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Legal Department Operations (LDO) Index: Dedicated Legal Operations Comes Home

Fifth Edition, 2020

METHODOLOGY

In this fifth edition of the Thomson Reuters Legal Tracker Legal Department Operations (LDO) Index, we highlight trends from qualitative and quantitative insights into corporate legal department operations.

KEY REPORT THEMES:

- **Legal Operations** including dedicated legal ops, in-house/outside counsel ratios, staffing, diversity, and metrics
- **Spend Management** including sophistication, cost control measures and effectiveness, timekeeper rates, and alternative fee arrangements (AFAs)
- **Legal Technology** including ranking of key solutions and emerging technology trends

The report includes Legal Tracker benchmarking data, comprised of more than \$90B in legal spending from more than 1,450 legal departments as well as responses to a survey of legal departments using Legal Tracker conducted in June 2020. The survey received responses from 223 legal departments including 81 companies in the Fortune 1000.

At times throughout the report you will see results in this report classified by size, which reflects company annual revenue.

SMALL	MODERATE	MEDIUM	LARGE
Less than \$500M	\$500M – \$2B	\$2B – \$10B	\$10B+

EXECUTIVE SUMMARY

Over the course of five editions of the LDO Index, this is the first time we have observed a significant change in how legal departments are operating, most notably a dramatic jump in the number of legal departments that now have dedicated legal operations staff. This portion now represents 81% of legal departments surveyed, a jump from 57% of legal departments with such operations in the 2019 report. (In the first LDO Index, in 2017, only 51% of legal departments reported having dedicated legal operations.)

This movement clearly demonstrates how legal operations rapidly have become the new norm for legal departments in an industry where rapid change rarely happens.

While traditionally viewed as slow to change, a majority of legal departments (55%) characterized the pace of current change as “moderate” with demonstrable change, or “fast” with large-scale advancement each year.

Key priorities for legal departments remain relatively consistent. Controlling outside counsel costs is at the top of the list — seen as a high priority by 89% of legal departments. Aligned to the cost control priority, 92% of legal departments say they routinely report on total spend, broken down by law firm. Also, more than half of legal departments also identified data security, internal efficiency, use of technology, and a focus on legal operations as high priorities.

Among their most pressing challenges, legal departments say they continue to face a growing workload, with 68% reporting an increasing volume of work, as defined by the growth in the total number of legal matters undertaken over the past 12 months. To address this change, many departments are increasing outside counsel spending and expanding the number of law firms they utilize, while also bringing more work in-house and increasing budgets for technology.



Further, legal departments have increased their spend management sophistication with a 5% increase year-over-year (YoY) in the portion of legal departments moving to optimized or predictive spend management. And 23% of legal departments say they remain reactive in their spend management, with billing guideline enforcement cited as the most effective way to control legal costs.

In addition, 30% of legal departments are increasing their use of alternative fee arrangements (AFAs), with most legal departments (60%) reporting they have up to 20% of outside legal work under AFAs.

Large companies are most likely to have greater AFA utilization and utilize more alternative legal service providers (ALSPs), with 23% of large companies increasing their use of ALSPs in the current survey.

Also, from 2018 to 2019, timekeeper rates generally grew between 2% and 5%, but wide variation exists depending on both firm and company size.

In terms of the key technology priorities for legal departments, spend & matter management is at the top of the list, with contract management, document management, legal hold, and legal research rounding out the top five. Nearly half (44%) of legal departments have increased their use of technology tools in the last 12 months, while 30% have increased their legal technology budget.

LEGAL DEPARTMENT SPEND MANAGEMENT SOPHISTICATION

Legal departments self-identified into one of five levels of spend management sophistication. The majority (51%) continue to report middle of the curve – *Proactive* spend management. Overall, there is a 5% increase YoY of legal departments increasing their sophistication and reporting managing spend at *Optimized* or *Predictive* levels, with the greatest frequency being in large legal departments.

	Overall	Small	Moderate	Medium	Large
Chaotic	0%	0%	0%	1%	0%
Reactive	23%	33%	19%	28%	6%
Proactive	51%	54%	57%	43%	51%
Optimized	18%	8%	17%	21%	29%
Predictive	7%	4%	6%	7%	14%

It is worth noting that although sophistication typically increases with department size, 12% of Small and 23% of Moderate legal departments had achieved Optimized or Predictive levels, despite their smaller scale.

