

THE EVOLUTION OF THE MODERN LEGAL DEPARTMENT

PAST, PRESENT, AND FUTURE.

They're driven by the need for innovation, data, and collaboration. What does that mean for the future?

Today's legal departments are striving to ensure the long-term sustainability of their respective organizations by identifying and mitigating risk. They also want to drive efficiency and effectiveness to maximize shareholder value. At the same time, they want to promote social responsibility including ethical behaviors, ethical sourcing, diversity, and pro bono efforts.

Below are insights from the 2018 State of Corporate Law Departments report to help you better understand what's going on.

Power has shifted to legal departments over the past five years.



6% increase in the proportion of legal budget allocated to in-house resources (from 37% to 43%)



53% of legal departments cut the number of firms they work with
16 fewer firms on average



9% increase of legal departments' perception of law firm value



But **43%** have increased the number of firms they work with
17 more firms on average



Only **1%** rate increase per annum

What are today's top priorities?



COST CONTROL

76% of legal departments say cost control is high or medium priority

Most common cost control measures: alternative fee arrangements/strict enforcement of billing guidelines/reduction of invoice expenses



DATA SECURITY

66% of organizations say internal data security is high or medium priority

54% list external data security of outside counsel as a top priority



FOCUS ON LEGAL OPERATIONS

Approximately **1/2** of legal departments have dedicated legal operations roles
- Mostly between 1 and 3

70% of legal departments surveyed identify this focus as a high (30%) or medium (40%) priority

Using technology to simplify workflow and processes

41% of legal departments report developing innovative legal workflows in these areas:

19%
Contract management

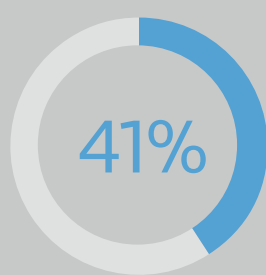
17%
AFA/pricing

14%
Project management

6%
Document management

6%
eBilling

6%
Outsourcing



Allocating work to law firms that are proactive in demonstrating value

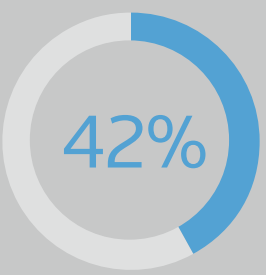
Firms should provide value by:

74%
Charging less

12%
Being more efficient

9%
Fixed fee/AFA

6%
Transparent/regular billing



42% of legal departments criticize their law firms for not delivering sufficient value

How can legal departments thrive moving forward?



DRIVE HIGHER PERFORMANCE

- Preferred supplier arrangements
- Development of in-house project management skills
- Create a collaborative, open, trusting, and respectful environment
- Internal and external lawyers working together as a team



CREATE OPTIMAL IN-HOUSE EFFICIENCY

- Define, collate, and review metrics
- 40%-70% of spend in-house is optimal
- Evolve team size and make up as needed



BETTER PANEL MANAGEMENT

- Use as vehicles to create business partner relationships
- Achieve best outcomes through openness and transparency
- Build external lawyers' knowledge of your business



DEVOTE TIME TO PRO BONO WORK

- Give back to the community
- Build relationships
- **47%** of U.S. legal departments have done pro bono in the last twelve months



INCREASE DIVERSITY OF INTERNAL AND EXTERNAL TEAMS



CONTINUOUS REVIEW OF TECHNOLOGY AND INNOVATION

See the full report at legalexecutiveinstitute.com

