

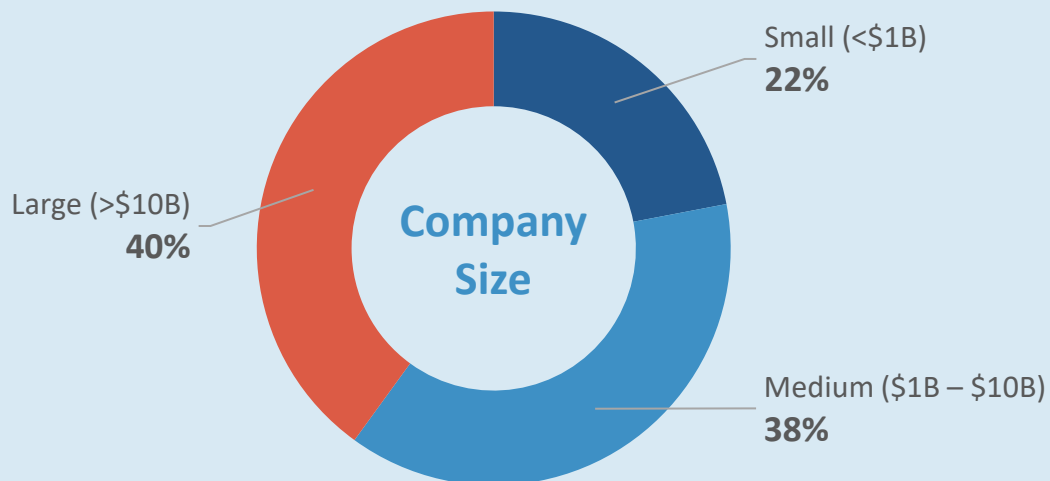
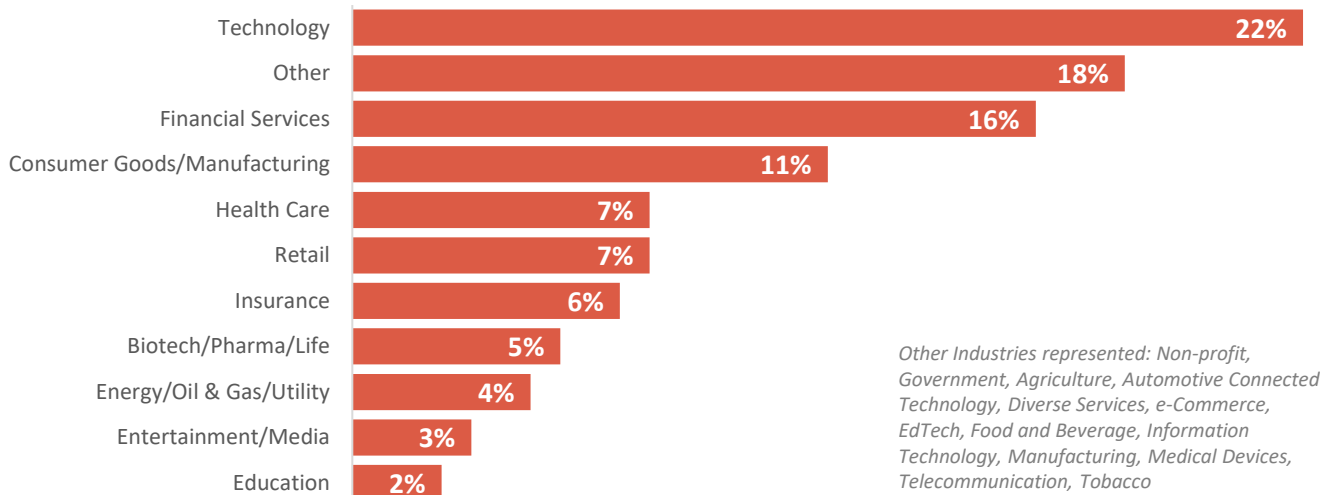
2020 STATE OF THE INDUSTRY SURVEY

Results and Analysis

QUICK STATISTICS

The 2020 CLOC State of the Industry survey included respondents from more than 140 companies of varying sizes, representing more than 30 industries across 17 countries. According to the survey, corporate legal departments experienced growth in demand for legal services and continued to focus on various means to control costs. Many grew their legal operations teams and continued to invest in technology.

