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HBR Consulting's Annual Survey and Sounding Board Series Reveal Optimistic Outlook for Law Department Growth *New data finds law departments are focused on internal investment*

CHICAGO (**December 7, 2021**) – While the majority of law departments weathered the impacts of the early pandemic economy with moderate changes to legal spending and staffing, most law departments anticipate a continued rise in legal demand that they will meet with investments in in-house capabilities, according to the [2021 HBR Consulting \(HBR\) Law Department Survey](#) and HBR's series of law department Sounding Boards held throughout 2021.

This year, results of the annual survey, which provides benchmarking data on legal spending, staffing and operations, are augmented with insights from general counsel and legal operations leaders who participated in HBR's 2021 Sounding Board Series. The combined data and insights from more than 220 participating corporations provide a holistic view of law departments' priorities and challenges that can be leveraged not only by in-house leaders, but also by law firm counterparts seeking stronger collaboration and a differentiated, client-centric approach to service delivery with corporate partners.

"The annual Survey is a valuable resource for both law departments and law firms," said Matt Sunderman, President, Advisory, at HBR. "Law department leaders rely on it to benchmark their performance against peers and plan for continuous improvement, while law firm leaders benefit from the lens on their clients' perspective."

Heading into 2021, HBR's Law Department Survey found that despite the unpredictability of the pandemic economy, total legal spending grew at a modest rate of 2% and the majority of law departments (63%) were able to avoid staffing cuts. For the first time in several years, outside counsel spending was flat, while inside legal spending and spending on other external service providers increased at 1% and 2% respectively.

In-house leaders participating in HBR's Sounding Board Series displayed an optimistic outlook for 2022, with nearly half (47%) anticipating a moderately increased or steady budget (24%) for the new year. In particular, in-house leaders anticipate legal demand to increase in contracts (64%), data privacy (64%), and cybersecurity (62%) practices.

"As law departments look to a post-pandemic world, in-house leaders can better meet evolving business partner needs by investing in their internal capabilities," said Lauren Chung, Managing Director at HBR and Survey Editor. "Especially in the current competitive labor market, law departments must continue to invest in their people, processes, and technology to position their teams for success in addressing growing legal demand."

Strengthening the in-house bench and investing in talent

Workload and resource bandwidth were overwhelmingly reported as the top challenge of 2021, with 65% of in-house leaders indicating these as a management concern according to HBR's Survey.

To address this challenge, throughout 2021, the majority of law departments continued to trend favorably in their in-house hiring outlook with 56% (up from 44% in 2020) anticipating an increase in lawyer headcount and 42% (up from 22% in 2020) anticipating increases in support staff and other specialist headcount.

Similar to other industries, employee engagement and retention is a top priority of in-house leaders as they focus their efforts on strengthening the internal team: 31% of law departments listed talent retention and recruitment among their top three challenges in 2021 in HBR's Survey.

Driving DE&I internally and externally

Diversity, equity, and inclusion (DE&I) continue to be focus areas for many law departments as DE&I's value to legal service delivery is recognized. According to HBR's Survey, 40% of departments indicated DE&I as a focus area for legal operations, encompassing both internal and external initiatives.

Since first introducing in-house DE&I metrics in HBR's 2019 Survey, the percentage of law department personnel self-identifying as diverse has increased modestly. Responding departments reported 22% (up from 19% in 2019) of lawyers identified as ethnically or racially diverse, while 52% (up from 44% in 2019) of in-house lawyers identified as female.

Law departments are also actively planning to advance diversity among their outside counsel partners. The top three planned or in progress initiatives reported by HBR's Survey respondents included: incorporation of diversity information in RFPs and firm selection processes (45%), targeting a percent of time to be billed by diverse timekeepers on organizational matters (45%), and requiring firm commitments (e.g., Mansfield Rule signature) to increase the ranks of diverse partners and management in firms (43%).

"DE&I initiatives will continue to be a focus for law departments," said Chung. "As law departments increase pressure on outside counsel to demonstrate their commitment to diversity, they need to also look internally and work towards advancing their own diversity journey."

Investing in data analytics and process automation-based technology

In addition to people investments, heading into 2021, law department spending on legal technology increased by 7% (up from the 2% reported increase in 2020) according to HBR's Survey.

Notable market movement is anticipated in process automation-based tools, where the greatest number of law departments planned to conduct first-time implementations or move away from or explore other vendors outside of their current platform. 36% of law departments planned to assess vendors in the contract lifecycle management market, while 30% planned to do so in the legal service request/intake and workflow technology market.

"Remote work has continued to accelerate legal technology investments, with many leaders in the legal industry focused on how to better enable collaboration, drive engagement, and enhance legal service delivery. Overall, we are seeing law departments embrace technology more than ever as a key pillar of the future of work," noted Chung.

About HBR Consulting

HBR Consulting LLC (HBR) provides law firms and corporate law departments with strategic guidance, operational improvement, and technology solutions that drive innovation while managing cost and mitigating risk. HBR's proven combination of experience, relationships, and insights—spanning the legal ecosystem—delivers sustainable financial and competitive advantages for its clients.

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 160 participating companies representing over 15 industries. HBR will host [webinars](#) for law departments (December 14) and law firms (December 15) presenting relevant highlights.

The 2021 HBR Sounding Board Series brought together a range of law department and law firm leaders in meetings with their peers. The series included seven law department virtual roundtables, providing general counsel and legal operations leaders from more than 110 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 faced in 2021.

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