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Annual HBR Law Department Survey Finds Only Moderate Increase in Total Legal Spending Worldwide Despite Major Increase in Organizations' Legal Needs

October 8, 2015 (Chicago, IL) — Companies worldwide reported a slight increase – just 2 percent – in legal spend, according to HBR Consulting's 2015 Law Department Survey.

"The survey confirms what we're seeing in our own work with law departments, where many are engaging in cost management programs to control their total legal spend," said HBR Consulting Senior Director and Survey Editor, Lauren Chung. "There's a continued push to manage the costs of outside counsel. Organizations are taking aggressive measures, like the consolidation of firms, use of analytics, and use of alternate fee arrangements and detailed budgets, to control for these costs, which is having a direct impact on legal spending."

Key spending and staffing data from the Survey include the following:

- Total worldwide legal spending increased by 2 percent, equivalent to last year's numbers. Meanwhile, outside counsel spending is flat compared to last year's 2 percent decrease and inside legal spending grew at a slightly slower pace (3 percent) as compared to last year's 5 percent growth.
- Participants noted a modest growth in compensation in this year's survey. The average increase in total compensation (base salary, cash bonus, and long-term incentives) across all lawyer levels was 3.5 percent.
- Though in-house staffing is increasing year over year, this year's survey results showed they are doing so at a slightly slower pace versus last year's results. Worldwide, 47 percent of organizations reported an increase in the total number of lawyers employed compared to 55 percent in last year's survey. Additionally, 53 percent of participants increased their total number of legal staff worldwide, compared to 61 percent last year.

"While organizations saw no growth in outside counsel spending according to this year's survey, total legal spending has increased worldwide, driven largely by the increase in internal spending," said Kevin Clem, who leads HBR's Law Department Consulting practice. "Law departments are prioritizing internal operations, hiring internally, investing in new or upgraded technologies, and raising total compensation for their employees."

HBR Consulting's Law Department Survey provides comprehensive data on legal spending, staffing, organization, compensation and management practices. This year, the Survey had a record-breaking number of participants with a total of 308 companies representing 22 industries, up from 292 participants in the 2014 Survey.

Law Department Spending

The median total legal spending was \$27 million worldwide and \$26 million in the U.S. Total legal spending was 0.33 percent of total revenues worldwide and 0.38 of total revenues in the U.S. The median inside legal spending was \$12 million worldwide. Inside legal spending as a percent of worldwide revenues was 0.13 percent. The median outside counsel spending was \$14 million worldwide. Outside counsel spending as a percent of revenues worldwide was 0.17 percent.

Legal Staffing

The median company reported 29 lawyers worldwide and 23 lawyers in the U.S. Per billion dollars of revenues, the median company had 3.3 lawyers worldwide. The median number of total law department staff (including lawyers and all non-lawyer staff) was 52 worldwide. Per billion dollars of revenues, the median company had 6.5 total legal staff worldwide.



Forecast for Legal Services

When asked to forecast their legal needs, an impressive 76 percent of respondents stated their legal needs would increase in the next year, compared to just 19 percent that thought demand for legal services would stay the same. The areas of focus that respondents thought would require the most legal attention in the next year were Regulatory at 48 percent and Mergers & Acquisitions at 45 percent.

About HBR Consulting

HBR Consulting (www.hbrconsulting.com), formerly Hildebrandt Baker Robbins, is globally recognized as the leading business operations and technology consulting firm with more than four decades of experience. We partner with law firms and corporations to increase efficiencies, improve profitability and navigate strategic changes.

About the Survey

The annual HBR Law Department Survey is the 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 twelfth year, continues to grow its participant base and expand its focus on global legal function management. The 2015 Survey includes a total of 308 participants 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 participate or purchase HBR Law Department Survey reports, visit <http://www.hbrconsulting.com/lawdepartmentsurvey.html> or call 215.628.3409.