

2019 STATE OF THE INDUSTRY SURVEY

Results and Analysis

2019 STATE OF THE INDUSTRY SURVEY RESULTS

The 2019 CLOC State of the Industry survey included respondents from over 200 companies of different sizes representing over 30 industries and 18 countries. According to the survey, corporate legal departments experienced growth in demand for legal services and continued to focus on various means to control costs. Many grew their legal operations teams and continued to invest in technology.

Participant Companies by Industry

213 Companies Responded
12% of the Fortune 500
18 Countries
30 States
32+ Industries

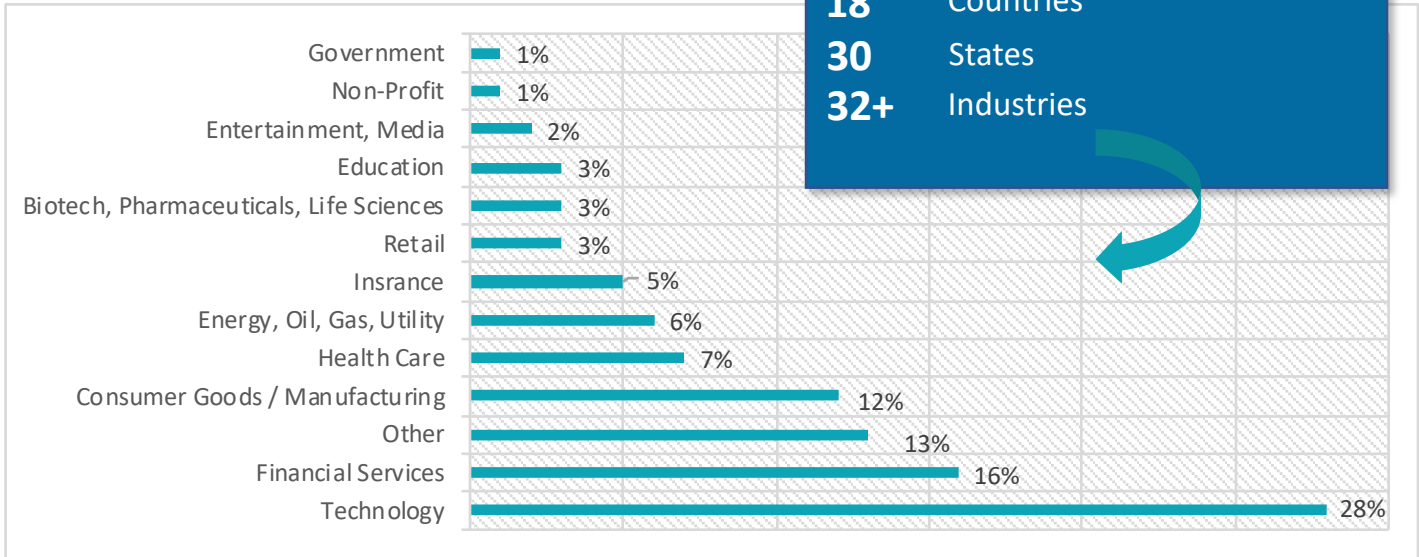


Table of Contents

Quick Stats.....	3	Technology & Innovation.....	16
Overall Legal expenditure.....	6	Law Firm Evaluations.....	22
Legal Department Headcount.....	10	Member Topics & Interests.....	25

Company Breakdown by Revenue

Company Revenue



\$3.9T Collective Revenue

\$4.5B Median Revenue

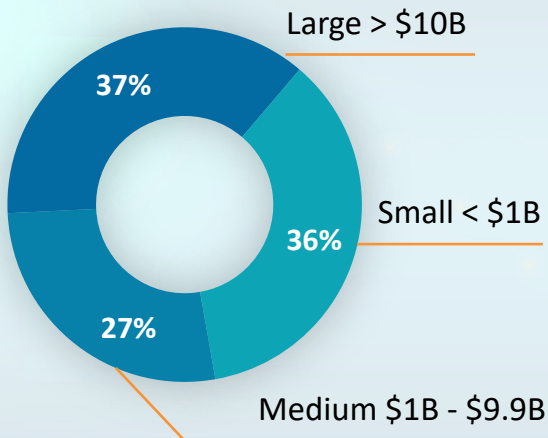
External Expenditure



\$6.3B Collective External Expenditure

\$11.7M Median External Expenditure

Company Size

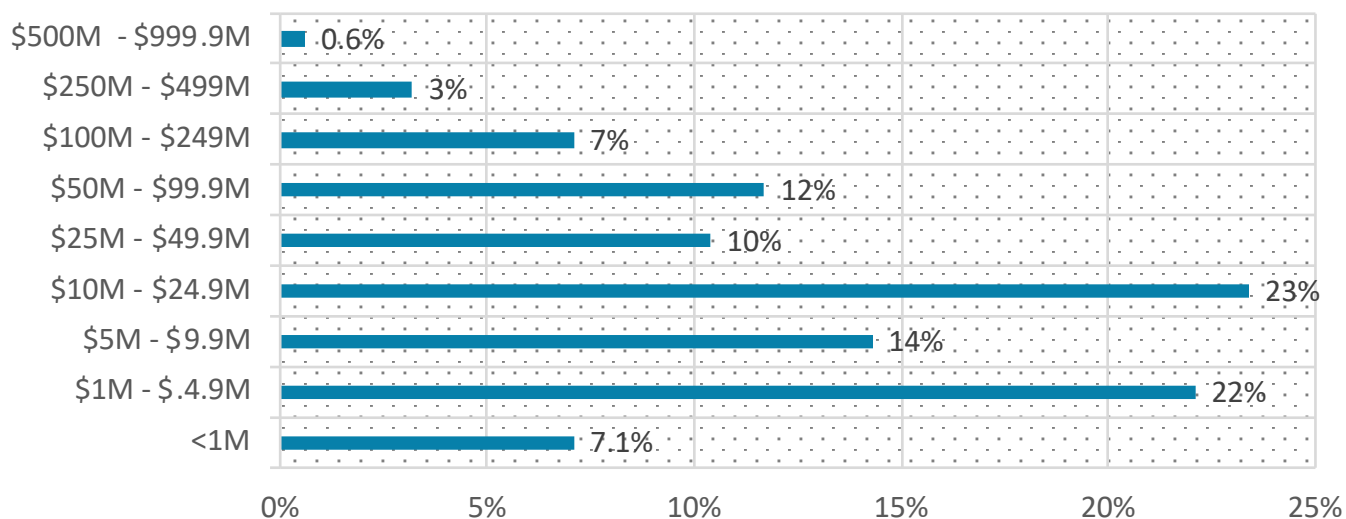


INTERNAL & EXTERNAL EXPENDITURES

Overall External Expenditure

The sum of all external expenditure submitted by respondents totaled over \$6.3B for the over 200 companies who participated in CLOC’s survey. Over 50% of respondents reported that their external expenditure on law firms either decreased or stayed the same from 2017 to 2018.