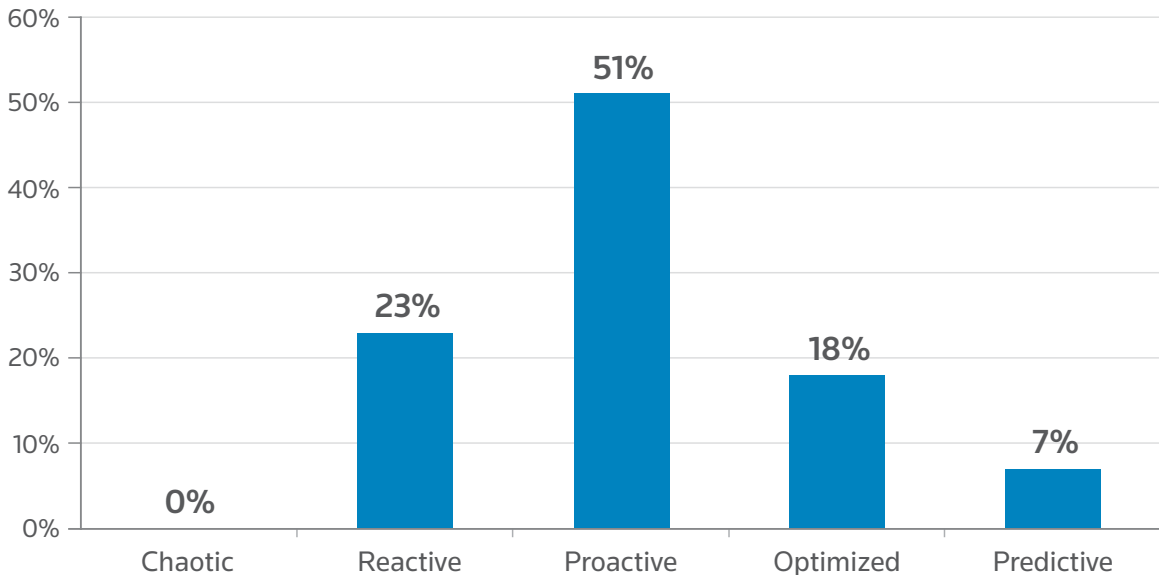
SPEND MANAGEMENT SOPHISTICATION MODEL

Respondents were given the following definitions of sophistication, centered around spend management. However, it was found that legal departments at each level differed from other levels not just in terms of the cost control measures they have in place, but also in the strategies they consider high priority, the metrics they report, and the legal technologies they use.

Throughout this report we will show what these differences are, and in so doing, suggest the secrets of success in moving from a Chaotic or Reactive to a Proactive model, or from a Proactive to an Optimized or Predictive model. We will also highlight *emerging* tactics – those being used by less than half of legal departments currently, but increasingly so by Optimized and Predictive departments.

- **Chaotic** – Legal invoices outside of e-billing system; no consistent way to report on legal spending
- **Reactive** – Use of an e-billing system and basic reports on spending
- **Proactive** – Use of billing guidelines, invoice audits, and legal invoice review; process for management of timekeepers and matters
- **Optimized** – Centralized management of rates; use of request for proposals (RFPs), bids or discounts to set rates; focus on internal processes that drive costs down; advanced reporting on legal department performance
- **Predictive** – Active management of matters with collaborative involvement from attorneys, outside counsel, and legal operations; detailed matter budgets, predictability, and forecasting; benchmarking performance

OVERALL LEVELS OF SPEND MANAGEMENT SOPHISTICATION



Law Department Priorities

Controlling outside counsel costs remains the top priority for legal departments, consistent with prior surveys. The biggest areas of change include driving internal efficiency (up 14%, YoY), and focus on internal data security (up 10%, YoY). Biggest change for departments from having “no priority” to some priority include using diversity data as a factor in law firm selection (up 11%, YoY) and use of alternative legal service providers (up 9%, YoY).

	2020 High Priority	2020 Low Priority	2020 No Priority
Controlling outside counsel costs	89%	9%	2%
Focus on internal data security	74%	26%	0%
Driving internal efficiency in the delivery of legal services/practice of law	74%	20%	6%
Using technology to simplify workflow and manual processes	61%	32%	7%
Focus on legal operations	52%	38%	10%
Using business intelligence to inform decision-making	44%	35%	21%
Focus on external data security/outside counsel security practices	41%	41%	18%
Bringing more work in-house	40%	33%	27%
Reducing the number of law firms utilized/convergence	28%	42%	30%
Using diversity data as a factor in firm selection	25%	31%	44%
Use of legal project management tools	24%	48%	28%
Reliance on AFAs as opposed to hourly rates	17%	51%	32%
Bringing e-discovery in-house	16%	37%	47%
Use of alternative legal service providers	6%	47%	47%

HIGH PRIORITIES BY LEGAL DEPARTMENT SOPHISTICATION

Chaotic or Reactive	Proactive	Optimized or Predictive
Controlling outside counsel costs	Controlling outside counsel costs	Controlling outside counsel costs
Focus on internal data security	Focus on internal data security	Focus on internal data security
Focus on internal efficiency	Focus on internal efficiency	Focus on internal efficiency
Using technology	Using technology	Using technology
Bringing more work in-house	--	Bringing more work in-house
	Focus on legal operations	Focus on legal operations
		Using business intelligence to inform decision-making
		Focus on external data security

High priority for 50%+ departments in each group.

