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**HBR Consulting's Annual Survey Reveals Law Departments Are Maximizing Internal Staff and Embracing Innovative Resourcing Strategies as Legal Needs Continue to Rise**

*New Report Reveals Cost Control Continues to Be Top Challenge for Law Departments and Also Presents New Insights on In-House Diversity Initiatives*

November 5, 2019 (Chicago, IL) – As global organizations' legal needs continue to increase, corporate law departments are shifting their focus from hiring new in-house staff to maximizing the resources they have, stabilizing costs and adopting innovative legal service delivery practices, according to the [2019 HBR Consulting \(HBR\) Law Department Survey](#).

The annual survey found that while most law department respondents (88%) expect their legal needs to increase in the next year, in-house hiring slowed for most respondents: just 37% reported an increase in in-house legal staff, compared to 52% in 2018. To manage increased legal demand, law departments are focused on maximizing internal resources by increasing the workload of existing legal resources (56%), reengineering and / or standardizing work processes (42%) and redistributing work to more appropriate resources (37%).

"Over the past few years, corporate law departments have focused heavily on investing in their in-house legal staff to build integral internal capabilities and reduce outside counsel spend. They are now shifting their focus from new hiring to maximizing their existing staff through process improvements and technology investment," said Lauren Chung, managing director at HBR. "At the same time, they continue to refine their use of external resources to address the growing legal demand."

Almost half of all participants expect their inside legal spend to increase in the next year. According to this year's report, spend increases were on investment in technology (increase of 6%) and contract / temporary staff (increase of 11%). Legal operations teams continue to drive many of these initiatives. The survey found that 62% of respondents have at least one individual solely dedicated to lead legal operations, with a median number of four full-time employees performing legal operations responsibilities.

**Cost control remains a top priority – and challenge – for law departments**

The increase in total legal spend is slowing down compared to previous years, however. This year, law departments reported a 2% increase, compared to the 5% increase in total legal spend reported in last year's survey. Cost control continues to be top of mind for the majority of law departments, with 51% of survey respondents listing it as a top challenge.

While outside counsel spend is still increasing, companies are more cognizant of how they manage and invest that spend, and 37% expect it to decrease in the future. Eighty-five percent of responding law departments indicated they have taken efforts in the past year to reduce outside counsel spending, with "keeping more work in-house" cited as yielding the highest savings, followed by alternative fee arrangements and competitive bidding. Law departments are also continuing their convergence efforts to better target and concentrate their outside counsel spend.

Perhaps most notably, spend on other service providers (including alternative legal service providers) increased by 11% this year, as law departments continue to leverage non-law firm resources in their efforts to improve cost and efficiency.

"While historically skeptical of alternative legal service providers, law departments now see them as viable alternatives to the traditional model for legal service delivery," commented Chung. "One example is contract and temporary resources (referenced above), who are sometimes sourced through ALSPs. We expect law departments to continue leveraging ALSPs for cost effective services with the right level of expertise and efficiency."

### **Leading law departments are shifting their focus to emerging technologies**

To streamline operations and reduce costs, law departments continue to place a strong emphasis on investments in technology. This year's survey findings indicate that adoption of legal technology increased in almost all categories compared to the prior year.

On the horizon, law departments are increasingly interested in data- and workflow-related technologies. "These technologies can help automate manual processes and create visibility into workload and spending," Chung explained. In addition to an increase in adoption, those departments that already have these technologies in place are focusing on enhancing and optimizing them: workflow (33%), spend analytics (21%) and contract management (18%) topped the list of systems for which respondents reported in-progress optimization initiatives. Additionally, nearly half (47%) of respondents indicated that they are considering adopting artificial intelligence within the next one to two years, a significant jump from last year's findings (28%), although actual implementation rates still hover under 10%.

### **Departments are exploring methods to promote diversity**

The 2019 HBR Law Department Survey introduced new questions around diversity, an area of increasing interest to law departments.

Corporate law departments are engaging in a variety of initiatives to incorporate diversity expectations into their outside counsel management practices. According to the survey, half of responding law departments include diversity information into the RFP / firm selection processes when sourcing work from outside counsel, while 44% track diversity statistics for existing firms at the matter level and 38% intentionally engage with certified minority and / or women-owned law firms. However, only 11% of participants stated that they intentionally reduce spend with firms that do not meet their diversity expectations.

Inside the law department, the survey captured the percentage of lawyers and non-lawyer staff who identified as diverse across two categories – ethnicity / race and women. Responding departments reported 19% of lawyers identified as ethnically or racially diverse, while 44% of in-house lawyers identified as female.

"Law departments are beginning to put real action behind their diversity imperatives, and we expect that they will continue to step up their enforcement and incentives to encourage outside counsel to meet their higher expectations," stated Chung. "They recognize that diversity of culture and thought ultimately helps enhance their service delivery models."

### **About HBR Consulting**

HBR Consulting ([www.hbrconsulting.com](http://www.hbrconsulting.com)) delivers advisory, managed services and software solutions that increase productivity and profitability, while mitigating risk for law firms, law departments and corporations. As trusted advisors with deep industry experience, clients partner with HBR to achieve significant, sustainable results.

### **About the Survey**

The annual [HBR Law Department Survey](#) is the leading source of benchmarking data for corporate law departments, providing comprehensive data on legal spending, staffing, operations, technology, outside counsel management and compensation. The Survey, now in its sixteenth year, continues to expand its focus on global legal function management, including data from over 225 participating companies representing over 15 industries.