

Australian Legal Department Operations Survey

How Do You Rate?

Prepared for the CLOC Australia Institute 2018 | November 2018

Survey results powered by:



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INTRODUCTION

CLOC has developed a maturity model for legal operations based around 12 core competencies. These competencies reflect key functions, services, capabilities, activities, and operations of a corporate legal department.

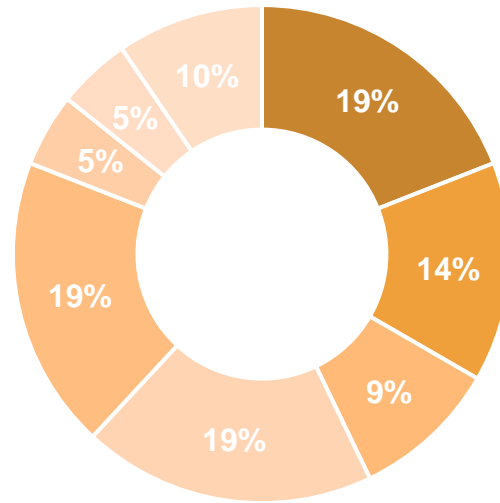
The Australian Legal Department Operations Survey was designed by CLOC, HBR Consulting, and Gen2Law to adopt the competencies, definitions and rating systems of the CLOC model, so that the data from responses may be used to compare legal department operations and practices across industry sectors and types of organisations in Australia and overseas.



PARTICIPANT PROFILE

21

Participating
Companies



- Financial Services
- Energy/Electric Power
- Education/Non-Profit
- Industrial Services/Materials
- Retail
- Media/Communications/Entertainment
- Technology
- Professional Services