Participant Companies by Industry



146

Companies Responded



27

Fortune 500 Companies



17

Countries



33

States



32+

Industries

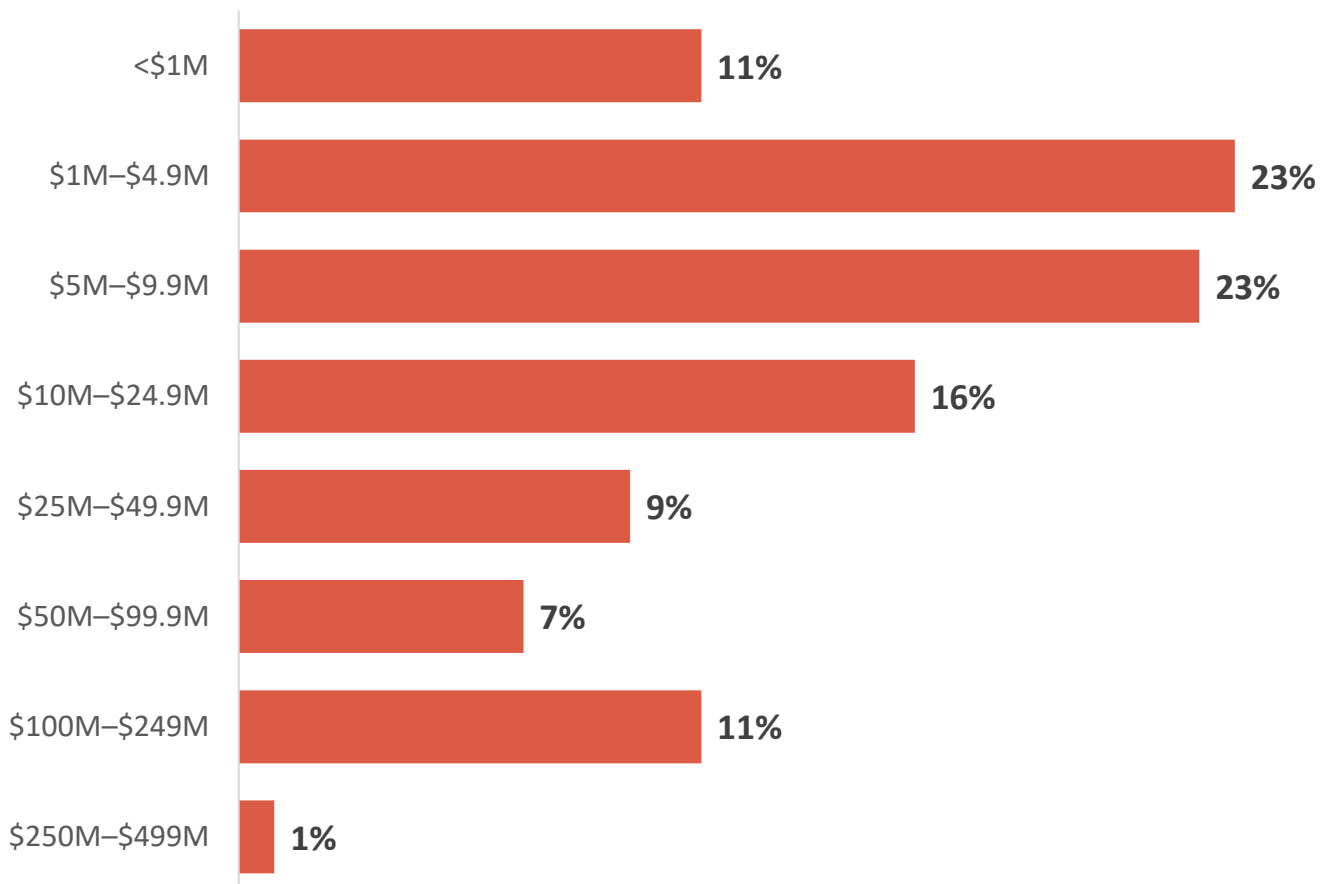


INTERNAL & EXTERNAL EXPENDITURES

INTERNAL AND EXTERNAL EXPENDITURE

The sum of all external expenditure submitted by respondents totaled over \$3.6B for the 140+ companies who participated in CLOC's survey. The median external expenditure was \$7.9 million.

