

## For Immediate Release

November 1, 2016

**CONTACT:**

Kaitlin Mansour  
Walker Sands Communications  
312.648.6004

### Law Departments Continue the Journey Toward Operational Excellence, according to HBR Consulting LLC in Annual Survey Released Today

#### *HBR Consulting's Benchmarking Survey Finds Law Departments are Effectively Managing Costs Despite Increased Legal Demand*

**November 1, 2016 (Chicago, IL)** — As corporations are increasingly pursuing strategies to do more with less, law departments are focused on optimizing internal resources and leveraging technology to increase operational efficiency while better managing outside counsel costs.

According to a 2016 survey released today by HBR Consulting (HBR), companies worldwide reported a minor increase in total legal spend – up only one percent compared to the two percent increase reported in last year's survey. On the other hand, outside counsel spending decreased by two percent.

"The survey confirms what we are seeing in our consulting engagements with law departments, where there is heightened attention on resource optimization – the right resources, doing the right work, in the most cost effective and efficient manner," said HBR managing director and survey editor, Lauren Chung. "This means investing in new technology to increase the automation of routine tasks, enhance work processes and support data analytics that allow improved decision making on outside counsel fee arrangements. All of these efforts are having a direct impact on legal spending and operational effectiveness."

While law departments are tasked with containing costs, legal demand is continuing to increase – a challenging dichotomy for general counsel (GC) who are now bringing in legal operations experts to lead business operations so that in-house attorneys can remain focused on legal matters. To address these challenges, GCs are:

- **Continuing to invest in talent.** The average increase in total compensation according to this year's survey (base salary, cash bonus and long-term incentives) across all attorney levels was 3.3 percent. In-house staffing continues to increase year over year, and this year's survey results showed they are doing so at a steady pace. Worldwide, 47 percent of organizations reported an increase in the total number of attorneys employed, which is flat compared to last year's survey results. Participants increased their total number of legal staff worldwide 54 percent compared to 53 percent last year.
- **Using technology to drive change.** Law departments are increasing their use of technology to handle increased legal demand. The HBR Survey found that the median technology spend is currently \$204K, which represents a two percent increase from last year's results. The top three technology investment areas for law departments are: document management, legal spend analytics and contract management, according to the Survey.
- **Pursuing alternative fee arrangements.** In this year's Survey, 85 percent of respondents reported using alternative fee arrangements (AFAs), up five percent from last year. Of those that reported utilizing AFAs, fixed-fee per matter and flat fee for all matters in an area of work were the most common. Among law departments that realized cost savings from AFAs, their approximate percentage reduction in outside counsel spending was eight percent. Even with broad current usage, 80 percent of respondents are looking to increase the use of AFAs in the next year.

"Law departments are now looking to leverage their historical data in more sophisticated ways, as we see a growing emphasis on data-driven matter planning and budgeting. In addition to rationalizing outside counsel spending, many departments are focusing on internal operations and performance measurement as more and more work is being performed in-house," said Kevin Clem, who leads HBR's Law Department Consulting practice.

When asked to forecast their legal needs, 79 percent of respondents stated their legal needs would increase in the next year, compared to just 16 percent of respondents who believe demand for legal services will stay the same. Commercial contracts and regulatory compliance are the top focus areas that companies anticipate will require the most legal attention in the next year.

The HBR Law Department Survey, now in its thirteenth year, provides comprehensive data on legal spending, staffing, organization, compensation and management practices. This year, the Survey had more than 275 participants representing 22 industries and over 10 countries.

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## About HBR Consulting

HBR Consulting ([www.hbrconsulting.com](http://www.hbrconsulting.com)) delivers advisory, managed services and software solutions that increase productivity and profitability for corporations, professional services and law firms. Thought leaders with decades of experience, we deliver value to our clients. HBR has long-term relationships working with 90 percent of Am Law 200 law firms and 35 percent of Fortune 500 corporate law departments.

## About the Survey

The annual HBR Law Department Survey is a leading source of benchmarking data for U.S. and global law departments. It gathers and reports key qualitative and quantitative metrics that assess and benchmark law department performance. The Survey, now in its thirteenth year, continues to grow its participant base and expand its focus on global legal function management. The 2016 Survey includes a total of 276 law departments representing 22 industries.

Unique among law department surveys, HBR Consulting's Survey focuses on larger law departments, includes both global and U.S. law departments, and emphasizes data consistency and rigorous quality control procedures. For more information about how to purchase HBR Law Department Survey reports, visit <http://www.hbrconsulting.com/LDS/index.html> or call 215.628.3409.