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Carried out by Acritas in partnership with the Law Society.

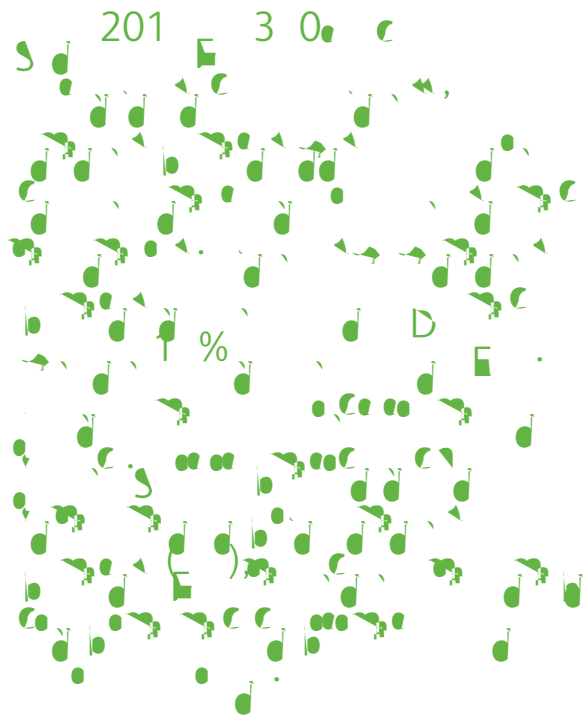
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EXECUTIVE SUMMARY



The tremendous pressures legal departments are under suggests an increasing need for legal departments to re-engineer the way they work. Workload is continuing to increase and become more complex as general counsel navigate changing regulations and market conditions which present serious business challenges. At the same time, resources are stretched as budgets come under increasing pressure and in-house productivity, from a retention and motivation perspective, is hindered by work pressure and private practice salaries. If these conflicting tensions continue to intensify, something will have to change before serious mistakes are made.

Most legal departments have a broad range of responsibilities and most general counsel feel there is an expectation to also be proactive in safeguarding the organisation as well as handling the day-to-day legal business. Responsibilities are more often than not multi-jurisdictional. ↴

↵ If the range of responsibilities cannot be reduced and clearly defined to match a lower budget, general counsel will have to be creative when it comes to driving more work from the budget they have.

Despite the fact most general counsel consider internal resource to be cheaper, on average 58% of budget is spent externally. How can legal departments drive more value from external providers?

- Two thirds of legal departments utilise panels, half formal and half informal, whilst the remaining third prefer to go out afresh for each piece of work. The former approach is considered to offer better cost control and result in stronger relationships where firms really understand the business. The latter approach is considered to keep firms more on their toes, more price competitive, as no work is guaranteed.
- Few general counsel are spending significant sums on the new alternatives to law firms, which account for just 5% of overall spend. There is a reluctance to take advice from a non-traditional firm structure. Lawyers are by nature risk averse and quite rightly value the training and controls the traditional law firm structure puts in place.
- General counsel generally pay their advisors discounted hourly rates. There is a reluctance to use fixed fees all the time for fear of law firms 'padding' to protect themselves. There is even less appetite for other types of pricing models. More rigour around analysing law firm pricing propositions and in-house procurement expertise is likely to secure leaner pricing options from suppliers.

From an internal perspective, there must be scope for driving more value. 57% have already restructured their department in the last year or plan to in the next year. 40% are rationalising or consolidating systems over the same time period.

- Internally, few departments are utilising non-legally qualified staff. Despite over half the work being low-level or day-to-day work, there is an emphasis on experienced, qualified, inevitably 'higher-cost' lawyers rather than paralegals



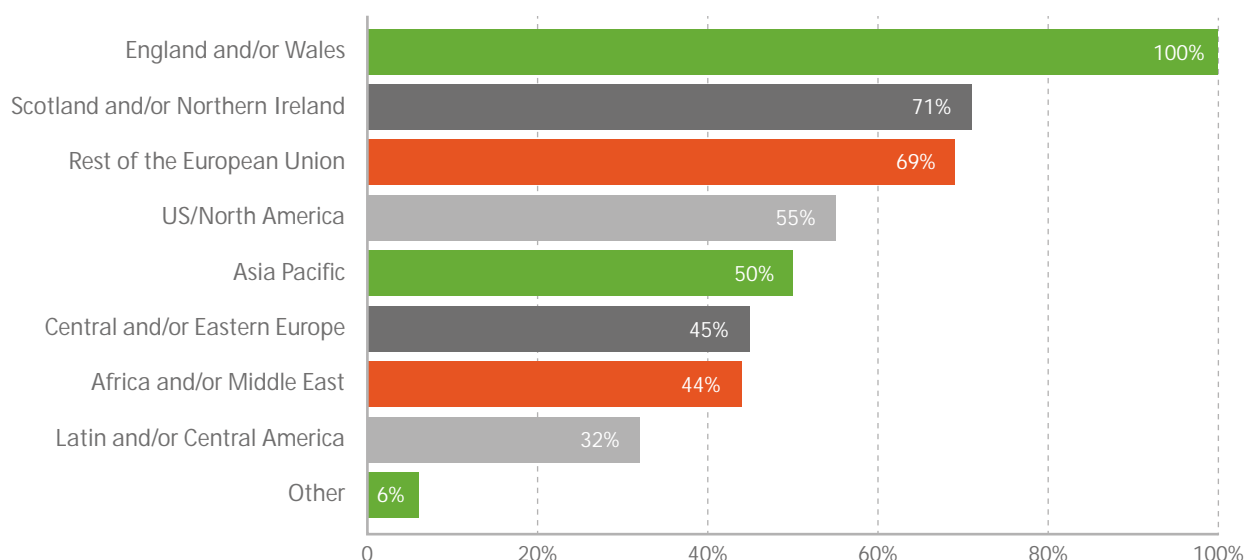
Geography and employee numbers

Of the 100 companies included in the research, 91 are headquartered in the UK/Channel Islands, 5 in mainland Europe and 4 in the US.

Company classifications

Results from the research have been analysed by company size (annual turnover), size of legal budget, geographic focus and industry sector. The groupings used are shown below; throughout this report significant differences in results between the categories are highlighted. One further breakdown used in analysis is by team size: more detail on this is available in Section 5 of the report.

In which of the following jurisdictions does the legal team provide / manage advice?

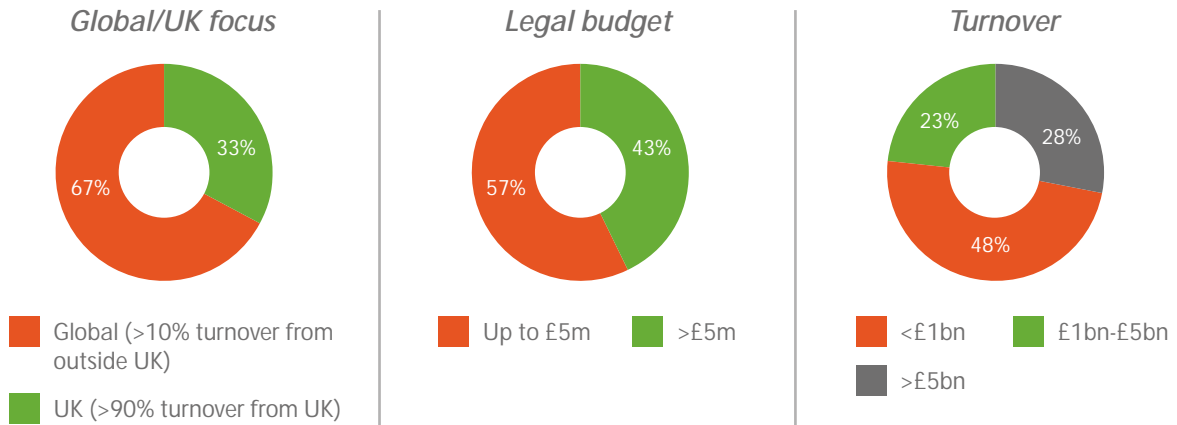


Base: (100)

Approximately, how many full time equivalent employees in total does the business have?