External Expenditure by Respondent



\$200K

Median Internal
Expenditure per Legal
Department FTE*

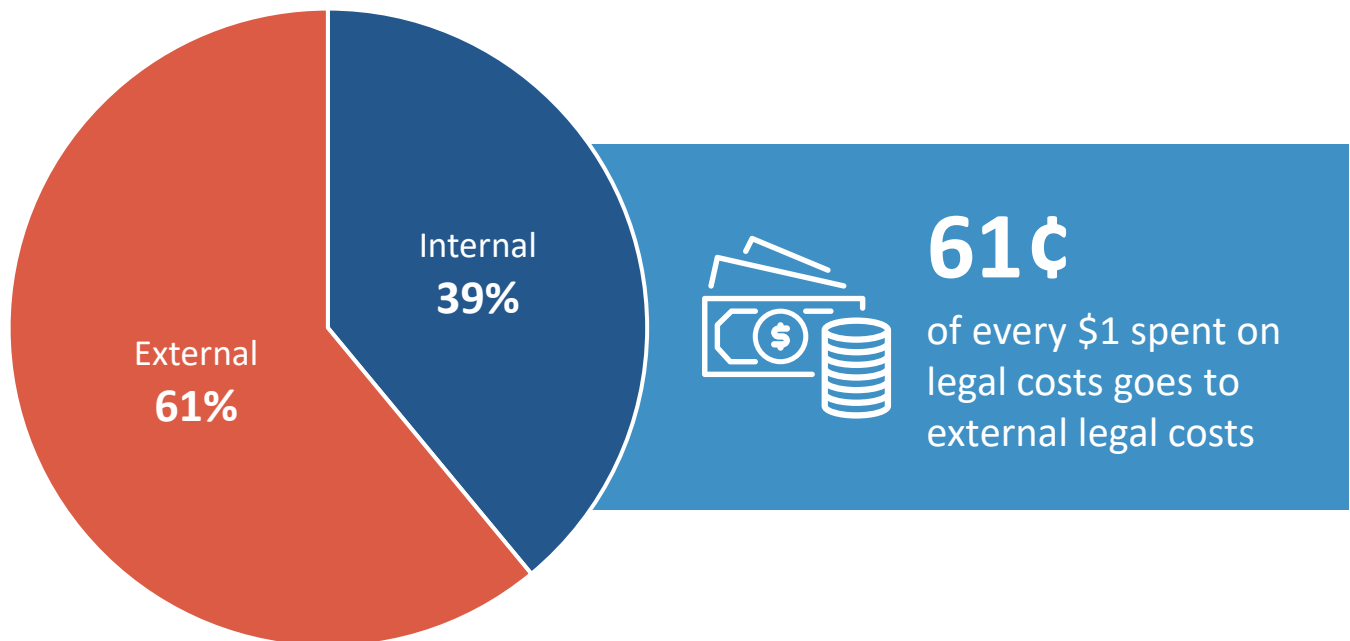
\$404K

Median External Legal
Expenditure per In-House
Attorney

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

Legal Expenditure Metrics

Overall, 52% of companies kept ratio of work between in-house and external firms the same, but this differed by size. 67% of large companies reported their ratio remained the same, while only 49% of medium and 30% of small companies. 41% of small companies reported moving more work in-house and 30% reported outsourcing more legal work. 31% of medium companies moved more work in-house and 20% outsourced more legal work. 61 cents of every dollar spent on legal costs was spent on external legal costs, a 15 cent increase from 2018.