External Expenditure Range by Respondent



Median Internal Expenditure
per Legal Department FTE*

\$290K

Median External Legal Expenditure
per In-House Attorney

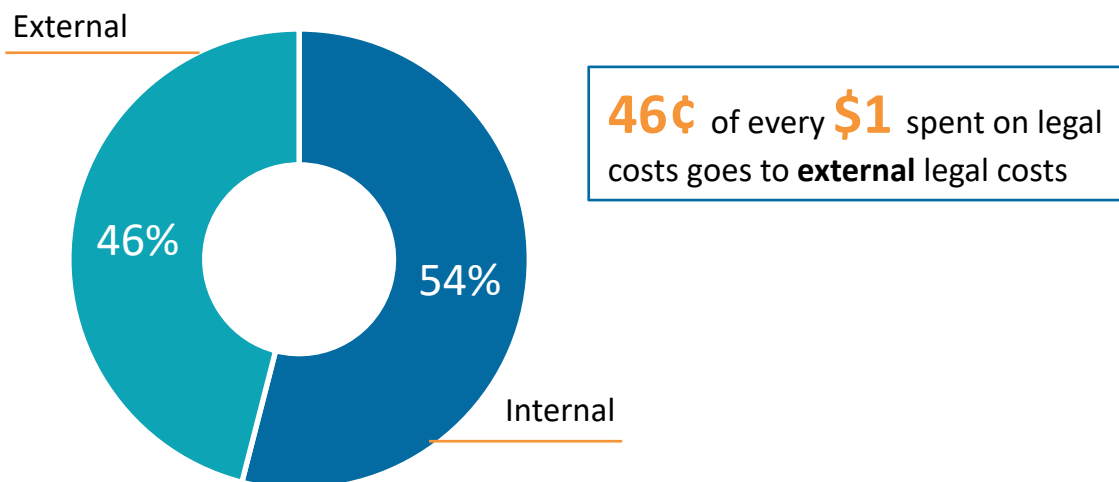
\$451K

*Legal department FTEs include attorneys, paralegals, Legal Operations professionals, administrators, and all other members of the legal department.

Legal Expenditure Metrics

50% of respondents reported an increase in internal legal expenditure from 2017 to 2018 which is consistent with the trend of cost controls and growing internal department sizes.

While 43% of respondents reported that the balance between in-house and outside counsel spending stayed the same from 2017 to 2018, 22% reported moving more work to outside counsel, 14% reported moving more work to alternative legal service providers and 33% reported moving more work in house.



Median External Legal Expenditure

\$11.7M

Median Internal Legal Expenditure

\$13.5M

Expenditure Breakdown by Company Size

Participants in the 2019 CLOC State of the Industry Survey represented companies of all sizes fairly evenly.

	Large Companies (\$10B+ Revenue)	Mid-Size Companies (\$1B - \$9.9B Revenue)	Small Companies (Less than \$1B Revenue)
% of Respondents	35%	36%	29%
Avg. External Expenditure	\$84M	\$21M	\$4M
Avg. Internal Expenditure	\$91M	\$17M	\$5M
Avg. Legal Expenditure as a % of Revenue	.5%	1%	2.7%
Avg. External to Internal Expenditure Ratio	\$.92 External for Every \$1 In-House	\$1.24 External for Every \$1 In-House	\$.82 External for Every \$1 In-House

Expenditure Breakdown by Industry

The average total legal spend as a percentage of revenues is 0.44%. Companies reported using a number of techniques to control their overall costs including leveraging alternative fee arrangements (AFAs), preferred provider panels, alternative legal service providers, and moving more work in house.

