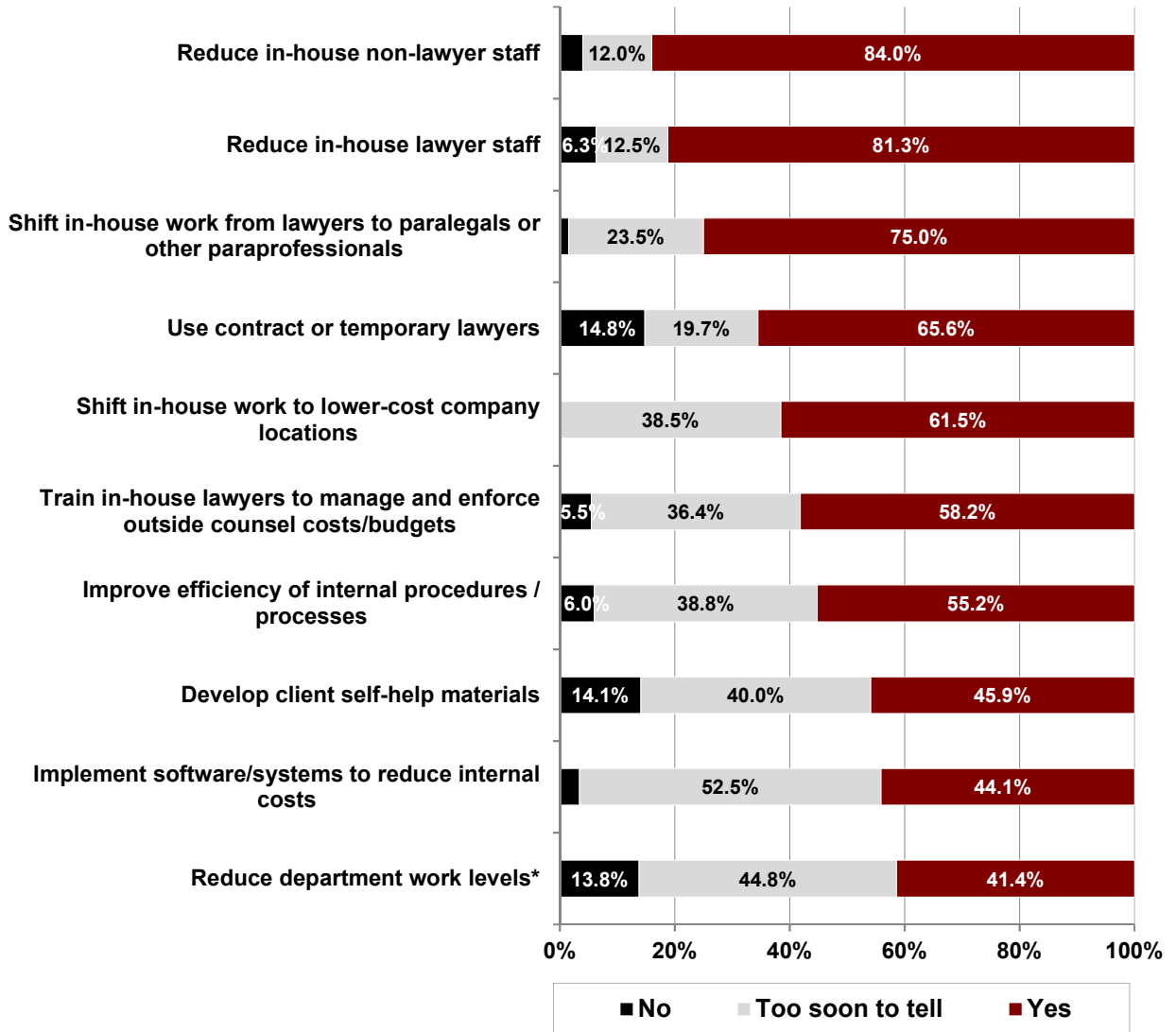
Internal Cost Control Tactics – By Department Size

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

	1 lawyer	2-10 lawyers	11-50 lawyers	51 lawyers or more
Improve efficiency of internal procedures/processes	40.0%	59.3%	66.7%	65.0%
Develop client self-help materials	20.0%	33.7%	42.7%	50.0%
Shift in-house work to paralegals	25.0%	31.4%	30.7%	35.0%
Use contract or temporary lawyers	10.0%	16.3%	37.3%	45.0%
Implement software/systems to reduce costs	15.0%	20.9%	29.3%	40.0%
Train lawyers to manage outside counsel costs	0.0%	22.1%	32.0%	32.5%
Reduce in-house lawyer staff	10.0%	10.5%	16.0%	22.5%
Reduce department work levels	5.0%	9.3%	12.0%	30.0%
Reduce in-house non-lawyer staff	10.0%	8.1%	14.7%	15.0%
Shift in-house work to lower-cost company locations	0.0%	3.5%	6.7%	12.5%

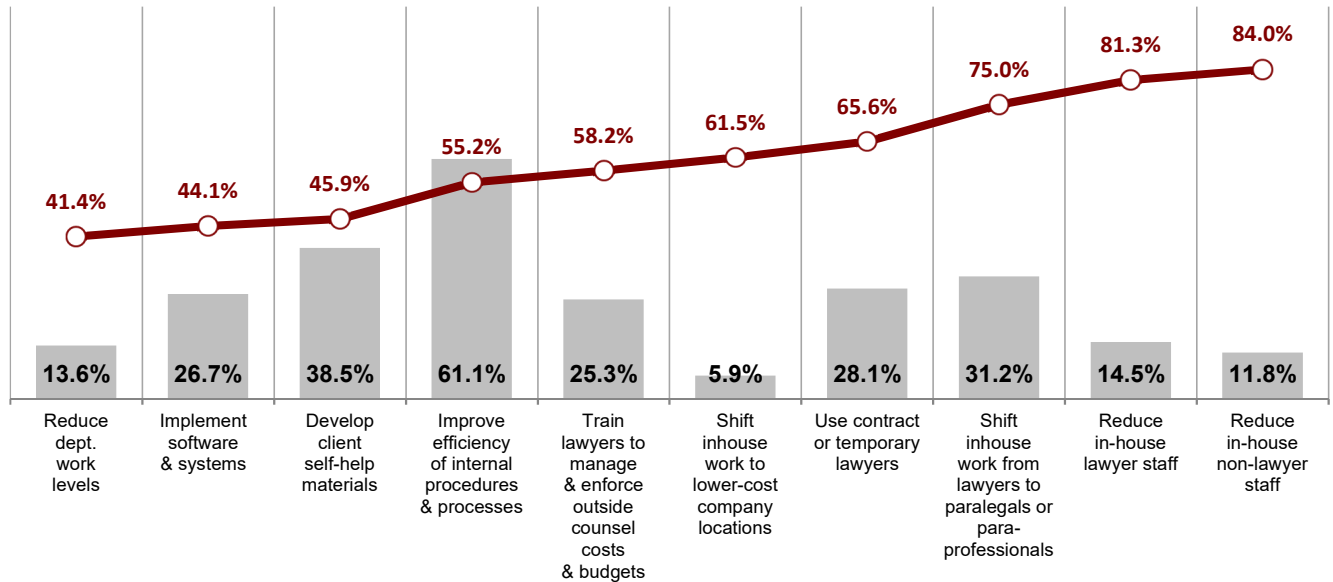
Internal Cost Control Tactics – Significant Improvement

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



Internal Cost Control Tactics – Comparison of Use and Results

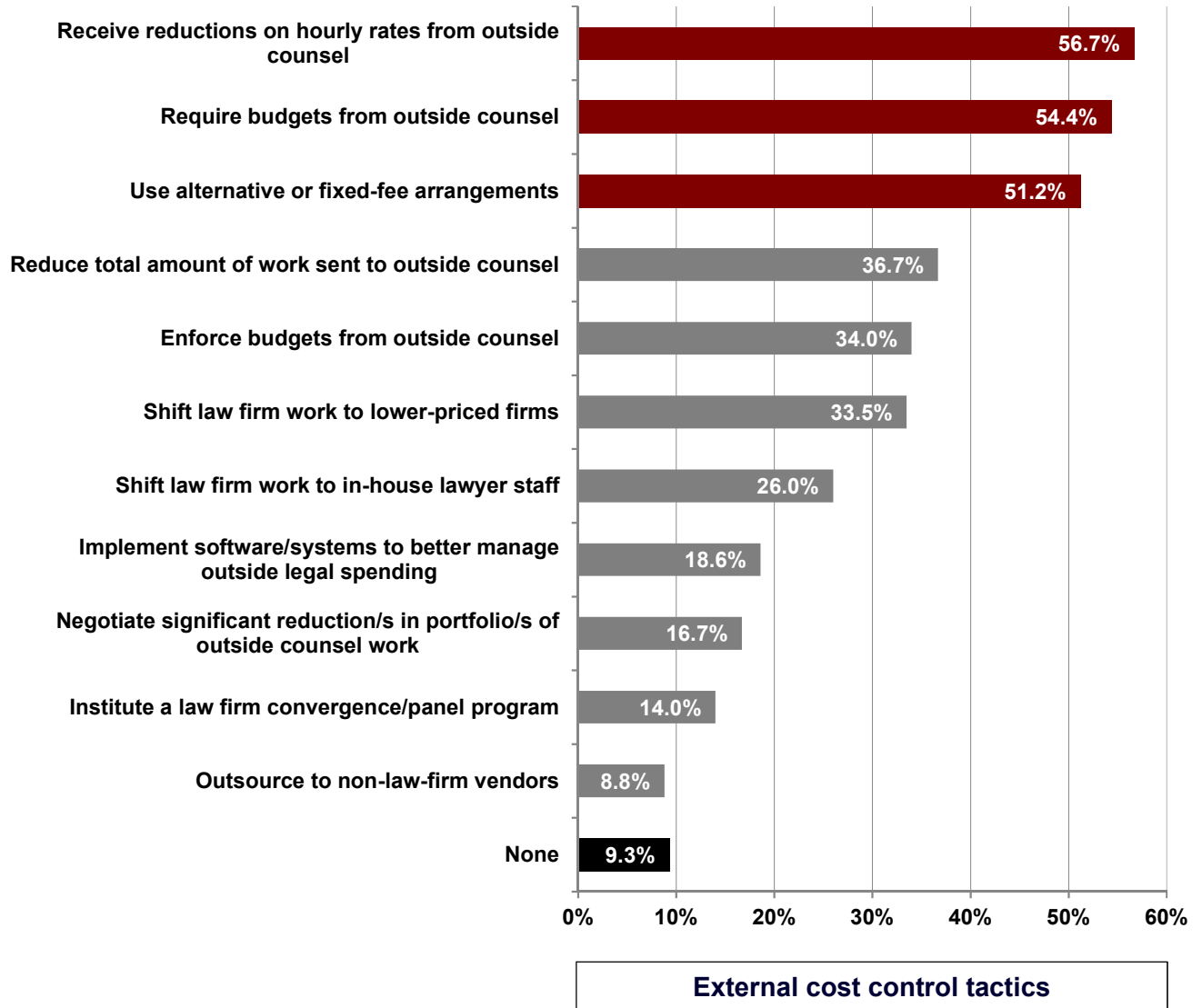
This chart combines findings from the two prior questions. Each bar shows the percentage of law departments using that tactic. Data points on the line show the percentage of those departments using each tactic that report it has delivered a significant improvement in performance.



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

Law Department Management – External Cost Control

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



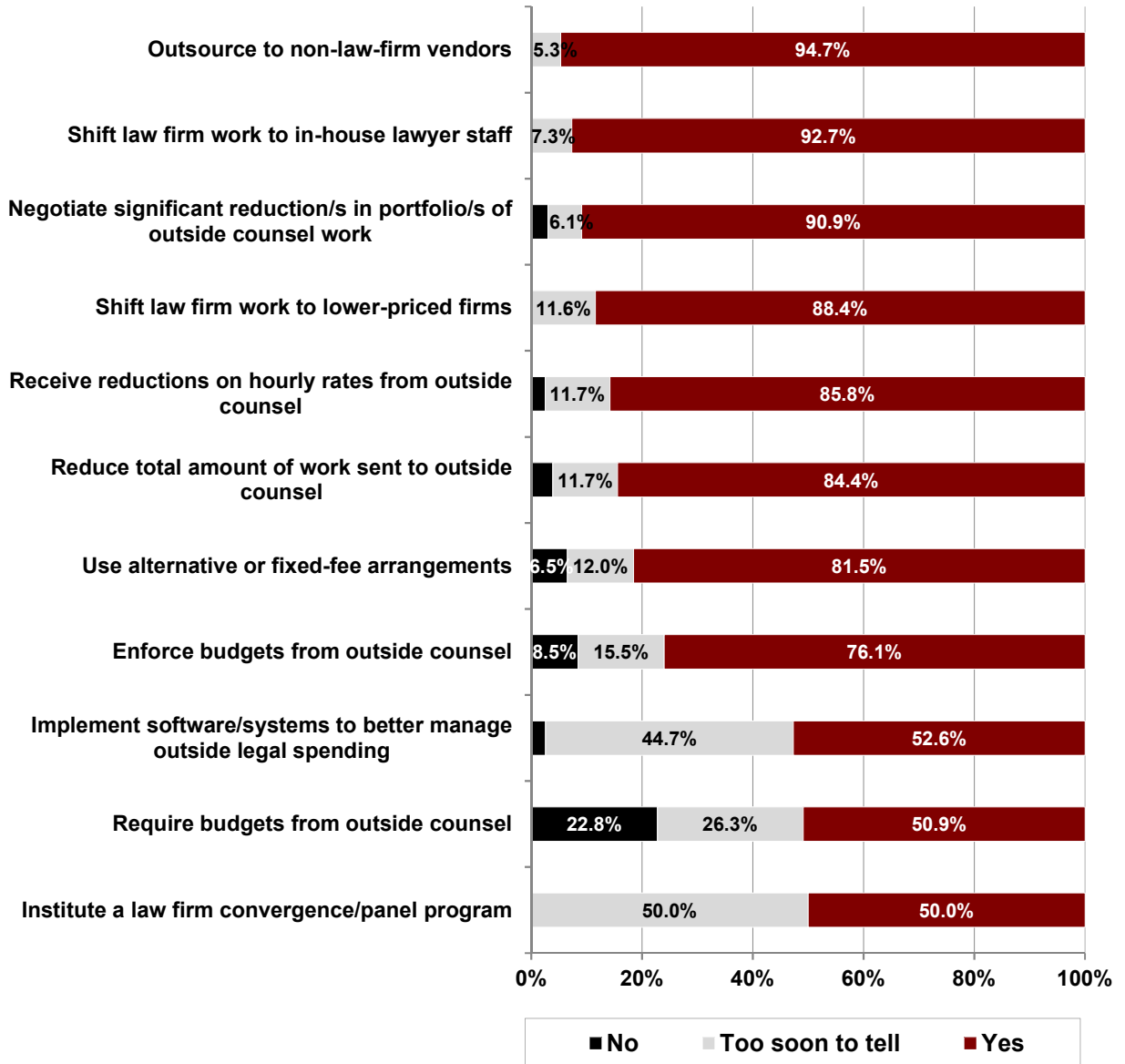
External Cost Control Tactics – By Department Size