Legal departments at all levels of sophistication generally consider outside counsel cost control, internal efficiency, and technology to be high priorities, as well as internal data security. In addition, Proactive departments are starting to focus more on legal operations with the most sophisticated departments prioritizing internal and external data security and using business intelligence to inform decision-making.

Despite much discussion on alternative fee arrangements in the market, relatively few legal departments currently place a high priority on AFAs. The level of priority increases with increasing department sophistication, however, suggesting that AFAs will increasingly come to the fore as departments increase in sophistication.

LEGAL OPERATIONS

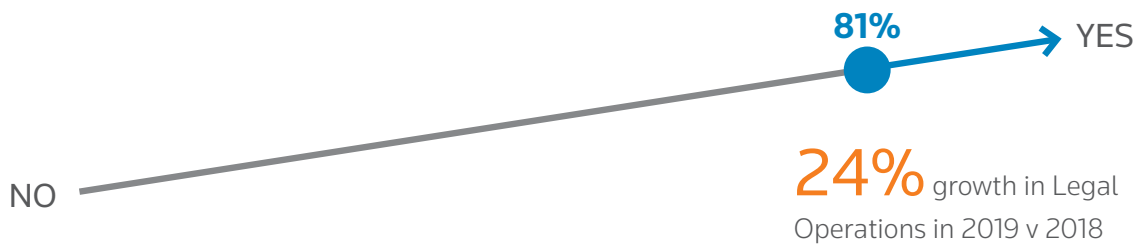
A significant change from prior surveys is that now 81% of legal departments report having dedicated legal operations. While we have seen growth in this area each year, for 2020 we are seeing a 24% YoY increase overall.

The biggest factor in this change in the presences of legal operations is the size of legal departments. Legal operations traditionally had greater presence in the legal departments of larger companies, but now we see the operations role extending across the board. As legal departments look to find efficiencies, even in small legal departments, one of the department's first five hires may now include a legal operations role, the survey showed. Indeed, the one area where there is the smallest YoY change is among large companies.

DEDICATED LEGAL OPERATIONS

	Overall	Small	Moderate	Medium	Large
Dedicated Legal Ops – 2020	81%	71%	81%	85%	86%
Dedicated Legal Ops – 2019	57%	44%	50%	70%	77%

OVERALL DEDICATED LEGAL OPERATIONS STAFF IS EXPERIENCING FAST GROWTH



Overall, 16% of legal departments increasing legal operations headcount, with the greatest increase being seen in medium companies (those with \$2 billion to \$10 billion in annual revenue).

	Overall	Small	Moderate	Medium	Large
Percentage of departments increasing Legal Operations headcount	16%	13%	13%	21%	17%

	Overall	Small	Moderate	Medium	Large
Average staff size of dedicated Legal Operations team	3	1	2	3	6

Only 11% of legal departments say they have “no priority” to focus on legal operations. This lack of priority for legal operations is largest (14%) among moderate-sized companies.

Pace of Change

In a new question this year, we asked legal departments how they would characterize the pace of their department's change in terms of process or technology advancements. Just 5% reported a *Fast* pace with large-scale advancements each year; and 51% reported a *Moderate* pace with demonstrated progress. Less than 1% of legal departments said that change was non-existent with no change in process. Large companies were most likely to report *Fast* change and implement large-scale advancements each year.

Organizations with dedicated legal operations reported pace of change as *Moderate* or *Fast* more frequently than their peers without legal operations.

	Overall	Small	Moderate	Medium	Large
Non-existent — No change in processes	0%	0%	0%	1%	0%
Slow — Few changes each year in how work is done	44%	49%	37%	47%	46%
Moderate — Demonstrated progress each year	50%	45%	63%	46%	43%
Fast — Large-scale advancement each year	5%	6%	0%	6%	11%

Addressing Growing Volume of Legal Work

Consistent with prior reports, the growing volume of work for legal departments remains the most common trend, with 68% of legal departments reporting their volume of legal work had increased over the past 12 months.

To address this increasing volume, 49% of legal departments have increased outside counsel spending and 42% have expanded the total number of law firms they utilized. In addition, 47% have increased the percentage of work handled in-house; 30% have increased the number of attorneys in their departments; and 16% have increased their legal operations staff.