\$7.9M

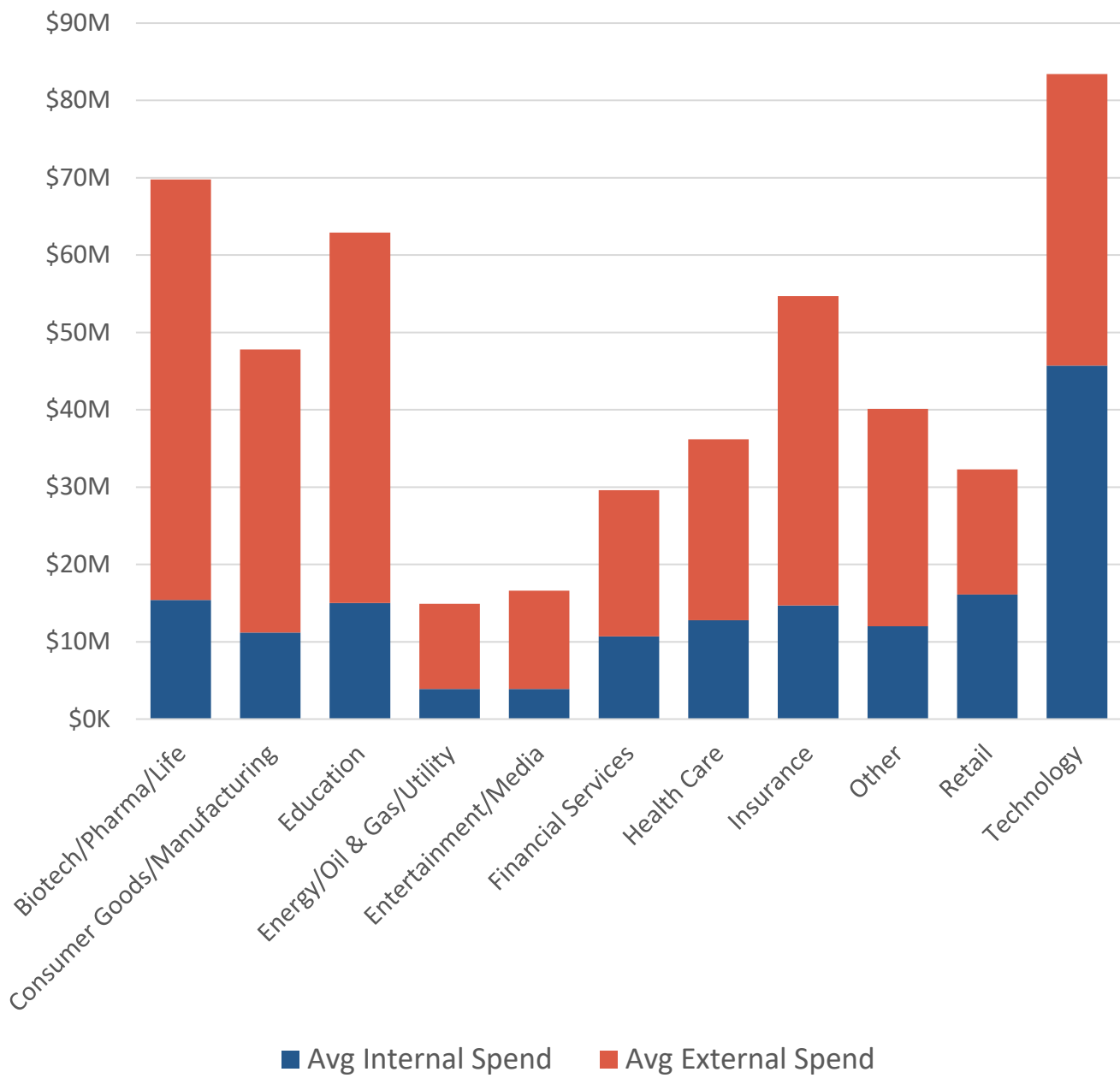
Median External Legal Expenditure

\$5M

Median Internal Legal Expenditure

Expenditure Breakdown by Industry

The average total legal spend as a percentage of revenues is 1.12%. Companies reported using a number of techniques to control their overall costs including leveraging alternative fee arrangements (AFAs), preferred provider panels, alternative legal service providers, and moving more work in house.



Expenditure Breakdown by Company Size

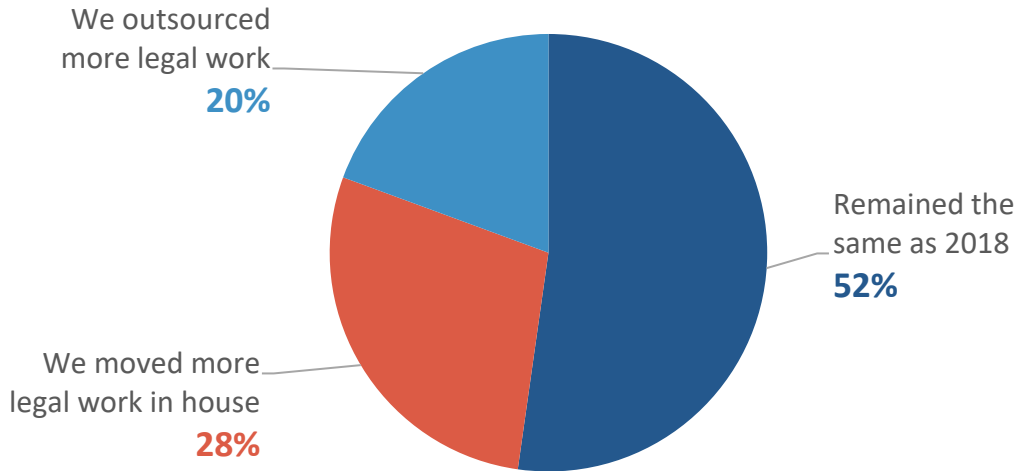
Participants in the 2020 Report represented companies of all sizes fairly evenly.

	Small	Medium	Large	Average
Avg revenue	\$349.8M	\$3.7B	\$40B	\$17.5B
Avg External Spend	\$2.1 M	\$11.4 M	\$61.4 M	\$29.8M
Avg Internal Spend	\$3.3M	\$7.7M	\$38.3M	\$19.2M
Avg ALSP Spend	\$80.4K	\$428K	\$1.9M	\$944K
Avg Tech Spend	\$124.5K	\$317.7K	\$600K+	\$528.2K
Avg Total Legal Spend	\$4.5M	\$16.5M	\$89.7M	\$41.4M
Avg External Spend as % Total Legal Spend	39%	60%	62%	61%
Avg Legal Exp as % Revenue	3.49%	0.58%	0.33%	1.12%
Avg. External Spend for Every \$1 In-House	\$0.64	\$1.48	\$1.60	\$1.55

