

Top 5 Findings From the 2022 Law Department Management Benchmarking Survey

Law Department Management



Numerous trends and insights on legal operations in more than 400 legal departments were revealed in the third edition of the annual ACC Law Department Management Benchmarking Report released with Major, Lindsey & Africa.

The annual survey captures:

- Patterns in legal spending;
- How departments are staffed across various position types;
- Different areas of the business that are overseen by legal and how different legal work categories are managed; and
- How legal departments are progressing with respect to their Diversity, Equity, and Inclusion (DEI) efforts.

High-level insights are revealed in the publicly available executive summary report. The full benchmarking report is available for purchase and is especially useful for those engaging in benchmarking exercises using industry standard metrics.

Sharp increases in many areas

Five of the more prominent findings from the 2022 survey results are:

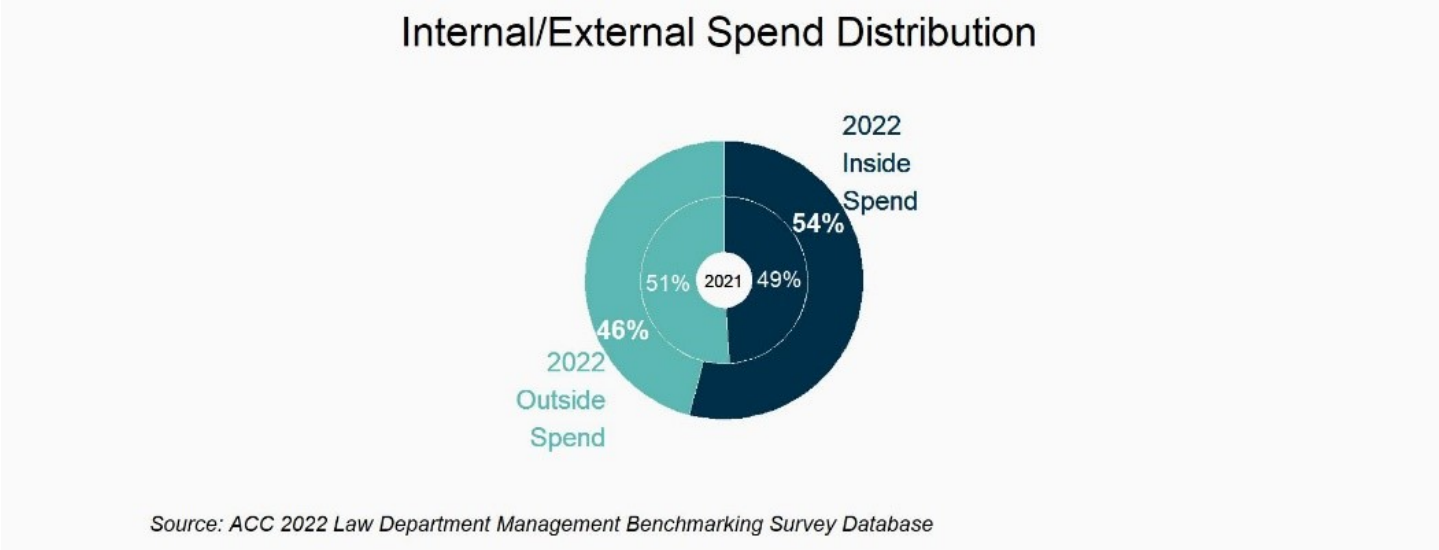
1. Inside spend now makes up the majority of total legal spend

How much is spent on legal inside a company (personnel compensation and overhead) versus outside (law firms and other service providers) is a common metric used among law departments to benchmark their overall resource allocation. Among the overall pool of companies in the survey, the

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This number is partly driven by a significant number of smaller companies (under US$1 billion in revenue) included in the survey sample, which tend to spend more internally than larger companies. However, the finding does not mean that companies are spending less as a dollar amount on outside counsel — it means a higher proportion of a company's legal spend is being spent internally. Overall, legal work has increased on average over the past two years due to the impact of COVID-19, merger and acquisitions (M&A) activity, the Great Resignation, and other socio-economic factors.