In terms of legal department budgeting, 32% of legal departments have reported an increase in the total legal department budget, and 30% have increased their budget for technology.

TREND LAST 12 MONTHS: VOLUME OF LEGAL WORK - NUMBER OF LEGAL MATTERS

	Overall	Small	Moderate	Medium	Large
Decreasing	6%	4%	5%	10%	0%
Flat / No change	27%	13%	27%	29%	40%
Increasing	68%	83%	68%	61%	60%

TREND LAST 12 MONTHS: NUMBER OF INTERNAL HEADCOUNT - ATTORNEYS

	Overall	Small	Moderate	Medium	Large
Decreasing	14%	4%	19%	18%	9%
Flat / No change	56%	71%	48%	53%	57%
Increasing	30%	25%	33%	29%	34%

TREND LAST 12 MONTHS: TOTAL LEGAL DEPARTMENT BUDGET

	Overall	Small	Moderate	Medium	Large
Decreasing	22%	13%	27%	21%	31%
Flat / No change	45%	46%	43%	49%	43%
Increasing	32%	42%	30%	31%	26%

TREND LAST 12 MONTHS: TOTAL NUMBER OF ACTIVE LAW FIRMS

	Overall	Small	Moderate	Medium	Large
Decreasing	18%	15%	17%	21%	20%
Flat / No change	39%	46%	33%	38%	46%
Increasing	42%	40%	49%	42%	34%

TREND LAST 12 MONTHS: OUTSIDE COUNSEL SPENDING

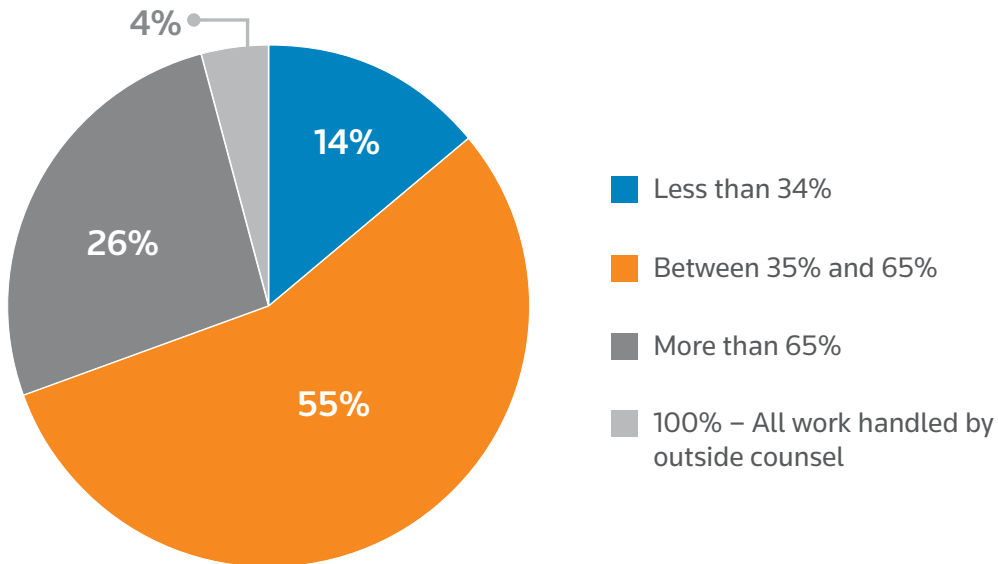
	Overall	Small	Moderate	Medium	Large
Decreasing	23%	13%	17%	28%	37%
Flat / No change	28%	25%	33%	28%	23%
Increasing	49%	63%	49%	44%	40%

The majority of legal departments (55%) send between one-third and two-thirds of overall legal work to outside counsel — 14% send out less than one-third of total legal department work, and 26% send out more than two-thirds of legal work. Just 4% of legal departments send out *all* legal work.

VOLUME OF LEGAL WORK SENT TO OUTSIDE COUNSEL

	Overall	Small	Moderate	Medium	Large
Less than 1/3	14%	19%	14%	11%	14%
Between 1/3 and 2/3	55%	48%	57%	58%	57%
More than 2/3	26%	29%	25%	28%	26%
100% — All work handled by outside counsel	4%	4%	3%	3%	3%

OVERALL VOLUME OF WORK SENT TO OUTSIDE COUNSEL



Staffing

Overall in-house paralegal staffing ratios are 1 paralegal for every 3 to 5 attorneys, with the leanest paralegal staffing in small and large companies. However, when compared to overall legal department staff, attorneys make up between 53% to 65% of the total staff, with attorney-to-staff ratios greatest in small legal departments.