Up to 1,000	1,001 to 5,000	5,001 to 20,000	20,001 to 50,000	50,000+
24%	26%	20%	14%	15%

Base: (98)

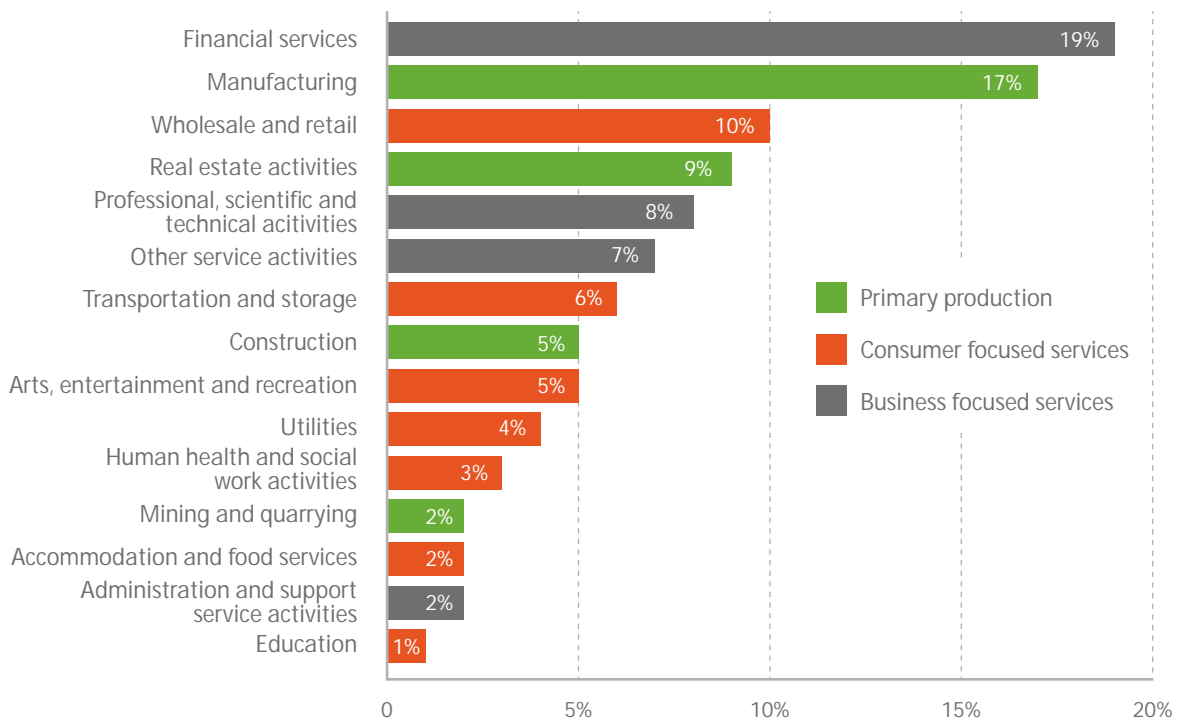


Base: Global vs UK focus (100); Legal Budget (72); Turnover (95)

Industry classifications

Organisations participating in the study have been grouped into three broad categories: Primary production, Consumer focused services and Business focused services. The sub-industry classifications used within these categories are shown below.

What is the main business of the company you work for?



Base: Overall (100); Primary production (33); Consumer focused services (31); Business focused services (36)

SECTION 1: PROFILE AND INFLUENCE OF LEGAL DEPARTMENTS

Overall, general counsel feel that their departments are high profile and influential, with two thirds having a seat on the board. General counsel are expected to be proactive in protecting the organisation, however, most do not measure the value the department delivers.

Board representation

In over two thirds (69%) of organisations researched, the head of the legal department has a seat on the board/executive board. This proportion does not vary significantly by organisation, by business activity, budgets or turnover, although the results suggest that general counsel with larger teams and larger budgets may be more likely to have a place on the board.

Through the conversations with general counsel, representation on executive teams and committees is a key factor in being able to integrate the presence of legal as a positive business partner:

'I sit on the global executive team and all of the senior lawyers in market sit on their local leadership team so they are in the rooms

when the strategy is being discussed. That's really the time to influence and make sure you spend the time building relationships – so that when the conversations that might be difficult or tricky have to happen – you at least have an existing relationship that makes those conversations easier.'

Siobhan Moriarty – Diageo PLC

Being a proactive legal department

In three quarters of organisations, the head of legal feels that their department is expected to take a proactive approach to protecting the business. This rises to 87% amongst consumer-focused companies. Conversely, just under one in ten believes a reactive approach is preferred in their business.

*Overall, do you feel that your business wants the legal department to take a **proactive** approach to protecting the organisation or a **reactive** approach to legal needs?*

Base: Gtime building relationships –

What does being proactive mean?

Those general counsels we spoke to following the main survey felt that the key to being proactive in the role is about having a deep understanding of how the business operates and proactively anticipate future risks to the business model or operation:

'Proactively we identify risks in terms of legislative changes, so data protections etc. Then we obviously identify the change in the law and then we will issue guidance to the division and in some cases to the solicitors that are instructed by the division on how we want things to be done.'

Primary p39.46odu252tionInns 6uencdidepartmothe to28

Creating time and space to anticipate risks can be a challenge within itself. Taking the time to future plan and actively integrate the legal function across different business divisions was another way some have adopted this proactive approach:

'I think making sure they have the time to be proactive is a big thing, because it can be very easy to [have your] head buried in the detail. There is always lots of work to be done, but you have to make sure that you make the time to understand what may be coming down the tracks which allows you to be proactive. Sitting on the leadership team helps a lot because you are then having the debate at the same time as others, but if diecause ydid in n10,05 08 (yak)11 ilatin10s



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'One thing about legal is we do touch the whole organisation, so we're in a really good position to understand the organisation as a whole. It's often thought that lawyers are trying to minimise risk – and it's not often the case. Often we're in the business of taking risk but doing it in an educated fashion, in a transparent fashion. We're well placed actually as commercial minded leaders, as part of the executive team to think about risk and value and opportunity all in the round. I think lawyers are naturally thought of as good at mitigating risk. [...] I spend a lot of time talking to my legal team about how to think about the business objectives and contribute to them not just from a legal point of view but from a business point of view. [...] We should really be a counsel to the business in the widest sense really in terms of business and strategy not just legal requirements.'

Paul Mussenden – BTG

'Some of the thinking that needs to go into decision making and strategy is in the area of legal risks, so things that might create legal risks, or might crystallise into a legal risk, or reputational risks. In some ways I see the GC and indeed all of the lawyers around the world in playing a broader [role] than compliance [...] something may be strictly legal but it may not be the right thing to do from a reputational perspective.'

Siobhan Moriarty – Diageo PLC

Internal profile of the legal function

The legal function is generally perceived to have a high profile (56% of organisations) or medium profile (41%) company-wide. These proportions are similar across different company types of pp TD[pr]22 19ine (41%(xop

Communicating across the business

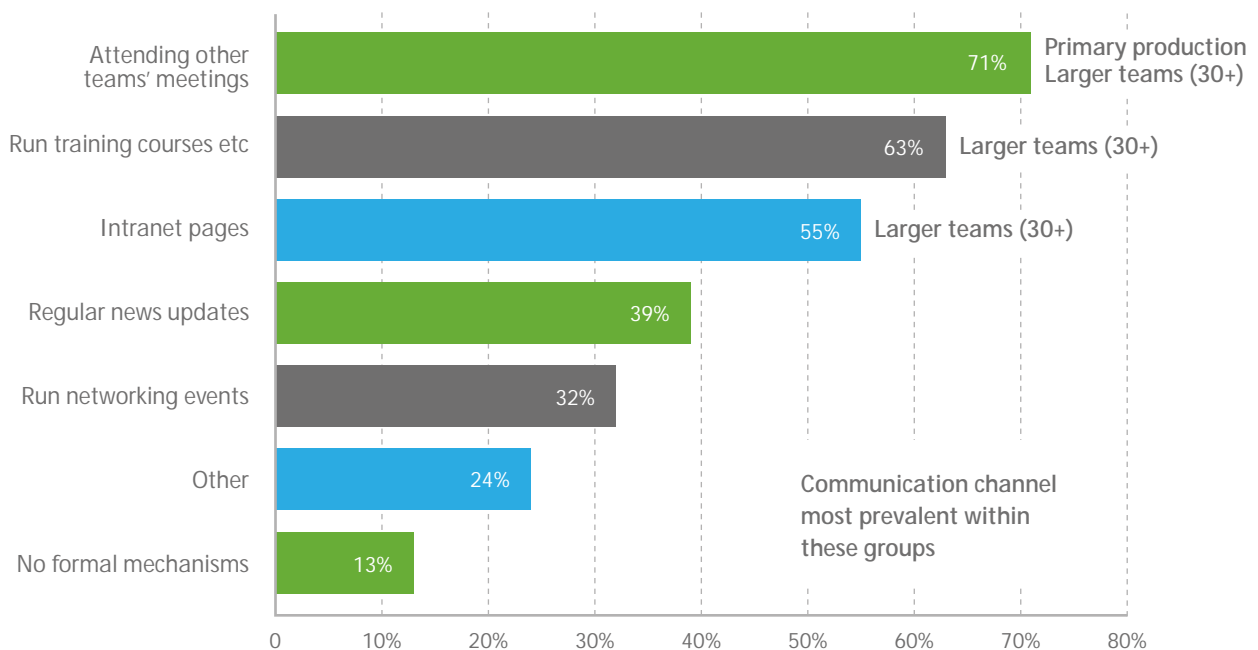
Attendance at other teams' meetings is the most common method for legal teams to communicate the work they are doing (particularly common within primary production companies). Providing internal training courses (most notably within larger UK legal teams) and intranet pages are also popular with over half of the respondents.

The largest UK legal teams (30+ members) and those legal teams who consider their profile within the wider organisation to be 'high' are more likely to use each of these mechanisms to communicate the work they are doing.

Other communication mechanisms used by legal teams to communicate the work that is taking place include a combination of formal and informal methods.

Formal or structured communication methods included regular reporting on progress to the board and/or senior management, and on occasions formal department reviews.

In what ways does the legal team communicate the work that it is doing?



Base: Overall (100)

'We have regular review meetings with business units and the various departments

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Difficulties in measuring value

Those general counsels, followed up with on this subject, largely feel that the ability to measure and articulate a quantitative value to the work of the team would be a positive thing. However, the inherent difficulties around measuring, in monetary terms, the value that they bring is putting teams o :

'How would you measure the value of providing legal advice? The only physical value that we have is that it saves us having

SECTION 2: KEY CHALLENGES FOR THE COMMUNITY

Demands on the in-house legal function are growing due to complexity, volume of work and increasing regulation. Budget limitations means resources are generally strained, impacting on ability to recruit and motivate.

