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Legal Tracker LDO Index

Benchmarking and Trends Report

In this third edition of the Thomson Reuters Legal Tracker™ Legal Department Operations (LDO) Index, we highlight qualitative and quantitative insights into corporate legal department operations.

KEY REPORT THEMES:

- **Legal Operations** including focus on legal ops, in-house/outside counsel ratios, staffing, diversity, and metrics
- **Spend Management** including sophistication, cost control measures and effectiveness, timekeeper rates, and AFAs
- **Legal Technology** including ranking of key solutions and emerging technology trends

The LDO Index includes responses to a survey conducted among Legal Tracker customers in May 2018. The survey received responses from 217 legal departments, including 76 corporations in the Fortune 1000. Legal departments responded across 34 industries. Top industries of legal departments responding include 11% Healthcare, 10% Financial Services, 8% Consumer Products Manufacturers, and 7% Computer Software.

Legal Tracker data is comprised of over \$83B in legal spending from over 1,200 legal departments and 62,000 law firms.

For purposes of data reporting, we have found the greatest correlation between legal departments with similar annual outside counsel legal spend. Unless otherwise noted in the report, we have segmented legal department size in the following categories:

SMALL

\$0 to \$4M
in external spend

MODERATE

\$4M+ to \$15M
in external spend

MEDIUM

\$15M+ to \$50M
in external spend

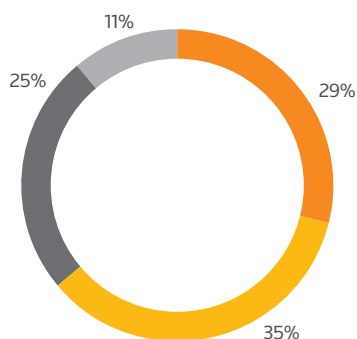
LARGE

\$50M+
in external spend

Several trends are reported throughout the report. All trends and whether increasing, decreasing, or flat, are looking at a period of the prior 12 months.

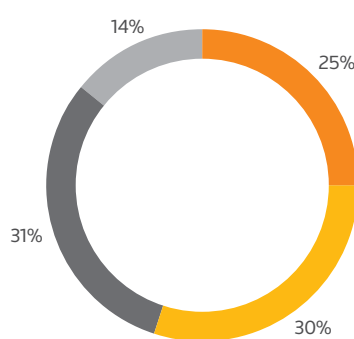
DEMOGRAPHICS

Outside Counsel Spend



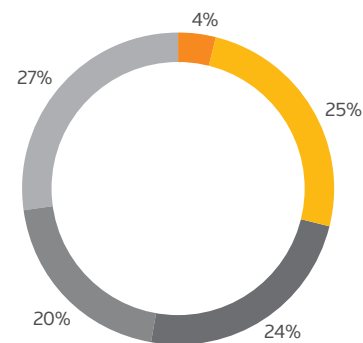
■ Small ■ Moderate ■ Medium ■ Large

Annual Revenue



■ Less than \$500M ■ \$500M - \$2B
■ \$2B - \$10B ■ Over \$10B

Legal Department Employees



■ 0 - 2 LD Staff ■ 3 - 10 LD Staff ■ 11 - 24 LD Staff
■ 25 - 49 LD Staff ■ 50+ LD Staff

EXECUTIVE SUMMARY

The volume of work for legal departments continues to grow, yet the overall legal department budget is not increasing at the same rate. Legal departments are dealing with how to do more with less. To address this challenge, departments are focusing on legal operations. With an operational focus, legal departments are looking at process improvements and technology to deliver on key department initiatives like controlling outside counsel costs and simplifying workflow and manual processes.

Sixty-eight percent of organizations say the volume of legal work – defined by the number of legal matters – is increasing.

Fifty-four percent of survey respondents report the percentage of work handled in-house is increasing, while 48% of survey respondents report increasing outside counsel spending. Seventy-one percent of organizations report that outside counsel hourly rates are increasing, while only 8% of organizations report decreases.

With the increases in volume of work, 35% of legal departments report increasing the total legal department budget in the last 12 months, 25% report a budget decrease, and 40% report flat legal department budgets. When it comes to the budget for technology, 34% report increasing the budget, 52% are flat, and 13% report decreasing the technology budget.

We asked legal departments to rank a variety of initiatives from no priority to high priority. The top five priorities among legal departments surveyed are: controlling outside counsel costs, using technology to simplify workflow and manual processes, internal data security, focus on legal operations, and driving internal efficiency in the delivery of legal services.

TOP LEGAL DEPARTMENT PRIORITIES

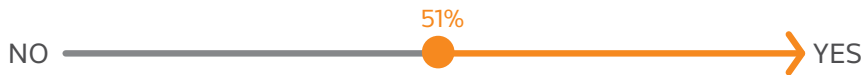
Organizations were asked to rank priorities on a 1 - 4 scale from no priority to high priority (4).