In terms of the ration of internal legal department staff to annual outside counsel spend, companies average 1 law department staff for every \$411,727 in outside legal spend.

LEGAL DEPARTMENT STAFF

	Overall	Small	Moderate	Medium	Large
Paralegal/Attorney	0.27	0.20	0.35	0.34	0.21
Attorneys as percentage of department size	56%	65%	53%	60%	54%
Legal department staff to outside counsel spend	1: \$411k	1: \$335k	1: \$581k	1: \$427k	1: \$369k
Average department size – all legal staff	—	12	21	62	200
Average attorney count	—	8	11	37	108

MATTER STAFFING

Based on approved invoice data from 2019 compiled by Legal Tracker, overall legal work is staffed at a ratio of between 47% to 53% for partners and associates, a 3% decrease in partner staffing YoY. Large companies are least likely to pay for partner time, with a ratio of 42% partner to 58% associate time assigned.

While driving down partner utilization, large companies also were most successful in driving down average timekeeper rates, reducing rates 2.1% for 2019 compared to 2018, the only segmented size to reduce rates. Overall, realized timekeeper rate increased 0.8% in 2019 as compared to 2018.

2019 OUTSIDE STAFFING RATIOS

	Overall	Small	Moderate	Medium	Large
Partner/Associate Ratio	47% Partner	47% Partner	49% Partner	47% Partner	42% Partner

Timekeeper Rates

The timekeeper rates below are based on approved timekeeper invoice rates submitted for payment. The Legal Tracker database includes more than \$20 billion in annual approved legal spend and matter benchmarks. Rates can vary dramatically by industry, location, matter type, company, and firm size. *(See some additional highlights of breakdowns below.)*

Rates for full-year 2019, grew between 2% and 5%, depending on timekeeper classification.

AVERAGE TIMEKEEPER RATES

	2017	2018	2019
Partner Index Average	\$526	\$520	\$532
Associate Index Average	\$403	\$403	\$420
Of Counsel Index Average	\$525	\$532	\$547
Paralegal Index Average	\$187	\$186	\$195

Across all categories, timekeeper rates grew YoY from 2018 to 2019, with medium-sized companies showing the greatest control of rates and the smallest growth. For companies of all sizes, associate rates had more realized gains.

RATES BY COMPANY REVENUE

	2018	2019	Year-Over-Year
Small (Less than \$500M)			
Partner Index Average	\$463	\$484	4.5%
Associate Index Average	\$363	\$386	6.3%
Moderate (\$500M – \$2B)			
Partner Index Average	\$500	\$531	6.2%
Associate Index Average	\$385	\$417	8.3%
Medium (\$2B – \$10B)			
Partner Index Average	\$533	\$536	0.6%
Associate Index Average	\$420	\$424	0.9%
Large (\$10B+)			
Partner Index Average	\$562	\$581	3.4%
Associate Index Average	\$417	\$444	6.5%

The top 50 Am Law firms continue to realize the greatest rates and achieve the greatest YoY rate increases. Overall, firms in the Am Law Second 100 are realizing lower rates that continue to stay relatively flat with a small decline in realized rates from 2018 to 2019.

RATES BY FIRM SIZE

	2018	2019	Year-Over-Year
Am Law 50			
Partner Index Average	\$870	\$901	3.6%
Associate Index Average	\$565	\$593	5.0%
Am Law 51-100			
Partner Index Average	\$592	\$610	3.0%
Associate Index Average	\$405	\$421	4.0%
Am Law 101-200			
Partner Index Average	\$475	\$468	-1.4%
Associate Index Average	\$343	\$340	-0.8%

Diversity

More than half (56%) of legal departments surveyed said it is a priority for them to use diversity data as a factor in outside law firm selection — up 9% from the prior year. And 30% of legal departments report they have a diversity initiative that requires law firms to provide diversity information. The diversity requirement is strongest in large companies, with 54% saying they have a diversity initiative in place. Moreover, 13% of legal departments surveyed plan to launch a diversity initiative in the coming year; and 6% have launched an initiative within the past year. Only 17% of legal departments surveyed report on law firm diversity as a standard department metric.

REQUIRE DIVERSITY INFORMATION / LENGTH OF DIVERSITY INITIATIVE

	Overall	Small	Moderate	Medium	Large
No	57%	60%	59%	60%	43%
No, but plan to launch in coming year	13%	23%	16%	10%	3%
Yes. New in past year	7%	4%	10%	6%	11%
Yes. 1-2 years	6%	2%	6%	7%	6%
Yes. 3-6 years	11%	6%	3%	13%	26%
Yes. 7+ years	6%	4%	6%	6%	11%

Metrics

Legal departments are most likely to focus on quantitative metrics, with spend-by-law-firm reported on by 92% of legal departments. In a push to continue to demonstrate value, more sophisticated legal departments have greater numbers of commonly reported metrics, including qualitative metrics like quality of legal outcomes.