\$29.8M

Average
Total Legal
Spend



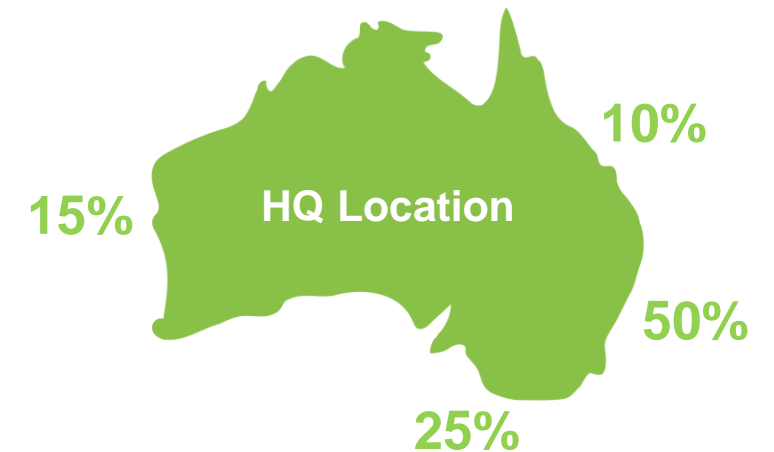
28.7

Average
In-House
Lawyers



\$13.5B

Average
Company
Revenue

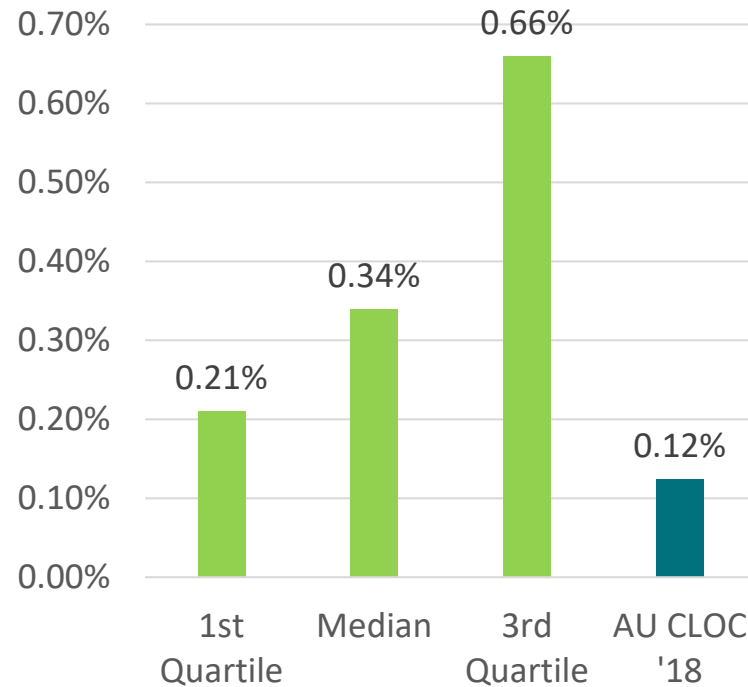


KEY BENCHMARKS



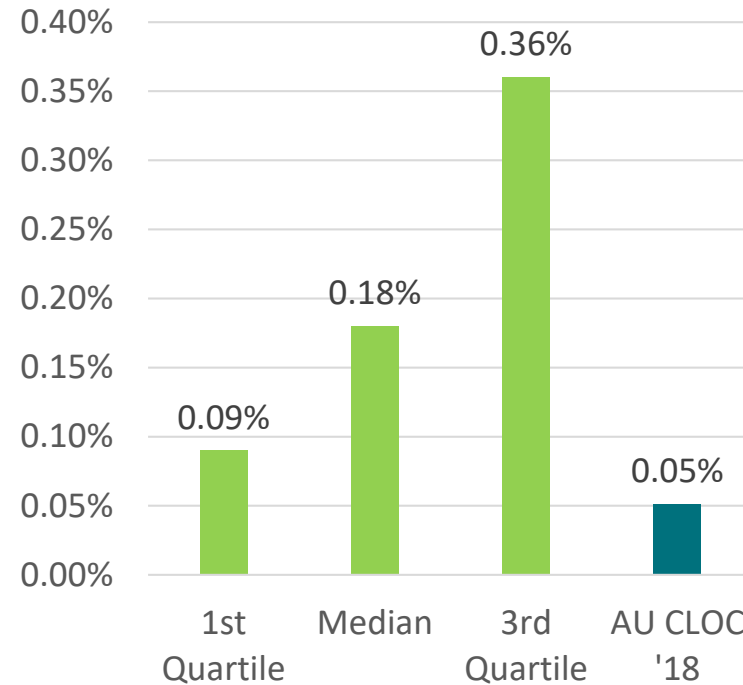
SPENDING BENCHMARKS

TOTAL LEGAL SPEND AS A % OF REVENUE



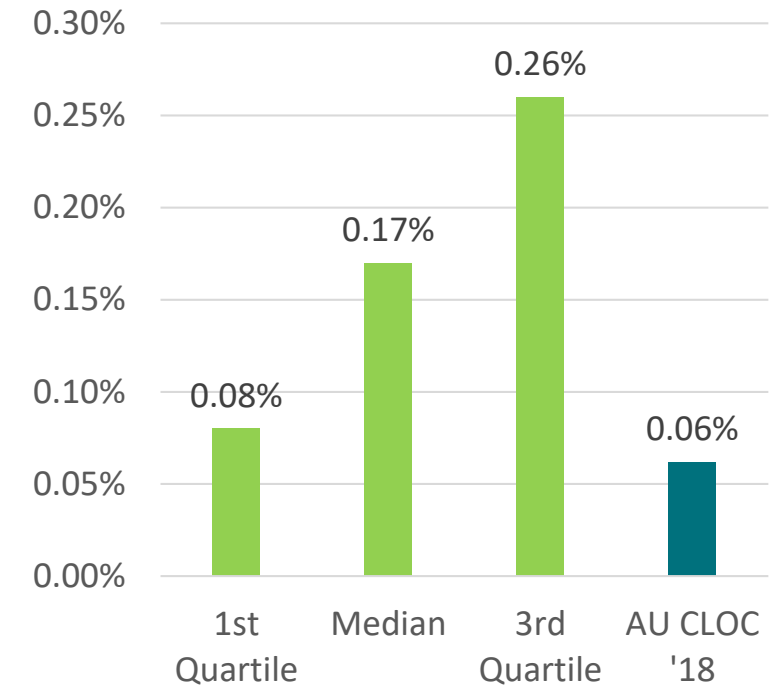
HBR Benchmarking Range

EXTERNAL LEGAL SPEND AS A % OF REVENUE



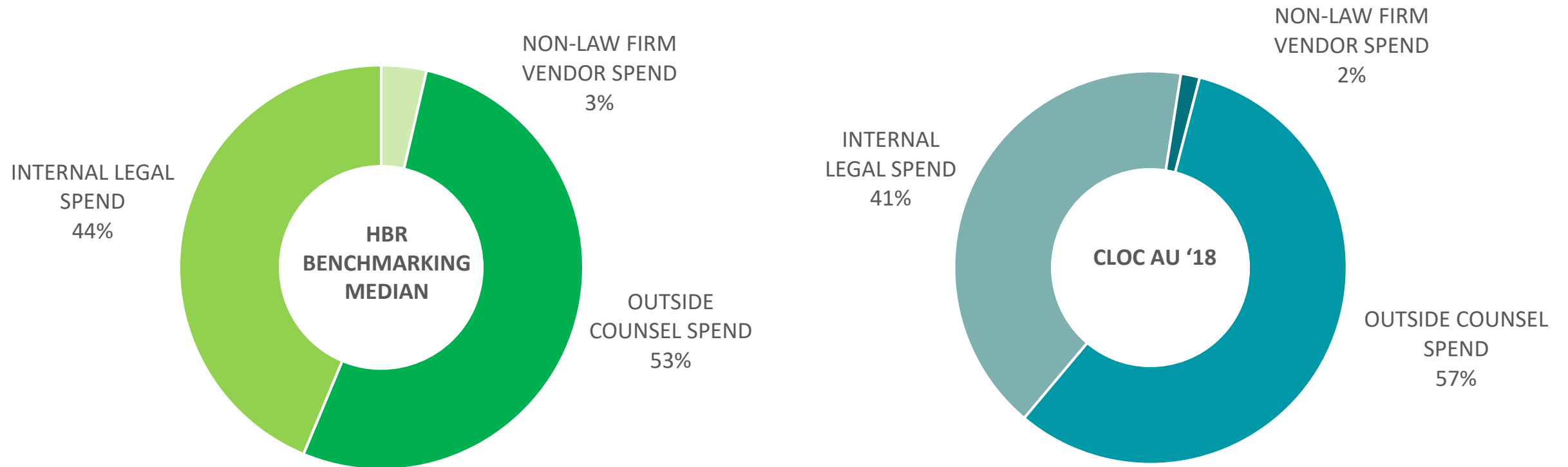
HBR Benchmarking Range

INTERNAL LEGAL SPEND AS A % OF REVENUE



HBR Benchmarking Range

SPENDING BENCHMARKS



SPENDING BREAKDOWN BY COMPANY SIZE

AU CLOC '18 DATA

Large Companies
(\$20B+ revenue)

Mid-Size Companies
(\$5B - \$19.9B revenue)

Small Companies
(Less than \$5B revenue)