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

	1 lawyer	2-10 lawyers	11-50 lawyers	51 lawyers or more
Receive hourly rate reductions from outside counsel	36.8%	51.2%	63.2%	65.8%
Require budgets from outside counsel	31.6%	47.6%	64.5%	60.5%
Use alternative or fixed-fee arrangements	21.1%	42.7%	61.8%	63.2%
Reduce total work sent to outside counsel	21.1%	42.7%	35.5%	34.2%
Enforce budgets from outside counsel	15.8%	25.6%	36.8%	55.3%
Shift law firm work to lower-priced firms	10.5%	37.8%	38.2%	26.3%
Shift law firm work to in-house lawyers	0.0%	26.8%	30.3%	28.9%
Software/systems to manage outside legal spend	5.3%	13.4%	21.1%	31.6%
Negotiate reductions on portfolios of law firm work	5.3%	11.0%	22.4%	23.7%
Institute a law firm convergence/panel program	15.8%	6.1%	13.2%	31.6%
Outsource to non-law-firm vendors	0.0%	7.3%	6.6%	21.1%

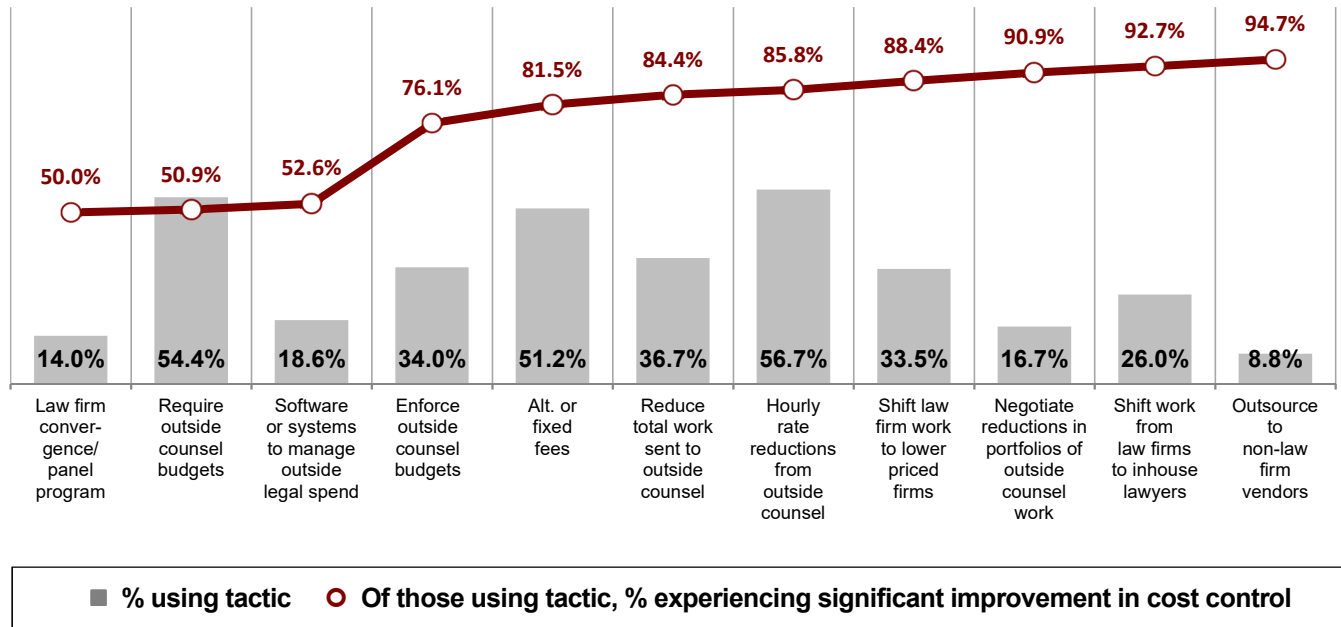
External Cost Control Tactics – Significant Improvement

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



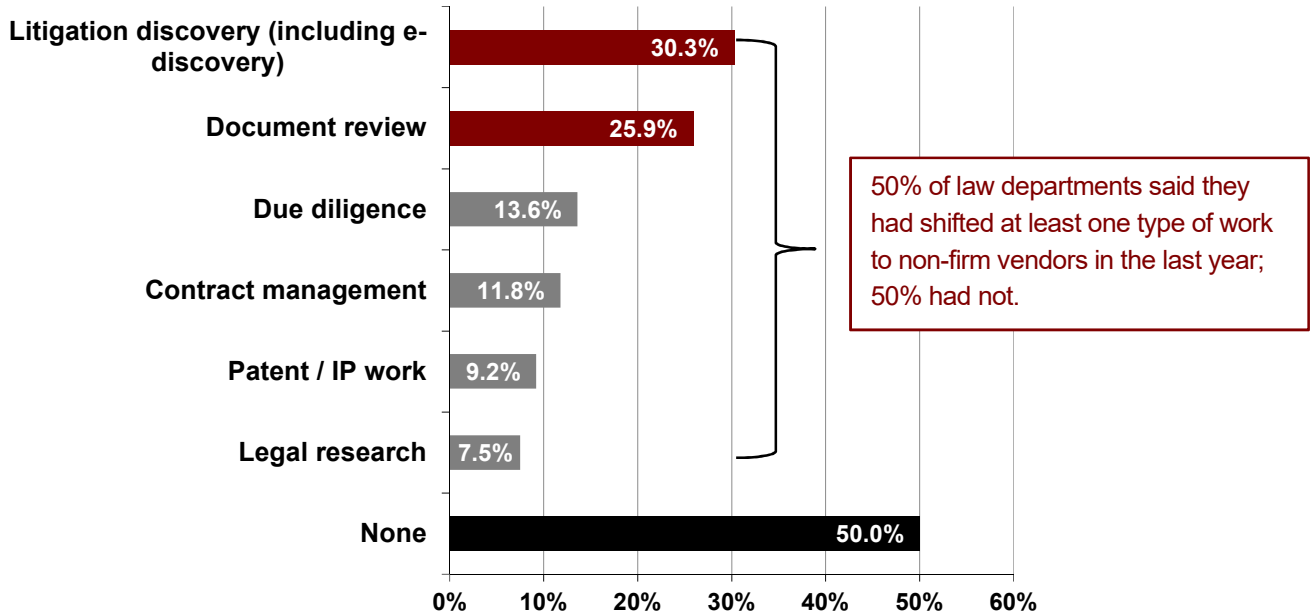
External Cost Control Tactics – Comparison of Use and Results

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.)



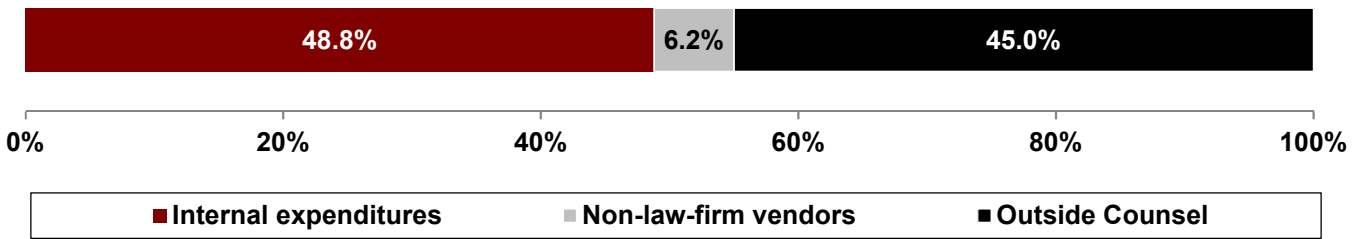
BY LAW DEPARTMENT SIZE

	1 lawyer	2-10 lawyers	11-50 lawyers	51 lawyers or more
Litigation discovery (including e-discovery)	15.0%	20.7%	34.6%	51.3%
Document review	15.0%	16.1%	23.5%	59.0%
Due diligence	20.0%	10.3%	8.6%	28.2%
Contract management	5.0%	8.0%	13.6%	20.5%
Patent / IP work	10.0%	8.0%	3.7%	23.1%
Legal research	10.0%	4.6%	3.7%	20.5%
None	65.0%	57.5%	49.4%	28.2%

Law Department Budget Allocation 2019

Please estimate the percentage of your total 2019 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 51.2% of the total law department budget. Of that total outside spend, 87.9% goes to law firms, and 12.1% to non-firm vendors.



Definitions:

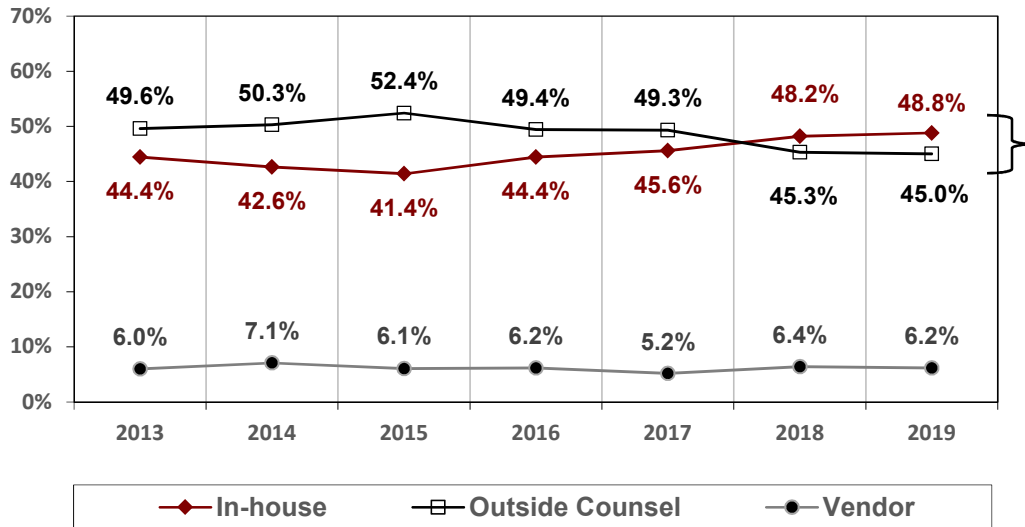
Internal expenditures: e.g., Department compensation and benefits; contract lawyers, facilities, technology and other operating costs

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%.)

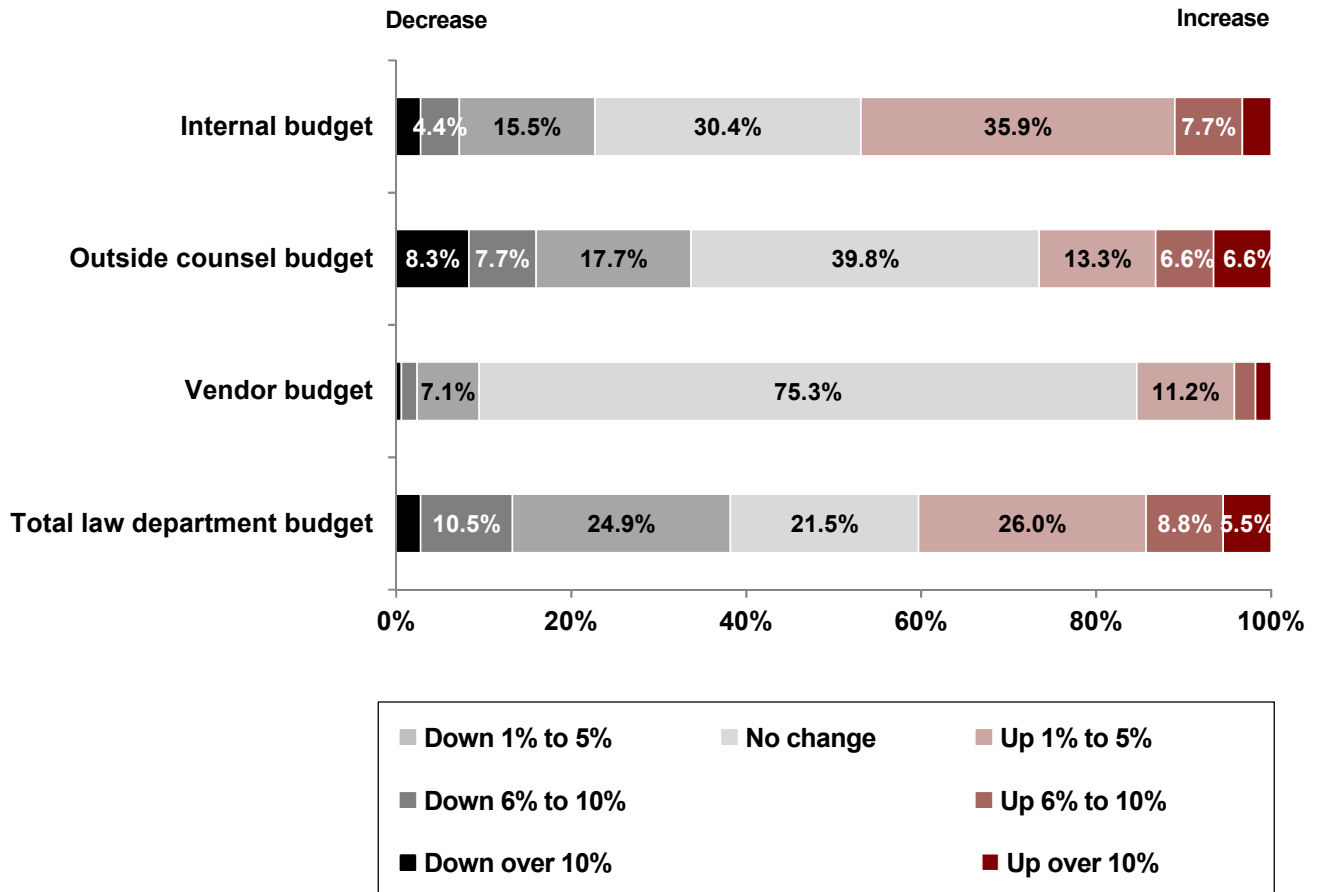


Although allocations remain largely stable, in-house spend as a percentage of total spend exceeded outside counsel spend for the second year in a row.

Trend data compiled from the 2013 - 2019 Chief Legal Officer Surveys.