0.44%

is the average spend as a % of company revenue

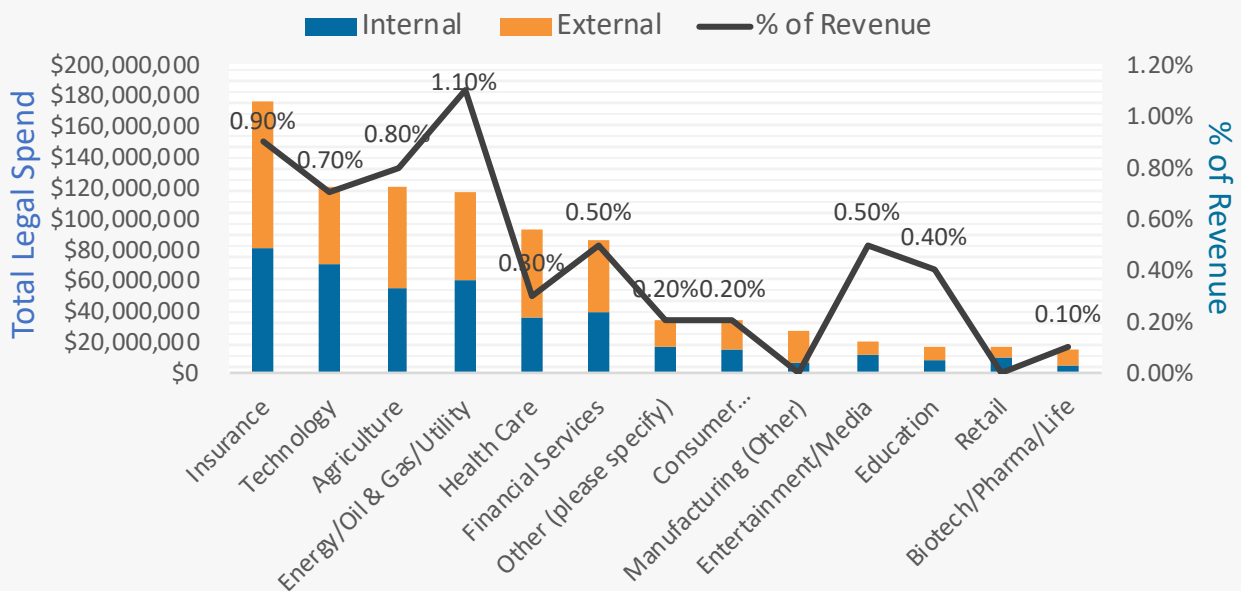
55%

of respondents use AFAs to lower external costs

-24%

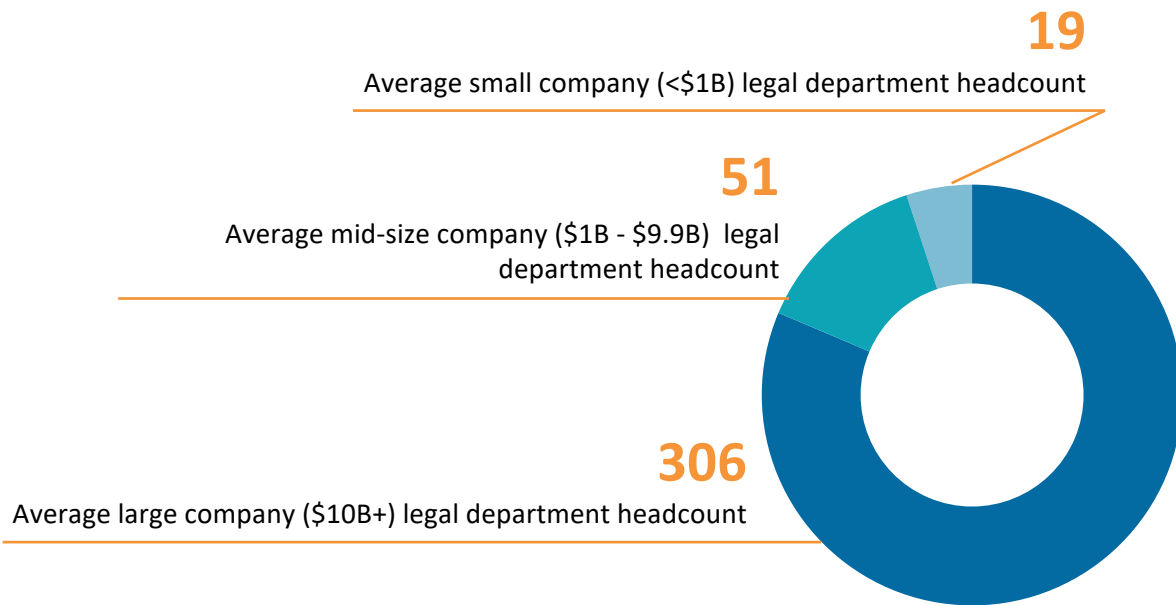
Average decrease in external spend for large & medium size companies from 2018

Technology industry spends the most on internal resources, about **28%** more than external legal costs.

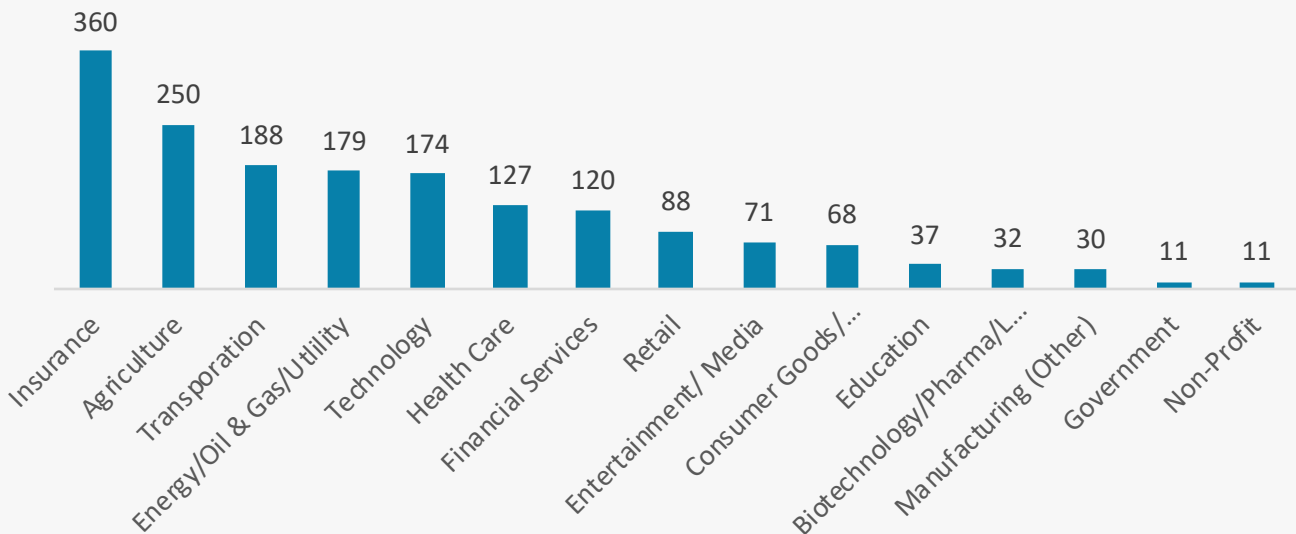


LEGAL DEPARTMENT HEADCOUNT

Overall Legal Department Headcount



Average Legal Department Headcount (FTE) by Industry*

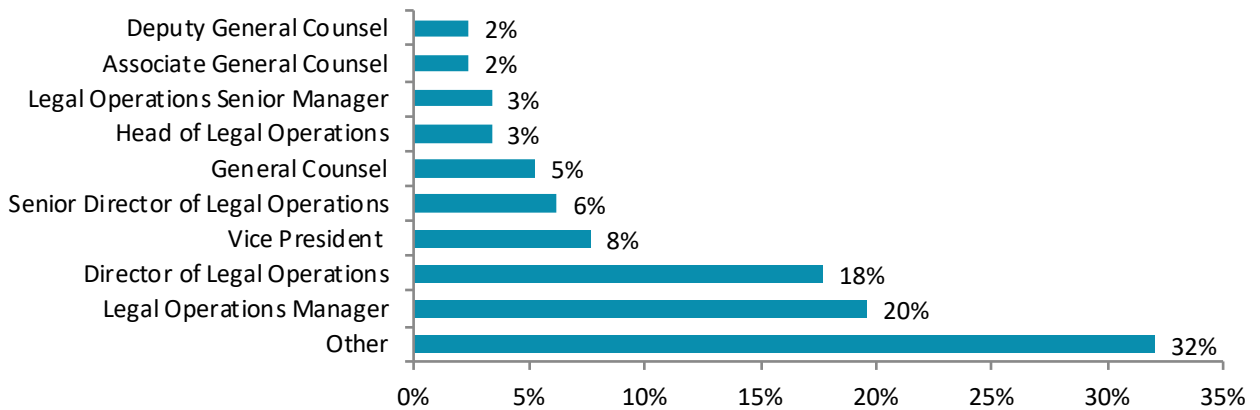


*Legal department FTEs include attorneys, paralegals, Legal Operations professionals, administrators, and all other members of the legal department