% of Respondents

25%

20%

55%

Median External Spend

\$38.6M

\$3.5M

\$1.36M

Median Internal Spend

\$27.5M

\$8M

\$3.7M

Median Legal Spend as a
% of Revenue

0.14%

0.12%

0.24%

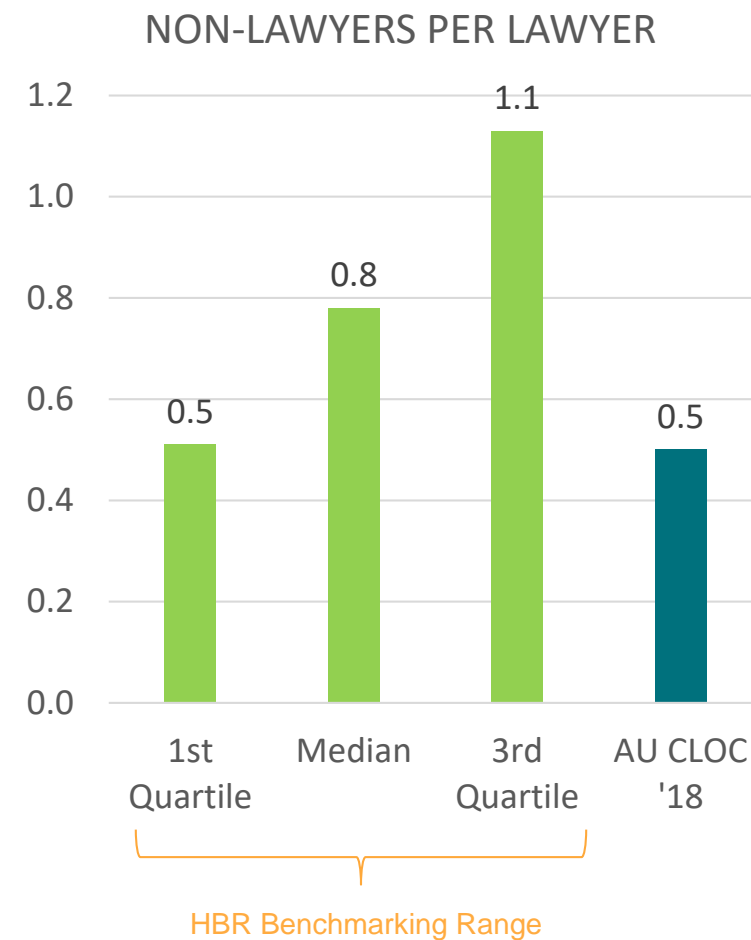
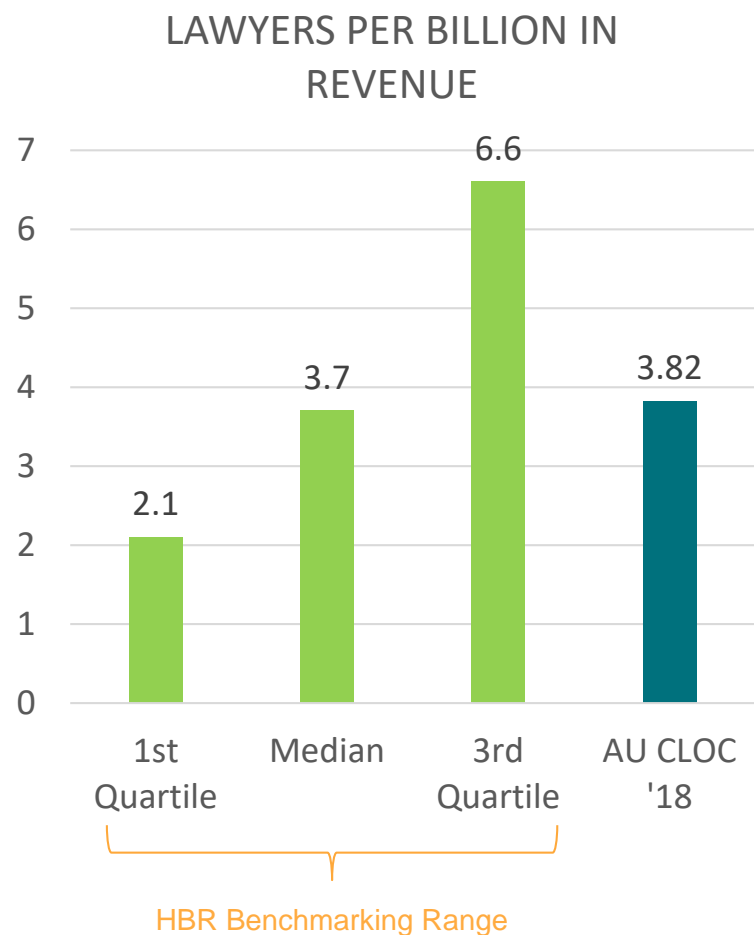
Median External to
Internal Spend Ratio