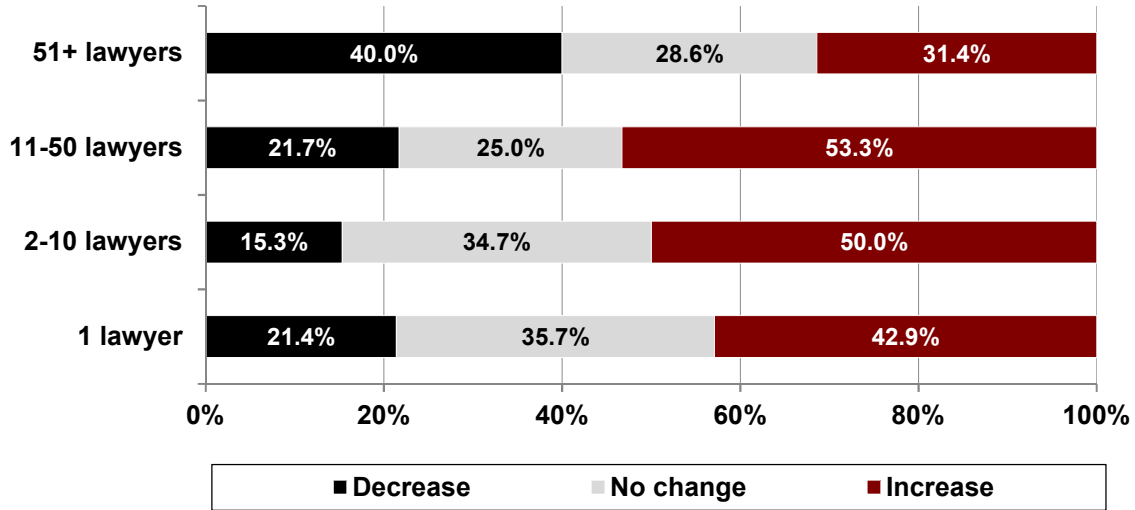
Law Department Budget Changes: 2018 to 2019

Please estimate the percentage increase or decrease in your Law Department budget from 2018 to 2019.

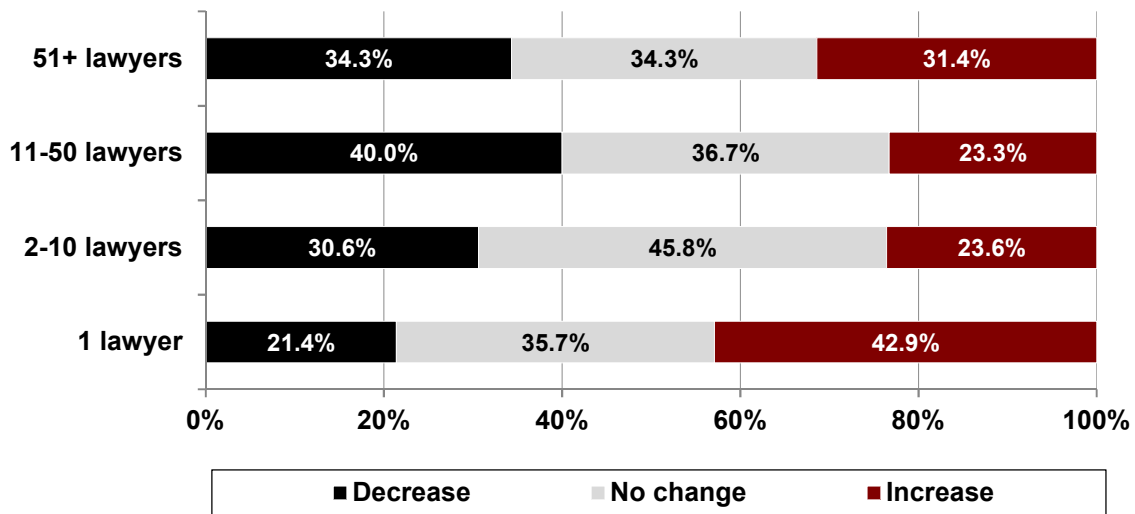


Law Department Budget Changes 2018 to 2019: By Department Size

IN-HOUSE BUDGET

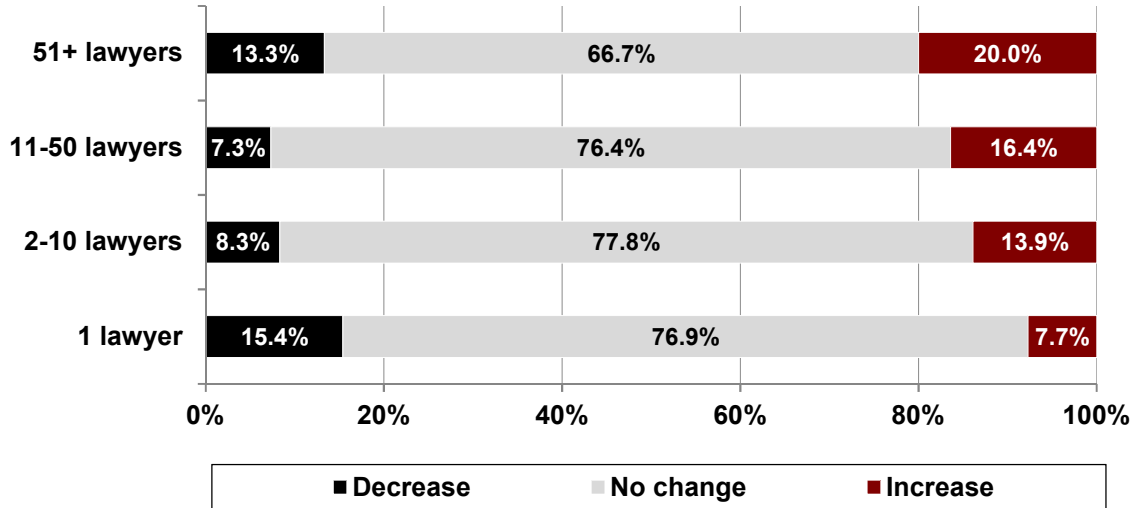


OUTSIDE COUNSEL BUDGET

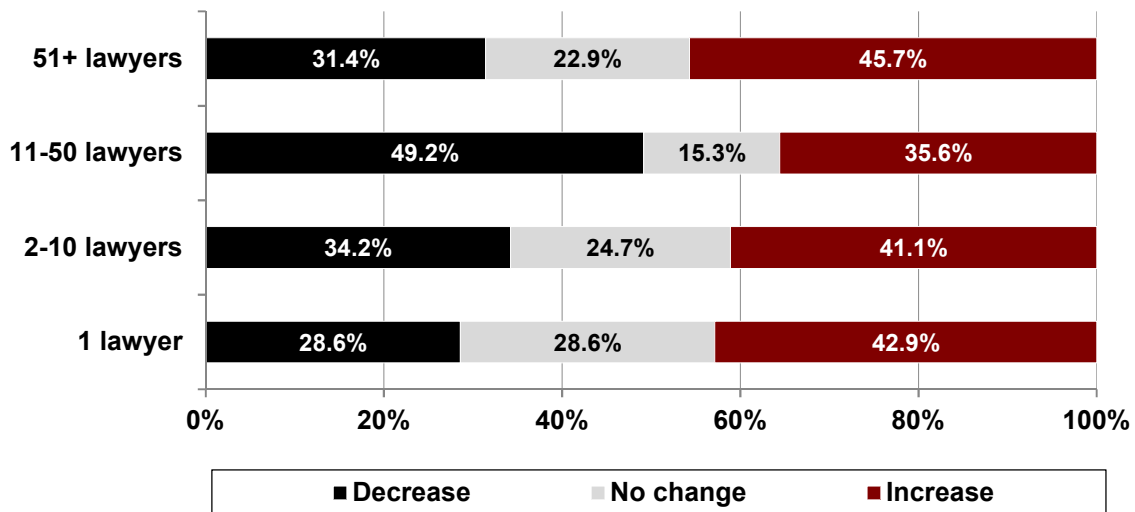


Law Department Budget Changes 2018 to 2019: By Department Size

VENDOR BUDGET



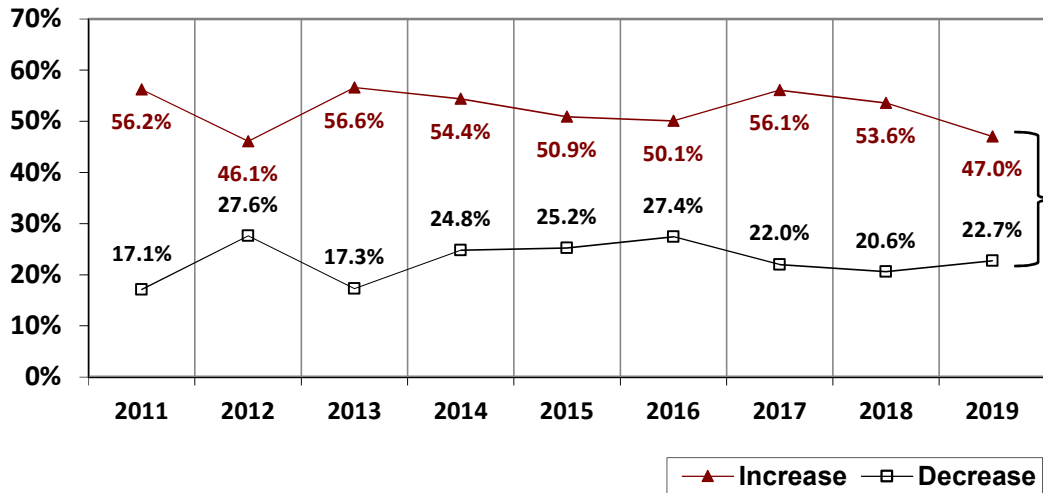
TOTAL BUDGET



TREND: Change in Law Department Budget

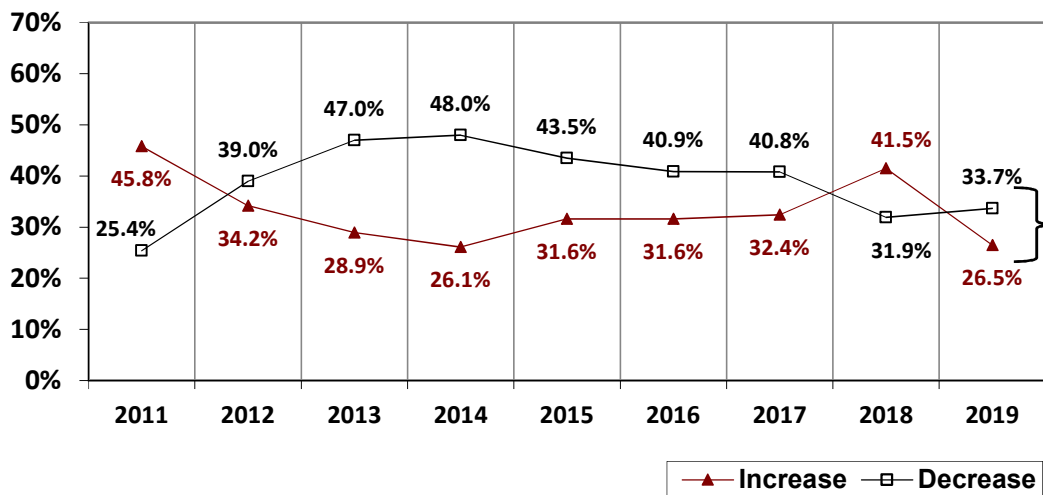
Charts show what percentage of departments increased their budget, and what percentage decreased their budget in each category. The balance of departments, to total 100%, made no change in the budget category and is omitted in each of these charts.

IN-HOUSE BUDGET



The number of law departments increasing in-house budgets declined in 2019, but still outpaced those making cuts by a two-to-one margin.

OUTSIDE COUNSEL BUDGET



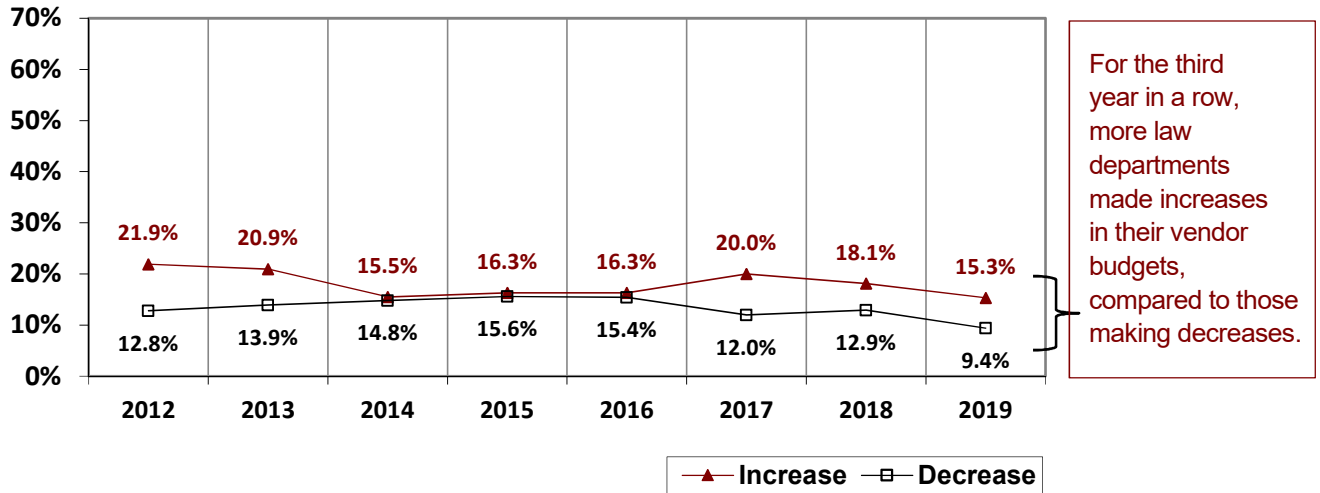
After 2018's significant jump in the number of departments increasing outside counsel spend, law departments scaled back sharply in 2019.

Trend data compiled from 2011 - 2019 Chief Legal Officer Surveys.