The key challenges cited by the in-house community fall into a relatively small number of discrete categories; addressing higher volumes of work with reducing resources; the volume and complexity of regulation; recruitment and retention challenges and a pressure to reduce cost. Overall these challenges come together to paint a picture of in-house teams being challenged to do more, with less.

Limited resources and expanding workload

The theme of limited resource and high workloads is the most commonly cited challenge overall, however, for many this challenge is not seen in isolation. It is compounded by other factors, including increasingly complex work, pressure from the business to reduce internal and external legal spend and the increasingly arduous regulatory environment within which many are operating:

'This probably has to be answered in the context of the industry that we're in, where overall revenues cut by 60% over the last 18-24 months, productivity stays the same, so it's the tension between pressure on budget and growing sophistication of business challenges in regulatory needs.'

Business focused services, FTSE250

'... delivering more for less. [...] more regulation, more and more legislation – against a backdrop of a growing business. And yet the function is typically the same size, so you've got the same number of qualified legal staff, a growing business and a more complex regulatory environment and more and more pressure to deliver high quality value for money legal services to a growing organisation against that backdrop, that's the biggest challenge'

Business focused services, FTSE250

Regulation

Regulation was cited as a key challenge by over a quarter of responding general counsel – with specific attention given to the speed at which the regulatory environment is changing, as well as the increasing complexity:

'...the latest edition of the SRA [Solicitors Regulation Authority] [...] comes across as a money making process; they keep changing the rules so you have to keep buying another handbook [...] I think ever-changing regulation is probably the biggest [challenge].'

Business focused service

'Having the right number and level of lawyers within the team to meet the demands of the business, particularly taking into account the regulatory environment and almost constant flow of new legislation and regulations.'

Business focused service, FTSE250

Recruitment and retention

For some, the challenging environment in which their in-house teams are currently operating has a knock on effect on their ability to recruit, motivate and retain skilled team members – particularly in the face of competitive salaries in private practice:

'The motivation of staff in times where promotions are few and where salaries are flat to down; and keeping good quality staff in that environment.'

Business focused service, FTSE 100

'...retention in the face of increasing salaries in private practice.'

Business focused service, FTSE 100

'Having sufficient resource to be able to do the work and to be able to attract – create us a career path where you can attract high-calibre talent.'

Consumer focused service

Cost pressure

With cost pressure a key consideration for a quarter of responding general counsel, the ability to demonstrate and justify the value that in-house teams can bring to a business – and to ultimately extend the influence of legal departments – becomes a key challenge in itself:

'...the single biggest issue that in-house teams are faced with is business relevance [...] being seen as a force – [a] positive force to do business as opposed to a business inhibitor.'

Business focused service

'I think the biggest challenge is to actually be able to demonstrate the value that they are bringing to the business [...] to set the expectations of senior management about the cost benefit analysis of legal review and legal risk acceptance.'

Business focused service

'I would turn around and say it's demonstrating [the in-house team's] value for money for the business [...] the bottom line on our in-house team is that we are cheaper and more efficient than any of our external solicitors.'

Primary production, FTSE100

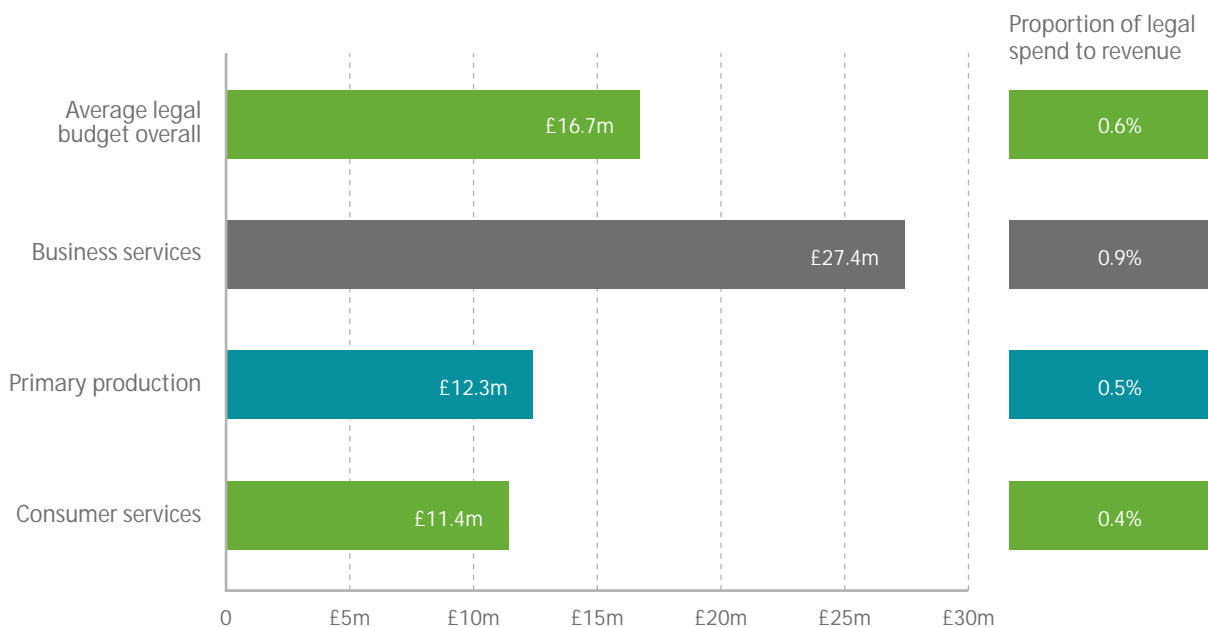


SECTION 3: LEGAL BUDGETS

50% of general counsel are responsible for setting legal budgets, although two thirds determine how it is spent. Boards, CEOs and finance functions are responsible when the GC is not. Level of budget correlates with the size of the organisation.

Of the organisations researched, global legal budgets varied from £100k to as much as US\$600m (approximately £426m). The typical (median) figure is £4.5m; the average (mean) amount of £16.7m is skewed upwards by a small number of particularly large budgets.

Unsurprisingly, global businesses tend to have larger budgets than those with a UK focus, and larger organisations with larger teams also spend more. Of the different industry sectors, it is business-focused services which tend to spend more and have a higher proportion of legal spend to the organisation's overall revenue.



Base: Legal budget/spend to revenue ratio based on industry averages: Overall (73/64); Business services (36/21); Primary production (33/18); Consumer services (31/25)

SECTION 4: IN-HOUSE TEAMS

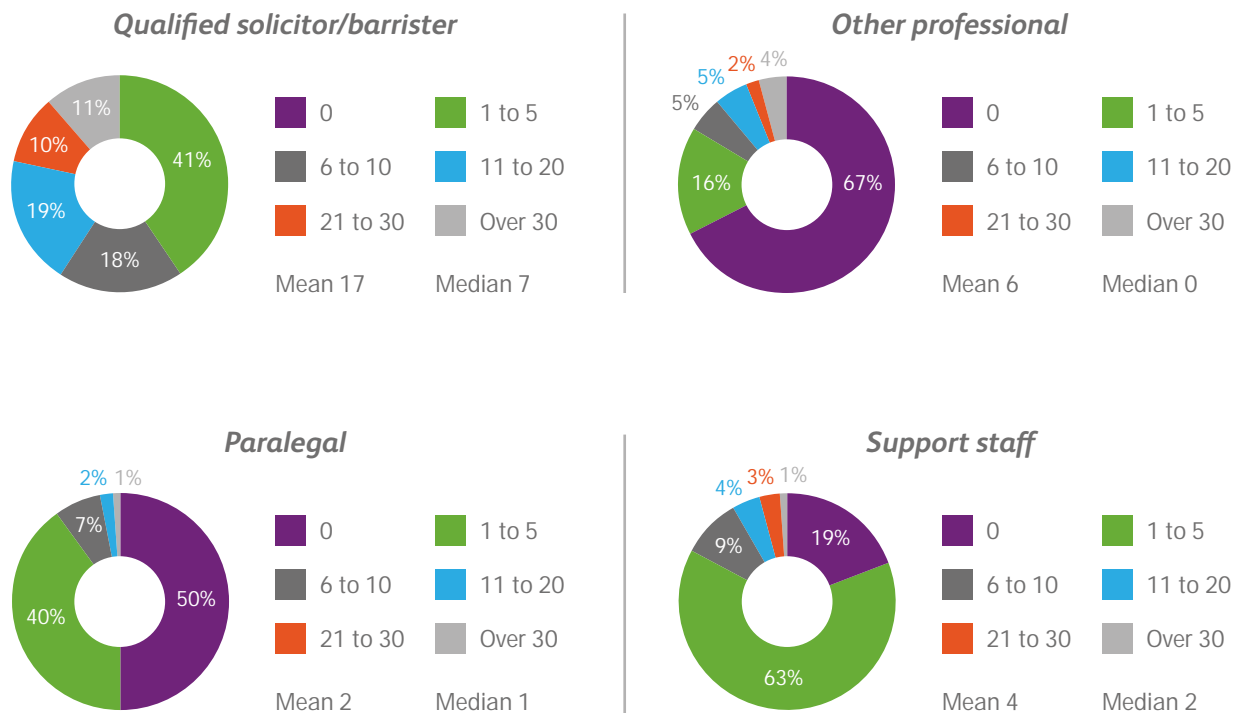
'Day to day' legal work represents the largest work type (39%) and yet most legal teams have a very small proportion of paralegals (if any). Next is 'high-level' strategic work (25%) and specialist advice (22%).