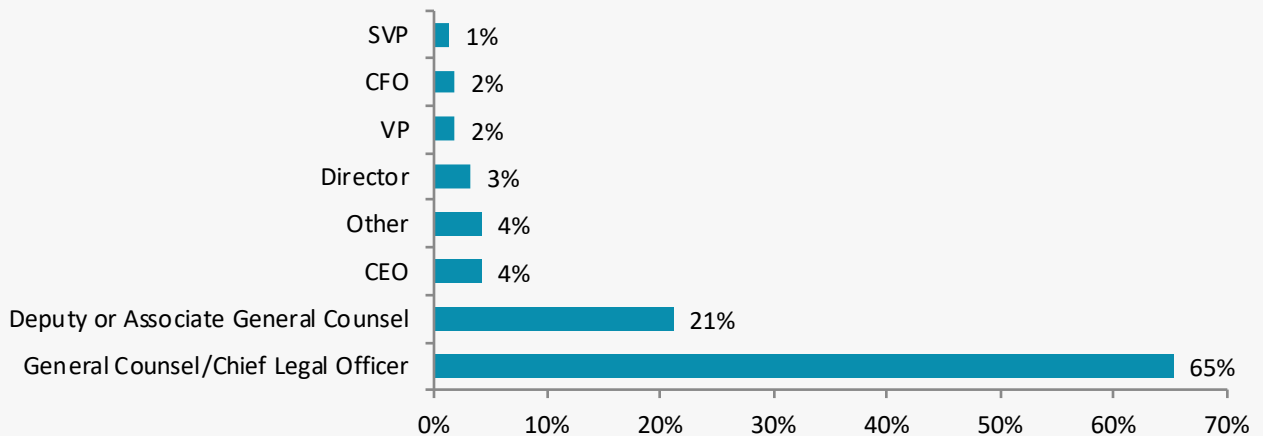
Legal Operations Titles & Org Structure

The role of Legal Operations has grown in prevalence, scope and stature in recent years with the majority of Legal Operations Leaders reporting directly to the General Counsel and with titles of increasing seniority.

Titles of Legal Operations Leader*



Legal Operations Reports To



*Other legal operations leader titles included: Assistant General Counsel, Chief of Staff, Contracts & Legal Operations Manager, Chief Operations Officer, and Head of Legal

Legal Operations Headcount

The size of Legal Operations functions has continued to increase through a combination of FTEs and contractors as teams demonstrate more impact.

The average Legal Operations team has **6 FTEs**




Insurance companies, which have the largest legal spend, have an average of **24** Legal Operations FTEs

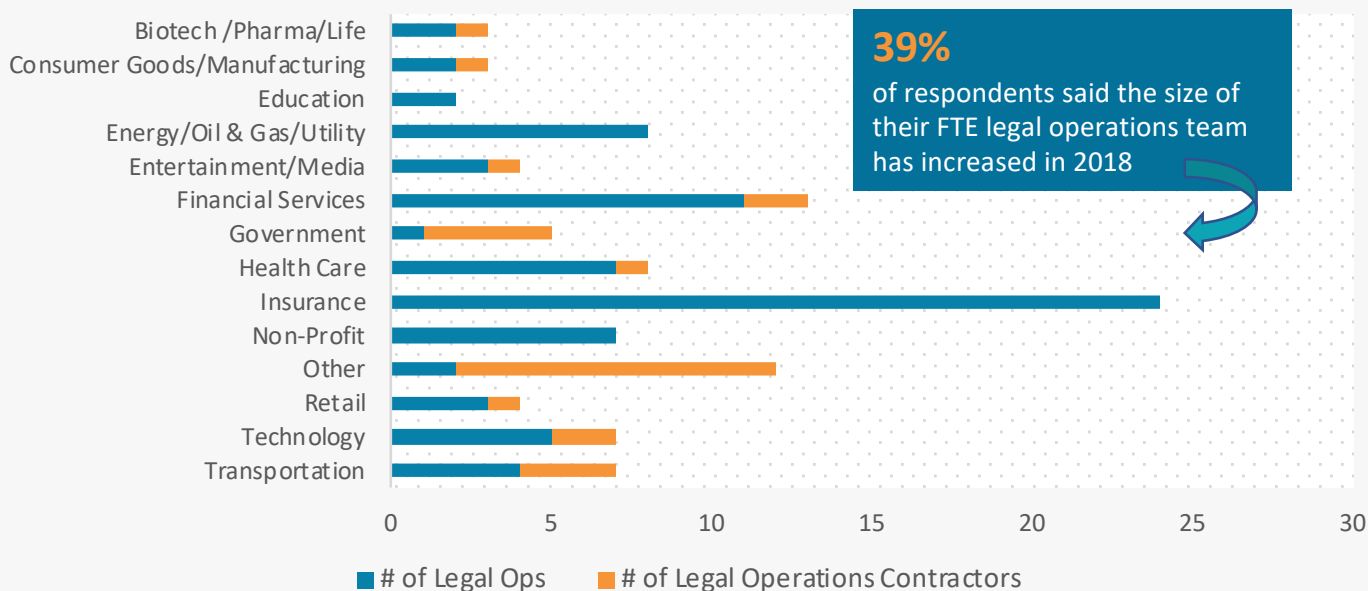


Large size companies have an average of **14** Legal Operations FTEs & **2** Legal Operations Contractors



Small and mid-size companies have an average of **2** Legal Operations FTEs & **0** Legal Operations Contractors