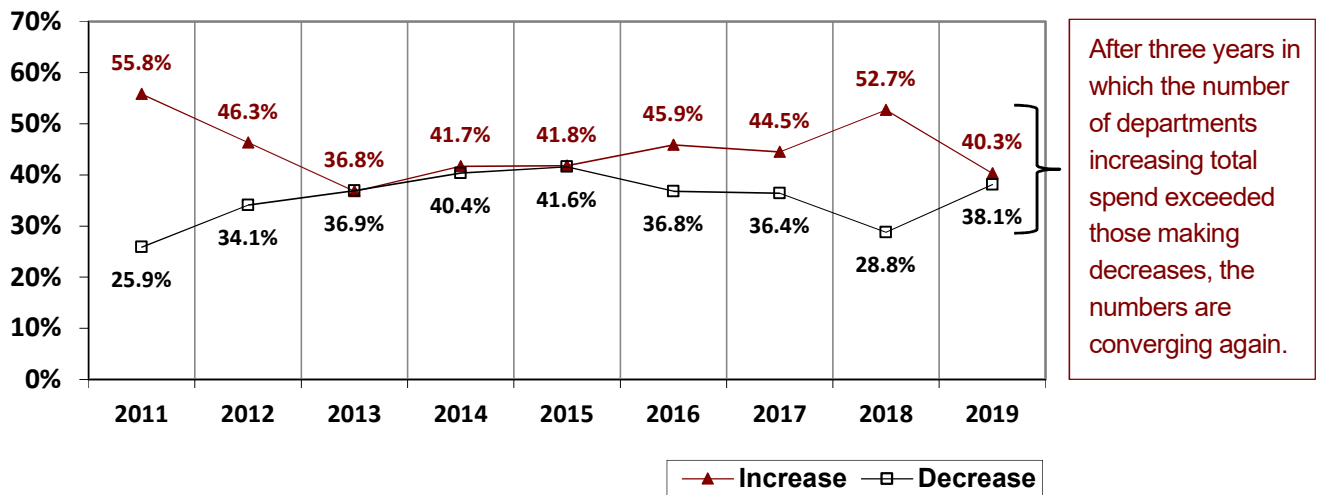
TREND: Change in Law Department Budget

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



TOTAL BUDGET

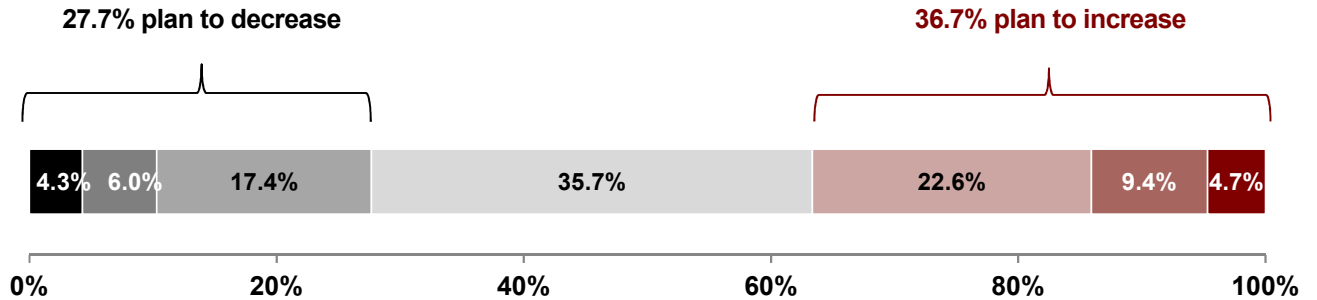


Trend data compiled from 2011 - 2019 Chief Legal Officer Surveys.

Outside Counsel Spend – Planned for 2020

OUTLOOK 2020

For your fiscal year 2020 budget, please indicate the change you have made / will make in your overall spend on outside counsel?



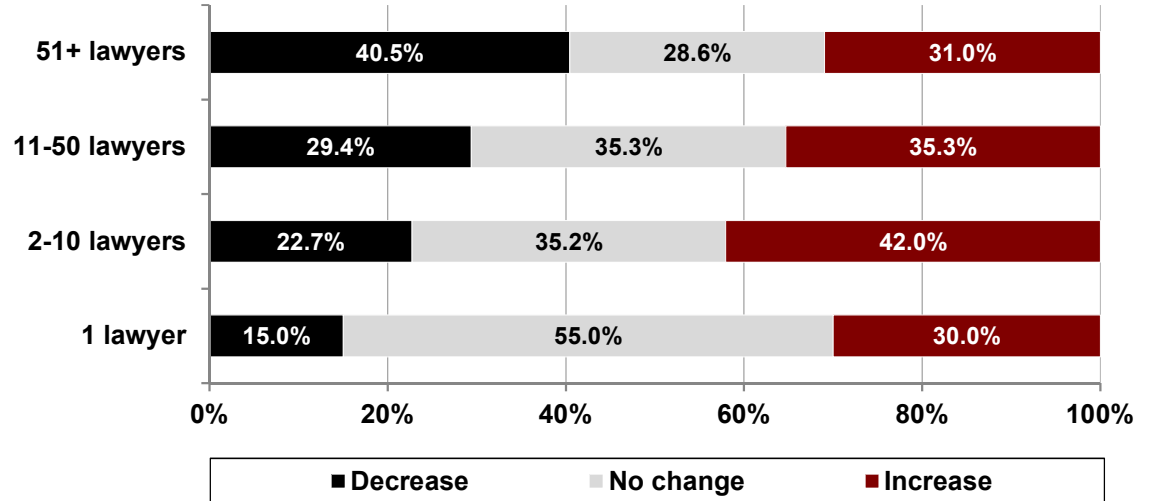
Outside counsel spend – planned for 2020

- Decrease 1% to 5%
- Decrease 6% to 10%
- Decrease over 10%
- No change
- Increase 1% to 5%
- Increase 6% to 10%
- Increase over 10%

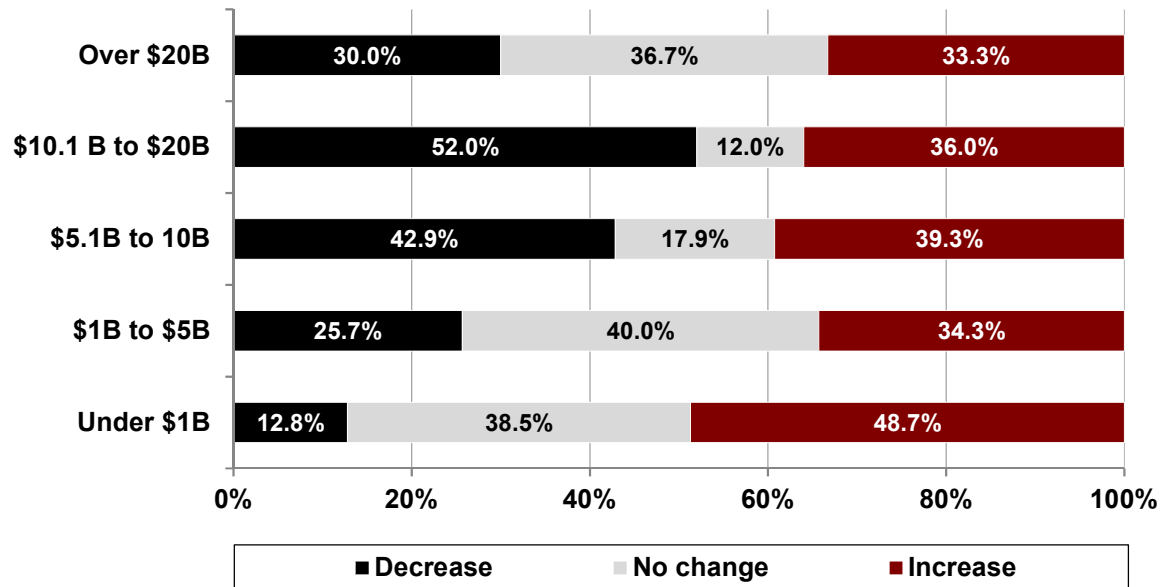
Outside Counsel Spend – Planned for 2020

OUTLOOK 2020

BY DEPARTMENT SIZE: Planned change in outside counsel spend in 2020



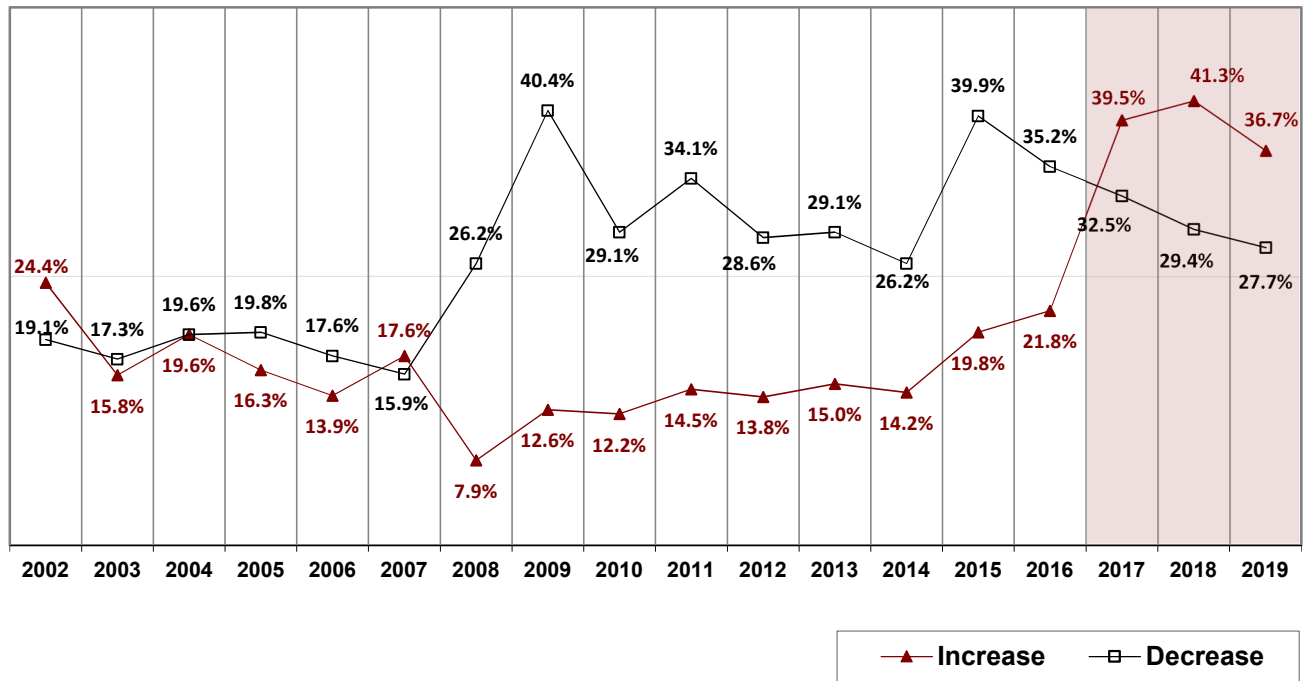
BY ORGANIZATION REVENUE: Planned change in outside counsel spend in 2020



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 third year in a row, more law departments project they will increase than decrease their outside counsel spending next year – albeit with fewer departments planning an increase than in the two prior years.



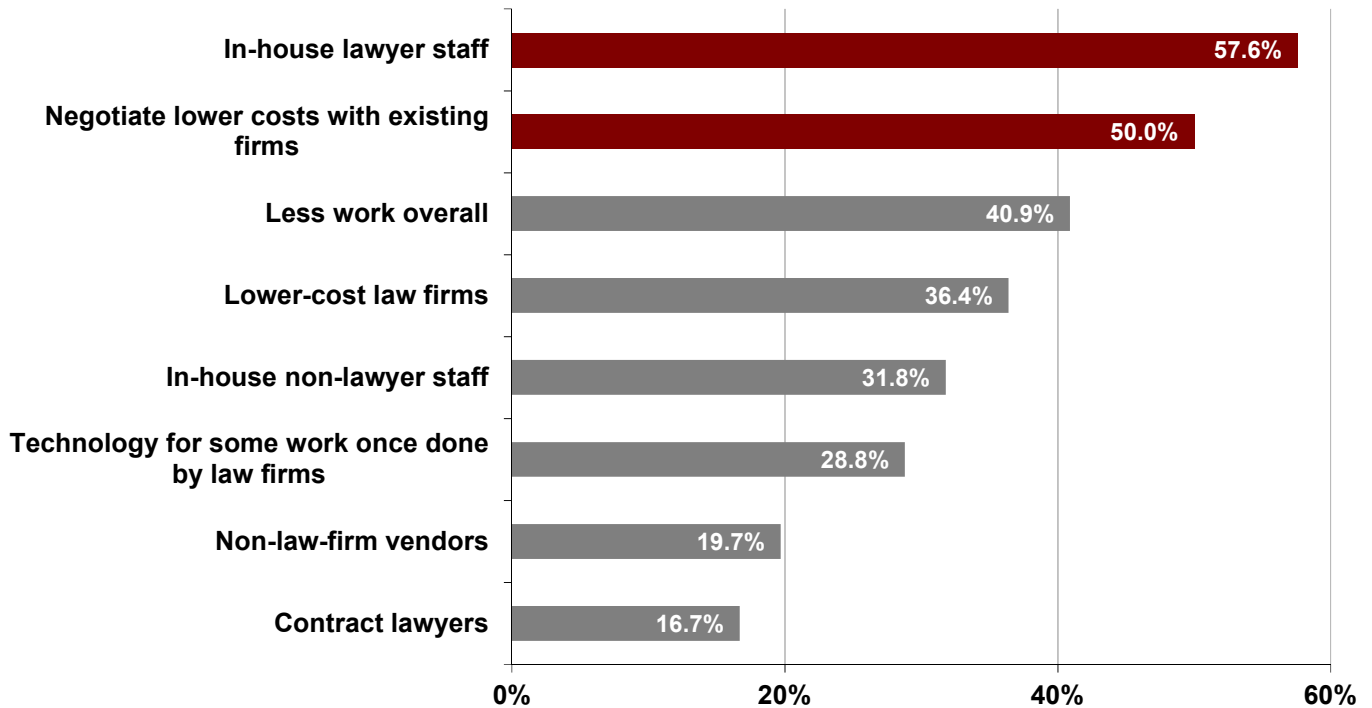
Trend data compiled from 2002 - 2019 Chief Legal Officer Surveys.

Reallocation of Outside Counsel Spend

OUTLOOK 2020

FOLLOW-UP QUESTION...

Asked of the 27.7% of departments that plan to decrease outside counsel spend in 2020:
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.)