Size and composition of team

All organisations researched have at least one qualified solicitor/barrister in their UK legal department. The average number of qualified lawyers within a team is seven but a fifth of UK teams has over twenty, up to as many as 260.

Usage of 'other professionals' (for example, project managers or procurement professionals) within UK legal teams varies significantly: the average is six across the whole respondent base, but two thirds of UK departments have none at all.

How many of the following *sta* are within the legal team in the UK and globally?



Base: Qualified solicitor/barrister (98); Paralegal (98); Other professional (98); Support staff (98)

Overall it would appear that in-house teams are reliant on qualified staff with only half of UK legal departments containing paralegals, usually between one and five. Business-focused service organisations appear to be more likely to be reliant on paralegals than primary production or consumer-focused businesses.

Four fifths of UK legal teams include support staff; between one and five is again the norm.

Example breakdowns

3 qualified solicitors/barristers and one or two other individuals – either a paralegal, other professional or support staff.

Average three qualified solicitors/barristers and one or two other individuals – either a paralegal, other professional or support staff.

3 qualified solicitors/barristers and one or two other individuals – either a paralegal, other professional or support staff.

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It depends...

From follow-up discussions with respondents, the main factors that they felt needed to be taken into account when making this decision was the *size and capacity of the existing team* and the *comfort of knowing there is a level of experience and autonomy already within the function that would allow for the absorption of time required to train and develop new team members in the business.* that they were looking to fill at the time.

Size and capacity of the existing team was considered a key factor as general counsel want the comfort of knowing there is a level of experience and autonomy already within the function that would allow for the absorption of time required to train and develop new team members in the business.

'I think it's rather dependent on the shape of the existing team. I think there's a prerequisite to have an effective team. You need some staff that has that level of experience to be able to operate more autonomously and make the business judgement that you need to do as an in-house attorney. I think although once the team does constitute a couple of more senior people or moderately experienced people, I think it can accommodate more junior people.'

Paul Mussenden – BTG

'Obviously the less experienced they are the more supervision they need. It's difficult to give them the freedom to advise without having proper support and supervision available, so I suppose it does create more of a burden for people like me who are responsible for overseeing their work.'

Kevin Joynes – Bovis Homes Group

The role of senior team members in bringing that experience and ability to make strategic decisions was suggested by some to be absolutely crucial to the dynamic of how legal operates within the wider business.

'You need those people who are going to be able to attend management meetings and operate on a level with their other senior peers. They are the ones who are the face of legal in a business group for example. They will be in regular contact with the head of that business group so they need the gravitas and experience and to be able to sift what's important from what's not important, and to know when to not raise a legal issue. If they hear something and think that's a legal issue, it's often not appropriate to raise it in that meeting because it's a business meeting so you would find a way to do it afterwards.'

'What we then have is a challenge, people attend meetings where their role is quite strategic but then they have got to come back and draft agreements. We all do a bit of that but at some point you need somebody who can do the leg work in the background and that's where I think you can take a punt on somebody who's potentially newly qualified actually because as long as the right level of supervision is there they've got the right grade. I think if we've looked at people with intelligence who are curious, interested in business and with the right level of intelligence, then I don't think it matters too much whether they are very experienced because the actual law doesn't come into what we do that often.'

Business focused service

The nature of the role was also a key factor for some:

'If they were highly specialised roles, for example if it was mergers and acquisitions or transactional roles or an antitrust role, I think you'd be skewing for people with more experience because they'd need to be pretty much self-starting. But for general contract or procurement roles or even junior IT roles, you wouldn't necessarily need somebody with more than two years' experience for some of those starter roles.'

Siobhan Moriarty – Diageo PLC

However, there was also a view that even within the more specialist roles, due to the specific nature of the individual businesses and industry, having private practice experience in some of the more technical areas may not be an advantage due to often very specific requirements:

'I would say it totally depends because I think there is a need for both to be honest in our business, and probably the reason for that is that there is quite a lot of specialisation in our industry, and to be honest if we took on a five year qualified solicitor who may have done a lot of M&A work for example, they wouldn't necessarily be familiar with the way that we would process M&A activities. [...] Because there is a certain in-house way of doing it, which even though they've got five years of technical skills for maybe acting for head of private equity houses or banks or whatever, that's not the same skill set as what we would need in our transactions.'

Primary production, FTSE250

Happy to take on new recruits with less experience

Recruiting newly qualified solicitors into the team appealed to general counsels, due to lower costs and the ability to mould these individuals into rounded members of the business:

'I think the cost can be prohibitive. I think one of the challenges we've had as we've grown as a business is we haven't been able to keep on adding more people in terms of overhead against the revenue growth, so I think trying to find ways to do more with the existing head count has been important. I think cost is definitely a consideration. I think it is, again as the team grows, also your ability to grow your own and develop your own people which I think has its advantages in terms of knowing the business.'

Paul Mussenden – BTG

'I like people who are perhaps less qualified because you can train them in the way you wish to and sort of mould them into the member of the team you want rather than having people who are more experienced and maybe set in their ways and more resistant to change.'

Kevin Joynes – Bovis Homes Group

Looking for experience

Those looking for more experience wanted members to be able to hit the ground running with minimum supervision and be able to make the commercial decisions that are required within the in-house team:

'I think the confidence to make a commercial decision which I think a lot of lawyers, particularly at a junior level, struggle with because you're not trained to make decisions. You're trained to give advice.'

Business focused service, FTSE250

While some commented that finding the right calibre of staff can also be an issue.

'The lack of qualified personnel in the job market. So we are struggling to recruit people at the right level because of experience, particularly in what we do.'

Primary production, FTSE250

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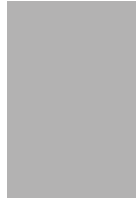
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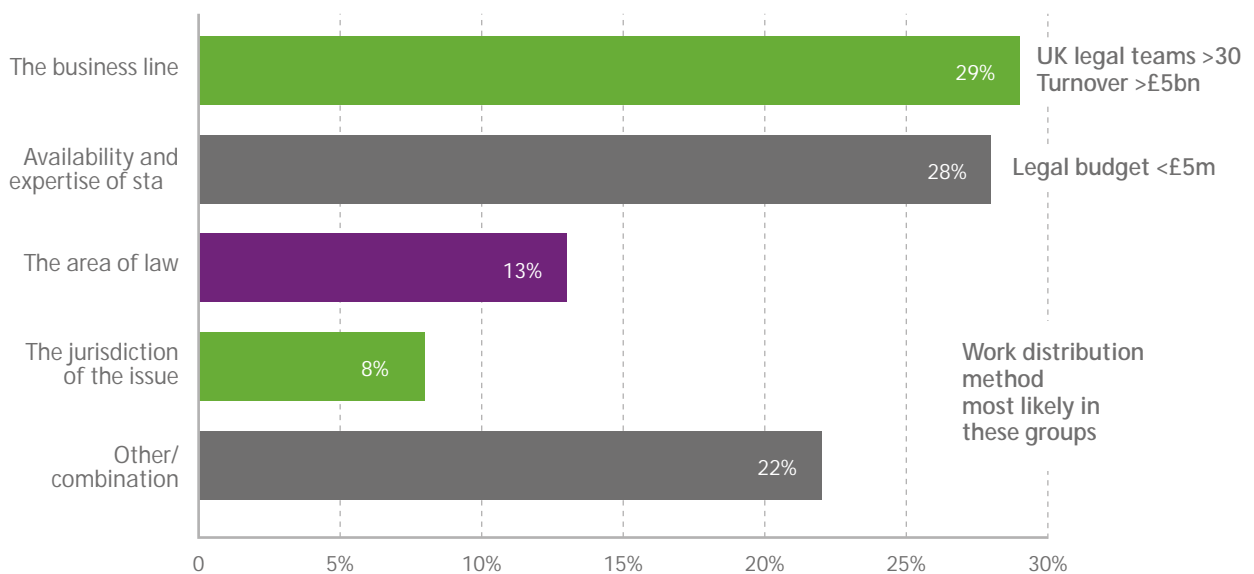
Allocating work across the team

Legal work is typically allocated to members of the legal team either by business line or availability and expertise of staff, or using a combination of factors. Smaller organisations (<£1bn turnover) and those with smaller legal budgets (<£5m) are more likely to allocate work based on availability/expertise. While larger organisations (>£5bn turnover) and those with larger UK legal teams (30+) are more likely to allocate by business line.

In-house work type

Around a quarter of legal department work is high-level strategic work and a similar proportion is specialist advice. Two fifths of the work is day-to-day legal and the remaining 14% is low-level legal process. These proportions are quite consistent across different industries and company sizes, although the proportion of time spent on low-level legal process does vary. Consumer-focused businesses spend a higher proportion of time (18%) on low-level legal process than do business-focused organisations (11%).

Which best describes how legal work is allocated to members of the legal team?



Base: Overall (100)

What proportion of your in-house work is low level legal process work, day-to-day legal work, high level strategic and specialist advice?



Base: Overall (81)

For each of the following types of work please state whether it is mainly dealt with *internally*, *outsourced* or not *undertaken* by your organisation.