	Weighted Average
Controlling outside counsel costs	3.55
Using technology to simplify workflow and manual processes	3.04
Internal data security focus	2.92
Focus on legal operations	2.84
Driving internal efficiency in the delivery of legal services/practice of law	2.83
Allocating work to law firms that are proactive in showing their value	2.73
Managing litigation holds with technology	2.71
External data security focus on outside counsel security practices	2.61
Bringing more work in-house	2.6
Using business intelligence to inform decision making	2.53
Reducing the number of law firms – convergence	2.31
Use of legal project management tools	2.15
Reliance on AFAs as opposed to hourly rates	2.06
Use of Legal Process Outsourcing	1.63
Using diversity data as a factor in firm selection	1.63

LEGAL OPERATIONS

Fifty-one percent of legal departments surveyed report dedicated legal operations staff with 49% reporting legal operations is shared by staff with legal roles (attorneys, paralegals, legal assistants).

DEDICATED LEGAL OPERATIONS



Large (71%) legal departments lead the way with the most organizations with dedicated legal operations. Overall, 19% of legal departments report increasing head count devoted to legal departments. Forty-two percent of large legal departments report increasing internal head count devoted to legal operations.

DEDICATED LEGAL OPS

	Overall	Small	Moderate	Medium	Large
Yes	51%	38%	51%	57%	71%

NUMBER OF INTERNAL HEAD COUNT DEVOTED TO LEGAL OPERATIONS

	Overall	Small	Moderate	Medium	Large
Decreasing	5%	2%	1%	13%	4%
Flat – no change	77%	85%	81%	70%	54%
Increasing	19%	13%	17%	17%	42%

Sixty-seven percent of legal departments see focus on legal operations as a key priority (priority identified as high or medium) while 33% of legal departments see a focus on legal operations as low or no priority.

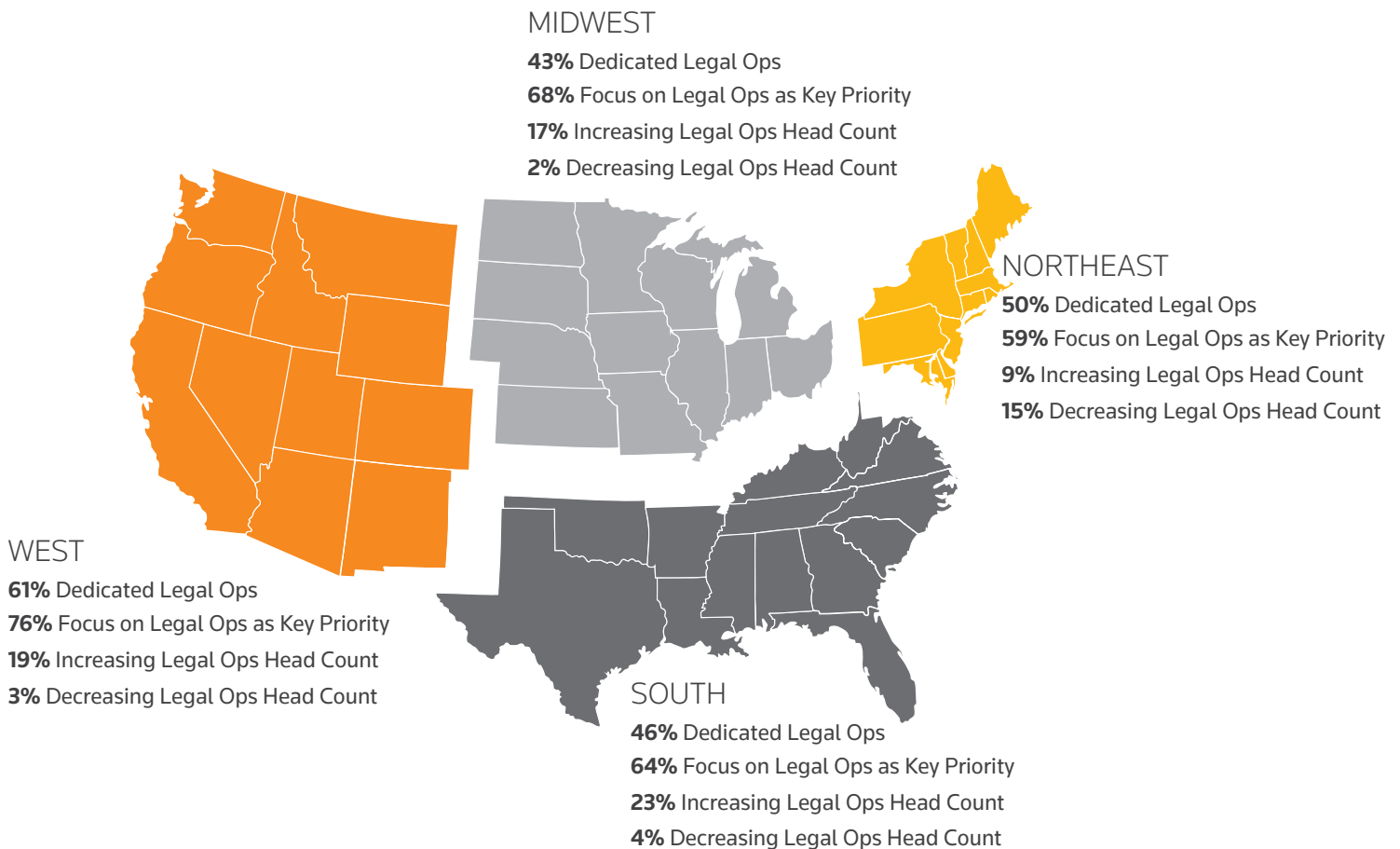
	Overall	Small	Moderate	Medium	Large
No priority	11%	7%	16%	9%	13%
Low priority	22%	16%	17%	34%	21%
Key priority	67%	77%	67%	57%	66%