\$1.66 for
every \$1
in house

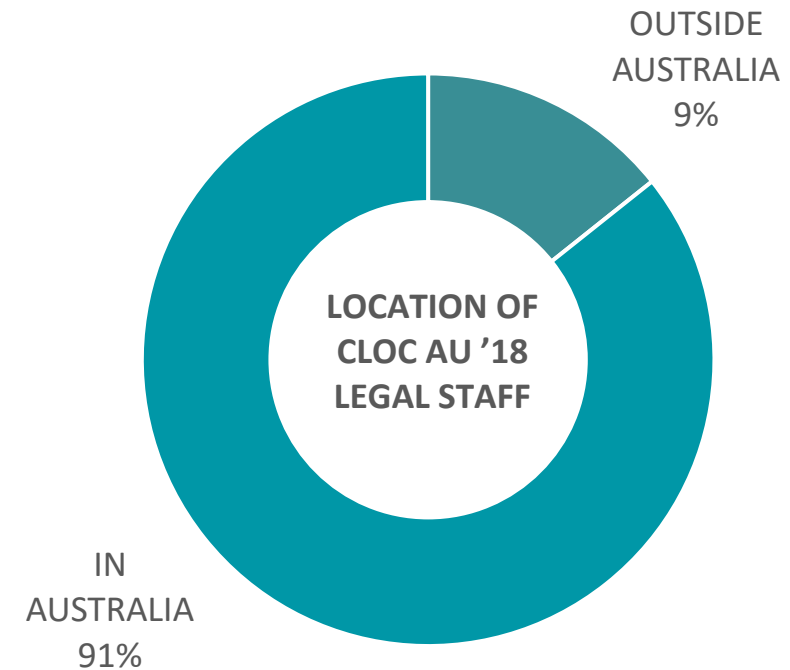
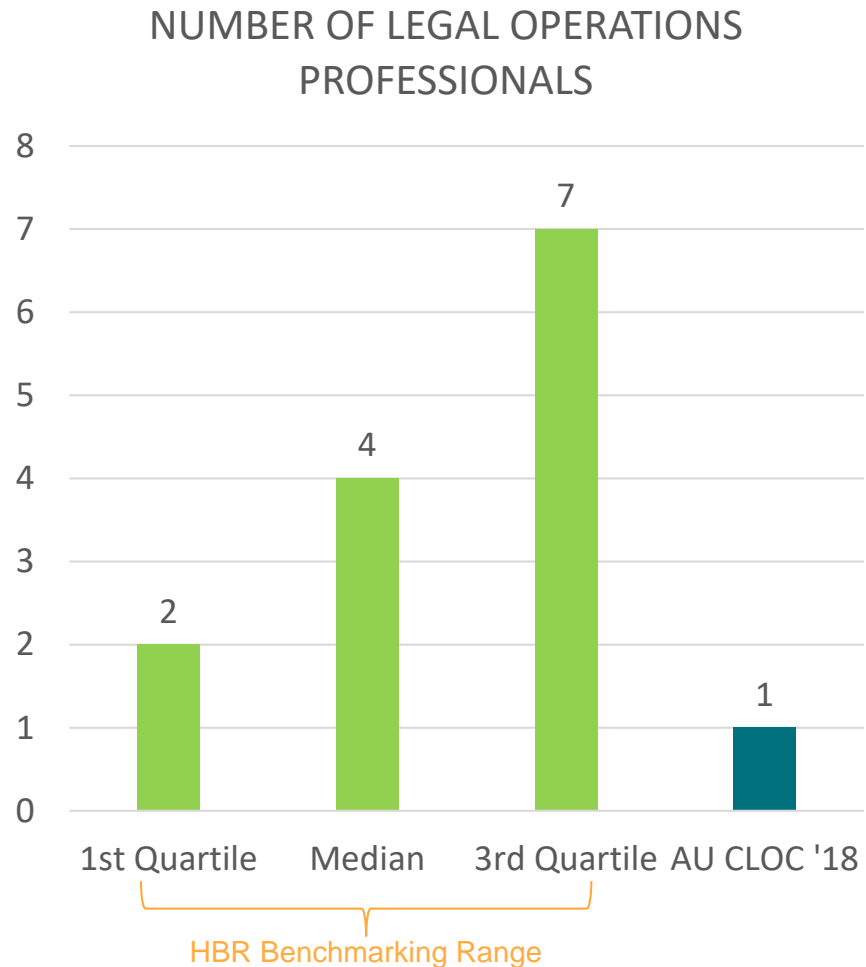
\$0.71 for
every \$1
in house

\$0.18 for
every \$1
in house

STAFFING BENCHMARKS



STAFFING BENCHMARKS



STAFFING BENCHMARKS

AU CLOC '18 DATA

Large Companies
(\$20B+ revenue)

Mid-Size Companies
(\$5B - \$19.9B revenue)

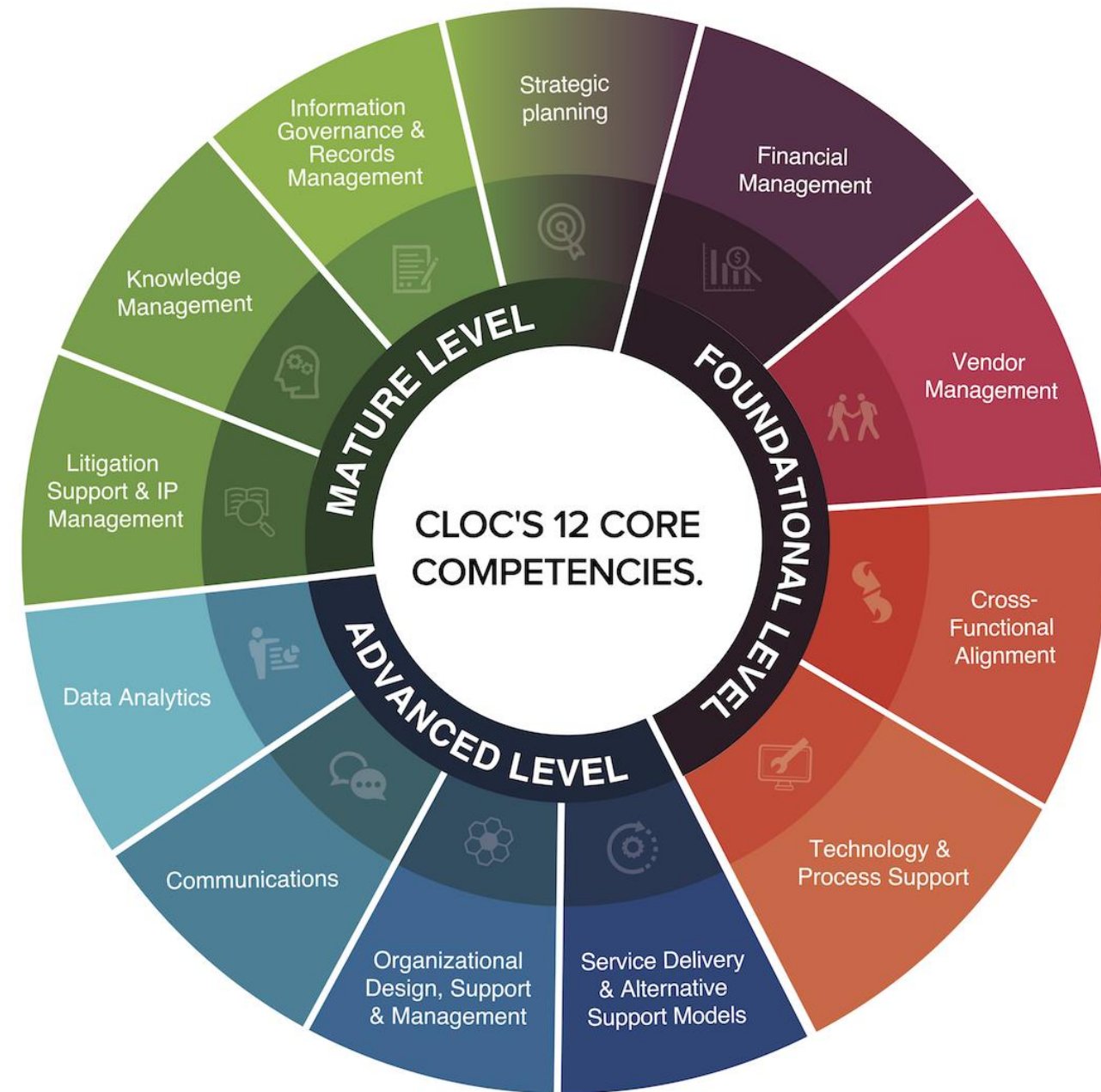
Small Companies
(Less than \$5B revenue)