Bribery/corruption/compliance				
Company and commercial				
Regulatory				
IT and e-commerce				
Intellectual property				
Labour and employee benefits				
Dispute resolution				
Insurance and reinsurance				
Real estate and environment				
Tax				
Competition/anti-trust				
Mergers and acquisitions				
Banking/corporate finance				
Capital markets				
Insolvency and restructuring				

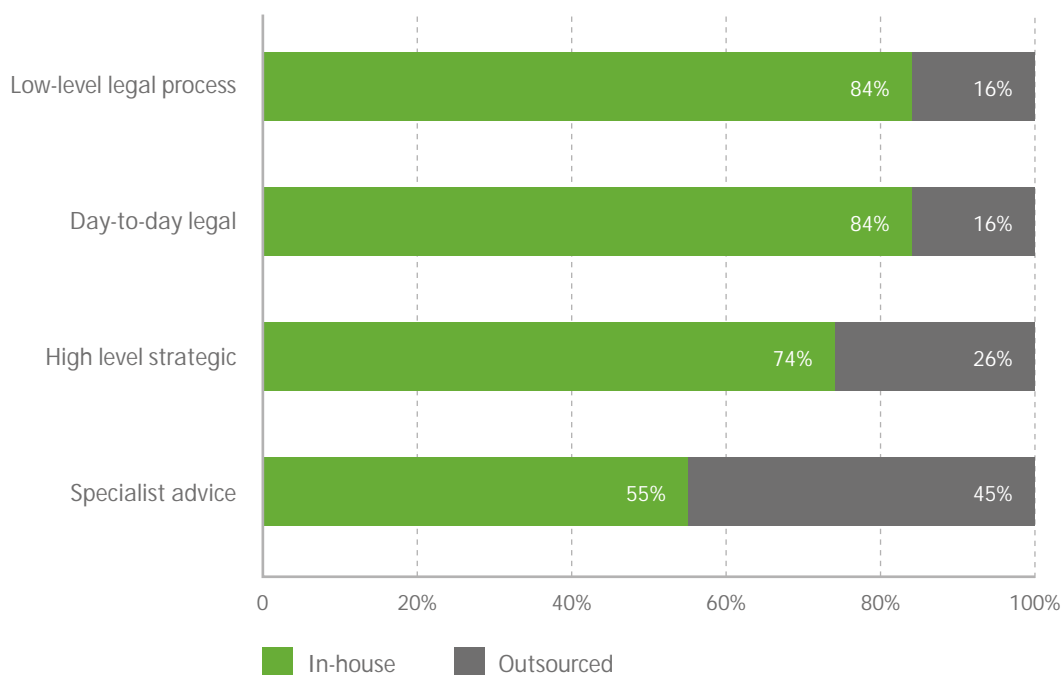
Work mainly done internally
 Work mainly outsourced
 Area not undertaken

Base: Banking (90); Bribery (95); Capital Markets (93); Company (87); Competition (90); Dispute Resolution (80); Insolvency (97); Insurance (95); IP (87); IT and E-commerce (91); Labour (87); M&A (82); Real Estate (90); Regulatory (87); Tax (92)

In-house versus outsourced

The vast majority of low-level legal process work is carried out by legal departments in-house. However, departments with larger budgets (>£5m) outsource three times as much of this type of work as those with smaller budgets. Responses also suggest that UK-focused businesses tend to outsource more.

*For each of the following types of work please state whether it is mainly dealt with **internally**, **outsourced** or not undertaken by your organisation.*



Base: Overall (80)

Definitions

Day-to-day legal work also tends to be carried out in-house, particularly in the case of medium-sized (£1-£5bn turnover) organisations. However, there is little variation by size of legal department – larger departments carry out a similar proportion of day-to-day work as smaller departments.

Around a quarter of high level strategic work is outsourced, although larger organisations and those with larger legal teams tend to keep more in-house.

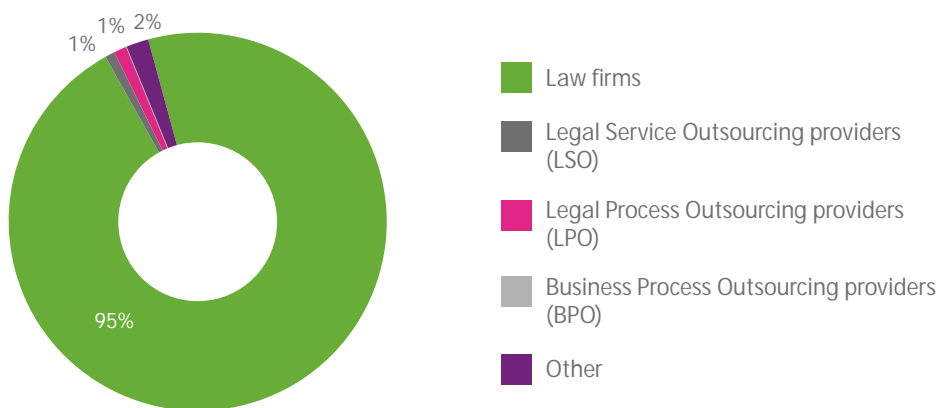
SECTION 6: EXTERNAL PROVIDERS

Very few organisations are using alternative service providers for external work, general counsel stick with law firms for the quality, assurance and relationships. Most adopt panels, either informal or formal, appreciating the ability to grow relationships, control cost and foster a better understanding of the business.

Currently, a very small proportion of outsourced work is carried out by alternatives to law firms. Larger organisations (>£5bn turnover) and those with larger legal departments (30+ UK team) tend to use

alternatives more extensively, 10% of external work on average is spread between alternative service providers within these organisations.

What proportion of the volume of your external work do you *outsource* with each of the following?



Base: Overall (91)

Responses from follow-up conversations with general counsel suggested that main barriers to using alternative service providers are a lack of awareness and a lack of trust that they would not deliver the same value as a private practice firm:

'I think in terms of alternate service providers, I personally don't know what's out there. But if you're a legal department providing legal services then I would expect those services to be provided by a lawyer.'

Primary production, FTSE250

'I've not had any personal experience if I'm honest of those types of providers. I mean the perception that I've picked up in the media and speaking to others is that they're often cheaper, and it's kind of a bulk process, but maybe the quality isn't easy to control but that's just you know, third party hearsay.'

Kevin Joynes – Bovis Homes Group

'I have considered using legal outsources for certain M&A work but frankly I wouldn't want to rely on someone who isn't a lawyer for legal work. I mean why would you? You're exposing yourself to too much risk. I suspect that the terms of any professional indemnity insurance are much much lower as well.'

Business focused services, FTSE250

Some have considered using alternative providers but did not feel that the volume of work that they would use them for would justify the investment in building the new relationship:

'For us, we looked at them a few years ago and really wanted to do it. [But] you've got to have quite a volume of fairly similar type of work to make it work [...] The idea would be that you would, with them, develop a playbook for an approach to certain types of contracts for example. That requires some investment of our time in working to get them to a point where they know our approach to certain types of contracts.'

Business focused service

Types of fee arrangements used

Hourly rates are the most often used fee arrangements and the majority of organisations interviewed appear to have been able to negotiate discounted rates from firms; four fifths 'often' use discounted rates:

'I always, with any law firm, say look I don't accept your rates as they are, I expect a discount on that for a start.'

Business focused service

'We have discounted rates with our key relationship law firms and the discounts kick in at different levels depending on the value of the work, but we also do for a particular project significantly discounted rates but with a success fee if the transaction is concluded.'

Siobhan Moriarty – Diageo PLC

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Panel preferences

Panel preferences tend to be quite varied across responding general counsel; whilst informal panels are the most preferred option on balance (41%), a third prefer a formal panel and a quarter have no

Formal Panel

For most, the existence of a formalised panel has two key advantages; and

thus driving improved business understanding and promoting consistency of quality and service from external providers:

'Because I prefer to concentrate spend and access people that I would like to work with externally by formalising it through a panel process.'

Primary production

'Optimal concentration of work on limited group of focused providers. Most efficient management of cost and performance.'

Consumer focused activities

'You get a consistency of approach, no surprises, and control costs and service levels.'

Primary production, FTSE100

'It makes a quicker and more efficient allocation of work and it means you can develop a relationship with the law firms.'

Primary production, FTSE100

'When we're dealing with those sorts of transactions it's best in my view to have a fee scale dependent on the value of the transaction; so for example if we buy a piece of land for £5m we know the fee is going to be X, and if we buy a piece of land for £10m we know it's going to be Y. We would like to work, and that's the intention of putting this panel together, to have a very certain scale of fees so we know even before we've approached a firm on the panel exactly what it is going to cost to instruct them.'

'It's in order to have flexibility and to be able to move to other law firms where necessary: Potentially for jurisdictional reasons or to work with a particular specialist.'

Primary production, FTSE100

'Because the panel is really for my corporate advisors [...] sometimes small work that I want to outsource, I just outsource and uncomplicated small tasks I will outsource to lower cost providers.'