LEGAL DEPARTMENT METRICS UTILIZED

	Utilization Rate
Total spend by law firm	92%
Total spend by matter type	62%
Total spend by practice group	54%
Total spend by business unit	50%
Forecasted/budgeted spend vs. actual spend	48%
Number of legal matters opened & closed	46%
Savings from invoice review/reduction	38%
Litigation exposure	36%
Avg. matter spend by law firm	35%
Spend to budget by law firm	30%
Savings/discounts from timekeeper rate negotiation	29%
Timekeeper rates - local market	28%
Legal spend to revenue	25%
Savings from alternative fee arrangements	17%
Cost of handling work in-house vs. sending work to outside counsel	17%
Law firm diversity	17%
Savings by handling matters in-house	16%
Costs avoided - won case, settled quickly	15%
Savings from using legal technology	15%
Cycle time - average period of time between opening and closing a matter	12%
Outside counsel evaluation results	11%
Quality of legal outcomes	11%

METRICS BY LEGAL DEPARTMENT SOPHISTICATION

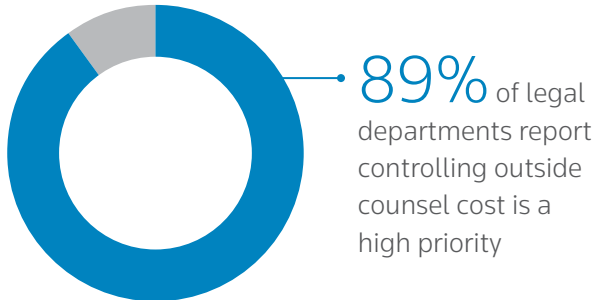
Chaotic or Reactive	Proactive	Optimized or Predictive
Total spend by law firm	Total spend by law firm	Total spend by law firm
Total spend by matter type	Total spend by matter type	Total spend by matter type
	Total spend by practice group	Total spend by practice group
	Number of legal matters opened & closed	Number of legal matters opened & closed
		Total spend by business unit
		Forecasted/budgeted spend vs. actual spend
		Savings/discounts from timekeeper rate negotiation

Metrics in place for 50%+ departments in each group.

With increasing department sophistication, we typically see total spend being broken out in different ways in reporting, rather than simply by law firm and matter type. The most sophisticated departments are forecasting spend and monitoring actual spend relative to forecasts. They also often record the savings made through rate negotiation.

SPEND MANAGEMENT

Cost Control Measures



EFFECTIVE COST CONTROL MEASURES

The legal departments surveyed were asked to identify the practices below that were effective measures for cost control. Enforcement of billing guidelines was the most common metric cited by legal departments.

Cost Control Measure	Effectiveness
General enforcement of billing guidelines – reduction of invoice fees and expenses	81%
Standard discounts on proposed timekeeper rate cards (e.g. 10% off rack rates)	53%
Regular review of budgets, and comparison to actual spending on high-cost matters	51%
Reduction of invoice expenses	50%
Reduction of timekeeper rate increases	49%
Volume discount	45%
Law firm matter budgets – required	42%
Blended hourly rates (e.g. fixed rate for partners, fixed rate for associates)	35%
Fixed/Flat fee – Set amount at matter level	34%
Utilization of preferred vendors/panel program	28%
Regular meeting with firms to discuss and set rates	24%
Fixed/Flat fee – Set amount(s) at certain stages in litigation	24%
Competitive bidding (Legal-driven RFP)	21%
Limitations on the use of first-year attorneys	15%
Fixed/Flat fee – Set amount at group level (matters of a similar type)	13%
Utilization of corporate (non-legal specific) procurement policies	10%

COST CONTROL MEASURES BY LEGAL DEPARTMENT SOPHISTICATION

Chaotic or Reactive	Proactive	Optimized or Predictive
<i>Although these departments report an average of 4 effective measures, there is relatively little consistency; each is used by less than 50%</i>	General enforcement of billing guidelines	General enforcement of billing guidelines
	Reduction of timekeeper rate increases	Reduction of timekeeper rate increases
	Reduction of invoice expenses	Reduction of invoice expenses
	Standard discounts	Standard discounts
		Regular review of budgets to actual spending on high-cost matters
		Volume discounts
		Law firm matter budgets required

Effective measures for 50%+ departments in each group.