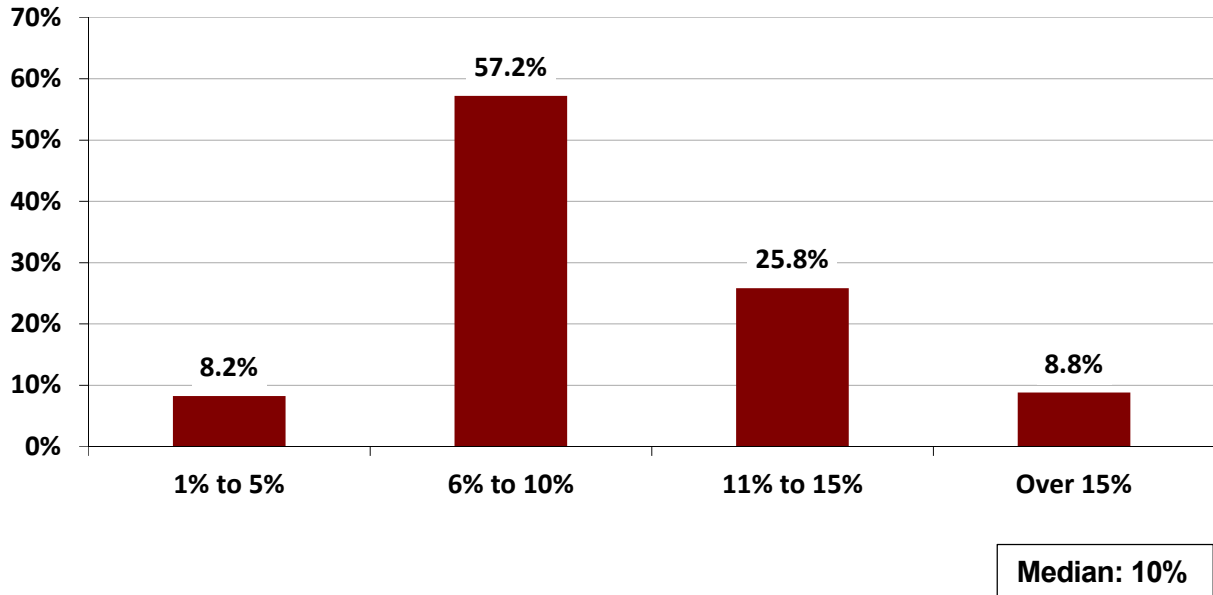


Less work overall – "due to changing business priorities, preventative law efforts, higher risk tolerance, etc."

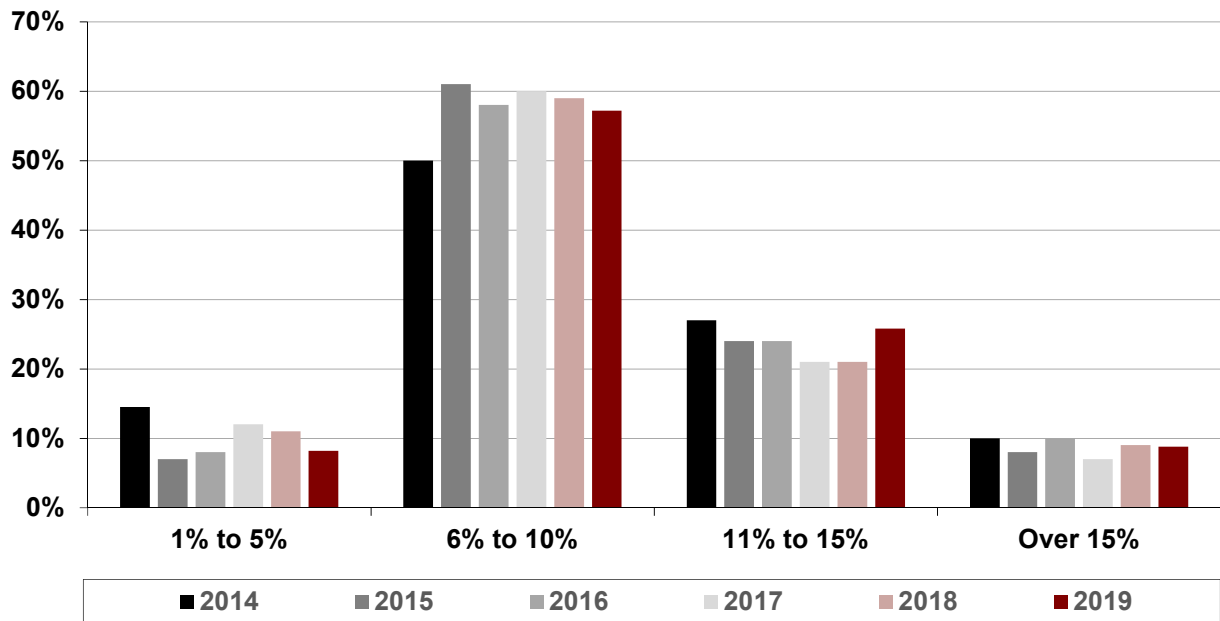
Non-law-firm vendors – "e.g., for e-discovery, document review, due diligence, legal research, etc."

Discounts on Outside Counsel Rates

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

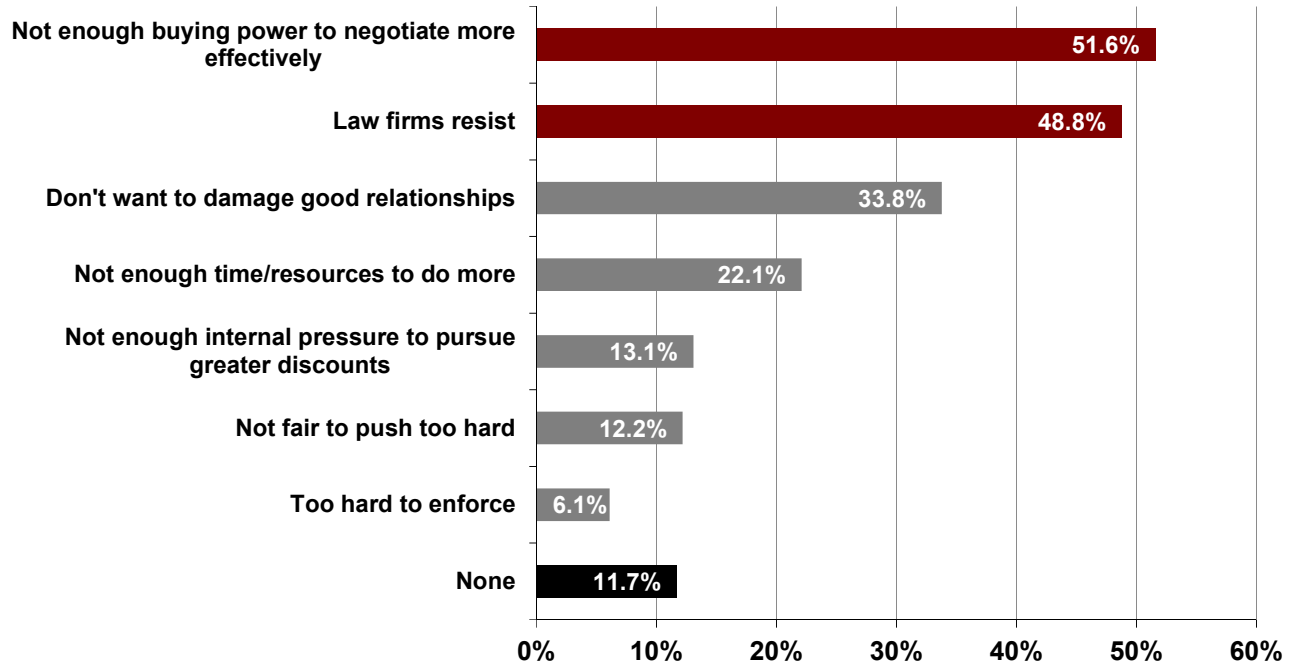


TREND: Average Hourly Rate Reductions from Outside Counsel by year



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.)

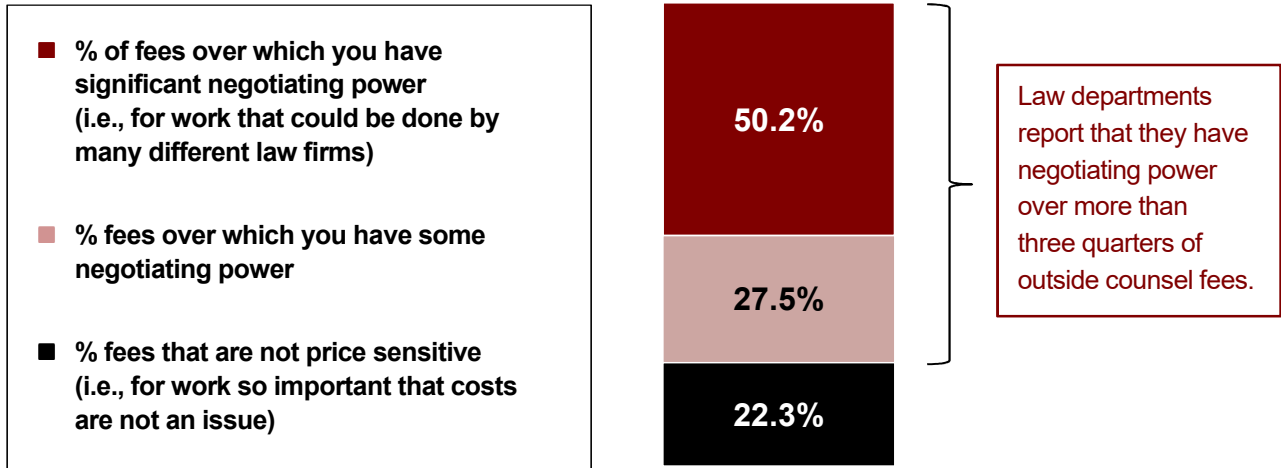


BY LAW DEPARTMENT SIZE

	1 lawyer	2-10 lawyers	11-50 lawyers	51 lawyers or more
Not enough buying power to negotiate effectively	52.9%	61.4%	55.3%	21.6%
Law firms resist	35.3%	49.4%	50.0%	51.4%
Don't want to damage good relationships	29.4%	32.5%	31.6%	43.2%
Not enough time/resources to do more	17.6%	24.1%	22.4%	18.9%
Not enough internal pressure to pursue	11.8%	13.3%	13.2%	13.5%
Not fair to push too hard	5.9%	15.7%	11.8%	8.1%
Too hard to enforce	5.9%	7.2%	5.3%	5.4%
None	23.5%	3.6%	13.2%	21.6%

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%.)



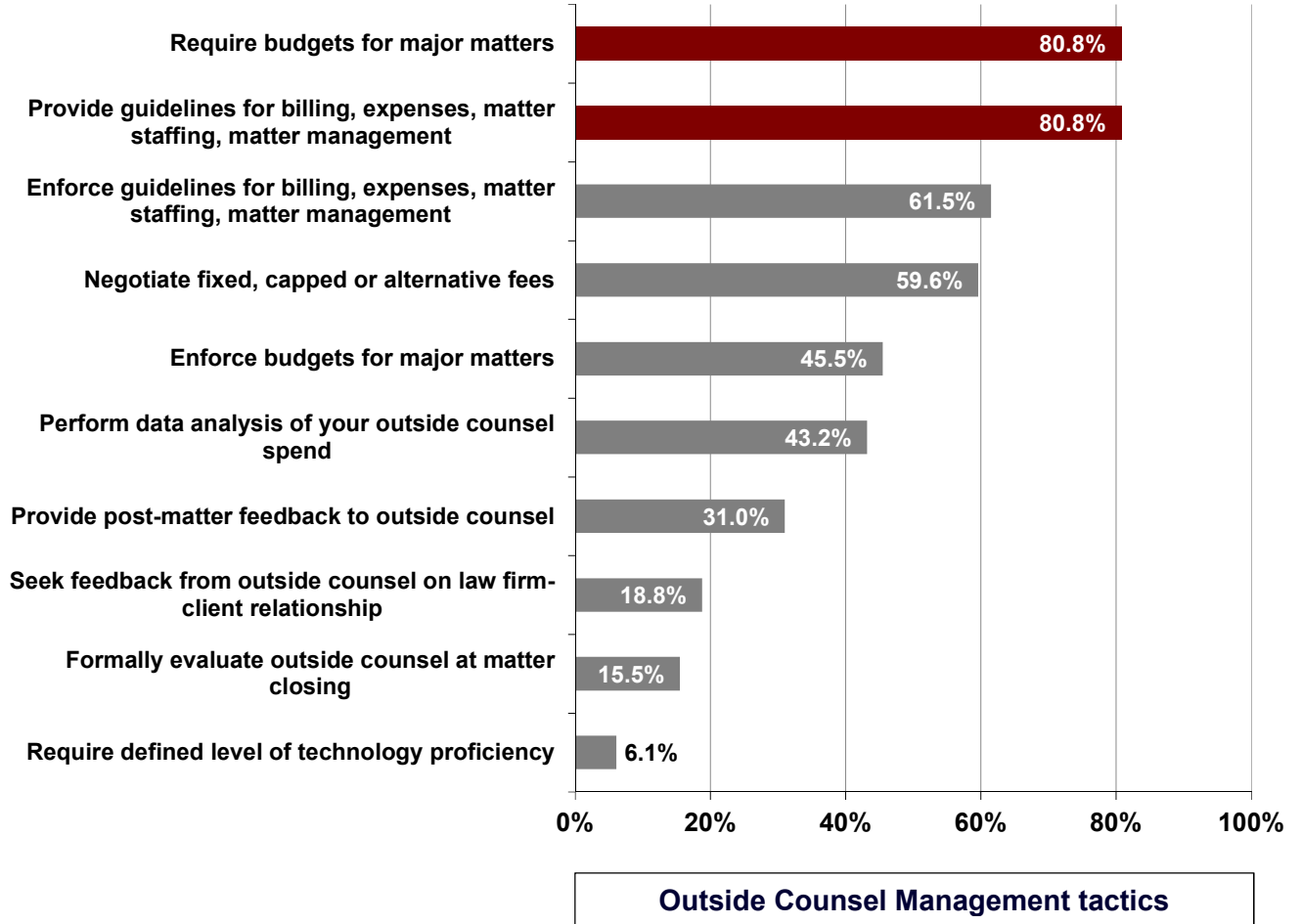
Legend, top to bottom, corresponds to percentages top to bottom

BY DEPARTMENT SIZE: Negotiating Power over Outside Counsel Fees

	Significant power	Some power	Fees are not price sensitive
1 lawyer	38.4%	32.4%	29.2%
2-10 lawyers	51.6%	26.5%	21.9%
11-50 lawyers	50.4%	27.6%	22.0%
51+ lawyers	51.4%	27.9%	20.8%