Prioritizing legal operations as a key priority is most significant (77%) among small legal departments – where a dedicated legal operations team is least likely to exist.

DEDICATED LEGAL OPS BY U.S. REGION

Legal departments on the West Coast are most likely to have a dedicated legal operations team (61%), with legal departments in the Midwest (43%) least likely to have dedicated legal operations teams. The legal departments in the West (76%) placed a key priority on legal operations, followed by the Midwest (68%). The lowest level of focus on legal ops as a key priority is the Northeast (59%).

The South (23%) leads the way with increasing the number of internal head count devoted to legal operations, while the Northeast (15%) is a standout in decreasing the number of staff devoted to legal operations.



Outside Counsel/In-House

VOLUME OF LEGAL WORK

The majority of legal departments surveyed (68%) reported the volume of legal work – as defined by the number of legal matters – has increased in the last 12 months, with the rate of increase consistent across different sized legal departments.

VOLUME OF LEGAL WORK – NUMBER OF LEGAL MATTERS

	Overall	Small	Moderate	Medium	Large
Decreasing	8%	3%	9%	8%	13%
Flat – no change	24%	30%	23%	23%	21%
Increasing	68%	67%	68%	70%	67%

To address the increase in workload, 54% of organizations have increased the percentage of work handled in-house in the last 12 months and 37% have increased the number of in-house attorneys. Forty-eight percent of organizations have also increased their outside counsel spending.

PERCENTAGE OF WORK HANDLED IN-HOUSE

	Overall	Small	Moderate	Medium	Large
Decreasing	9%	8%	7%	11%	13%
Flat – no change	38%	30%	35%	38%	67%
Increasing	54%	62%	59%	51%	21%

In terms of priority, 20% of organizations identified bringing more work in-house as a high priority, with large legal departments (13%) being least likely to rank bringing more work in-house as a high priority.

Overall, 65% of organizations identified allocating work to firms that are proactive in showing their value as a key priority – with the greatest focus in this area among small legal departments (79%).

The majority of organizations send between 21%-80% of legal work to outside counsel, with 41%-60% being most common. Most organizations align with data from Acritas identifying that the most efficient departments fall within an optimal range of 40%-70% in-house.¹

Medium and large organizations have more work going to outside counsel by percentage than the small and moderate sized legal departments.

¹ 2018 State of Corporate Law Departments Report

PERCENTAGE OF LEGAL WORK HANDLED BY OUTSIDE COUNSEL

	Overall	Small	Moderate	Medium	Large
1%-20%	8%	22%	4%	6%	0%
21%-40%	23%	31%	24%	15%	13%
41%-60%	35%	31%	39%	34%	38%
61%-80%	23%	15%	19%	34%	38%
81%-100%	10%	2%	15%	11%	13%

The larger organizations send higher percentages of overall legal work to outside counsel.

HEAD COUNT – NUMBER OF IN-HOUSE ATTORNEYS

	Overall	Small	Moderate	Medium	Large
Decreasing	11%	7%	5%	25%	13%
Flat – no change	52%	75%	53%	32%	29%
Increasing	37%	18%	41%	43%	58%

To address increasing volume – large organizations are most likely to be increasing in-house staff, but place a lower priority on bringing more work in-house

PRIORITY: BRINGING MORE WORK IN-HOUSE

	Overall	Small	Moderate	Medium	Large
High priority	20%	21%	23%	17%	13%
Medium priority	38%	38%	33%	42%	42%
Low priority	25%	28%	23%	28%	21%
No priority	17%	13%	21%	13%	25%

OUTSIDE COUNSEL SPENDING

	Overall	Small	Moderate	Medium	Large
Decreasing	33%	31%	29%	42%	29%
Flat – no change	19%	15%	24%	13%	25%
Increasing	48%	54%	47%	45%	46%

The majority of organizations are increasing their outside counsel spending, with greatest decreases in medium legal departments.