Primary production, FTSE250

No panel in place

The theme of increased flexibility continues for general counsel who lack any kind of panel arrangement, with many simply wanting the flexibility to appoint the most appropriate lawyer for the task at hand. For many of these departments, a relatively low volume of work does not justify the

Departmental restructures

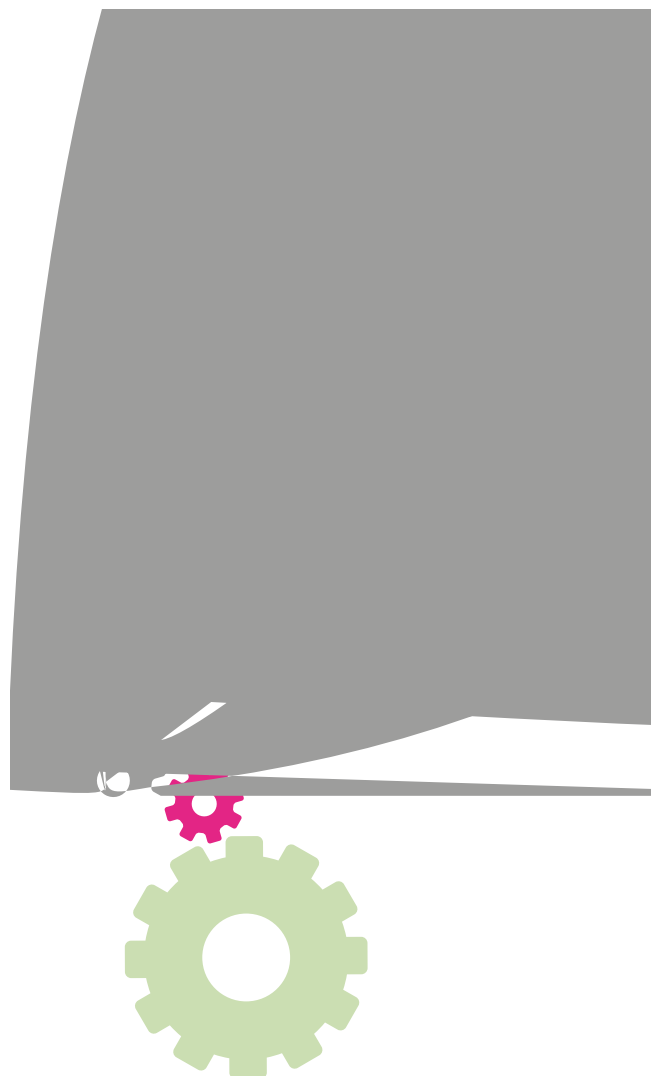
Follow-up conversations with general counsel indicated that the high proportion of departments either restructuring or planning to restructure was down to wider business or industry factors rather than the changing nature of the role of the in-house legal team:

'Certainly from the perspective of this industry, obviously because of the change in

One respondent commented on the dilemma of whether the legal team should be centralised or devolved through the business:

'One of the things people struggle with in terms of structuring legal teams is, do you keep it centralised with business units coming into the centre for support or do you devolve legal into the business units? I think there's value in it being devolved, so you've got a lawyer within the business unit. Having said that, I still have everyone report up to me and ultimately I think legal has to be independent of the business as a corporation. Having people who are placed into a business to be part of it is helpful but they can still report centrally. The dilemma is between devolving it into the business or centralising it, and likewise do you just divide yourselves up by business unit or by geography. I've seen organisations that keep restructuring legal to decentralise but, when something goes wrong, they put it back into the centre, or as they grow they move from a business unit based legal team support model to a geographic one. I think people flip in between those so I think it's probably ultimately often a blend of those when trying to find the right model.'

Paul Mussenden – BTG



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GC350 Questions

What is the minimum number of years of post-qualification experience you typically ask for when recruiting new qualified solicitors to the legal team?

What proportion of your in-house work is low level legal process work, day-to-day legal work, high level strategic and specialist advice?

Which best describes how legal work is allocated to members of the legal team?

What proportion of your total legal budget is internal and what proportion is external?

For each of the following types of work please state whether it is mainly dealt with internally, outsourced or not undertaken by your organisation.

Approximately what proportion of the following types of work are outsourced?

What proportion of the volume of your external work do you outsource with each of the following?

For work in the UK, do you work with a formal panel of law firms, an informal or ad hoc panel or do you not have a panel?

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Significant results

Throughout these tables data points marked in purple represent a significant difference from the



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Which best describes how legal work is allocated to members of the legal team?

	Base	The business line	Availability/ expertise of sta	Other, please specify below	The area of law	The jurisdiction of the issue
Total	100	29%	28%	22%	13%	8%
Global	67	28%	24%	28%	8%	12%
UK	33	30%	36%	9%	24%	0%
Industry						

What proportion of your total legal budget is internal and what proportion is external?

	Base	Internal Mean	External Mean
Total	74	42	58
Global vs UK focus			
Global	45	43	57
UK	29	40	60
Industry			
Primary production	24	42	58
Consumer services	26	35	65
Business services	24	50	50
Company size (by turnover)			
<1bn	28	39	61
£1bn - £5bn	21	48	52
>£5bn	21	41	59
Legal budget			
Up to £5m	35	48	52
Over £5m	29	32	68
In-house team size			
From 1 to 9	26	38	62
From 10 to 29	26	38	62
>30	21	53	47

For each of the following types of work please state whether it is mainly dealt with internally, outsourced or not undertaken by your organisation.

	Banking/ Corporate Finance				Bribery/ Corruption/ Compliance				Capital Markets				Competition/ Anti-Trust				Dispute Resolution			
	Base	Area not undertaken	Work mainly done internally	Work mainly outsourced	Base	Area not undertaken	Work mainly done internally	Work mainly outsourced	Base	Area not undertaken	Work mainly done internally	Work mainly outsourced	Base	Area not undertaken	Work mainly done internally	Work mainly outsourced	Base	Area not undertaken	Work mainly done internally	Work mainly outsourced
Total	90	16%	19%	66%	95	4%	87%	8%	93	36%	9%	56%	90	12%	33%	54%	80	4%	41%	55%
Global vs UK focus																				
Global	59	14%	20%	66%	63	2%	91%	8%	61	31%	12%	57%	59	7%	37%	56%	55	2%	38%	60%
UK	31	19%	16%	65%	32	9%	81%	9%	32	44%	3%	53%	31	23%	26%	52%	25	8%	48%	44%
Industry																				
Primary production	30	10%	13%	77%	31	3%	87%	10%	31	26%	13%	61%	29	14%	31%	55%	27	0%	44%	56%
Consumer services	29	14%	17%	69%	30	3%	97%	0%	28	39%	4%	57%	27	4%	37%	59%	24	0%	38%	63%
Business services	31	23%	26%	52%	34	6%	79%	15%	34	41%	9%	50%	34	18%	32%	50%	29	10%	41%	48%
Company size (by turnover)																				
<1bn	42	21%	21%	57%	44	9%	82%	9%	45	47%	13%	40%	43	26%	28%	47%	38	5%	45%	50%
£1bn - £5bn	19	11%	11%	79%	20	0%	95%	5%	19	16%	0%	84%	19	0%	32%	68%	15	0%	40%	60%
>£5bn	24	8%	21%	71%	26	0%	89%	12%	24	25%	8%	67%	23	0%	44%	57%	23	4%	39%	57%
Legal budget																				
Up to £5m	40	20%	20%	60%	40	8%	88%	5%	40	53%	5%	43%	38	24%	24%	53%	36	6%	44%	50%
Over £5m	29	10%	17%	72%	31	0%	87%	13%	30	20%	10%	70%	29	0%	31%	69%	26	4%	27%	69%
In-house team size																				
From 1 to 9	33	6%	21%	73%	34	3%	88%	9%	35	40%	9%	51%	34	18%	35%	47%	29	3%	41%	55%
From 10 to 29	30	17%	13%	70%	32	0%	94%	6%	31	32%	3%	65%	28	4%	32%	64%	24	0%	33%	67%
>30	26	27%	23%	50%	28	11%	82%	7%	26	35%	15%	50%	27	15%	33%	52%	26	8%	50%	42%

Continued overleaf

For each of the following types of work please state whether it is mainly dealt with



For each of the following types of work please state whether it is mainly dealt with internally, outsourced or not undertaken by your organisation.



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Approximately what proportion of the following types of work are outsourced?

	Low level legal process Base		Day-to-day legal		High level strategic		Specialist advice	
								
								
								 

For work in the UK, do you work with a formal panel of law firms, an informal or ad hoc panel or do you not have a panel?