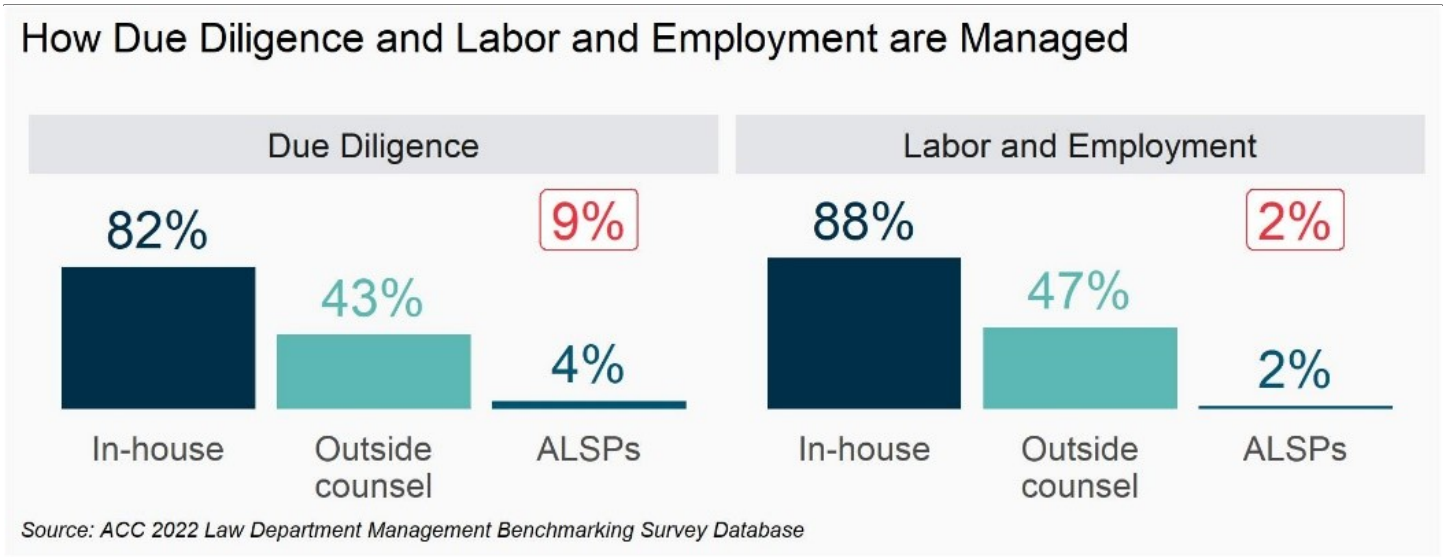


2. Due diligence and labor and employment work show largest shifts in-house

Legal departments were asked to indicate how 17 work categories are managed: in-house, by outside counsel, through alternative legal service providers (ALSPs), or through a combination of all three, which ACC compared to the results of the 2021 survey.

Due diligence and labor and employment (L&E) were the two work categories that showed the largest percentage shifts toward being managed in-house (both six-percentage point increases) with 82 percent of departments saying some portion of their due diligence work is being handled in-house compared to 76 percent last year, and 88 percent saying some portion of their L&E work is being handled in-house compared to 82 percent last year.

Meanwhile, there was a reported eight percent reduction in departments having some portion of their due diligence work handled by outside counsel, so it is likely that there was some degree of work being transferred from law firms to in-house departments. However, there was no associated reduction in the percentage of departments that use outside counsel for a portion of their L&E work, so it appears that there was simply an overall increase in L&E work, with much of that work being added to the in-house workload.