ALLOCATING WORK TO FIRMS THAT ARE PROACTIVE IN SHOWING THEIR VALUE

	Overall	Small	Moderate	Medium	Large
Key priority	65%	79%	67%	47%	63%

Not just a cost consideration – legal departments are looking to firms that are proactive in showing their value to the organization – with the greatest focus among small legal departments.

STAFFING

Paralegal and attorney ratios remain relatively consistent to size of organization, with 0.26-0.39 paralegals for every one attorney. Attorneys make up 51%-53% of total legal department staff for all organizations.

Legal Operations staff represent 16%-20% of the total legal department staff for small, moderate, and medium departments, and only 3% of the total staff in large legal departments.

	Paralegal/Attorney	Legal Ops Staff/Total Legal Department Staff	Attorney/Total Legal Department Staff
Small	0.37	20%	53%
Moderate	0.39	20%	51%
Medium	0.26	16%	52%
Large	0.37	3%	53%

In terms of internal staffing to outside legal spend, small organizations have the lowest ratios. Large legal departments have the highest staff-to-spend ratios with large organization legal operations teams standing out among the data with one resource for every \$11.6M in outside spend.

	Total Legal Department Staff/Outside Spend	In-House Attorney/Outside Spend	Legal Ops/Outside Spend
Small	\$190,466	\$356,772	\$952,328
Moderate	\$310,910	\$604,649	\$1,552,187
Medium	\$386,016	\$744,775	\$2,471,521
Large	\$393,213	\$739,722	\$11,663,604

DIVERSITY

Overall, 71% of legal department survey respondents do not require diversity data from their outside law firms; however, there is some improvement, as this is down from 77% of respondents in the 2017 survey.

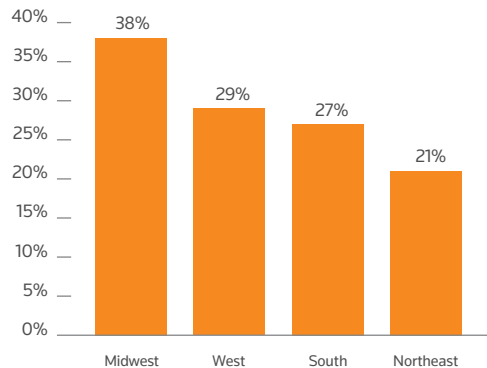
While only 2% of organizations have been asking for diversity data for seven or more years, 7% have launched in the past year, and 8% plan to launch in the coming year.

Large legal departments are most likely to require diversity information, with 62% of legal departments either having a program in place or plan to launch in the coming year.

DOES YOUR LEGAL DEPARTMENT REQUIRE DIVERSITY INFORMATION FROM LAW FIRMS?

	Overall	Small	Moderate	Medium	Large
No	71%	75%	75%	77%	38%
No. Plan to launch in coming year	8%	7%	9%	4%	17%
Yes. New in past year	7%	5%	4%	11%	8%
Yes. 1-2 years	6%	3%	5%	4%	21%
Yes. 3-6 years	6%	5%	7%	4%	12%
Yes. 7+ years	2%	5%	0%	0%	4%

YES OR PLAN TO LAUNCH



Geographically, organizations in the Midwest are most likely to require diversity information and/or plan to launch in the coming year (38%).

In terms of priority, 60% of organizations continue to have “no priority” for using diversity data as a factor in firm selection.

USING DIVERSITY DATA AS A FACTOR IN FIRM SELECTION

	Overall	Small	Moderate	Medium	Large
High priority	5%	3%	4%	6%	8%
Medium priority	22%	13%	15%	9%	21%
Low priority	14%	28%	20%	17%	21%
No priority	60%	56%	61%	68%	50%

Nine percent of organizations report on law firm diversity metrics.

REPORTING

Legal department survey respondents identified whether they reported on the following common legal department metrics.

Total spend by law firm	87%
Total spend by matter type	69%
Total spend by practice group	67%
Number of legal matters opened and closed	60%
Total spend by business unit	59%
Forecasted/budgeted spend vs. actual spend	50%
Average matter spend by law firm	49%
Savings from invoice review/reduction	46%
Litigation exposure	37%
Spend to budget by law firm	34%
Savings/discounts from timekeeper rate negotiation	28%
Timekeeper rates – local market	27%
Cost of handling work in-house vs. sending work to outside counsel	26%
Savings from alternative fee arrangements	22%
Costs avoided – won case, settled quickly	22%
Quality of legal outcomes	17%
Outside counsel evaluation results	16%
Cycle time – average period of time between opening and closing a matter	13%
Law firm diversity	9%

SPEND MANAGEMENT AND SOPHISTICATION

Ninety-three percent of legal departments identified controlling outside legal spend as a key priority. The following sections will review legal department sophistication in spend management, cost control measures and effectiveness, timekeeper rates, and alternative fee arrangements.