Average Legal Operations & Legal Operations Contractor by Industry



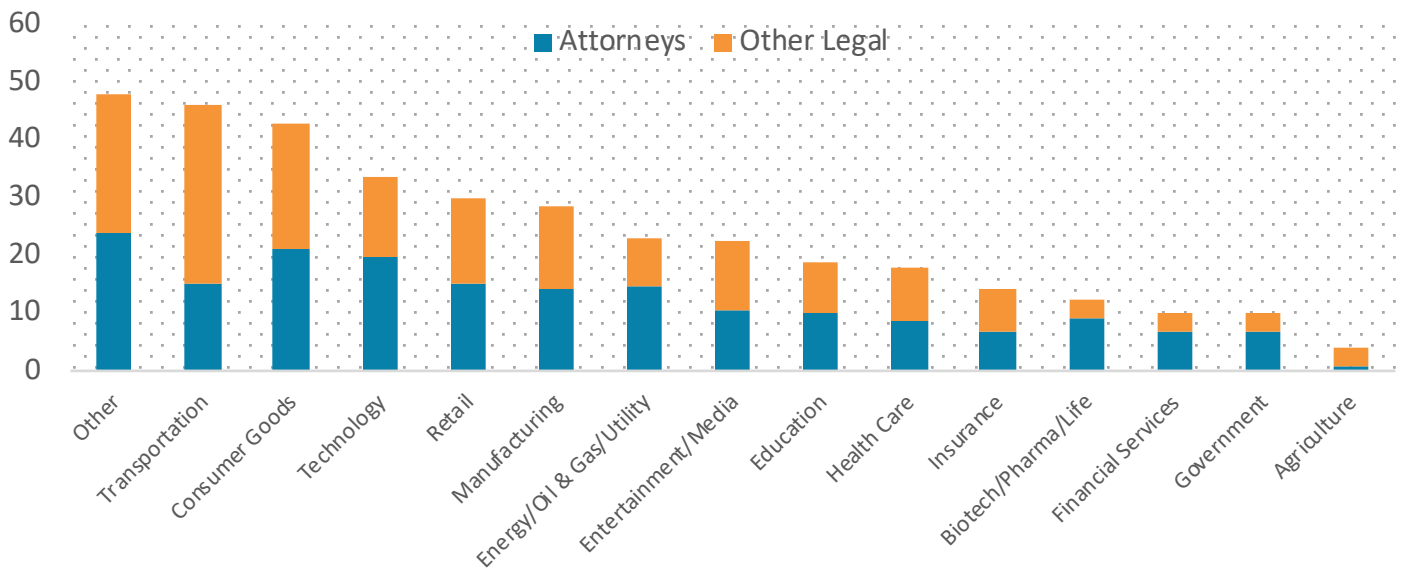
Legal Department: Legal Operations Headcount Ratio

Legal Operations professionals are accounting for a larger portion of their departments as the function grows in scope and new roles are added.



22 The average Legal Operations FTE Supports **22** Legal Department Staff

Number of Legal Dept Staff per Legal Operations FTE by Industry



12-to-1

Average **large company** (\$10B+) attorney to legal operations ratio



13-to-1

Average **mid-size company** (\$1B-\$9.9B) attorney to legal operations ratio



6-to-1

Average **small company** (<\$1B) attorney to legal operations ratio

Headcount Breakdown by Company Size

Of the companies that participated, 41% reported an increase in full time attorney headcount in 2018 and 39% reported an increase in dedicated legal operations FTEs.

	Large Companies	Mid-Size Companies	Small Companies
Avg. Attorney Headcount	164	28	10
Avg. Legal Operations Headcount	14	2	2
Avg. Attorney to Revenue Ratio	(1) Attorney per \$293M	(1) Attorney per \$139M	(1) Attorney per \$36M
Avg. Internal Spend per Legal Dept. FTE*	\$319K per FTE	\$341K per FTE	\$260K per FTE

*Legal department FTEs include attorneys, paralegals, Legal Operations professionals, administrators, and all other members of the legal department

TECHNOLOGY & INNOVATION

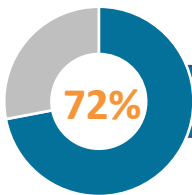
Use of Technology Solutions Roadmap

Legal Operations functions continue to have a strong focus on technology to improve transparency and data analytics, efficiency, quality and consistency of work, and speed of execution.



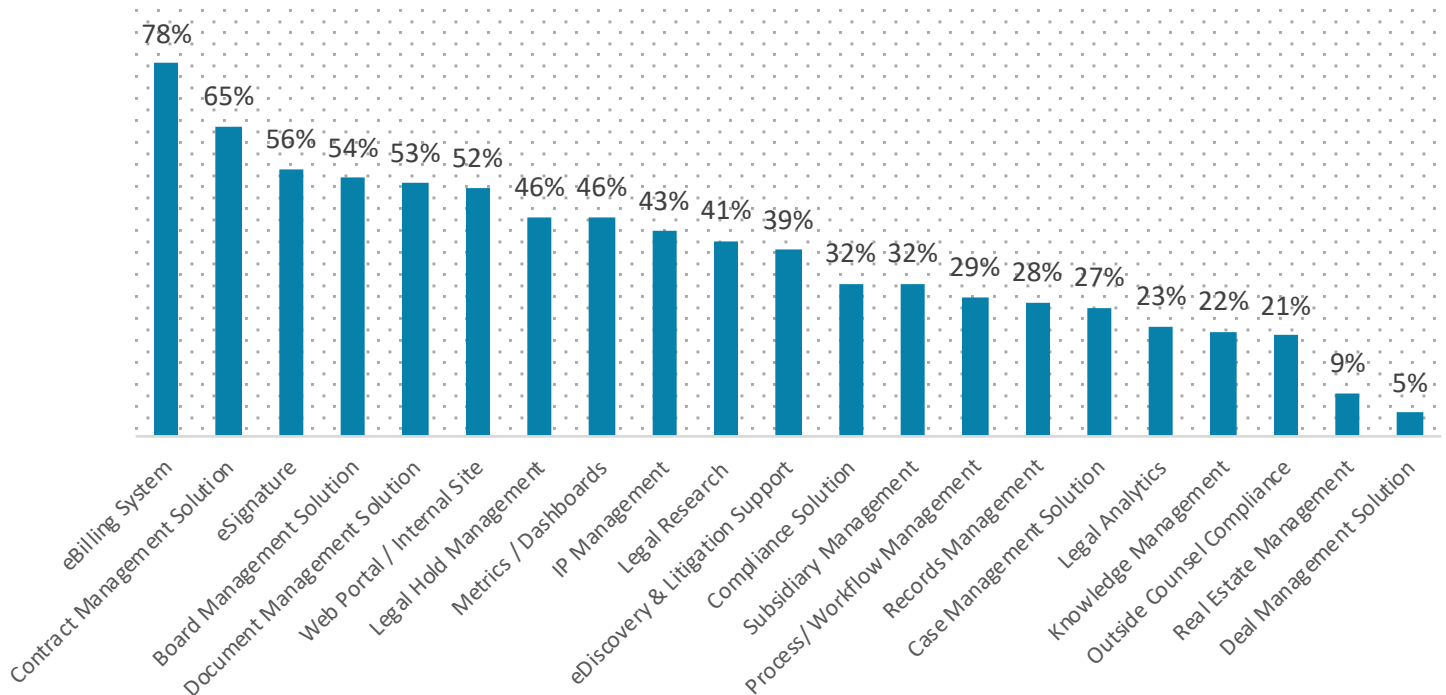
Companies with a **developed technology roadmap** spend