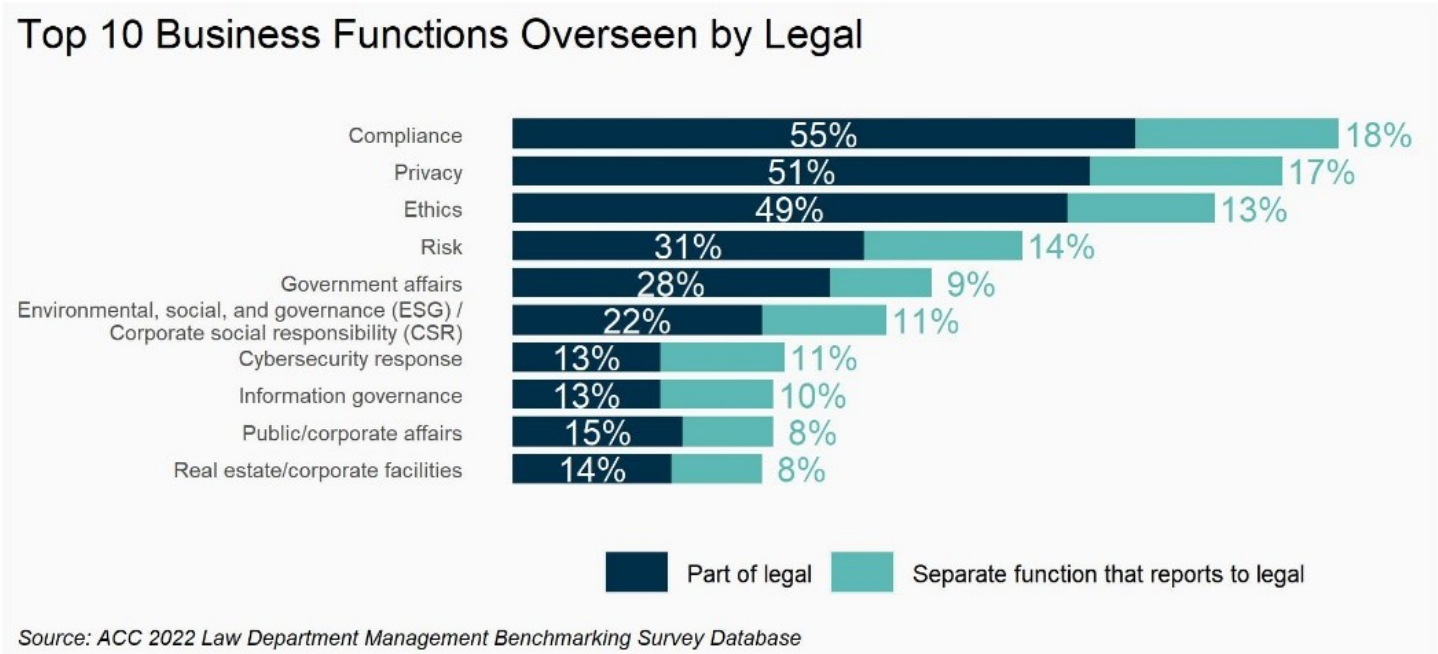
Note: Numbers in red indicate the percentage of departments where the specific work category is not covered or is unknown.

3. CLOs are responsible for more business areas — a trend that has been growing

On average, CLOs are taking on more responsibility across more diverse business areas over time. Environmental, social, and governance (ESG) roles, in particular, have increased, with 15 percent of CLOs handling it in 2021 and 24 percent in 2022.

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The compliance, privacy, ethics, and risk functions are most often overseen by legal. ESG oversight seems to be growing, with 33 percent of legal departments saying that ESG is either part of, or reports to, the legal department. Cybersecurity and public affairs responsibilities have also been increasing.