Controlling Outside Counsel Costs	Overall	Small	Moderate	Medium	Large
Key priority	93%	93%	93%	91%	96%

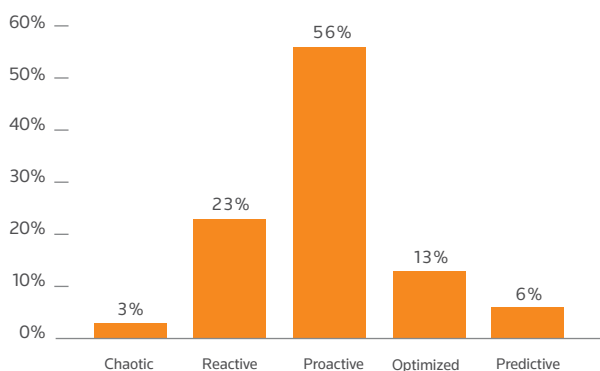
Legal Department Spend Management Sophistication

Legal departments self-identified into one of five levels of spend management sophistication. Consistent with prior surveys, we continue to see the majority of legal departments (56%) identify as “proactive” – the middle of the sophistication curve.

Spend Management Sophistication Model

- **Chaotic** – Legal invoices outside of e-billing system; no consistent way to report on legal spending
- **Reactive** – Use of e-billing system and basic reports on spending
- **Proactive** – Use of billing guidelines, invoice audits, and legal invoice review; process for management of timekeepers and matters
- **Optimized** – Centralized management of rates; utilization of RFPs, bids, or discounts to set rates; focus on internal processes that drive down costs; advanced reporting on legal department performance
- **Predictive** – Active management of matters with collaborative involvement from attorneys, outside counsel, and legal operations; detailed matter budgets, predictability, and forecasting; benchmarking performance

SOPHISTICATION



The larger the legal department, the more likely a higher level of sophistication in how spend is managed. Among large legal departments, only 18% categorize as reactive, while another 18% identify in the model as optimized or predictive.

Sophistication	Overall	With Legal Ops
Chaotic	3%	0%
Reactive	23%	16%
Proactive	56%	62%
Optimized	13%	13%
Predictive	6%	9%

Organizations with legal operations teams are more sophisticated in management of legal spend.

COST CONTROL

The top eight most common cost-control measures utilized by more than half of all legal department survey respondents include reduction of invoice expenses, moderate or strict enforcement of billing guidelines, standard discounts on proposed timekeeper rate cards, reductions of timekeeper rate increases, regular review of budgets to actual spending on high-cost matters, volume discount, and required law firm matter budgets.

Providing a weighted average based on utilization and effectiveness, the most effective cost-control measures include reduction of invoice expenses, enforcement of billing guidelines, and standard discounts on proposed timekeeper rates.

COST-CONTROL MEASURES AND EFFECTIVENESS TABLE

	Average Effectiveness Score
Reduction of invoice expenses	2.75
Moderate enforcement of billing guidelines	2.68
Strict enforcement of billing guidelines	2.45
Standard discounts on proposed timekeeper rate cards (e.g., 10% off rack rates)	2.42
Reduction of timekeeper rate increases	2.26
Regular review of budgets to actual spending on high-cost matters	2.2
Volume discount	2.16
Law firm matter budgets – required	2.0
Fixed/flat fee – set amount at matter level	1.96
Utilization of preferred vendors/panel program	1.95
Blended hourly rates (e.g., fixed rate for Partners, fixed rate for Associates)	1.91
Fixed/flat fee – set amount(s) at certain stages in litigation	1.84
Fixed/flat fee – set amount at group level (matters of a similar type)	1.63
Competitive bidding (legal-driven RFP)	1.62
Utilization of corporate (nonlegal specific) procurement policies	1.61
Limitations on the use of first-year attorneys	1.58
Annual meeting with firms to discuss and set timekeeper rates	1.57
Reallocation of work to firms with lower rates – firms outside of Am Law 200	1.53
Reallocation of work to firms with lower rates – Am Law 51-200	1.51

Timekeeper Rates

Overall, 71% of organizations report timekeeper rates have increased in the last 12 months, with large legal departments (29%) most likely to hold rates flat.

HOURLY RATE TREND

	Overall	Small	Moderate	Medium	Large
Decreasing	8%	3%	9%	9%	8%
Flat – no change	21%	23%	17%	21%	29%
Increasing	71%	74%	73%	70%	63%

From 2016 to 2017, timekeeper rates increased 2.18% for Partners, 2.87% for Associates, with substantial gains billed under the Legal Assistant and Paralegal classifications, 15.64% and 16.15% respectively. Rate growth or reductions vary dramatically by matter type, firm size, company size, and industry. See more data below.

Avg. Timekeeper Rates	2016	2017	Year-Over-Year
Partner	\$516	\$528	2.18%
Of Counsel	\$508	\$523	3.05%
Associate	\$392	\$404	2.87%
Legal Assistant	\$190	\$220	15.64%
Paralegal	\$161	\$187	16.15%

RATES BY MATTER TYPE

Rates for matters classified as “Advice and Counsel” are the highest among the matter type classifications, but also saw the largest growth – 18.57% in Partner and 4.02% in Associate rates. Patent prosecution rates were nearly flat year-over-year.