Median Lawyer Headcount	75	22	11
Median # of Legal Dept. Staff Involved in Legal Ops	3	1	1
Median Attorney to Revenue Ratio	1 lawyer per \$679M	1 lawyer per \$482M	1 lawyer per \$111M
Median Internal Spend per Legal Dept. Staff	\$224K per employee	\$222K per employee	\$137K per employee

HOW DO WE ASSESS MATURITY?

Functional maturity is measured against 12 Core Competencies and is viewed as:

- **Underdeveloped**
- **Foundational**
- **Advanced**
- **Mature**



LEGAL OPERATIONS FUNCTIONS FOLLOW A TYPICAL MATURITY CYCLE

The **Foundational** Level



LEGAL OPERATIONS FUNCTIONS FOLLOW A TYPICAL MATURITY CYCLE

The **Advanced** Level



LEGAL OPERATIONS FUNCTIONS FOLLOW A TYPICAL MATURITY CYCLE

The **Mature** Level



2018 CLOC Institute U.S. vs. Australia Ratings

Foundational Level



Advanced Level



Mature Level



CROSS-FUNCTIONAL ALIGNMENT
VENDOR MANAGEMENT
FINANCIAL MANAGEMENT
TECH & PROCESS SUPPORT

COMMUNICATIONS
ORGANISATIONAL DESIGN, SUPPORT & MANAGEMENT
SERVICE DELIVERY & ALTERNATIVE SUPPORT MODEL
DATA ANALYTICS

STRATEGIC PLANNING
INFORMATION GOVERNANCE & RECORDS MANAGEMENT
KNOWLEDGE MANAGEMENT
LITIGATION SUPPORT & IP MANAGEMENT



2018 CLOC Institute U.S. vs. Australia Rankings

CLOC AU '18

#1	CROSS-FUNCTIONAL ALIGNMENT
#2	COMMUNICATIONS
#2	VENDOR MANAGEMENT
#3	FINANCIAL MANAGEMENT
#4	STRATEGIC PLANNING
#5	ORGANISATIONAL DESIGN, SUPPORT & MANAGEMENT
#6	INFORMATION GOVERNANCE & RECORDS MANAGEMENT
#7	TECH & PROCESS SUPPORT
#8	SERVICE DELIVERY & ALTERNATIVE SUPPORT MODEL
#9	KNOWLEDGE MANAGEMENT
#9	LITIGATION SUPPORT & IP MANAGEMENT
#10	DATA ANALYTICS

CLOC US '18

#1	FINANCIAL MANAGEMENT
#2	CROSS-FUNCTIONAL ALIGNMENT
#2	LITIGATION SUPPORT & IP MANAGEMENT
#3	ORGANISATIONAL DESIGN, SUPPORT & MANAGEMENT
#4	COMMUNICATIONS
#5	INFORMATION GOVERNANCE & RECORDS MANAGEMENT
#6	STRATEGIC PLANNING
#7	VENDOR MANAGEMENT
#7	TECH & PROCESS SUPPORT
#7	SERVICE DELIVERY & ALTERNATIVE SUPPORT MODEL
#8	DATA ANALYTICS
#9	KNOWLEDGE MANAGEMENT



2.1

AU Overall

24%

48%

19%

9%

	Under Developed	Developing	Efficient	Best In Class
BUDGETING & FORECASTING	<ul style="list-style-type: none"> Non-standardized criteria for when budgets and forecasts need to be set 	<ul style="list-style-type: none"> Criteria set for which matters require budgets and forecasts 	<ul style="list-style-type: none"> Standard process, frequency and dedicated team for external spend 2.3 	<ul style="list-style-type: none"> Fully comprehensive internal and external budgets and forecasts
SCOPE	<ul style="list-style-type: none"> Undefined and ad-hoc 	<ul style="list-style-type: none"> Focus on external spend management 	<ul style="list-style-type: none"> Focus on internal and external spend 2.3 	<ul style="list-style-type: none"> Focus on total cost internal, external, settlements, headcount)
IDENTIFYING OPPORTUNITIES	<ul style="list-style-type: none"> Reactive analysis and fire extinguishing 	<ul style="list-style-type: none"> Consistent frequency and scope of macro-analysis 	<ul style="list-style-type: none"> Consistent frequency and scope of micro-analysis 2.0 	<ul style="list-style-type: none"> Automated scorecards and alerts (traffic lights)
TECHNOLOGY	<ul style="list-style-type: none"> Individually managed spreadsheets and decentralized tracking 	<ul style="list-style-type: none"> Centralized spreadsheets 1.8 	<ul style="list-style-type: none"> External spend budgets managed within MM tools 	<ul style="list-style-type: none"> Centralized dashboard and targets for internal and external spend mgmt
VISIBILITY & TRACKING	<ul style="list-style-type: none"> Undefined metrics and lack of access 	<ul style="list-style-type: none"> Defined metrics but difficult to gain access 1.9 	<ul style="list-style-type: none"> Defined metrics and frequent access, but manually generated 	<ul style="list-style-type: none"> Defined metrics, frequent access and automated dashboard-driven