Alternative Legal Service Providers

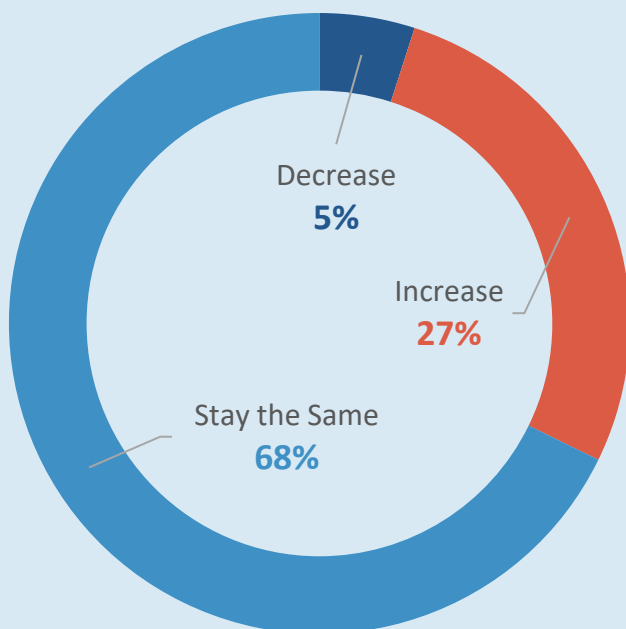
77% of respondents reported workload for Alternative Legal Service Providers (ALSPs) remained the same as 2018. 20% reported moving more work to ALSPs and 3% moved more work to law firms.

How did the balance between in house legal work and outsourced legal work (law firm and alternative legal service providers) change in 2019 compared to 2018?



Did the number of alternative legal service providers decrease, stay the same, or increase in 2019 compared to 2018?

How did the balance of work change between law firms (external) and alternative legal service providers in 2019 compared to 2018?