	2016	2017	Year-Over-Year
Partner – litigation	\$460	\$468	1.79%
Associate – litigation	\$358	\$366	2.16%
Partner – advice and counsel	\$531	\$629	18.57%
Associate – advice and counsel	\$442	\$460	4.02%
Partner – patent prosecution	\$420	\$421	0.18%
Associate – patent prosecution	\$321	\$321	-0.16%
Partner – trademark registration	\$423	\$444	4.97%
Associate – trademark registration	\$343	\$336	-2.19%

RATES BY ANNUAL OUTSIDE LEGAL SPEND

The organizations with the lowest outside legal spend saw the greatest year-over-year increase in timekeeper rates. At the other end, the larger organizations with over \$50M in legal spend, held rates closer to flat from 2016 to 2017.

By Annual Outside Legal Spend	2016	2017	Year-Over-Year
Partner – legal spend <\$2M	\$446	\$479	7.39%
Associate – legal spend <\$2M	\$330	\$388	17.50%
Partner – legal spend \$2M-\$10M	\$479	\$501	4.59%
Associate – legal spend \$2M-\$10M	\$372	\$385	3.36%
Partner – legal spend \$10M-\$25M	\$529	\$537	1.61%
Associate – legal spend \$10M-\$25M	\$404	\$418	3.34%
Partner – legal spend \$25M-\$50M	\$530	\$545	2.93%
Associate – legal spend \$25M-\$50M	\$395	\$411	4.06%
Partner – legal spend \$50M+	\$534	\$533	-0.19%
Associate – legal spend \$50M+	\$398	\$404	1.44%

RATES BY FIRM SIZE

The top 50 Am Law firms are realizing the greatest rates while also seeing a 3.47% increase on Partner rates from 2016 to 2017. Firms in the Am Law 101-200 are realizing lower rates that stayed flat year-over-year.

	2016	2017	Year-Over-Year
Partner – Am Law 50	\$823	\$851	3.47%
Associate – Am Law 50	\$536	\$554	3.45%
Partner – Am Law 51-100	\$573	\$581	1.35%
Associate – Am Law 51-100	\$383	\$400	4.44%
Partner – Am Law 101-200	\$475	\$475	0.00%
Associate – Am Law 101-200	\$341	\$341	0.07%
Partner – Outside Am Law 200	\$362	\$373	3.18%
Associate – Outside Am Law 200	\$265	\$276	4.15%

RATES BY ANNUAL COMPANY REVENUE

The companies with less than \$500M in annual revenue saw the largest increases in rates year-over-year from 2016 to 2017. Staying closest to flat were companies with \$500M-\$2B in annual revenue, while notably the largest companies with annual revenue over \$10B also held rates to minimal increase (1.46% for Partners and 0.91% for Associates).

	2016	2017	Year-Over-Year
Partner – annual company revenue <\$500M	\$463	\$481	3.83%
Associate – annual company revenue <\$500M	\$353	\$367	3.82%
Partner – annual company revenue \$500M-\$2B	\$496	\$495	-0.25%
Associate – annual company revenue \$500M-\$2B	\$375	\$376	0.40%
Partner – annual company revenue \$2B-\$10B	\$517	\$531	2.81%
Associate – annual company revenue \$2B-\$10B	\$400	\$421	5.32%
Partner – annual company revenue \$10B+	\$564	\$572	1.46%
Associate – annual company revenue \$10B+	\$410	\$414	0.91%

RATES BY KEY INDUSTRIES

Technology and software companies are paying the highest Partner and Associate rates but have kept rates relatively flat from 2016 to 2017.

Consumer product manufacturers and finance & insurance companies have opened the door to modest rate gains in 2017, while healthcare companies, already paying the lowest timekeeper rates, had continued downward pressure on rates.

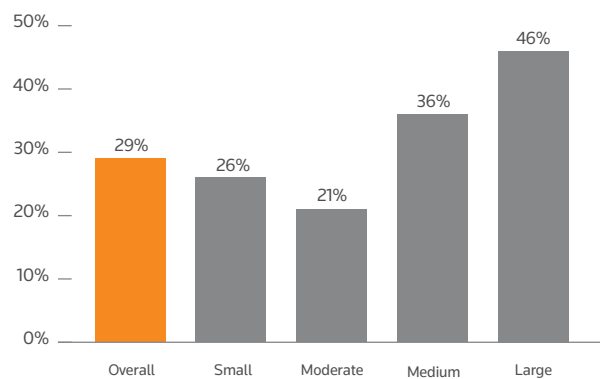
	2016	2017	Year-Over-Year
Partner – Technology/Software	\$679	\$675	-0.55%
Associate – Technology/Software	\$474	\$470	-0.79%
Partner – Consumer Product Manufacturers	\$549	\$565	2.87%
Associate – Consumer Product Manufacturers	\$407	\$427	4.98%
Partner – Finance and Insurance	\$472	\$482	2.17%
Associate – Finance and Insurance	\$375	\$388	3.40%
Partner – Healthcare	\$423	\$407	-3.73%
Associate – Healthcare	\$333	\$293	-11.95%