Vendor Management

The Foundational Level



<div>2.3 AU Overall</div> <div>9.5%62%19%9.5%</div>				
	Under Developed	Developing	Efficient	Best In Class
NUMBER OF FIRMS/VENDORS RETAINED	<ul style="list-style-type: none"> Many firms used; highly distributed spending 	<ul style="list-style-type: none"> Fewer major firms; perhaps 70-30 split 	<ul style="list-style-type: none"> Consolidation and concentration; firms matched with the nature of the work 	<ul style="list-style-type: none"> Consolidated to core teams that know your business very well at few law firms
RETENTION PRACTICES	<ul style="list-style-type: none"> Unstated criteria for retention; siloed decision making 	<ul style="list-style-type: none"> Guidelines, approved counsel list 	<ul style="list-style-type: none"> Periodic RFPs and competitive bidding 	<ul style="list-style-type: none"> Preferred Provider Program, historical data used to driven selection process
FEE ARRANGEMENTS & INVOICE REVIEW	<ul style="list-style-type: none"> Hourly billing with some discounts Invoices reviewed in ad hoc manner without e-billing 	<ul style="list-style-type: none"> Extensive use of discounts, plus some fixed fees and incentives Invoice reviewed in line with guidelines 	<ul style="list-style-type: none"> Non hourly arrangements consistently considered First pass invoice review done by specialist team; attorney review time reduced 	<ul style="list-style-type: none"> Well-defined, data-driven process to identify AFA opportunities/ measure success Invoice review substantively delivered by central team, minimal attorney time
PERFORMANCE MANAGEMENT	<ul style="list-style-type: none"> No consistent process for communicating feedback 	<ul style="list-style-type: none"> Sporadic meetings with vendors to discuss goals and feedback 	<ul style="list-style-type: none"> Defined process and cadence to provide feedback and lessons learned 	<ul style="list-style-type: none"> Consistent sharing of vendor scorecards, meetings to conducts after action reviews
RATE REVIEW PROCESS	<ul style="list-style-type: none"> No standardization or centralization; no benchmark data; rates at TK level 	<ul style="list-style-type: none"> Defined timeline, but allow exceptions; no tools; some benchmarks 	<ul style="list-style-type: none"> No exceptions to defined timeline, centralized review team; tools used 	<ul style="list-style-type: none"> Centralized team utilizing automated tools to negotiate using benchmarks/analytics

Cross-Functional Alignment

The Foundational Level



2.7

AU Overall

10%

24%

52%

14%

	Under Developed	Developing	Efficient	Best In Class
INFLUENCE	<ul style="list-style-type: none"> None or limited Interactions are on an “as needed” basis with no real alignment 	<ul style="list-style-type: none"> Basic relationships w Finance and IT support very basic dept needs HR relationships address issues real time but w/o any favors Basic alignment 	<ul style="list-style-type: none"> Strong relationships support day-to-day operations, especially in IT, Finance & HR Support from partner is reactive rather than proactive 	<ul style="list-style-type: none"> Able to leverage partners to drive legal dept strategy Other functions come to legal ops with information in advance of “activities” Receive special favors Partners help drive strategy
EXTENT OF RELATIONSHIP	<ul style="list-style-type: none"> None or limited No real understanding of the value of internal ties to other key functions. 	<ul style="list-style-type: none"> Has some understanding of the need No dedicated legal team contact or ad hoc/rotational assignments not including legal ops 	<ul style="list-style-type: none"> Legal Ops owns the relationships and has developed them at a basic level Meets regularly with Finance and has solid relationships with IT and HR Has basic ties to key Exec Staff EAs 	<ul style="list-style-type: none"> Legal ops leader has deep relationships with all x-functional teams, esp. finance, IT, HR, & security, comms, and other HQ and client group leads and Exec Staff EAs Legal ops x-functional connections serve as an early warning system

2.8

2.6

Technology & Process Support

The Foundational Level



1.7 AU Overall	38%	57%	5%	0%
	Under Developed	Developing	Efficient	Best In Class
CALIBER/SCOPE OF TOOLS	<ul style="list-style-type: none"> MS Office and email Second tier legal products no longer/not considered market leaders 	<ul style="list-style-type: none"> + MM/eBilling; SharePoint; eSignature; Document Mgmt Most tools are considered among market leaders 	<ul style="list-style-type: none"> + Integrated MM/Claims; Legal Hold; IP Mgmt; Contract Mgmt; Knowledge Mgmt; GRC Tools are market leaders 	<ul style="list-style-type: none"> + Dashboards/analytics; EDD; Intake/Workflow/Self Service; Legal Project Management All tools are market leaders
TECHNOLOGY ROADMAP	<ul style="list-style-type: none"> Non existent 	<ul style="list-style-type: none"> Business objectives defined and key preferred techs identified 	<ul style="list-style-type: none"> 3 year plan broken into horizons with effort costs 	<ul style="list-style-type: none"> 5 year strategic map with how tech will support objectives with planned effort, costs, convergence and integrations
QUALITY OF DATA	<ul style="list-style-type: none"> De-centralized and non standardized tracking of info. Much of it lies in email or unstructured forms 	<ul style="list-style-type: none"> Defined, but limited, standard tracking elements Limited compliance and completeness; 	<ul style="list-style-type: none"> Rule-based validation of standard information tracking Complete within systems, but not across systems 	<ul style="list-style-type: none"> Standard core data across systems Aligned with legal department reporting metrics Complete, synched and clear primary sources of records (no issue of redundant data)
LEVEL OF ADOPTION	<ul style="list-style-type: none"> Most tools only used by support staff 	<ul style="list-style-type: none"> Attorneys using core tools for basic tasks, but opt out of significant usage 	<ul style="list-style-type: none"> All levels are using core set of tools 	<ul style="list-style-type: none"> All level are using tools, leveraging analytics, and represented in tech steering committee