3x more on technology than organizations that don't have a roadmap or those still developing a roadmap



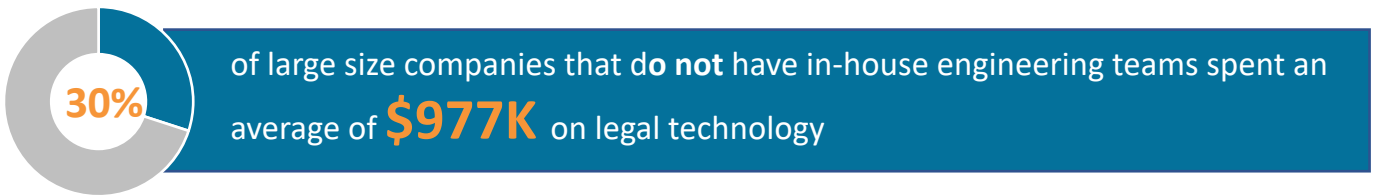
of respondents reported having a technology roadmap

% of Respondents with Implemented Systems & Tools



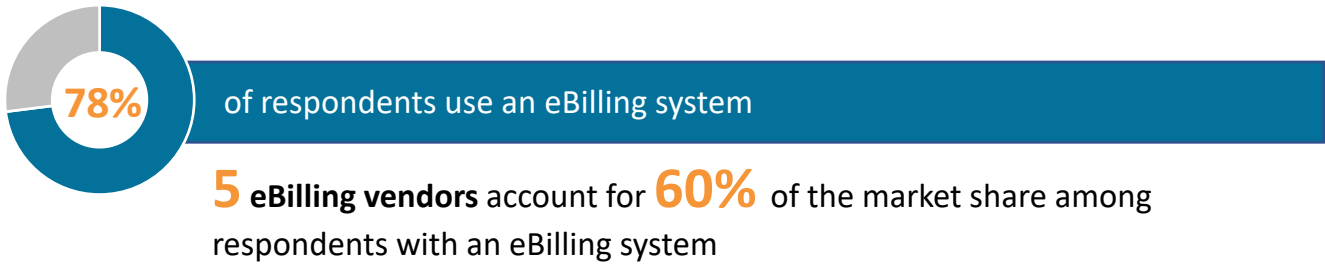
In-House Engineers & Technology Spend

The majority of corporate legal departments do not have in-house engineering support. Regardless, most companies rely on third party technology solutions for their legal department needs and adoption of legal technology is increasing in companies of all sizes and industries.



Most Commonly Used Technology

eBilling / Matter Solutions



Top Solutions Named Included

- LexisNexis Counsellink
- Thomson Reuters Legal Tracker
- Mitratech Collaborati / TeamConnect
- TyMetrix 360
- SimpleLegal