ALTERNATIVE FEE ARRANGEMENTS

We asked survey respondents to identify what percentage of legal spend is through alternative fee arrangements (AFAs) as opposed to hourly rates. Overall, 60% of organizations are between 1-20% AFA with 22% of organizations utilizing AFAs more widely for greater percentage of legal spending.

	Overall	Small	Moderate	Medium	Large
None	18%	30%	20%	9%	4%
1%-20% AFA	60%	54%	60%	66%	58%
21%-40% AFA	14%	11%	13%	11%	25%
41%-60% AFA	6%	2%	7%	9%	8%
61%-80% AFA	2%	3%	0%	2%	4%
81%-100% AFA	0%	0%	0%	2%	0%

INCREASING USE OF ALTERNATIVE FEE ARRANGEMENTS



29% of organizations report increasing usage of AFAs with large legal departments (46%) leading the way in increasing usage. Large legal departments (17%) are also most likely to identify reliance on AFAs as a high priority.

RELIANCE ON ALTERNATIVE FEE ARRANGEMENTS AS OPPOSED TO HOURLY RATES

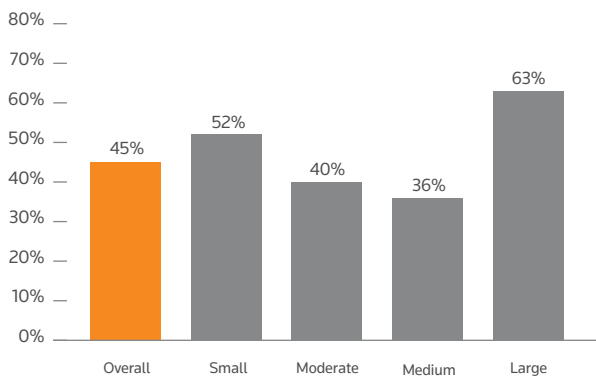
	Overall	Small	Moderate	Medium	Large
High priority	7%	3%	5%	9%	17%
Low priority	40%	31%	44%	43%	42%
Medium priority	23%	28%	19%	21%	25%
No priority	31%	38%	32%	26%	17%

LEGAL TECHNOLOGY

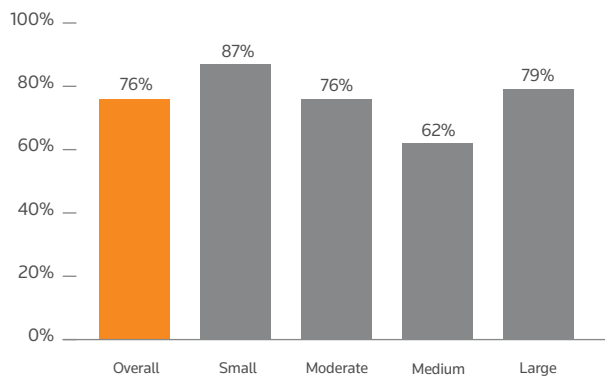
Forty-five percent of legal departments report increasing usage of legal technology, with the largest increased usage reported by small legal departments (52%) where there are fewer staff available to manage legal work, and large legal departments (63%). This aligns with small (87%) and large (79%) legal departments leading the way identifying using technology to simplify workflow and manual processes as a key priority.

While only 1% of legal departments report decreasing their usage of legal technology, 13% of organizations report decreasing their budget for legal technology while 35% are increasing their budget. The majority (53%) is reporting that their legal budget for technology is remaining flat.

LEGAL DEPARTMENTS WITH INCREASING USE OF LEGAL TECHNOLOGY



PRIORITY: USING TECHNOLOGY TO SIMPLIFY WORKFLOW AND MANUAL PROCESSES



LEGAL DEPARTMENT BUDGET FOR TECHNOLOGY

	Overall	Small	Moderate	Medium	Large
Decreasing	13%	13%	11%	17%	13%
Flat – no change	53%	52%	60%	45%	50%
Increasing	34%	34%	29%	38%	38%

LEGAL TECHNOLOGY SOLUTIONS

Legal departments ranked technology solutions by utilization and importance to the legal department. E-billing/spend and matter management was highest ranked followed by contract life cycle management, document management, and legal research.

