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## **HBR Consulting's Annual Survey and Sounding Board Series Reveal Law Departments are Focused on Cost Management Through Resource Optimization**

*New data finds law departments are managing budget pressures through maximizing internal capabilities and tightening outside counsel controls*

CHICAGO (December 10, 2020) – As the majority of in-house law departments anticipate a continued rise in legal demand in the midst of corporate budget pressures, controlling costs and maximizing internal resources and technology are their top priorities, according to the [2020 HBR Consulting \(HBR\) Law Department Survey](#) and HBR's series of virtual Sounding Boards held with law department leaders throughout 2020.

This year, the annual survey, which provides benchmarking data on legal spending, staffing and operations, is augmented with insights from general counsel and legal operations leaders who participated in HBR's 2020 Sounding Board Series. In these conversations, in-house leaders from Fortune 500 companies shared experiences and offered best practice advice on how they were managing their most pressing issues. The combined data and insights from more than 250 participating corporations provide a holistic view of law departments' priorities and challenges in 2020, and how they have shifted during the COVID-19 pandemic.

Heading into 2020, HBR's Law Department Survey found that legal spending grew at a modest rate—total legal spend increased by 2% in 2019, the same as the prior year survey. Outside counsel spending grew by 3% and inside legal spending by 2%. The modest changes in spending levels preceded what has been a year of transformation for law departments that pivoted rapidly to respond to COVID-19 and the related challenges their organizations faced.

Despite the budget pressure at many corporations, most law departments have yet to make significant headcount reductions, according to HBR's Survey. Eighteen percent of surveyed companies reported that they planned to cut law department staff in 2020 (up from 10% in 2019), while 44% of participating law departments expected to increase staff as planned (down from 60% in 2019). Where headcount cuts were anticipated, they tended to focus on non-attorney staff: 14% of departments anticipated cuts to support staff and other professional roles, compared to 10% of departments who anticipated lawyer cuts.

"Law departments are relying on their in-house legal resources to help address growing demand and stay close to the evolving needs of the business. In the current environment, the role of the in-house legal team has become even more critical. Many law departments are therefore keeping and, in some instances, building up their internal teams while seeking other primary methods for cost control," said Lauren Chung, Managing Director at HBR and Survey Editor.

### **Maximizing internal capabilities through resource and technology optimization**

To manage the increase in legal demand this year, HBR's Law Department Survey found that most law departments are opting to increase the workload of existing resources (50%) and redistribute work to appropriate resources (48%, a jump from 37% in 2019).

"Internal resource optimization is key to cost effective and efficient delivery of legal services and now more than ever, we are seeing law departments focus on proactive and systematic measures to ensure the right work is handed by the right resource," commented Chung.

In addition to optimizing staff, technology has been a significant focus, with an emphasis on maximizing the use of existing tools. As much of the workforce shifted to remote work in March, HBR's Survey found that 46% of law department respondents reported an increase in the use of existing technology as a top method for handling demand, up from 34% in 2019.

In an encouraging sign of a successful remote work transition, 32% of general counsel surveyed in HBR's Sounding Board Series cited a significant increase in user adoption of current technology, while 41% reported a modest increase in adoption. In-house leaders' top tech priorities were increasing user adoption of current tools

and better knowledge management, both ranked higher than implementing newer, more comprehensive technology solutions. Implementation data reported in HBR's Survey supported this trend—implementation rates across core legal technology (e.g., matter management, contract management and document management) remained mostly steady with the exception of e-signature technology, which jumped from 68% in 2019 to 79% in 2020 as law departments looked to enable their remote workforce.

"The technology question that law departments need to answer is how to drive user adoption of tools that have a direct and meaningful impact legal service delivery," noted Chung. "On an ongoing basis, it is important for law departments to track system usage and have a mechanism to continuously evaluate tech use and impact."

### **Driving tighter management of outside counsel**

In addition to their focus on internal resources, law departments have been diligent in managing outside counsel costs. According to HBR's Survey, the vast majority (91%) of surveyed law departments have taken initiatives to control outside counsel costs over the past year. Currently, their top focus areas to further reduce costs center on streamlining processes and monitoring performance with existing law firms through the use of data analytics to support business decisions (47%), more consistent use of planning and budgeting (35%) and tougher enforcement of outside counsel billing guidelines (34%).

While cost control has been a key consideration in outside counsel selection, law departments are continuing to prioritize outside counsel diversity. HBR's Survey revealed the growing importance of diversity as a key criteria when selecting outside counsel—49% of respondents ranked it as very important and 29% rated it as moderately important in 2020, compared with 35% and 31% in 2019, respectively. At the same time, an increasing number of law departments are tracking outside counsel diversity data (45% in 2020 vs. 38% in 2019), defining metric-driven expectations regarding firm diversity (38% in 2020 vs. 23% in 2019) and reducing spending with law firms that do not meet diversity criteria (14% in 2020 vs. 11% in 2019), according to the Survey.

"Diversity is very much a top priority for corporations worldwide, particularly due to the events of 2020 that brought racial inequality and the social justice movement front-and-center. It is clear that law departments recognize the value of diversity of culture and thought in enhancing service delivery models," said Chung. "Moving forward, we expect to see even more data-driven approaches to measuring and enforcing outside counsel diversity."

### **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 and Sounding Board Series**

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 seventeenth year, continues to expand its focus on global legal function management, including data from over 170 participating companies representing over 15 industries.

The 2020 HBR Sounding Board Series included eight law department virtual roundtables, providing general counsel and legal operations leaders from more than 90 companies the opportunity to share experiences and challenges, ask questions of one another, and offer best practices for some of the most pressing issues they face in 2020.

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