Contracts Management

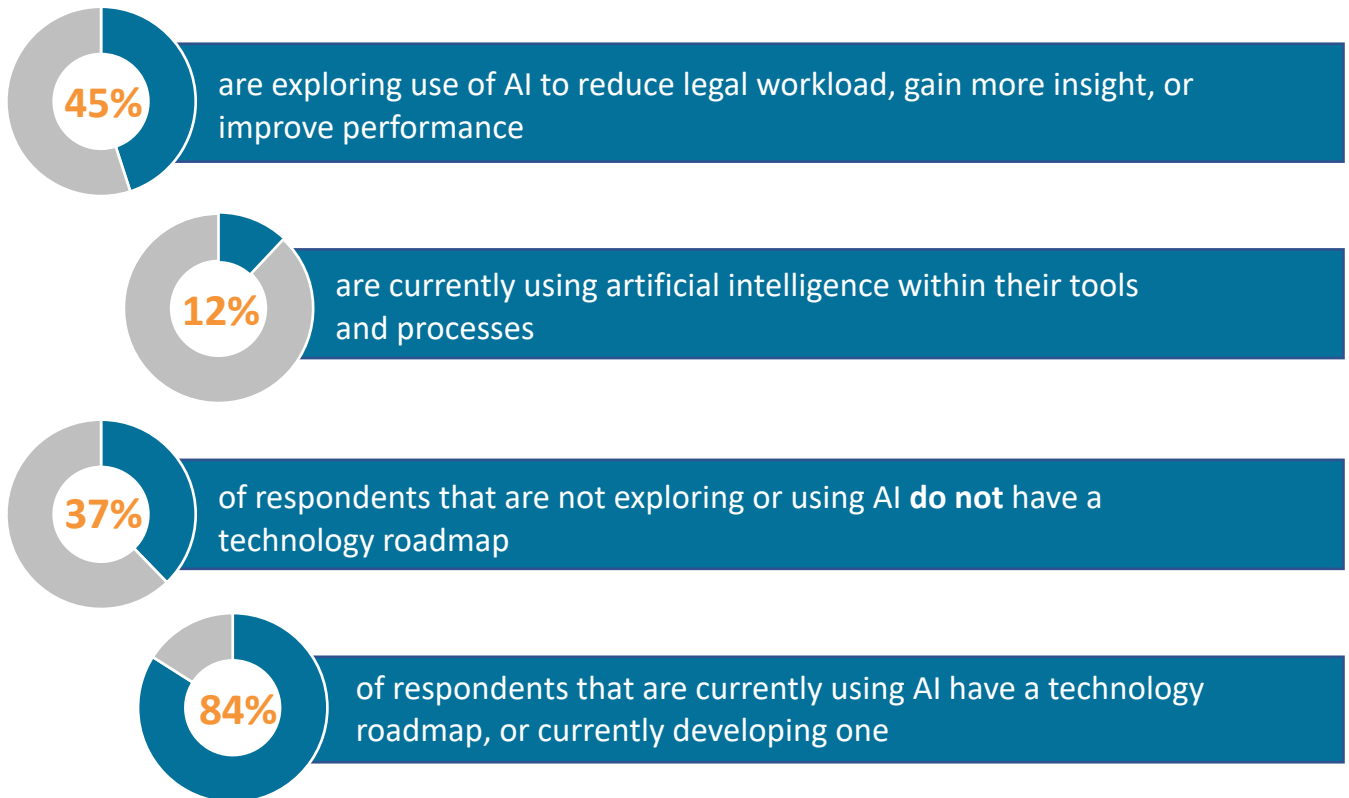


Top Solutions Named Included

- Apttus
- Office 365
- iCertis
- SAP Ariba
- Ironclad
- SpringCM
- Home Grown/Internally Developed

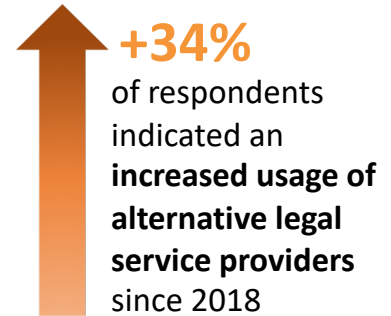
Exploring the Use of Artificial Intelligence

While the use of artificial intelligence in legal departments is still in early stages, many see its promise and are already starting to explore how best to leverage it.



Alternative Legal Services Providers

With nearly half of companies reporting the use of ALSPs in 2018 and 34% reporting an increase over the past year, we expect to see demand grow and usage continue to expand.



ALSPs Named by Respondents

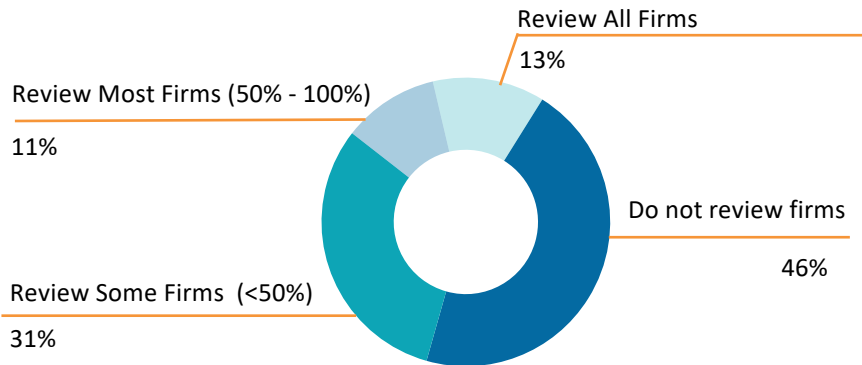
- Axiom
- Cobra
- Consilio
- Deloitte
- Elevate
- EPIQ
- Eversheds Consulting
- FLEX by Fenwick
- EY
- HBR Consulting
- Integreon
- Legility
- Lumen Legal
- PWC
- Pangea 3 (then TR, now EY)
- Priori Legal
- QuisLex



LAW FIRM EVALUATIONS

Law Firm Review & Performance

% of Companies that Conduct Law Firm Performance Reviews



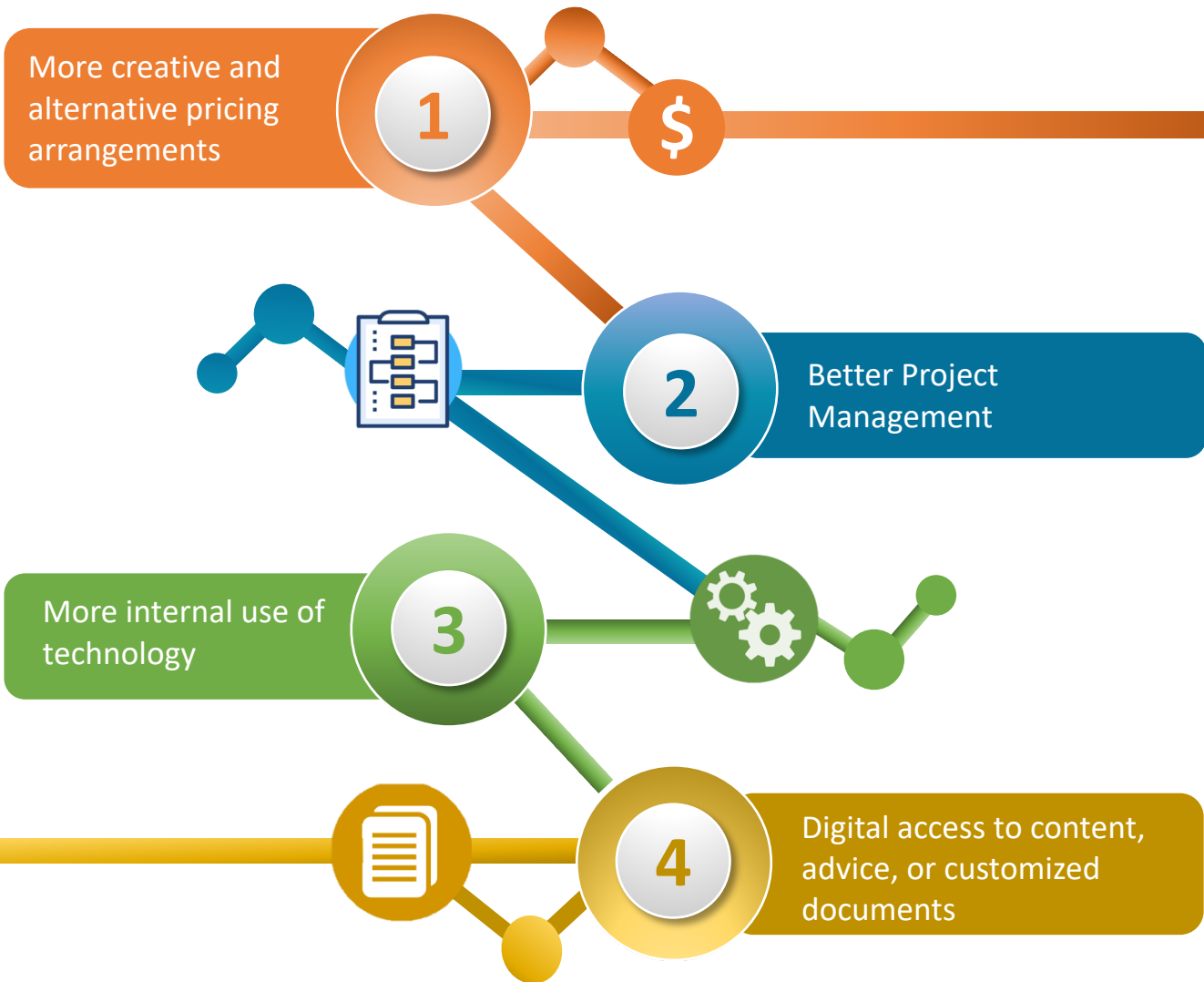
Firm Evaluation Criteria Ranked by Respondents in Order of Importance