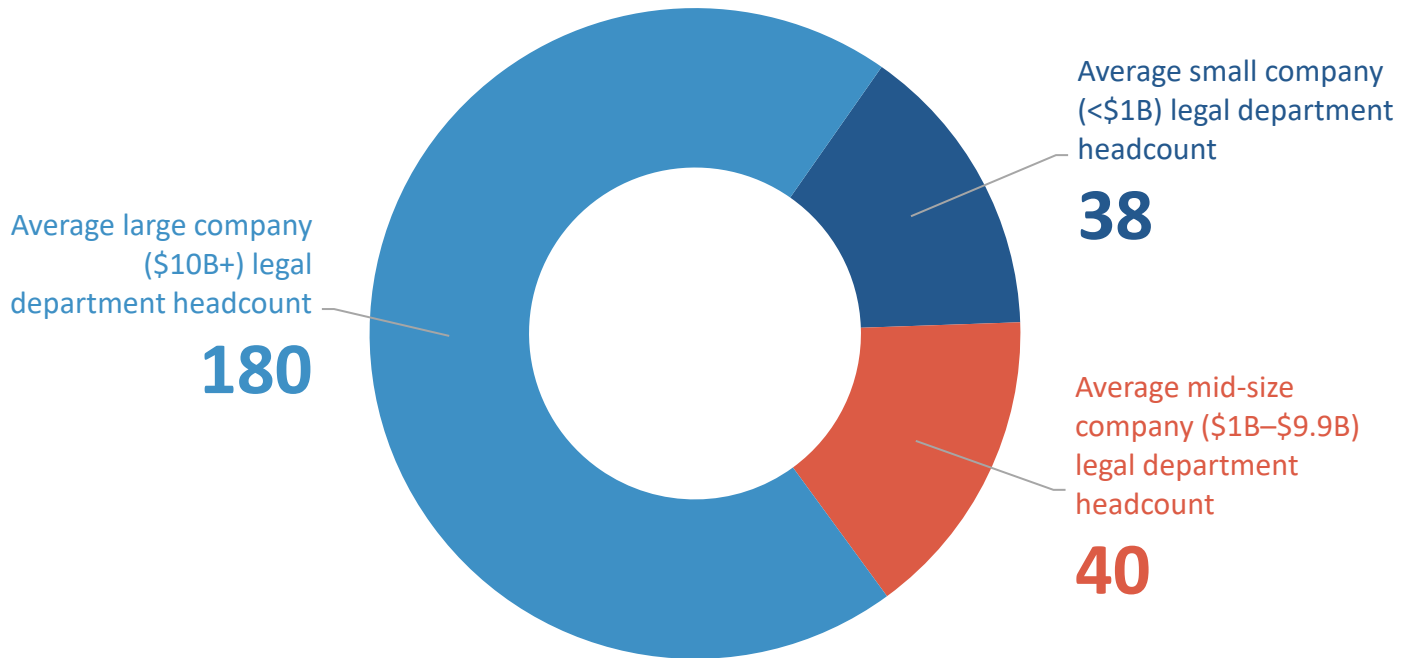


LEGAL DEPARTMENT HEADCOUNT

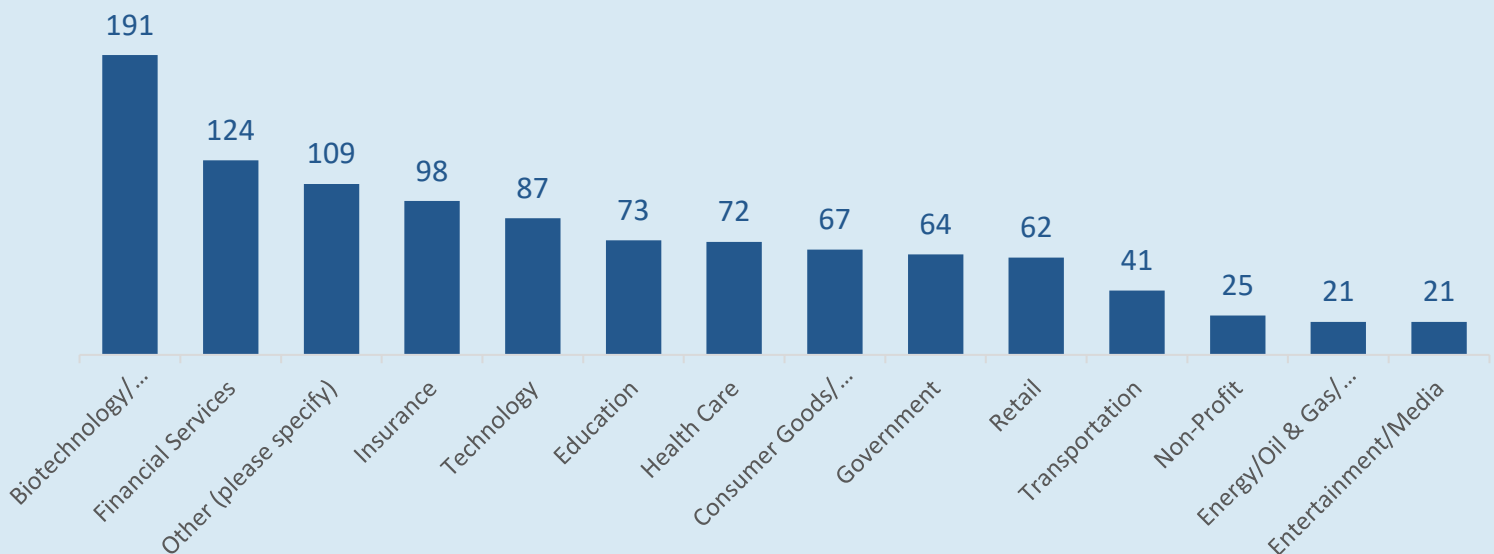
LEGAL DEPARTMENT HEADCOUNT

Legal department headcount ranged from 2 to 1252, with an average of 38 employees for small companies, 40 for medium companies and 180 for large companies.

Overall Legal Department Headcount



Average Legal Department Headcount (FTE) by Industry*



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

Headcount Breakdown by Company Size

Of the companies that participated, 41% reported an increase in dedicated legal operations FTEs.

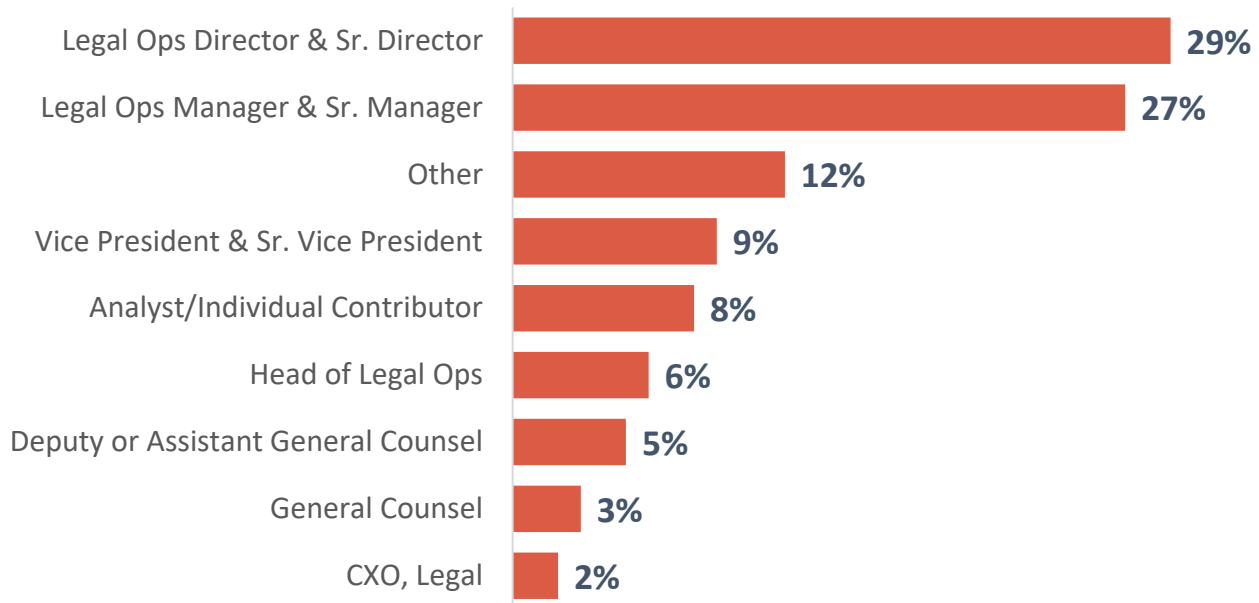
	Small Companies	Medium Companies	Large Companies
Avg # Attorneys	26	26	120
Avg # Legal Ops FTEs	4	2	11
Avg Revenue per Attorney	\$37.4M	\$237.9M	\$641.5M
Avg Internal Spend per Legal FTE*	\$148.9K	\$190.0K	\$163.4K