Outside Counsel Management Tactics

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



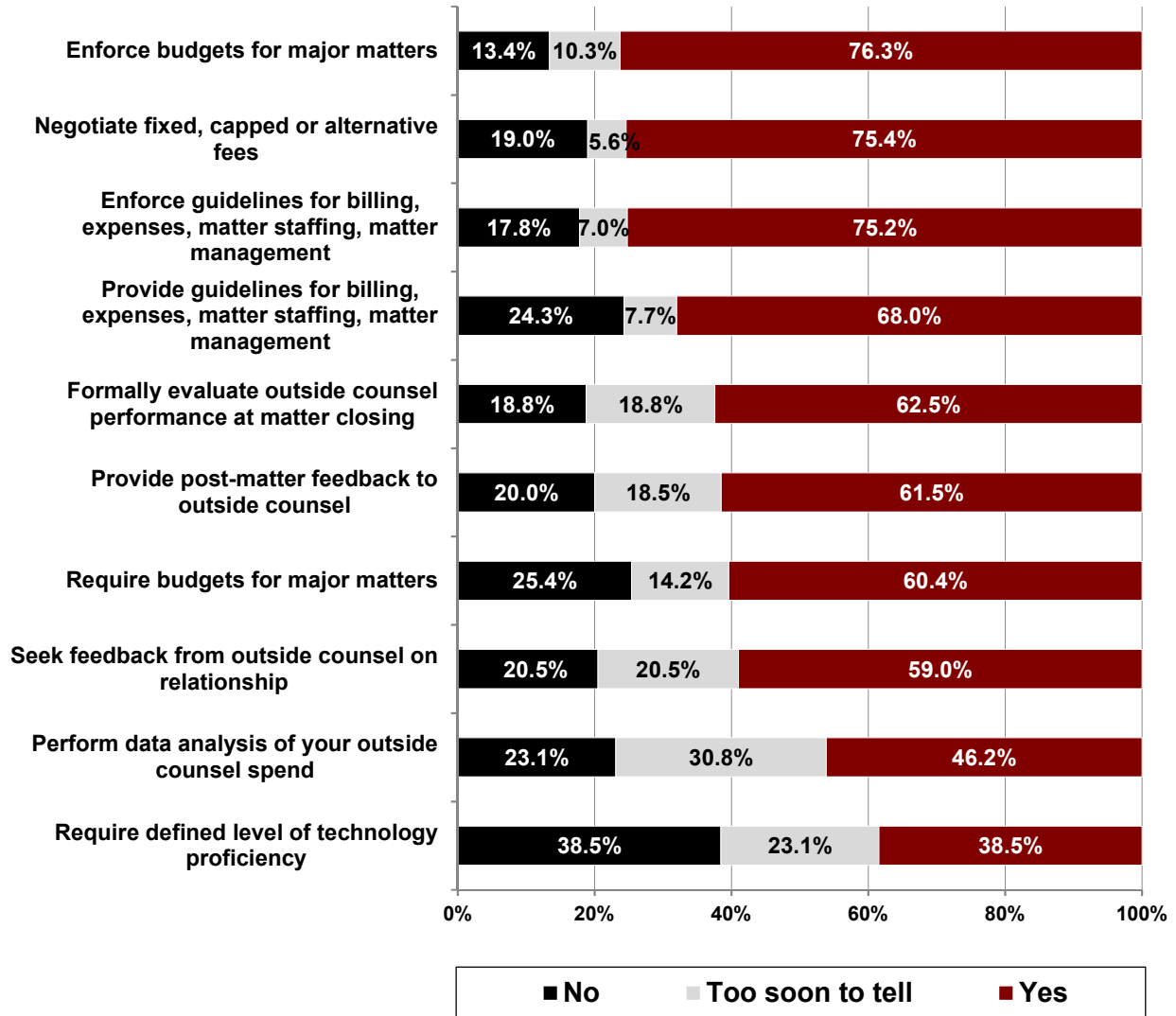
Outside Counsel Management Tactics – By Department Size

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	50.0%	81.9%	78.7%	94.9%
Provide guidelines for billing/expenses/staffing etc.	50.0%	67.5%	94.7%	94.9%
Enforce guidelines for billing/expenses/staffing etc.	31.3%	48.2%	70.7%	84.6%
Negotiate fixed, capped, or alternative fees	37.5%	54.2%	66.7%	66.7%
Enforce budgets for major matters	12.5%	41.0%	46.7%	66.7%
Perform data analysis on outside counsel spend	18.8%	31.3%	48.0%	69.2%
Provide post-matter feedback to outside counsel	25.0%	30.1%	21.3%	53.8%
Seek outside counsel feedback on relationship	6.3%	13.3%	18.7%	35.9%
Formally evaluate outside counsel at matter closing	0.0%	12.0%	14.7%	30.8%
Require defined level of technology proficiency	0.0%	6.0%	4.0%	12.8%

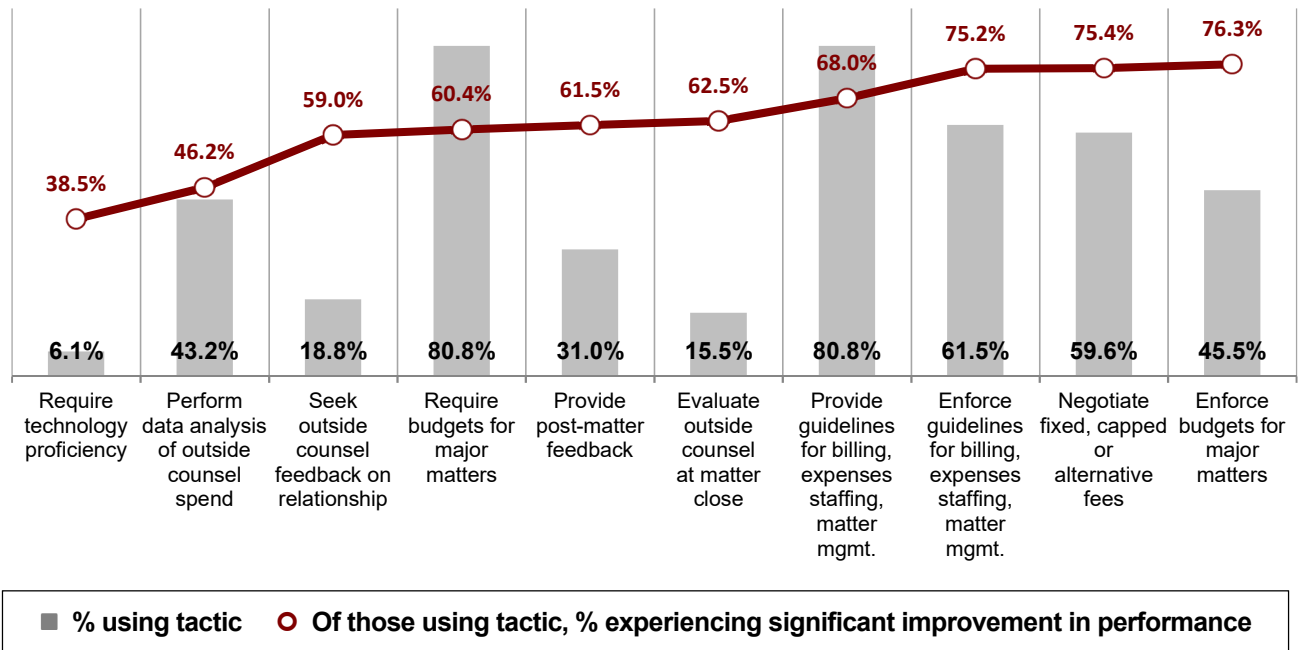
Outside Counsel Management Tactics – Significant Improvement

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



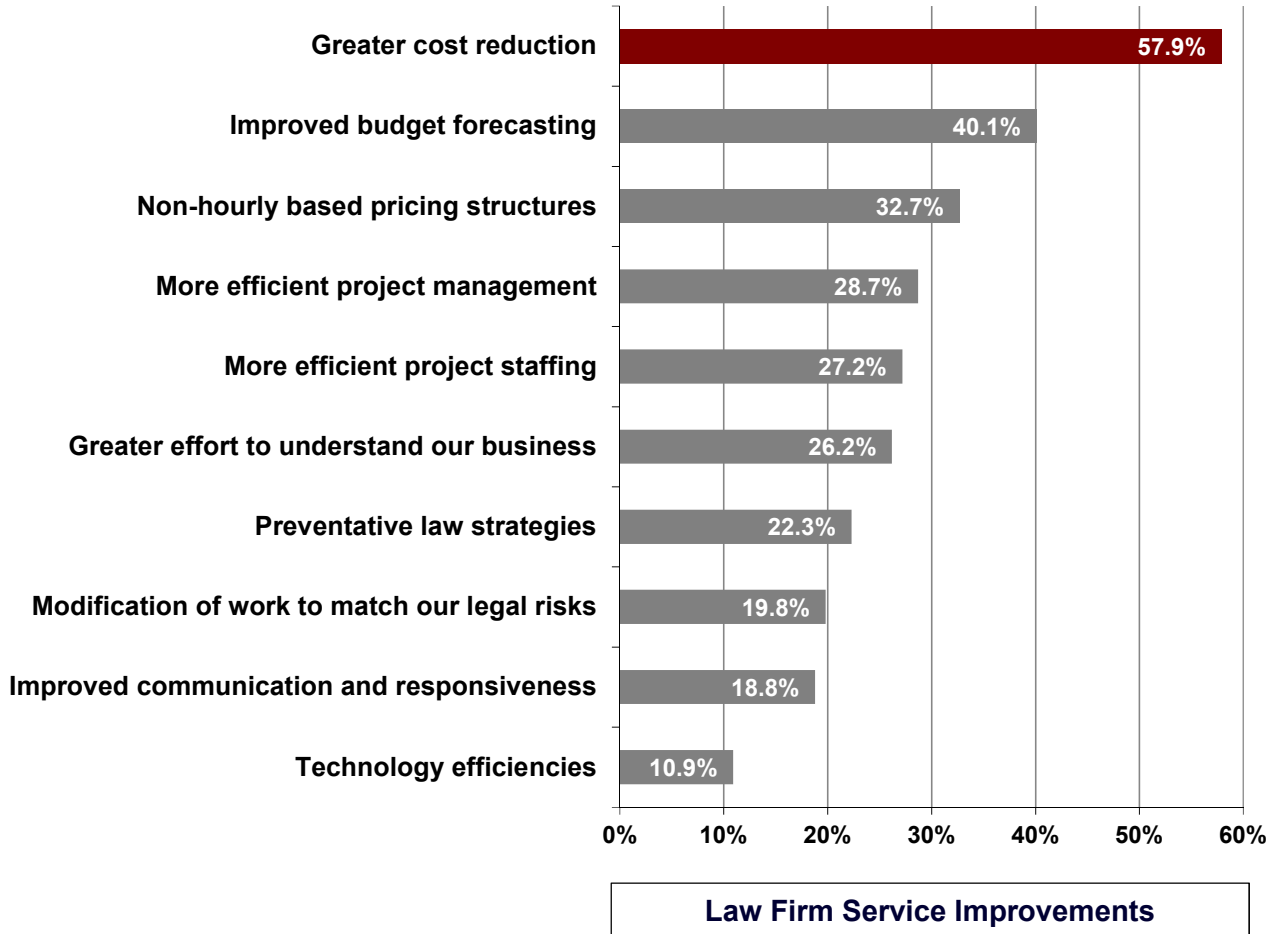
Outside Counsel Management Tactics – Comparison of Use and Results

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 Improvements and Innovations

Of the following 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)

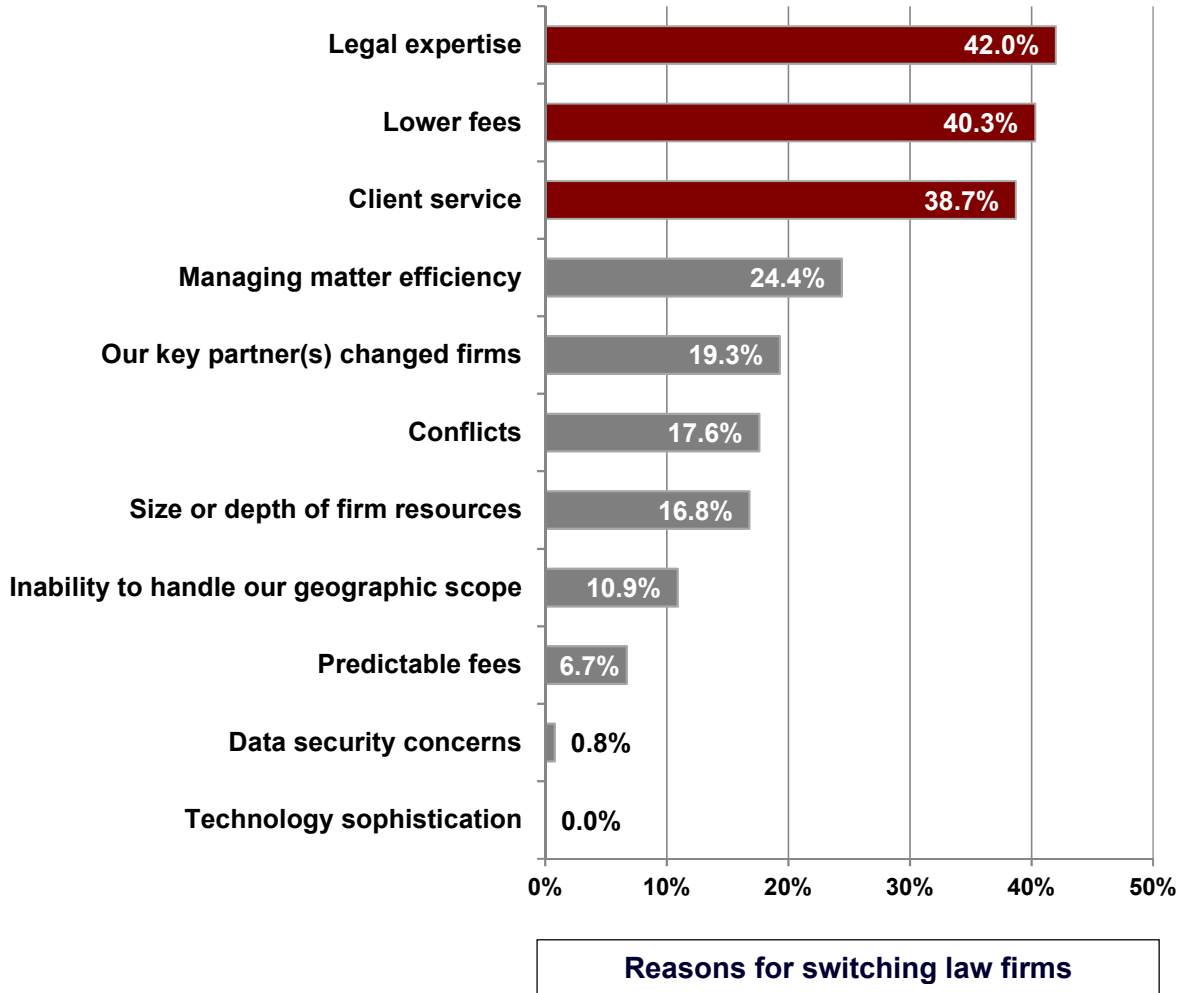
Improve racial diversity of staffing/leadership of legal projects

Progress on Diversity & Inclusion

Greater analytical rigor

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 factors

Ineffectively dealing with adversaries

Inability to execute client-directed strategy

Quality of work product

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.)