1. Quality of Work
2. Cost Effectiveness
3. Responsiveness & Timeliness
4. Results / Outcomes
5. Understands & aligns with our business
6. Service Delivery
7. Diversity & Inclusion
8. Transparency & Information Sharing
9. Shared Values
10. Effective Use of Technology
11. Innovation & Creativity

More than 50% of respondents use these categories to evaluate firm's overall performance and value

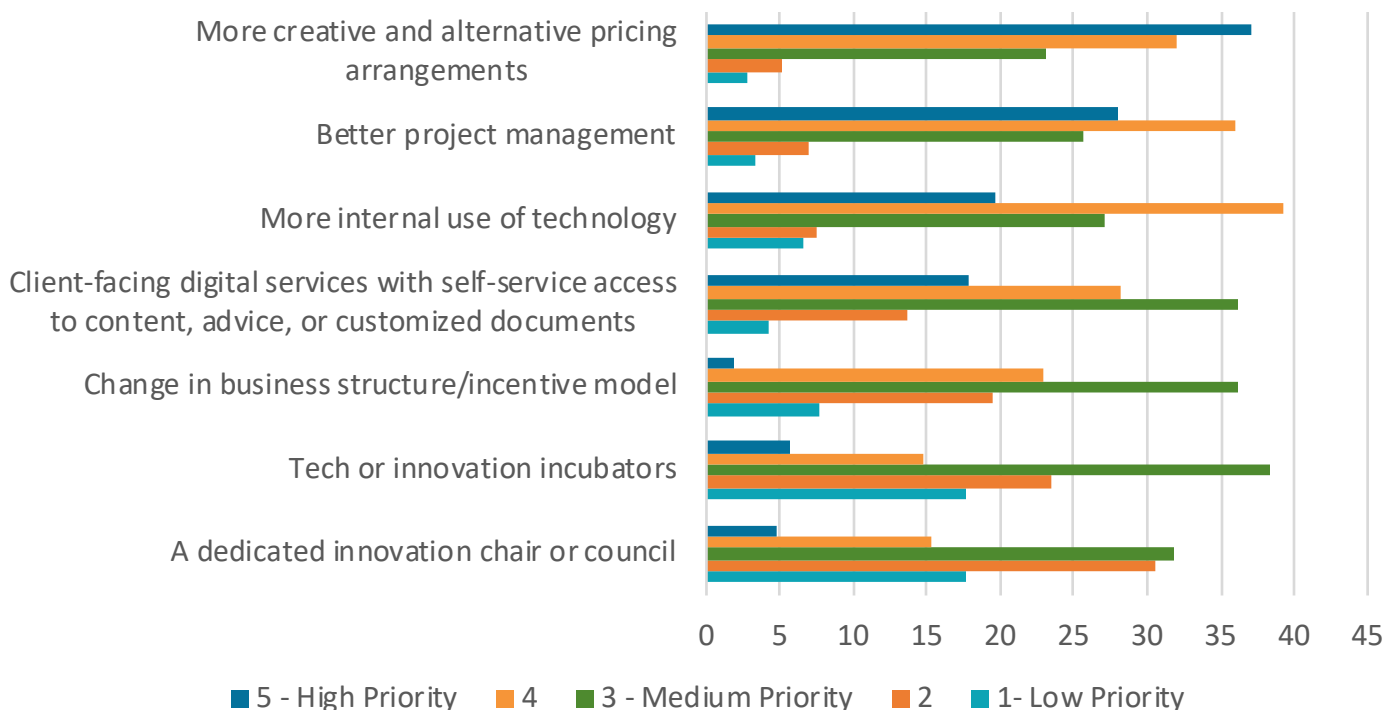
What do Legal Operations teams want from law firms?

Top Four Responses



What kind of innovation do you want to see from law firms? (1 - 5, low to high priority scale)

Answer	Weighted Average
More creative and alternative pricing arrangements	3.95
Better project management	3.79
More internal use of technology	3.58
Client-facing digital services with self-service access to content, advice, or customized documents	3.42
Change in business structure/incentive model	3.16
Tech or innovation incubators	2.67
A dedicated innovation chair or council	2.59



CLOC Core Competency Legal Operations Reference Model



© 2019 Corporate Legal Operations Consortium, Inc.

The 12 core competencies represent areas of focus that every legal operations department must manage to have a disciplined, efficient, and effective legal operations function. They are also part of a bigger picture: determining legal operations department maturity. The 12 competencies serve as a benchmark to compare a legal operations department's growth to others in the industry and break down legal operations departments into foundational, advanced and mature in order to improve and grow systemically.

Survey Structure and Methodology

CLOC's 2019 State of the Industry was developed by polling CLOC members during the first four months of 2019 about their 2018 results. 213 companies responded about their corporate legal operations departments. The survey consisted of questions that were designed to provide a deeper understanding of legal operations expenditure, headcount, technology & innovation and relationships with various legal services providers and law firms.

ABOUT CORPORATE LEGAL OPERATIONS CONSORTIUM (CLOC)

CLOC is 501(c)6 non-profit professional association. CLOC's mission is to help legal operations professionals and other core corporate legal industry players (e.g. tech providers, law firms, LPO's, law schools, etc.) to optimize the legal service delivery models needed to support the needs of small, medium and large legal departments.