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

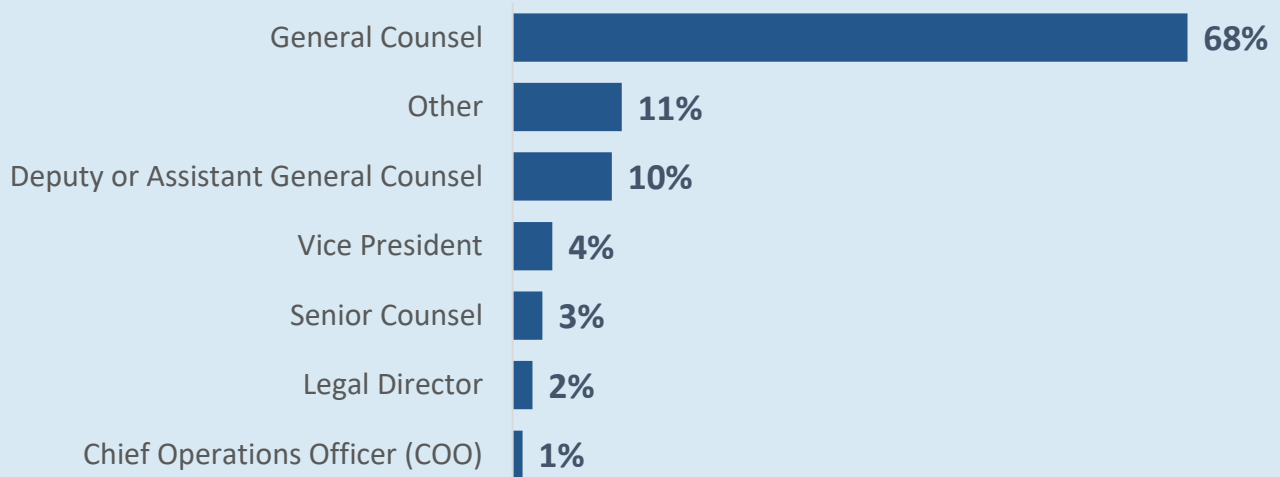
Legal Operations Titles & Org Structure

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

Titles of Legal Operations Leader*



Legal Operations Reports to



*Other legal operations leader titles included: Director, Legal Operations Programs & Analytics, Head of Strategic Operations & Global Business Enablement, Legal Information Technology Counsel

Legal Operations Headcount

The size of Legal Operations functions has continued to increase through a combination of full-time employees (FTEs) and contractors as teams demonstrate more impact.



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



Biotech/pharma/life sciences companies have an average of **26** Legal Operations FTEs