	Base	Informal/ ad hoc panel	Formal panel	No panel in place
Total	100	41%	33%	26%
Global vs UK focus				
Global	67	43%	27%	30%
UK	33	36%	46%	18%
Industry				
Primary production	33	46%	24%	30%
Consumer services	31	39%	39%	23%
Business services	36	39%	36%	25%
Company size (by turnover)				
<1bn	46	44%	26%	30%
£1bn - £5bn	22	55%	14%	32%
>£5bn	27	26%	59%	15%
Legal budget				
Up to £5m	41	46%	24%	29%
Over £5m	31	36%	42%	23%
In-house team size				
From 1 to 9	37	49%	14%	38%
From 10 to 29	32	50%	28%	22%
>30	29	24%	62%	14%

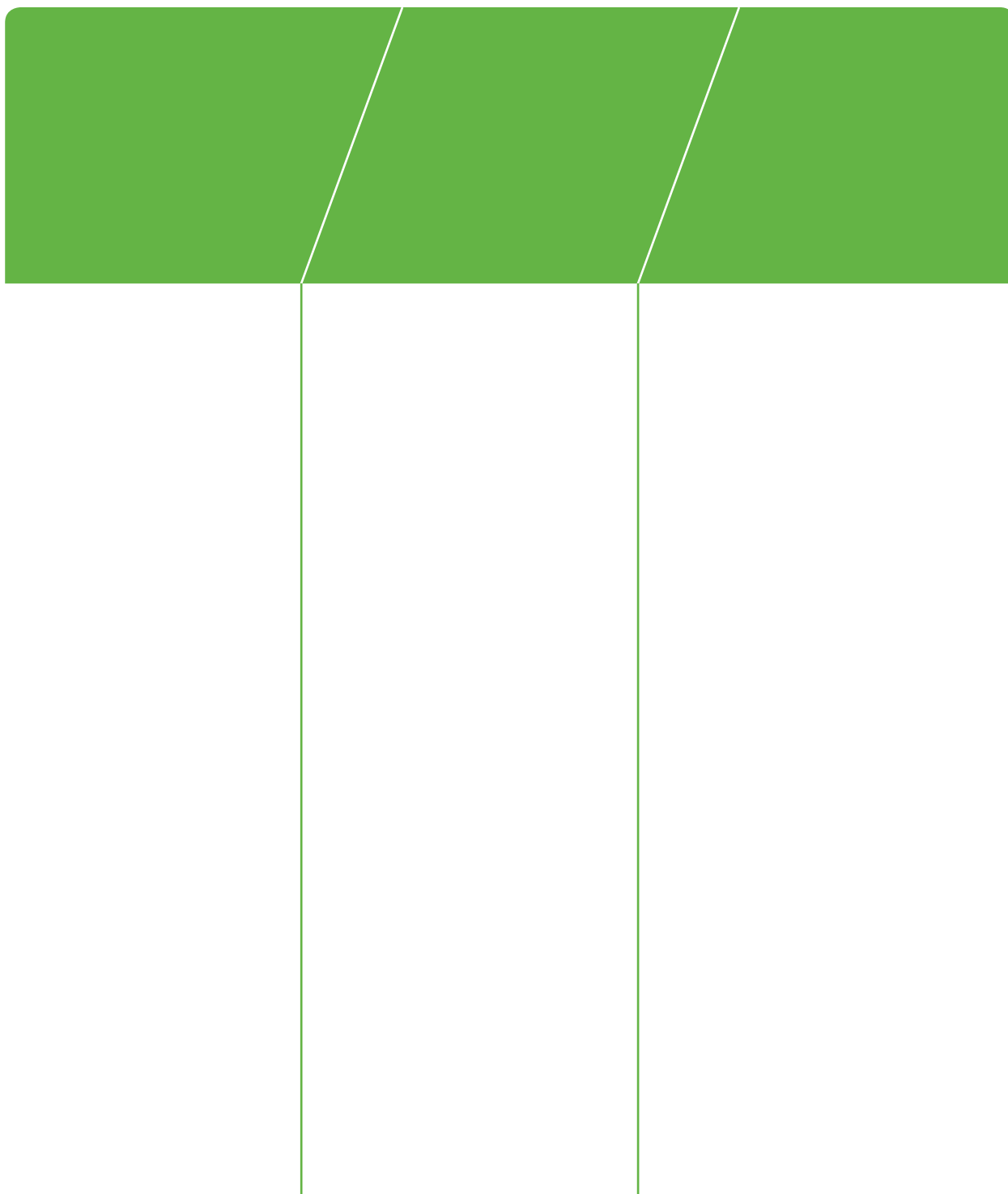
How often do you use each of the following fee arrangements?

	Hourly rates				Fixed fees by project				Annual fixed fee/retainer				Discounted rates				Success/contingency fee				Blended rates			
	Base	Often	Occasionally	Never	Base	Often	Occasionally	Never	Base	Often	Occasionally	Never	Base	Often	Occasionally	Never	Base	Often	Occasionally	Never	Base	Often	Occasionally	Never
Total	71	68%	28%	4%	71	54%	45%	1%	70	9%	34%	57%	71	83%	11%	6%	70	7%	64%	29%	71	21%	58%	21%
Global vs UK focus																								
Global	42	69%	29%	2%	42	55%	45%	0%	41	10%	42%	49%	42	91%	7%	2%	41	7%	66%	27%	42	24%	55%	21%
UK	29	66%	28%	7%	29	52%	45%	3%	29	7%	24%	69%	29	72%	17%	10%	29	7%	62%	31%	29	17%	62%	21%
Industry																								
Primary production	24	58%	42%	0%	24	58%	42%	0%	23	9%	30%	61%	24	83%	13%	4%	23	9%	52%	39%	24	29%	50%	21%
Consumer services	24	75%	25%	0%	24	50%	50%	0%	24	13%	38%	50%	24	92%	4%	4%	24	4%	67%	29%	24	21%	67%	13%
Business services	23	70%	17%	13%	23	52%	44%	4%	23	4%	35%	61%	23	74%	17%	9%	23	9%	74%	17%	23	13%	57%	30%
Company size (by turnover)																								
<1bn	31	74%	26%	0%	31	52%	48%	0%	31	3%	29%	68%	31	90%	10%	0%	31	3%	74%	23%	31	10%	68%	23%
£1bn - £5bn	16	63%	25%	13%	16	44%	56%	0%	16	13%	44%	44%	16	69%	19%	13%	16	6%	63%	31%	16	19%	50%	31%
>£5bn	20	55%	40%	5%	20	75%	20%	5%	19	16%	42%	42%	20	85%	5%	10%	19	11%	53%	37%	20	35%	55%	10%
Legal Budget																								
Up to £5m	36	72%	22%	6%	36	39%	58%	3%	36	3%	22%	75%	36	78%	17%	6%	36	6%	69%	25%	36	14%	53%	33%
Over £5m	26	54%	42%	4%	26	69%	31%	0%	26	19%	39%	42%	26	85%	8%	8%	26	12%	62%	27%	26	35%	54%	12%
In-house team size																								
From 1 to 9	26	58%	42%	0%	26	50%	50%	0%	25	8%	28%	64%	26	85%	12%	4%	25	0%	76%	24%	26	12%	65%	23%
From 10 to 29	26	81%	12%	8%	26	54%	46%	0%	26	12%	39%	50%	26	89%	8%	4%	26	15%	62%	23%	26	15%	58%	27%
>30	18	67%	28%	6%	18	56%	39%	6%	18	6%	39%	56%	18	78%	17%	6%	18	6%	56%	39%	18	44%	44%	11%

Do general counsel sit on the board/executive board?

	Base	Yes	No
Total	100	69%	31%
Global vs UK focus			
Global	67	70%	30%
UK	33	67%	33%
Industry			
Primary production	33	76%	24%
Consumer services	31	65%	36%
Business services	36	67%	33%
Company size (by turnover)			
<1bn	46	59%	41%
£1bn - £5bn	22	86%	14%
>£5bn	27	74%	26%
Legal budget			
Up to £5m	41	61%	39%
Over £5m	31	77%	23%
In-house team size			
From 1 to 9	37	57%	43%
From 10 to 29	32	72%	28%
>30	29	79%	21%

Which position in your business has responsibility for setting the legal budget and which has responsibility for decisions about spend?



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To what extent does your legal team play a role in influencing the following areas across the business?

	The conscience of the business i.e. wrongdoing						Identifying risk						Risk management					
	Base	No influence	Very little influence	Some degree of influence	A great deal of influence	Don't know	Base	No influence	Very little influence	Some degree of influence	A great deal of influence	Don't know	Base	No influence	Very little influence	Some degree of influence	A great deal of influence	Don't know
Total	100	3%	1%	18%	77%	1%	100	1%	1%	22%	76%	0%	100	2%	0%	41%	56%	1%
Global vs UK focus																		
Global	67	2%	2%	15%	81%	2%	67	0%	0%	18%	82%	0%	67	2%	0%	36%	63%	0%
UK	33	6%	0%	24%	70%	0%	33	3%	3%	30%	64%	0%	33	3%	0%	52%	42%	3%
Industry																		
Primary production	33	9%	0%	12%	79%	0%	33	3%	0%	12%	85%	0%	33	3%	0%	21%	76%	0%
Consumer services	31	0%	0%	23%	77%	0%	31	0%	3%	29%	68%	0%	31	3%	0%	42%	52%	3%
Business services	36	0%	3%	19%	75%	3%	36	0%	0%	25%	75%	0%	36	0%	0%	58%	42%	0%
Company																		

To what extent does your legal team play a role in influencing the following areas across the business?