For departments struggling to find effective cost control measures, an initial starting point should be to ensure billing guidelines are in place and effectively enforced. A large percentage (90%) Proactive, Optimized, and Predictive legal departments have found this to be an effective cost-control measure, compared to fewer than half of Chaotic or Reactive departments. Standard discounts and reduction of timekeeper rate increases and invoice expenses are also actions to consider, as these were cited as effective measures for the more sophisticated legal departments.

In addition, Optimized and Predictive departments stand out for budgeting — requiring law firms to provide matter budgets and regularly reviewing actual spending against these budgets to ensure costs do not spiral out of control. Although still the minority, Optimized and Predictive departments also are more likely to be utilizing fixed or flat fees and RFPs.

Use of Alternative Fee Arrangements

In our survey, legal departments were asked to identify the percentage of outside legal spend that is under alternative fee arrangements (AFAs) as opposed to standard hourly timekeeper rates. While 30% of departments reported increasing the use of AFAs in the last 12 months, the overall percentage of work under AFAs has remained consistent year-over-year, with 60% of legal departments reporting up to 20% of their legal matters were under AFAs.

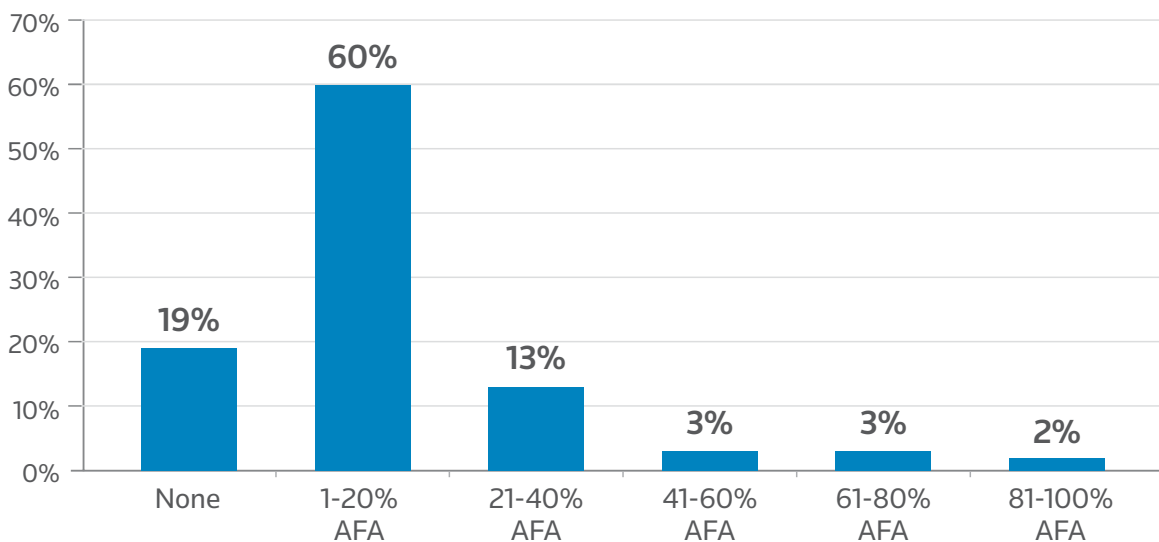
TREND LAST 12 MONTHS: USE OF ALTERNATIVE FEE ARRANGEMENTS

	Overall	Small	Moderate	Medium	Large
Decreasing	5%	6%	2%	8%	0%
Flat / No change	66%	73%	73%	61%	51%
Increasing	30%	21%	25%	31%	49%

PERCENTAGE OF WORK UNDER ALTERNATIVE FEE ARRANGEMENTS (AFAS)

	Overall	Small	Moderate	Medium	Large
None	19%	21%	24%	14%	17%
1-20% AFA	60%	65%	59%	64%	46%
21-40% AFA	13%	2%	14%	11%	31%
41-60% AFA	3%	2%	0%	7%	3%
61-80% AFA	3%	4%	2%	3%	3%
81-100% AFA	2%	6%	2%	1%	0%

OVERALL PERCENTAGE OF WORK UNDER AFAS



Use of Alternative Legal Service Providers

While most organizations are not reporting a significant change away from law firms in favor of alternative legal service providers (ALSPs), almost one-quarter (23%) of large company legal departments reported increasing the use of ALSPs over the last 12 months.

TREND LAST 12 MONTHS: USE OF LEGAL PROCESS OUTSOURCING/ALTERNATIVE LEGAL SERVICE (LPO/ALSP) PROVIDERS

	Overall	Small	Moderate	Medium	Large
Decreasing	7%	10%	6%	8%	0%
Flat / No change	78%	75%	81%	76%	77%
Increasing	16%	15%	13%	15%	23%



LEGAL TECHNOLOGY

To address a growing workload, legal departments are turning to technology, with 61% citing their using of technology to simplify workflow and manual processes as a high priority. Just 7% say they have no priority in using technology.