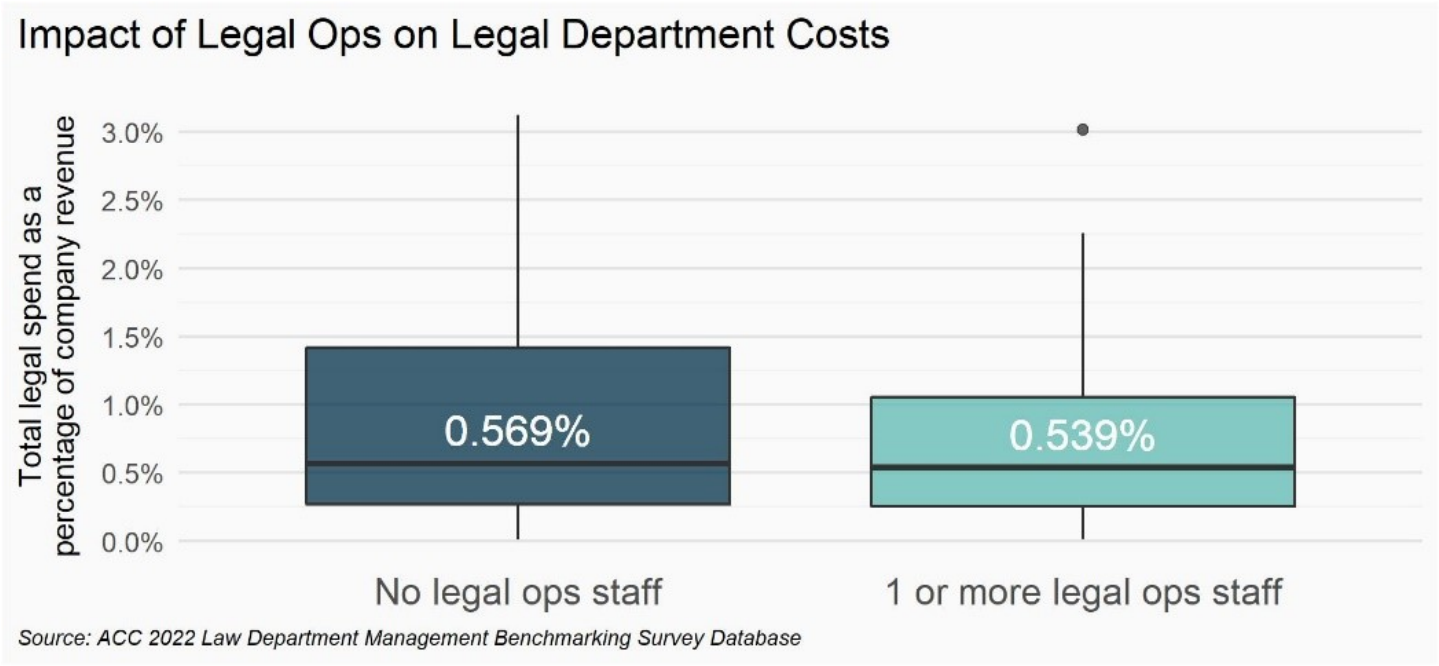


4. Legal operations is driving efficiency

Total legal spend as a percentage of revenue is a common performance metric used in benchmarking. It is a standardized measure of a legal department's overall cost to the business.

Overall, departments with no legal operations spend more on legal as a percentage of revenue (0.569 percent compared to 0.539 percent). For a US$1 billion company, that's the difference between $US5.69 million and $US5.39 million or US$300,000. In most companies, this means that the legal ops professional is at least paying for themselves.

However, it is important to note that the distributions in the chart below are partially affected by the different company sizes within both groups. Companies without legal operations staff tend to be smaller, with higher values of legal spend as a percentage of company revenue in general.