Service Delivery & Alt. Support Models

The **Advanced** Level



1.6

AU Overall

43%

52%

5%

0%

SERVICE DELIVERY & ALTERNATIVE SUPPORT MODELS

Under Developed	Developing	Efficient	Best In Class
<ul style="list-style-type: none"> Direct business stakeholder to legal interaction Inconsistent legal responsibilities for various types of work Inhouse teams and overflow to outside counsel Non-existent use of alternative service providers 	<ul style="list-style-type: none"> SharePoint accessible matrix to assist “who to call” for what Legal partners with business & supporting functions to develop clear governance, processes, and risk standards Targeted law firm staffing model and for various major areas of work (focus on external resource allocation) Use of secondees for specific individual gaps and/or large low complexity projects 	<ul style="list-style-type: none"> Intake workflow or legal front gate to triage work to appropriate party More proactive engagement with the business and alignment based on type and location Allocation of tasks to appropriate level of internal resource; use of alternative providers; OC used for expertise Strategic use of ASPs for litigation and/or eDD 	<ul style="list-style-type: none"> Automated workflow & intake, including self-service & auto-assignment based on coverage, type, complexity Fully collaborative partnership, accessibility & interaction points depending on type/complexity of work Business self serve where appropriate, legal manages exceptions/ bespoke matters’ extensive use of paralegals and alternative providers Centralized and strategic use of ASP powered centers for contracts, due diligence, IP, compliance and legal ops



2.0
AU Overall

33%

38%

29%

0%

ORGANISATIONAL DESIGN, SUPPORT, & MANAGEMENT

Under Developed	Developing	Efficient	Best In Class
<ul style="list-style-type: none"> Tied to corporate structure only; no dept-level definitions Management focus on career development is ad hoc – not seen as a priority Ad Hoc changes made to retain talent. Org structure has odd roles and titles used to retain talent at various times No use of Myers Briggs, TKI, 5 Dysfunctions or other tools; failure to acknowledge the need 	<ul style="list-style-type: none"> Basic outlines of roles for senior attorney positions only; rarely used by legal Developing guidelines and used for senior attorney roles; No appreciation for the power of tools and HR instruments Limited use of org structure to create cross-training and other prof development opportunities Use of tools and HR instruments for GC Staff only 	<ul style="list-style-type: none"> Well defined roles with consideration across dept used for promotions All levels of legal mgmt leverage tools and participate in dept planning Career development is part of dept planning Organizational structure is a clear focus with some effort to leverage structure Tools and HR instruments Use by GC Staff and other managers; work with HR to identify key tools 	<ul style="list-style-type: none"> Clearly defined by level and role; used by mgmt during annual review and promotions; team sees correlation to promos and reviews Leverage mentoring Leverages clear succession plans Uses clear consistent feedback Core to dept culture Organizational structure is a clear focus with extensive use of matrix and other structures where appropriate Tools and HR instruments are used broadly across the dept to drive optimal team performance as needed - part of common language



2.3

AU Overall

9%

57%

28%

6%

COMMUNICATION

Under Developed	Developing	Efficient	Best In Class
<ul style="list-style-type: none"> Prioritization is ad hoc and work is completely reactive No real connection to the team reflecting a lack of understanding of the need to address critical company or org changes Communications are ad hoc and email only Team feels a lack of clear communication from the GC and GC Staff No specific effort by the legal team for onboarding; reliance on company onboarding 	<ul style="list-style-type: none"> Limited prioritization but items are understood as a need Action limited mostly to critical events and then only on an ad hoc basis. Limited consideration to messaging Regular email Irregular All Hands Meetings Basic web portal Team has some sense of key initiatives Limited onboarding and Ad Hoc by Region and Office Location 	<ul style="list-style-type: none"> Regular consideration and a priority Appreciation of the need and value for responsiveness; Plan mostly based on events rather than part of a strategic plan Regular email Regular All Hands Comprehensive portal Irregular All Hands Offsites Standardized onboarding across regions with no local 	<ul style="list-style-type: none"> Core part of the strategic plan & high priority Plan in place ahead of events. Key messages tied to goals, strategy and mission/vision Immediate ability to respond to critical company or dept events Weekly Chalk Talks Comprehensive Web Portal Monthly or Qtrly All Hands Annual Legal All Hands Offsite Team feels fully informed & can speak to key corp & legal goals Standardized Global Onboarding Processes specific to legal w regional variations

Data Analytics

The **Advanced** Level



1.3 AU Overall		76%	19%	5%	0%
DATA ANALYTICS	Under Developed	Developing	Efficient	Best In Class	
	<ul style="list-style-type: none">Undefined scope of metrics and/or performance measuresNo access to industry dataAd-hoc and de-centralized reporting from legal applicationsRe-active request and analysis of information relevant to the work	<ul style="list-style-type: none">Defined set of metrics and performance measuresAccess into general departmental surveysRobust dashboards for a single legal application (likely MM/e-Billing first)Established knowledge bank or data with manual search	<ul style="list-style-type: none">Quarterly generation and review of departmental metricsAccess into peer aligned departmental surveysRobust dashboards for each legal applicationEstablished analytics platform boasting relevant metrics	<ul style="list-style-type: none">Automated and real-time visibility into key metrics / varianceAccess into area-specific analytics and benchmarking (spend, contracts, IP, e-discovery, etc.)Automated and centralized single-point of reporting across the departmentIntegrated data recommendations based on work at hand	