	1 lawyer	2-10 lawyers	11-50 lawyers	51 lawyers or more
Legal expertise	50.0%	44.2%	46.3%	34.5%
Lower fees	25.0%	37.2%	41.5%	48.3%
Client service	0.0%	39.5%	48.8%	31.0%
Managing matter efficiency	25.0%	20.9%	26.8%	27.6%
Our key partner(s) changed firms	25.0%	11.6%	22.0%	27.6%
Conflicts	0.0%	4.7%	22.0%	34.5%
Size or depth of firm resources	25.0%	18.6%	17.1%	13.8%
Inability to handle our geographic scope	0.0%	9.3%	14.6%	10.3%
Predictable fees	0.0%	2.3%	7.3%	13.8%
Data security concerns	0.0%	0.0%	0.0%	3.4%
Technology sophistication	0.0%	0.0%	0.0%	0.0%

Being an Effective Chief Legal Officer

What advice would you give to a new General Counsel / Chief Legal Officer (or equivalent top job) taking over the law department leadership role for the first time?

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

Learn the business

Understand the business: Go visit all the company departments, shadow the people who work directly with clients, see demos of the products and services, sit with a financial analyst to understand the business from a financial perspective.

Understand the business first. Go out and visit the locations and make sure you are open and helpful. Remember that the legal department is a service group.

Make sure you understand the business; be prepared to contribute as a member of the management team, not just as a lawyer; make sure you are up to speed on any issue that you believe the CEO will have an interest in.

Become a business "partner" by learning the business, managing risks and balancing risk against opportunities. Learn everything you can about the legal and business aspects of the business.

Spend time learning about the industry, the company and its people. Learn and understand how decisions are made and how communications need to flow.

Understanding your corporate/strategic objectives and the motivations of your executive team is essential to delivering effective legal advice.

Understand every aspect of the business, including financial and accounting.

Place the greatest focus on the issues on which your CEO places the highest value.

Remember that your client is the company.

Think like a business person, not a law firm lawyer.

Being an Effective Chief Legal Officer

What advice would you give to a new General Counsel / Chief Legal Officer (or equivalent top job) taking over the law department leadership role for the first time?

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

Develop relationships with your clients

Get to know all company leaders and start building collaborative relationships with them. Set the tone early, both in terms of your respect for the business goals but also the seriousness of the legal issues. First impressions matter, and respect for the legal function is a prerequisite to having an enjoyable work experience as a GC.

Spend a lot of time with company leaders, learning their expectations and how they operate - not just in terms of interaction with the Legal Department but how their divisions function.

Develop positive relationships with the Board and have a direct line of communication with Board leadership.

Build relationships with the CEO and C-Suite team first, the Board second, and the law department third.

Form key peer relationships on the senior leadership team, understand their priorities and align resources to respond to the "customer" expectations.

Really partner with the business unit leaders and senior management to understand their needs from the department and help create a cohesive law department/ business.

Understand the company's and leaders' values and culture on a "micro," interpersonal, interactive level. Understanding the values and culture person-to-person becomes the foundation for setting realistic, achievable goals for the legal department and providing advice that other business leaders will find credible.

Integrate the legal staff within the business side to create a true partnership between the business generators and the law department. This will foster more open communication and better risk assessment and compliance.

Ask each executive and their reports what they think they need from Legal.

Remember that one of your primary objectives should be to make life easier for the clients you serve

Being an Effective Chief Legal Officer

What advice would you give to a new General Counsel / Chief Legal Officer (or equivalent top job) taking over the law department leadership role for the first time?

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

Manage the Law Department

Understand your business like a CFO or an operations head. Strive to make the legal department a go-to consulting resource that business people WANT to call in, and early, rather than a backstop. In house, the words, "That's a business issue" should be banned. Every issue is a business issue when you are in business.

Over communicate on any and all issues and on your plans and approach for managing your department. Make sure all stakeholders know and understand what risks are out there and what you are doing to manage them. Also make sure your executives and your team know and understand your vision for the future of the legal department and how you are going to get there. Keep it simple and understandable and repeat it over and over. "Internal marketing" is an underrated skill.

Learn to evaluate risks and understand that not all risks are created equal. Your role as GC is to minimize risks, not eliminate them. Risks are everywhere, it's a matter of how big and how real. Learn your company's appetite for risk and act accordingly. Be courageous.

Building a capable staff is the most important thing. You can't do it all alone. You need good people who understand the business, understand the objectives of the job and who can handle a matter from beginning to end. The Team is crucial.

Focus on two things - customer service and team work. Attorneys do not naturally work as teams, this is a critical issue as teamwork is the best way to manage costs, improve customer service and create job satisfaction for in-house attorneys.

Develop KPIs or other performance metrics, if it isn't measured/benchmarked/improved, it didn't happen and you are harder to justify.

Implement as many self-service options as possible. Really analyze your intake process and manage client expectations. Help internal clients know how to use legal services.

Make sure your team understands your clients and their objectives first and ensure they develop strong relationships with these clients to build trust.

Hire good lawyers so you can focus your attention upward.

Hire a Legal Ops Lead and let them run the business of law -- the payback will be significant.

Being an Effective Chief Legal Officer

What advice would you give to a new General Counsel / Chief Legal Officer (or equivalent top job) taking over the law department leadership role for the first time?

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

The CLO Role

You need to be a strategic business partner. Company leaders and the board will assume that you have all the technical skills required, so that will not be a differentiating factor.

The role is much bigger than just managing legal issues. Need to be a strong people manager. Need to manage the overall legal spend. Need to be an influencer. Simply getting the right legal answer is not enough to succeed in a GC/CLO role.

Find a way to make the process of legal review and advice valuable to the other leaders. Undertake to make them all as successful as you can, all while protecting the organization. Do not be seen as a chokepoint, or a block, in achieving goals.

Be a consensus builder, help others to understand the risks and benefits of taking action (or not acting) in the hope they will come to reasonable, justifiable conclusions on their own.

You need a good mentor - either another GC or key partner at main relationship firm. This is a role like no other and having someone to bounce ideas and get personal / professional support from is key.

Always remember that in a corporate setting, the legal function (though necessary) is overhead and that the business exists to perform a function beyond simply the delivery of legal services.

The two most important things are to (1) always remember that the GC is also the company's Chief Integrity Officer, and (2) focus your limited time on the areas where you can personally add the most value.

You are in an executive function and you must find a way to speak the language of your executive team and provide them with great advice, while still being the conscience of the culture and upholding what is right.

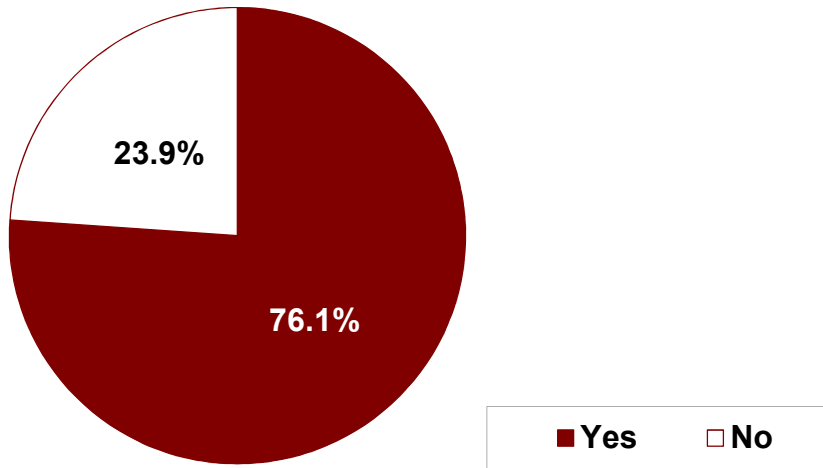
Be wary of efforts of others to shift their personal accountability for taking risks onto the GC/CLO. Document back to internal clients advice given.

Be willing to be - politely - disruptive and ask the hard questions.

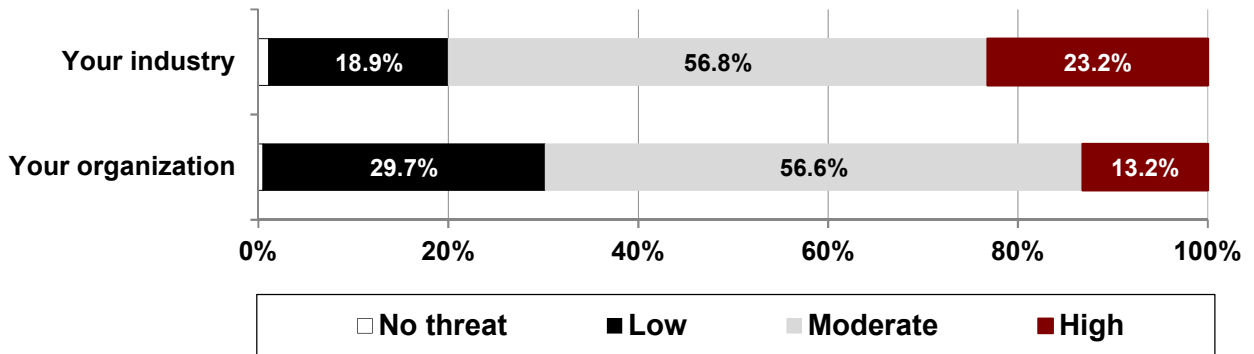
Always ensure that you do the right thing even if it feels like it will be a temporary problem to do so.

BONUS QUESTION – Recession Expectations / Vulnerability

Do you expect there to be an economic recession in the US within the next 24 months?



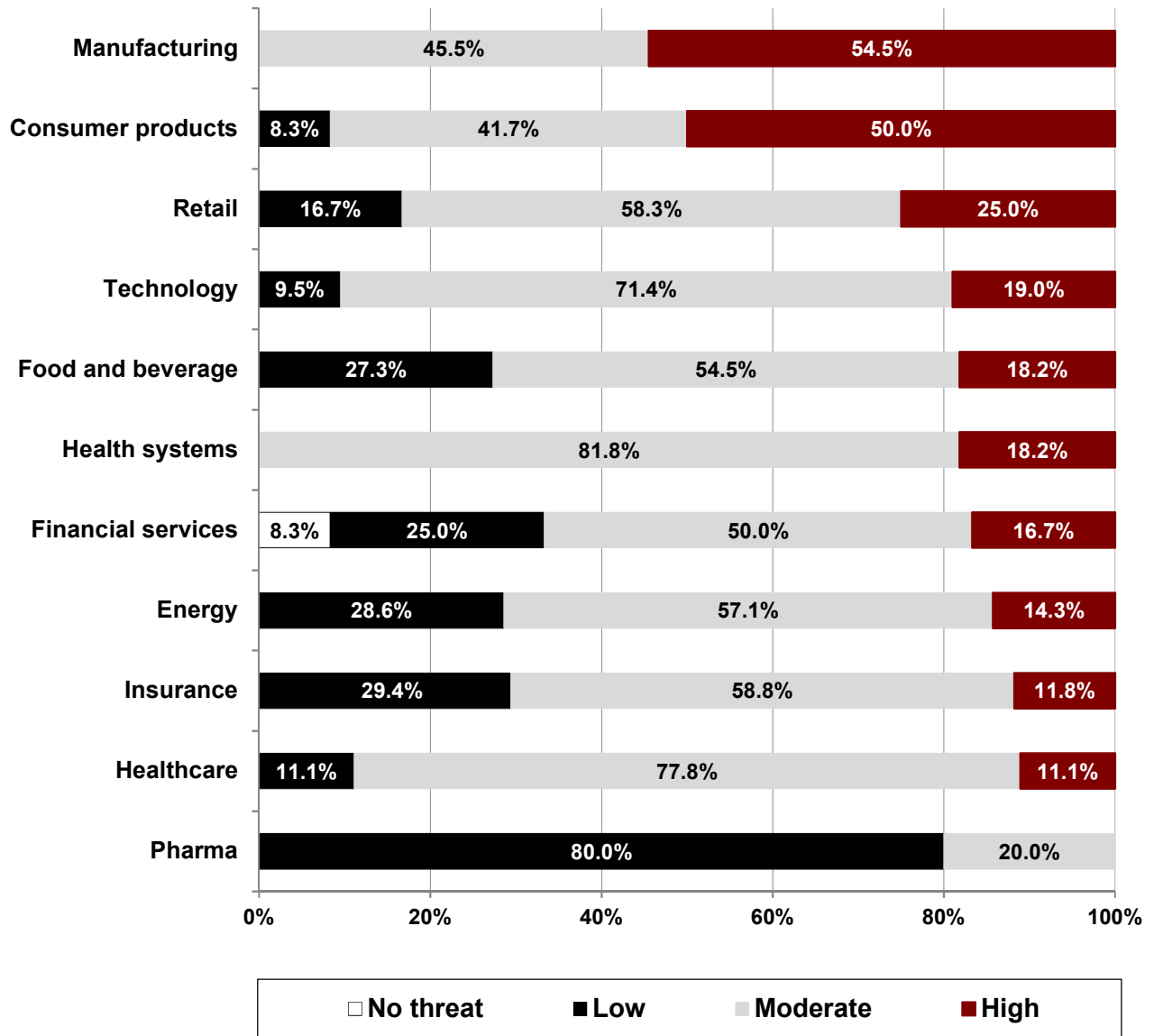
How would you assess your industry's vulnerability to a recession in the next 24 months? How would you assess your organization's vulnerability?



BONUS QUESTION – Vulnerability to Recession by Industry

How would you assess your industry's vulnerability to a recession in the next 24 months?