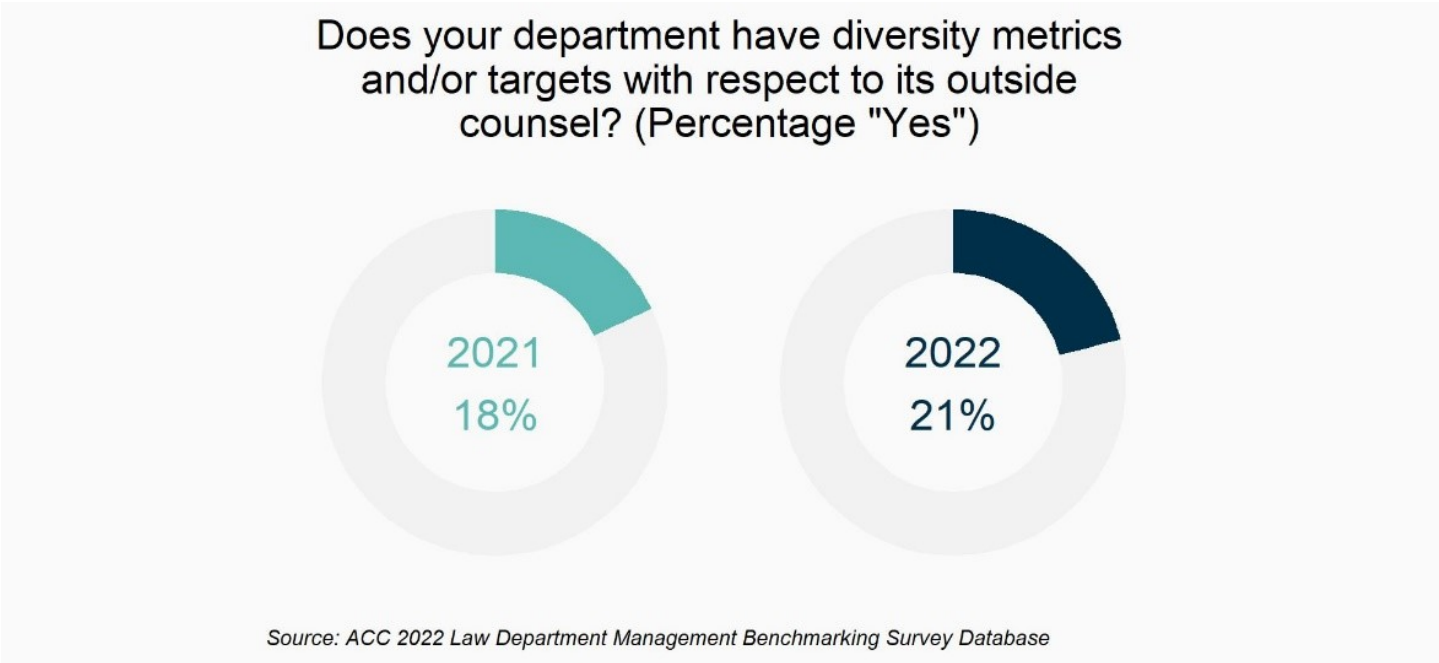
5. Progress has been made in establishing diversity metrics with outside counsel, but internal diversity metrics are lagging

Only 21 percent of departments maintain diversity metrics on their outside counsel — an increase from just 18 percent in 2021. The most common metrics evaluated include diversity among lawyers in a firm the department employs and the firm's partners and other firm leadership positions, and matter team diversity including among all matter team leaders.

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The percentage of departments that maintain metrics in the majority of these areas has increased substantially the past year, particularly those who measure the diversity of matter leaders and that of firm leadership positions. Although the results show some progress in this area, there hasn't been a

change in the percentage of departments that maintain diversity metrics on the internal composition of their own department's legal staff, with just 29 percent of departments doing so in both 2021 and 2022.



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Although the survey results reveal many interesting findings across these issue areas, the primary purpose of this data collection is to enable ACC members to benchmark their key performance indicators with a broader pool of legal departments. This is why we offer a full benchmarking report and the opportunity to acquire a custom benchmarking report (view sample).

In addition to these reports, which are designed to help you understand how your department stacks up with peers, we also offer a complimentary *member-only* consultation that can help you take the critical next steps by showing *what* these results mean and *how* they can be improved through simple and practical recommendations. Learn how to apply the benchmarking results by requesting a consultation.

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Dr. Blake Garcia is the Senior Director of Research and Business Intelligence at the Association of Corporate Counsel (ACC), where he spearheads the growth and management of ACC's research department. Over the past 10 years, Dr. Garcia has transformed ACC's research capabilities from a limited member surveying unit into a multifaceted, full-service data hub that empowers the in-house legal community. He has led numerous high-impact international surveys and developed data-driven resources, products, and services that equip in-house counsel and legal operations professionals with the insights they need to make strategic business decisions.

Dr. Garcia has published several peer-reviewed articles in scientific journals applying statistical and experimental methodologies and has taught several college courses on quantitative research in the social sciences. He has a Ph.D. in political science from Texas A&M University and a B.A. in international politics from The Pennsylvania State University.

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