Litigation Support & IP Management

The **Mature** Level



LITIGATION SUPPORT & IP MANAGEMENT	1.5 AU Overall			
	48%	52%	0%	0%
	Under Developed	Developing	Efficient	Best In Class
	<ul style="list-style-type: none"> Default legal hold scope and management of discovery to law firms Law firm driven scoping, vendor selection and rate setting/negotiation Metrics not defined or collected Broad scope for legal holds routinely implemented No central KM platform or reporting or processes Legal holds managed via email and MS Office Data preservation and collection performed by corporate IT with no centralized tracking or reporting provided 	<ul style="list-style-type: none"> Established role for e-Discovery attorney and PMs In-house team grown to provide proactive legal hold + discovery management and oversight of law firm's use of vendors / staffing In-house driven scoping of discovery strategy Demand firms provide competitive pricing to deliver or procure e-discovery services and metrics reported Strategic scoping of legal holds and data collection sometimes used Core discovery volume and spend reporting established Data retention, legal hold, and data destruction policies e-Discovery and legal hold platforms in place Data preservation and collection performed by corporate IT reporting provided 	<ul style="list-style-type: none"> Preferred vendors selected for e-discovery and managed review Outside counsel required to use preferred vendors End to end definition of roles for internal and external resources Flat monthly fee ("Managed Services") model in place for preferred vendor(s) Strategic scoping of legal holds and data collection always used Playbooks established for different litigation types Formal tools for management and tracking of legal hold and discovery-related activities Experimentation with machine learning Data preservation and collection performed by corporate IT with centralized tracking and reporting provided 	<ul style="list-style-type: none"> Full use of alternative providers for e-discovery, management review and advisory support for applying machine learning to accelerate document review Roles delineated between the e-discovery attorney and operations / management Performance metrics established and ongoing monitoring performed via Dashboard monitoring technology Continuous optimization of data minimization strategies via technology and workflow improvements Reuse of data, decisions and work product across matters to support consistency and cost reduction Defined and repeatable methodology applied to each phase of the matter lifecycle to drive consistency and contain costs Historical metrics evaluated to drive organizational budgeting, support burden & expense arguments (in matters) and to identify opportunities for improvement Metrics-driven ongoing evaluation and management of vendor relationships Platform technology in place to enable in-place data analysis and targeted collection Machine learning e-Discovery widely used Workflow-driven technology deployed to support custodian interview process to defensibly applying proportionality to discovery Dashboard reporting tool in place to report aggregated discovery volumes and cost and to enable predictive budgeting and scope negotiations with opposing parties

Knowledge Management

The **Mature** Level



1.5 AU Overall		57%	38%	0%	5%
KNOWLEDGE MANAGEMENT	Under Developed	Developing	Efficient	Best In Class	
	<ul style="list-style-type: none">No resources with KM included in responsibilitiesNo formal process to capture and reuse knowledgeDriven by spreadsheets and word processing tools, i.e. email and MS Office	<ul style="list-style-type: none">Portion of someone’s role includes KM expectationsBasic expectations communication around use of KM toolsCentral open access knowledge repositories with limited self service or categories	<ul style="list-style-type: none">Dedicated resource to drive KM cultureClearly defined and documented expectations for work product reuseConsistent communication around new contentEnd to end tools fully embedded to facilitate workflow, escalations and data capture; Extensive self-service tools	<ul style="list-style-type: none">Dedicated team driving KM best practices and actively publicizing lessons learnedActive process to identify, capture, and publicize best practice materials and contentKM update is agenda point in all key items for proactive KMMachine learning & AI capabilities to drive further efficiency & improvements w/ robust workflow and KM system linking all members of ecosystem	

Info Governance & Records Management

The **Mature** Level



1.8

AU Overall

33%

57%

10%

0%

INFO GOVERNANCE & RECORDS MANAGEMENT

Under Developed	Developing	Efficient	Best In Class
<ul style="list-style-type: none"> Records and Information Management is not addressed No Records Manager or position is clerical in nature Executives do not understand RIM risks No documented processes for retention, disposition, lifecycle management No Retention Schedule Regulations not identified No metrics Basic file management system in place No tools to facilitate search, retrieval, discovery No standard for content location, metadata, naming conventions 	<ul style="list-style-type: none"> Recognition is developing that recordkeeping has an impact on the organization Records Manager responsible for tactical operations Procedures for physical records in place RIM practices mainly at department level Retention Schedule may be developed – but not implemented effectively Difficult to apply retention requirements to electronic information Some guidelines available for managing electronic records IT not incorporating retention requirements 	<ul style="list-style-type: none"> Records Manager is director-level, defining strategic initiatives Training is made available for employees Processes have been developed, but not standardized Retention Schedule understood and used enterprise-wide Compliance is monitored RIM specs exist for applications and systems Classification structures to manage records and information are defined Systems of record and official repositories are defined 	<ul style="list-style-type: none"> There is an IG Officer – member of organization's senior management IG Steering Committee – Legal, IT, Compliance, Privacy Governing board of organization emphasizes IG Auditing and continuous improvement processes in place Processes for RIM and Discovery are integrated All RIM processes are documented Retention Schedule is updated regularly Enterprise IT strategy incorporates RIM reference architecture Systems and applications follow RIM standards Comprehensive enterprise content management in place Auto classification, taxonomies, retention rules manage records and information

1.8

Strategic Planning

The **Mature** Level



2.0
AU Overall

24%

52%

24%

0%

STRATEGIC PLANNING

Under Developed	Developing	Efficient	Best In Class
<ul style="list-style-type: none"> No time for strategic planning; fire fighting mode No formal goals set or documented for department beyond annual budgets: Everyone just “keeps their heads down” 	<ul style="list-style-type: none"> Annual goals set for operations function Some level of strategic planning performed and metrics considered 	<ul style="list-style-type: none"> Annual goals set; metrics identified and tracked over time Alignment with broader law department and corporate goals in fully documented strategic plan Plan is visible within law department and accountability is shared 	<ul style="list-style-type: none"> Metrics-driven multi-year plan in place Full awareness of plan with quarterly reviews relative to goals, including key business clients Planning includes elements of strategy, structure, change management, and culture Plan is tied to team member performance objectives and has impact on compensation