TOP INDUSTRIES RESPONDING

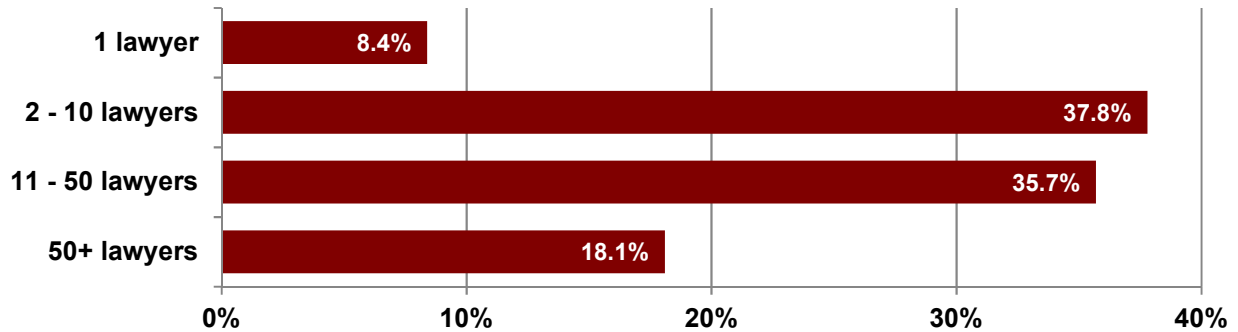


2019
Chief Legal Officer Survey
Participant Demographics

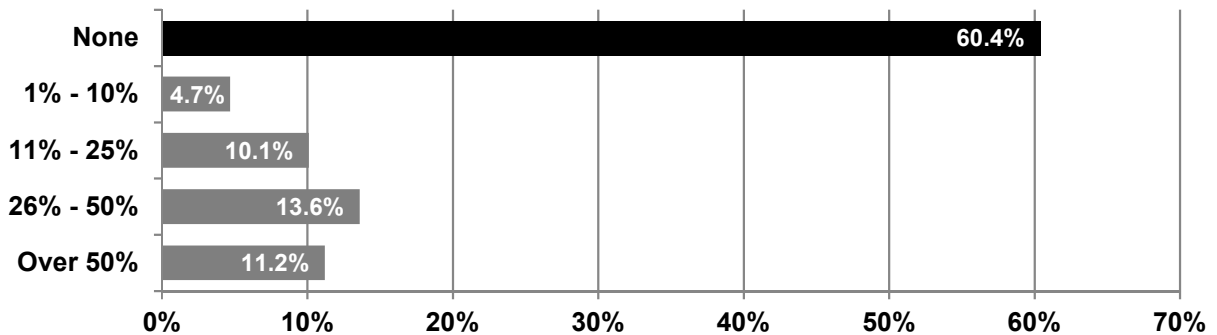


Law Department Demographics – Lawyers

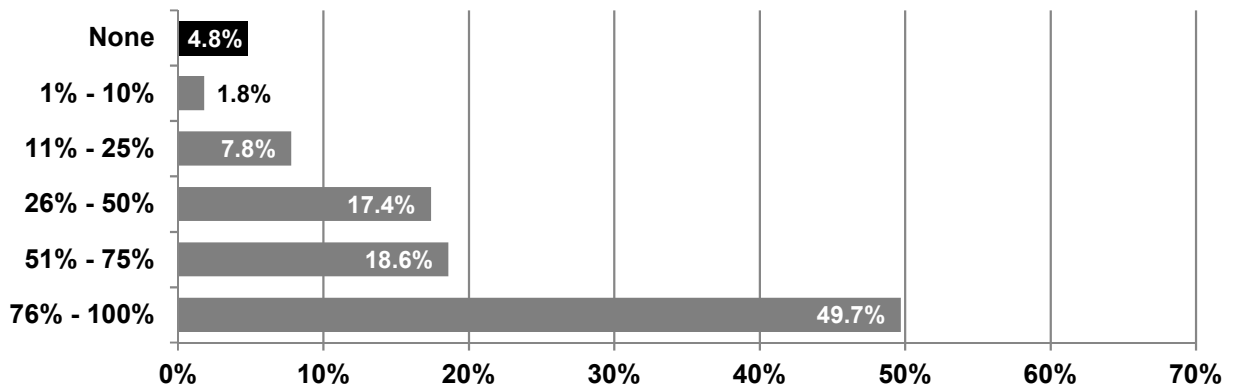
How many lawyers are in your department (in all locations)?



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

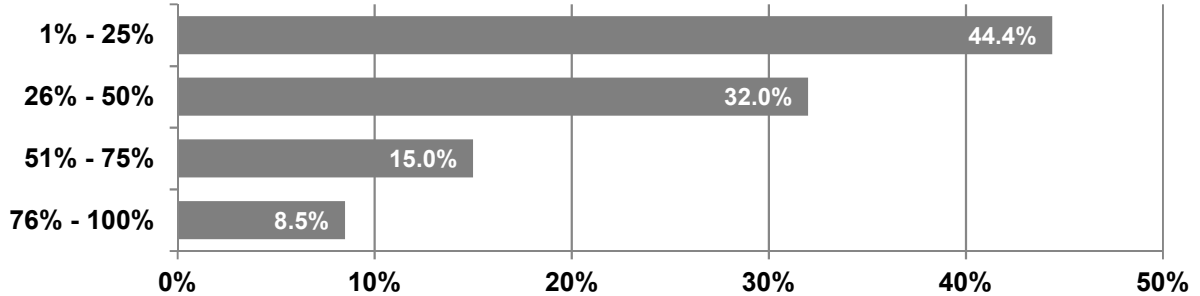


How many lawyers in your department work from your organization's largest site?

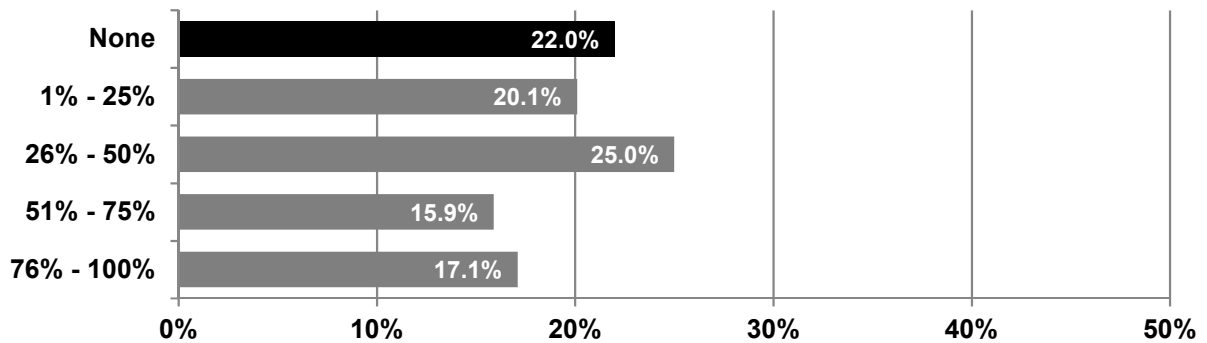


Law Department Demographics – Lawyers

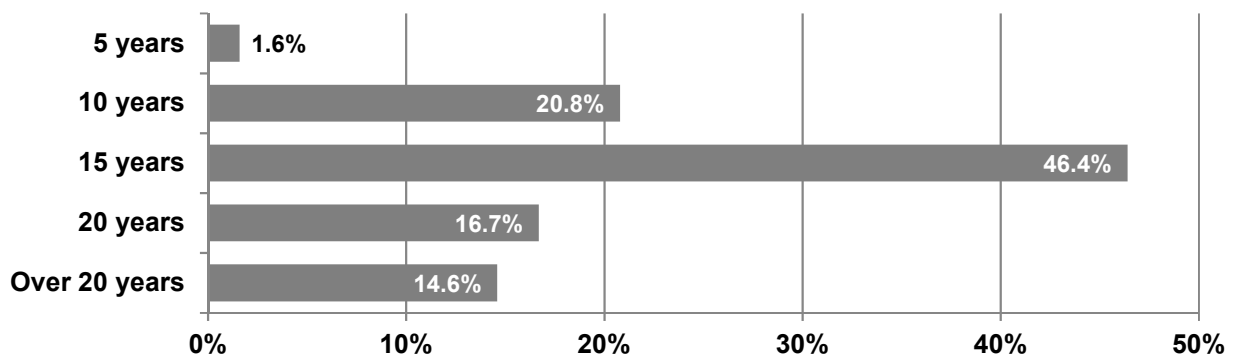
How many lawyers in your department report directly to the most senior lawyer (Chief Legal Officer, or General Counsel)? *Responses exclude 1-lawyer departments.*



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?

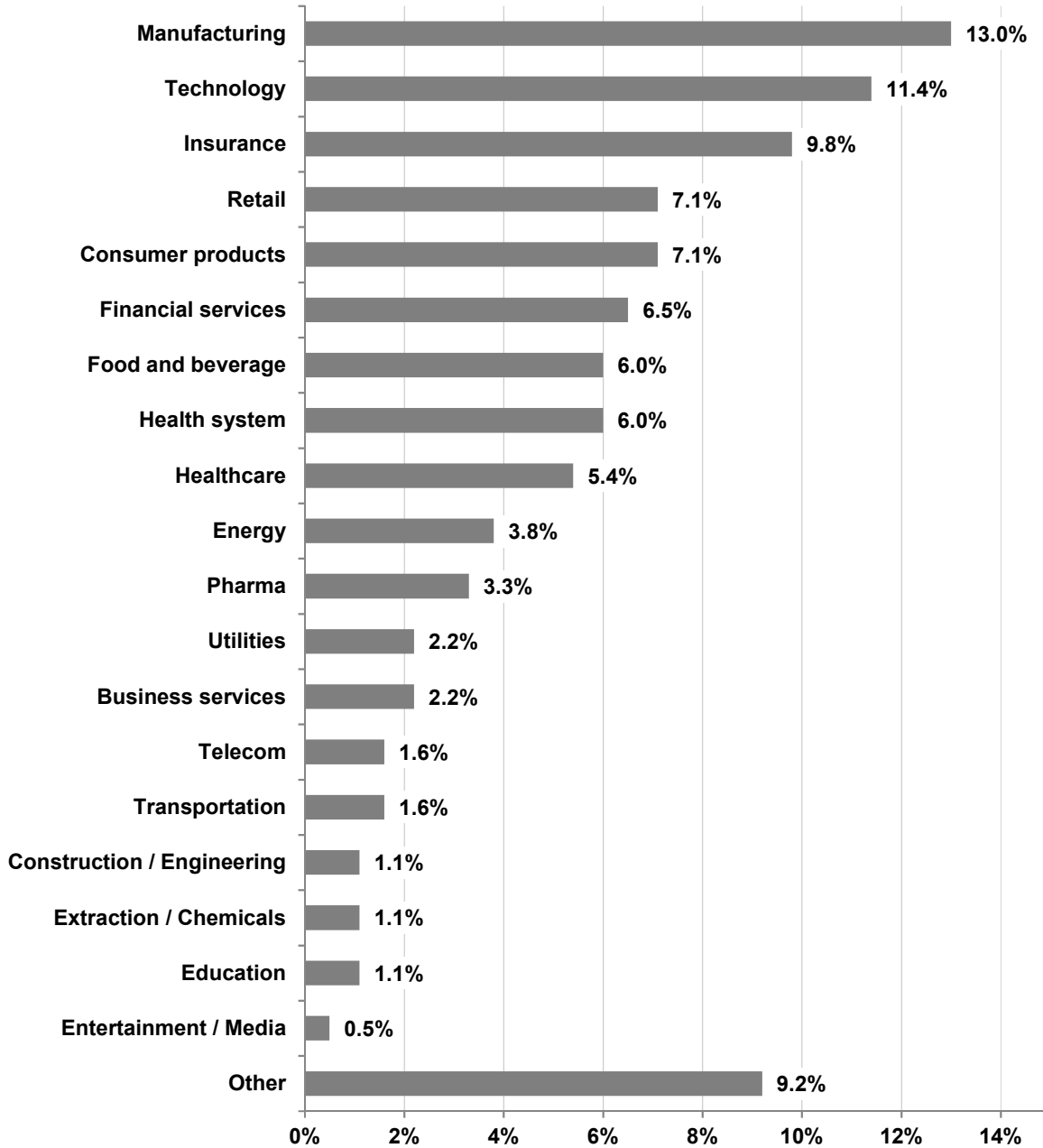


Please estimate the average number of years the lawyers in your department have been admitted to the bar.



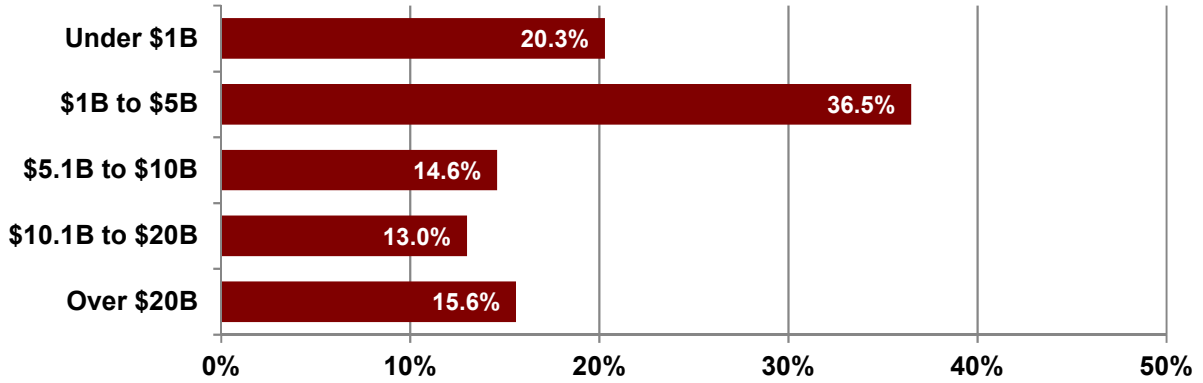
Law Department Demographics – Industry

What is your organization’s primary industry?

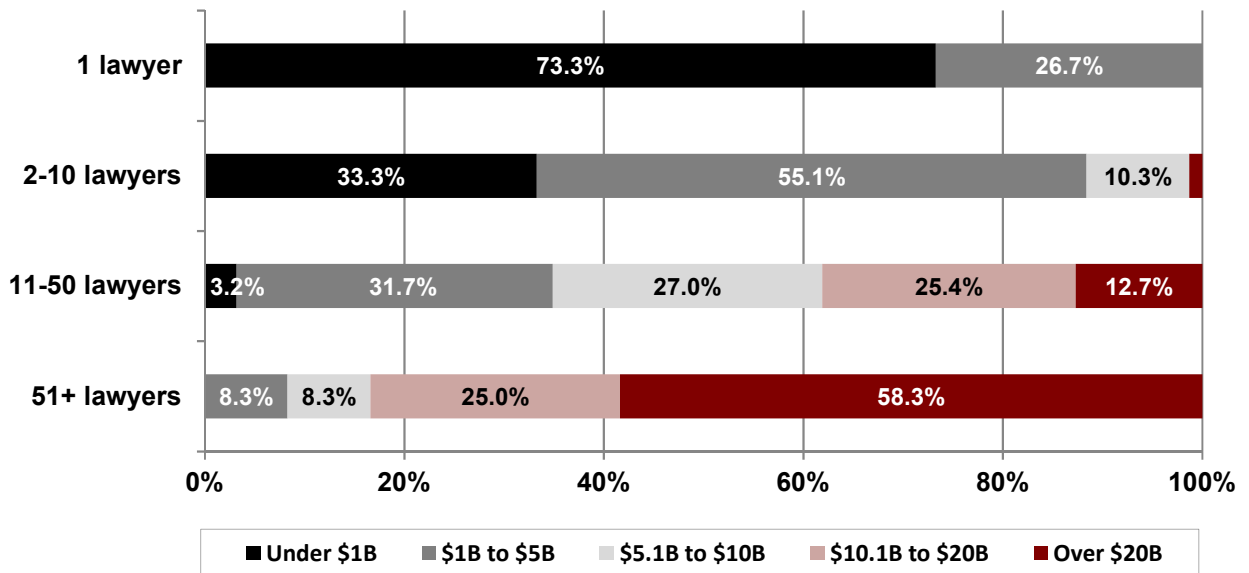


Law Department Demographics – Organization Revenue

What were your organization’s annual revenues in fiscal year 2018?



ANNUAL REVENUE BY DEPARTMENT SIZE:



Law Department Demographics – Average Total Legal Spend

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?