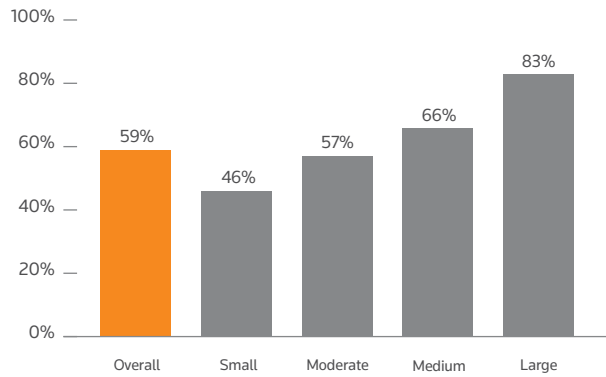
	Weighted Average
E-billing/Spend & Matter Management	3.67
Document Management	2.59
Legal Hold/Litigation Hold	2.57
Ediscovery	2.26
Legal Research	2.25
Contract Life Cycle Management	2.21
Legal Business Intelligence/Dashboarding/Analytics	2.2
IP Management	2.06
Legal Project Management	1.56
Legal Workflow Automation Tools	1.56
Knowledge Management	1.53
Legal RFP	1.23

EMERGING SOLUTIONS

Legal departments identified important areas where they do not currently have a solution but are looking to procure. Key technologies include document management, contract life cycle management, legal workflow automation, knowledge management, and ediscovery.

	Number of Legal Departments
Document Management	20%
Contract Life Cycle Management	18%
Legal Workflow Automation Tools	15%
Knowledge Management	15%
Ediscovery	14%
Legal Project Management	11%
Legal Hold/Litigation Hold	11%
Legal Business Intelligence/Dashboarding/Analytics	10%
Legal RFP	9%
IP Management	7%
Know-How – Task driven practical guidance identifying necessary legal resources and research	6%
Legal Research	4%

PRIORITY: MANAGING LITIGATION HOLDS WITH TECHNOLOGY



Looking specifically at litigation hold technology, 59% of organizations identify as a key priority, with 83% of large legal departments identifying use of legal hold technology as a key priority.

USE OF WORKFLOW TECHNOLOGY TOOLS

	Overall	Small	Moderate	Medium	Large
Decreasing	1%	0%	0%	4%	0%
Flat – no change	66%	59%	65%	77%	58%
Increasing	33%	41%	35%	19%	42%

Use of workflow technology tools is another emerging technology trend with 33% of legal departments overall increasing usage of workflow tools, including 41% of small legal departments and 42% of large legal departments.

Key Takeaways by Legal Department Size

SMALL LEGAL DEPARTMENTS – KEY TAKEAWAYS

- **77%** identified a focus on legal operations as a key priority, and in small legal departments a dedicated legal operations team is least likely to exist (38%)
- **67%** identify increasing the percentage of work handled in-house
- **Over half** (53%) send less than 40% of total legal work to outside counsel
- **79%** identify allocating work to law firms that are proactive in showing their value as a key priority
- On average **1 in-house attorney** to every \$356,772 in outside legal spend
- Are least likely to control timekeeper rates; **year-over-year increases** in timekeeper rates: 7.39% for partner rates and 17.50% increase for Associate rates
- **38%** have no priority around greater reliance on alternative fee arrangements (AFAs) as opposed to hourly rates
- **74%** report increasing law firm timekeeper rates in the last 12 months

MODERATE LEGAL DEPARTMENTS – KEY TAKEAWAYS

- **59%** identify increasing the percentage of work handled in-house in the last 12 months
- On average, **1 in-house attorney** to every \$604,649 in outside legal spend
- **67%** identify allocating work to law firms that are proactive in showing their value as a key priority
- **73%** report increasing law firm timekeeper rates in the last 12 months

MEDIUM LEGAL DEPARTMENTS – KEY TAKEAWAYS

- **45%** send more than 60% of total legal work to outside counsel
- **42%** have increased the number of in-house attorneys in the last 12 months
- On average, **1 in-house attorney** to every \$744,775 in outside legal spend
- **77%** do not require diversity information from their outside law firms and 68% have no priority to use diversity data as a factor in firm selection
- **91%** identify controlling outside counsel costs as a key priority
- **79%** send more than 40% of total work to outside counsel

LARGE LEGAL DEPARTMENTS – KEY TAKEAWAYS

- Large legal departments are most likely to have dedicated legal operations staff (71%), and **42%** have increased head count devoted to legal operations in the last six months
- **51%** of organizations identify sending more than 60% of total legal work to outside counsel
- **58%** have increased the number of in-house attorneys in the last 12 months
- On average, **1 in-house attorney** to every \$739,722 in outside legal spend
- On average, **1 in-house legal ops staff** to every \$11,663,604 in outside legal spend
- **62%** require diversity information from law firms or plan to launch in coming year
- **29%** did not increase timekeeper rates for the prior 12 months – rates held flat
- Lowest increases in **year-over-year timekeeper rates**; 0.19% decrease on Partner rates and 1.44% increase on Associate rates
- **46%** report increasing use of AFAs

Information you would like to see in a future report?

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