	Crisis planning and management						Business strategy						Strategic direction					
	Base	No influence	Very little influence	Some degree of influence	A great deal of influence	Don't know	Base	No influence	Very little influence	Some degree of influence	A great deal of influence	Don't know	Base	No influence	Very little influence	Some degree of influence	A great deal of influence	Don't know
Total	100	3%	10%	54%	33%	0%	100	3%	28%	60%	8%	1%	100	4%	33%	53%	10%	0%
Global vs UK focus																		
Global	67	2%	8%	60%	31%	0%	67	2%	24%	63%	10%	2%	67	2%	31%	55%	12%	0%
UK	33	6%	15%	42%	36%	0%	33	6%	36%	55%	3%	0%	33	9%	36%	49%	6%	0%
Industry																		
Primary production	33	9%	12%	39%	39%	0%	33	9%	24%	61%	6%	0%	33	9%	30%	49%	12%	0%
Consumer services	31	0%	10%	58%	32%	0%	31	0%	26%	65%	10%	0%	31	3%	36%	48%	13%	0%
Business services	36	0%	8%	64%	28%	0%	36	0%	33%	56%	8%	3%	36	0%	33%	61%	6%	0%
Company size (by turnover)																		
<1bn	46	2%	11%	52%	35%	0%	46	4%	26%	61%	7%	2%	46	4%	30%	54%	11%	0%
£1bn - £5bn	22	0%	9%	55%	36%	0%	22	0%	27%	68%	5%	0%	22	0%	27%	64%	9%	0%
>£5bn	27	7%	7%	52%	33%	0%	27	4%	26%	56%	15%	0%	27	7%	33%	48%	11%	0%
Legal budget																		
Up to £5m	41	5%	15%	54%	27%	0%	41	5%	34%	54%	7%	0%	41	5%	39%	49%	7%	0%
Over £5m	31	3%	10%	55%	32%	0%	31	3%	26%	65%	7%	0%	31	7%	32%	48%	13%	0%
In-house team size																		
From 1 to 9	37	0%	8%	57%	35%	0%	37	0%	32%	62%	5%	0%	37	0%	41%	49%	11%	0%
From 10 to 29	32	3%	9%	63%	25%	0%	32	3%	31%	56%	6%	3%	32	6%	38%	50%	6%	0%
>30	29	3%	14%	45%	38%	0%	29	3%	21%	66%	10%	0%	29	3%	21%	66%	10%	0%

Do you think your team should have more influence in any of these areas?
 Select all that apply.

	Base	Not answered	Strategic direction	Business strategy	Risk management	Identifying risk	Crisis planning/ management	Conscience of the business
Total	100	61%	20%	18%	16%	8%	8%	8%
Global vs UK focus								
Global	67	66%	19%	18%	10%	8%	6%	6%
UK	33	52%	21%	18%	27%	9%	12%	12%
Industry								
Primary production	33	73%	18%	12%	9%	3%	9%	6%
Consumer services	31	61%	19%	13%	16%	10%	7%	3%
Business services	36	50%	22%	28%	22%	11%	8%	14%
Company size (by turnover)								
<1bn	46	59%	22%	13%	20%	9%	13%	9%
£1bn - £5bn	22	64%	14%	27%	14%	5%	5%	5%
>£5bn	27	70%	19%	15%	7%	7%	4%	7%
Legal	93%							

Overall, do you feel that your business wants the legal department to take a proactive approach to protecting the organisation or a reactive approach to legal needs?

	Base	Proactive	Depends	Reactive
Total	99	77%	15%	8%
Global vs UK focus				
Global	66	77%	14%	9%
UK	33	76%	18%	6%
Industry				
Primary production	33	76%	18%	6%
Consumer services	30	87%	10%	3%
Business services	36	69%	17%	14%
Company size (by turnover)				
<1bn	45	76%	18%	7%
£1bn - £5bn	22	77%	14%	9%
>£5bn	27	82%	11%	7%
Legal budget				
Up to £5m	40	73%	18%	10%
Over £5m	31	81%	13%	7%
In-house team size				
From 1 to 9	36	78%	19%	3%
From 10 to 29	32	78%	13%	9%
>30	29	79%	7%	14%

Do other business teams procure legal services?

	Base	Yes	Yes, but rarely	No, never	Don't know
Total	100	41%	31%	28%	0%
Global vs UK focus					
Global	67	37%	33%	30%	0%
UK	33	49%	27%	24%	0%
Industry					
Primary production	33	55%	21%	24%	0%
Consumer services	31	42%	32%	26%	0%
Business services	36	28%	39%	33%	0%
Company size (by turnover)					
<1bn	46	48%	26%	26%	0%
£1bn - £5bn	22	32%	46%	23%	0%
>£5bn	27	37%	30%	33%	0%
Legal budget					
Up to £5m	41	44%	27%	29%	0%
Over £5m	31	45%	26%	29%	0%
In-house team size					
From 1 to 9	37	49%	32%	19%	0%
From 10 to 29	32	41%	38%	22%	0%
>30	29	31%	21%	48%	0%

In what ways does the legal team communicate the work that it is doing?

	Base	Attend other team's meetings	Run training courses etc	Intranet pages	Regular news updates	Run networking events	Other	No formal mechanisms
Total	100	71%	63%	55%	39%	32%	24%	13%
Global vs UK focus								
Global	67	73%	67%	61%	45%	31%	21%	12%
UK	33	67%	55%	42%	27%	33%	30%	15%
Industry								
Primary production	33	88%	67%	58%	36%	27%	24%	3%
Consumer services	31	61%	55%	52%	36%	36%	36%	16%
Business services	36	64%	67%	56%	44%	33%	14%	19%
Company size (by turnover)								
<1bn	46	72%	59%	63%	37%	33%	24%	9%
£1bn - £5bn	22	77%	73%	55%	36%	32%	14%	18%
>£5bn	27	63%	63%	48%	48%	30%	26%	19%
Legal budget								
Up to £5m	41	68%	54%	54%	29%	29%	27%	12%
Over £5m	31	68%	71%	52%	32%	36%	29%	13%
In-house team size								
From 1 to 9	37	62%	46%	46%	38%	22%	22%	16%
From 10 to 29	32	69%	69%	50%	25%	31%	31%	16%
>30	29	86%	79%	72%	55%	45%	17%	7%

Do you measure the value delivered to the business by the legal department?

	Base	No	Yes
Total	99	73%	27%
Global vs UK focus			
Global	66	77%	23%
UK	33	64%	36%
Industry			
Primary production	32	75%	25%
Consumer services	31	71%	29%
Business services	36	72%	28%
Company size (by turnover)			
<1bn	46	76%	24%
£1bn - £5bn	22	73%	27%
>£5bn	26	62%	39%
Legal budget			
Up to £5m	41	83%	17%
Over £5m	31	55%	45%
In-house team size			
From 1 to 9	36	83%	17%
From 10 to 29	32	78%	22%
>30	29	55%	45%

Do you seek formal feedback on performance, from the business in any of the following areas?

	Speed of response				Risk based decision making				Focus on finding solutions				Commerciality				General satisfaction			
	Base	Yes	No	Don't know	Base	Yes	No	Don't know	Base	Yes	No	Don't know	Base	Yes	No	Don't know	Base	Yes	No	Don't know
Total	27	70%	26%	4%	27	56%	37%	7%	27	74%	15%	11%	27	78%	19%	4%	27	85%	7%	7%
Global vs UK focus																				
Global	15	60%	33%	7%	15	53%	33%	13%	15	73%	13%	13%	15	80%	13%	7%	15	87%	0%	13%
UK	12	83%	17%	0%	12	58%	42%	0%	12	75%	17%	8%	12	75%	25%	0%	12	83%	17%	0%
Industry																				

Which of the following have you implemented in the last 12 months or plan to implement in the next 12 months?

	Rationalising or consolidating co-existing business systems				Restructuring the department				Bringing in procurement specialists				Reducing number of office locations				Introduce e-billing			
	Base	Last 12 months	Next 12 months	Neither	Base	Last 12 months	Next 12 months	Neither	Base	Last 12 months	Next 12 months	Neither	Base	Last 12 months	Next 12 months	Neither	Base	Last 12 months	Next 12 months	Neither
Total	99	25%	15%	60%	97	38%	19%	43%	97	17%	5%	78%	97	20%	10%	70%	97	11%	6%	83%
Global vs UK focus																				
Global	66	21%	18%	61%	64	39%	23%	38%	64	19%	8%	73%	64	20%	14%	66%	64	17%	6%	77%
UK	33	33%	9%	58%	33	36%	9%	55%	33	12%	0%	88%	33	18%	3%	79%	33	0%	6%	94%
Industry																				
Primary production	32	31%	16%	53%	32	25%	25%	50%	32	16%	3%	81%	32	16%	9%	75%	33	12%	0%	88%
Consumer services	31	16%	19%	65%	31	45%	13%	42%	30	20%	3%	77%	31	10%	16%	74%	30	13%	10%	77%
Business services	36	28%	11%	61%	34	44%	18%	38%	35	14%	9%	77%	34	32%	6%	62%	34	9%	9%	82%
Company size (by turnover)																				
<1bn	46	26%	15%	59%	45	33%	20%	47%	44	18%	7%	75%	45	18%	9%	73%	45	0%	4%	96%
£1bn - £5bn	21	19%	10%	71%	21	33%	14%	52%	21	14%	0%	86%	21	19%	14%	67%	21	24%	10%	67%
>£5bn	27	22%	22%	56%	26	39%	23%	39%	27	15%	7%	78%	27	22%	11%	67%	26	23%	8%	69%
Legal budget																				
Up to £5m	41	32%	12%	56%	41	34%	15%	51%	39	8%	5%	87%	40	10%	13%	78%	41	2%	2%	95%
Over £5m	31	23%	23%	55%	31	36%	29%	36%	31	29%	10%	61%	31	32%	13%	55%	31	16%	10%	74%
In-house team size																				
From 1 to 9	36	17%	19%	64%	36	22%	17%	61%	36	11%	6%	83%	37	11%	14%	76%	37	8%	0%	92%
From 10 to 29	32	19%	13%	69%	31	32%	26%	42%	31	19%	3%	77%	30	17%	7%	77%	30	10%	10%	80%
>30	29	45%	10%	45%	27	42%	14%	42%	27	14%	1%	85%	27	11%	1%	88%	27	10%	1%	89%

- Executive summary
- Methodology and demographics
- Profile and influence of legal departments
- Key challenges for the community
- Legal budgets
- In-house teams
- Distribution of work
- External providers
- Appendix

ACRITAS