A sizable portion of the departments surveyed (44%) say they have increased their use of legal technology tools and 30% say they have increased their budget for legal technology, up three percentage points from the 2019 report.

TREND LAST 12 MONTHS: LEGAL DEPARTMENT BUDGET FOR TECHNOLOGY

	Overall	Small	Moderate	Medium	Large
Decreasing	11%	6%	19%	7%	9%
Flat / No change	60%	69%	54%	54%	69%
Increasing	30%	25%	27%	39%	23%

TREND LAST 12 MONTHS: USE OF LEGAL TECHNOLOGY TOOLS

	Overall	Small	Moderate	Medium	Large
Decreasing	2%	2%	3%	1%	3%
Flat / No change	53%	52%	60%	49%	51%
Increasing	44%	46%	37%	50%	46%

TOP 5 RANKING OF TECHNOLOGY SOLUTIONS IN ORDER OF IMPORTANCE TO LEGAL DEPARTMENT



We also asked legal departments to identify needed solutions that they do not currently have but are looking to procure. The top technologies on that list includes: document management (with 23% saying they were looking to procure this); legal business intelligence (20%); contract AI for analysis, risk assessment, or due diligence (19%); contract management (18%); and legal workflow automation (18%).

LEGAL TECHNOLOGY BY LEGAL DEPARTMENT SOPHISTICATION

Chaotic or Reactive	Proactive	Optimized or Predictive
E-billing	E-billing	E-billing
Contract management	Contract management	Contract management
Legal research	Legal research	Legal research
	Legal hold	Legal hold
	Document management	Document management
		E-discovery
		IP management
		Legal business intelligence

Important solution for 50%+ departments in each group.

Legal Department Impacts of COVID

We also asked legal departments about the impact to their law department specifically tied to the COVID-19 pandemic. A large portion of legal departments (79%) reported an increase in workload due to the pandemic crisis, while 6.5% of legal departments reported decreasing workload. And 19% of legal departments surveyed said they reduced or furloughed legal department staff, resulting in the common departmental pressure to do more with less.

Another commonality — 43% of legal departments said they were experiencing a change in the typical mix of legal matter types. In addressing this shift in the types of work, 35% of legal departments reported they have increased their use of outside counsel due to the current crisis, while 16% reported decreasing outside counsel use.

Also because of the pandemic's impact, 27% of legal departments reported they were implementing more legal technology solutions, while 4% reported that they were reducing their use of technology.

BENCHMARKS BY COMPANY SIZE

SMALL LEGAL DEPARTMENTS — Annual revenue of less than \$500 million

- 1 attorney for every \$335,000 in outside legal spend
- 1 paralegal for every 5 attorneys
- Average staff size, 12
- Attorneys make up 65% of legal department staff
- 42% said they are increasing total legal department budget
- 63% are increasing outside counsel spending
- 10% are decreasing utilization of alternative legal service providers (ALSPs)

MODERATE LEGAL DEPARTMENTS — Annual revenue of between \$500 million and \$2 billion

- 1 attorney for every \$581,000 in outside legal spend (greatest volume by company size)
- 1 paralegal for every 3 attorneys
- Average staff size, 21
- 14% have no priority on legal operations
- 19% are decreasing their budget for legal technology
- 49% are increasing the number of law firms they utilize
- Least likely to utilize AFAs (24% of legal departments with no AFA utilization)
- Greatest growth in timekeeper rates YoY for partners (6.2% increase) and associates (8.3% increase)
- Greatest ratio of partner staffing by legal matter — 49% partner/51% associate

MEDIUM LEGAL DEPARTMENTS — Annual revenue of between \$2 billion and \$10 billion

- 1 attorney for every \$427,000 in outside legal spend
- 1 paralegal for every 3 attorneys
- Average staff size, 62
- 50% say they are increasing use of legal technology tools
- Most likely to be increasing legal technology budget (39% of legal departments)

LARGE LEGAL DEPARTMENTS — Annual revenue of \$10 billion or more

- Greatest control of timekeeper rates
- 1 paralegal for every 5 attorneys
- 1 attorney for every \$369,000 in outside legal spend
- Average staff size, 200
- Least likely to pay for partner time, with a 42% partner/58% associate ratio
- Most likely to be increasing use of ALSPs
- Strongest use of AFA across larger volume of matters with 49% noting increase in AFA utilization over the last 12 months
- Most likely to be Predictive (14%) or Optimized (29%) in spend management
- Most likely to require diversity information from law firms (57%)



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