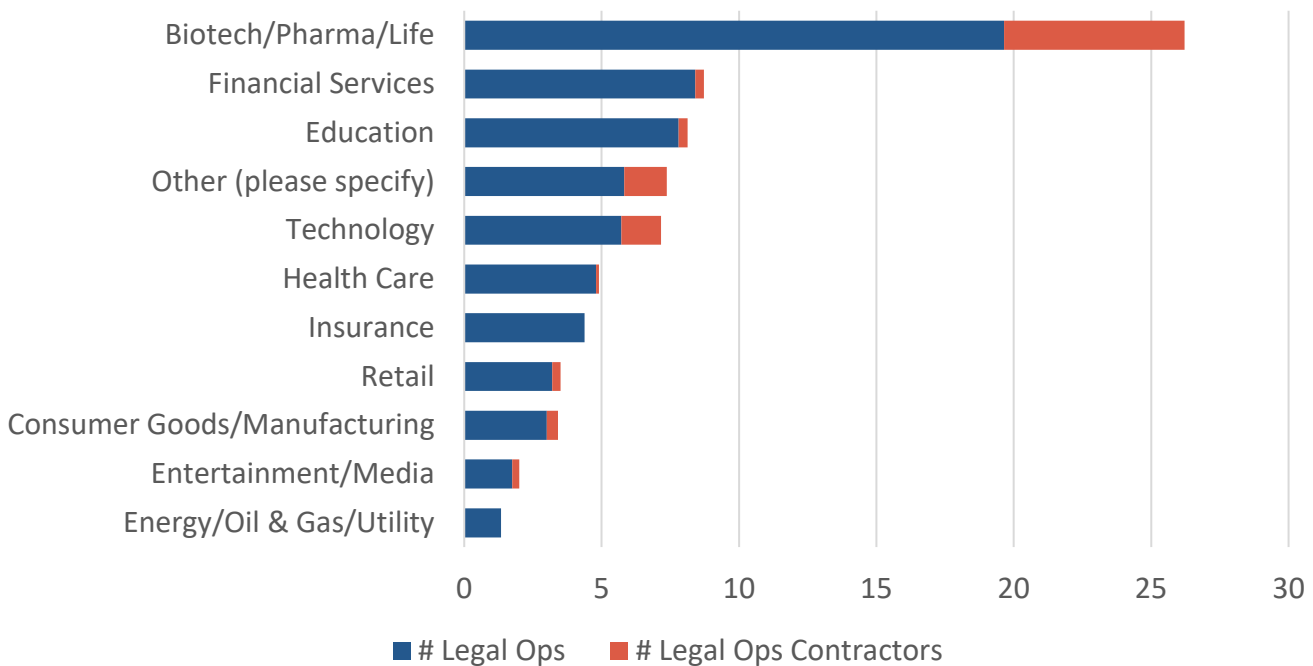


Large size companies have an average of **14** Legal Operations FTEs & **2** Legal Operations Contractors



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

Average Legal Operations & Legal Operations Contractor by Industry



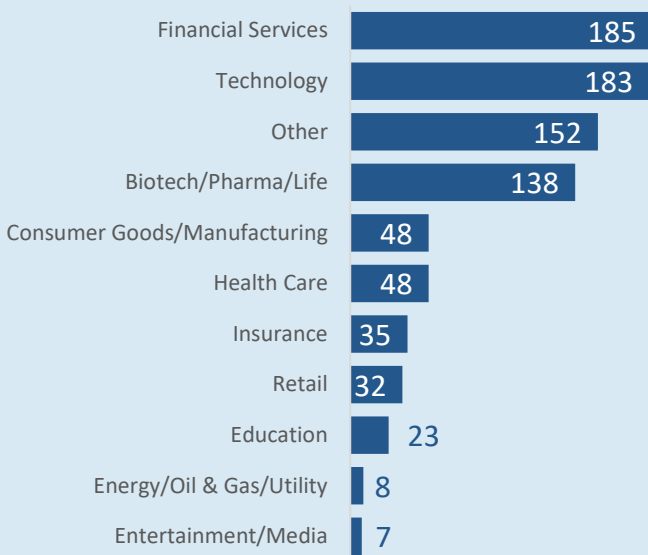
Legal Operations Support

As legal departments optimize operations, they're realizing greater ROI from increasing headcount and technology resources. These investments have reduced the number of staff each legal operations FTE is supporting by 7 compared to 2019, enabling those teams to provide more granular support to all practice areas.

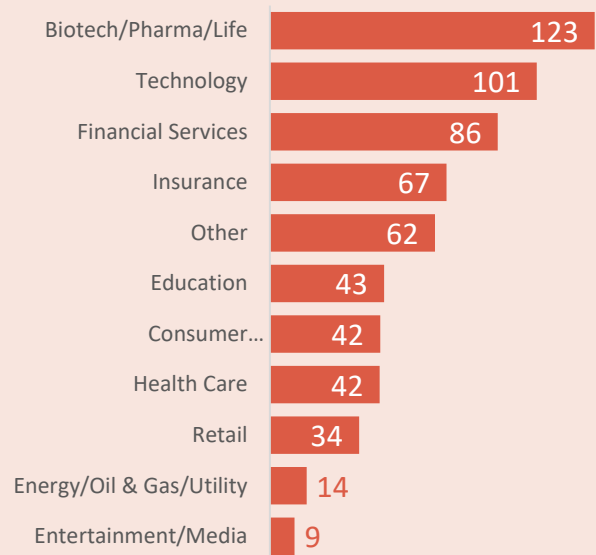


The average Legal Operations FTE Supports **15** Legal Team Members

Average Attorneys per Legal Operations FTE by Industry



Average Legal Team Members per Legal Operations FTE by Industry



11-to-1

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



13-to-1

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



6.5-to-1

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

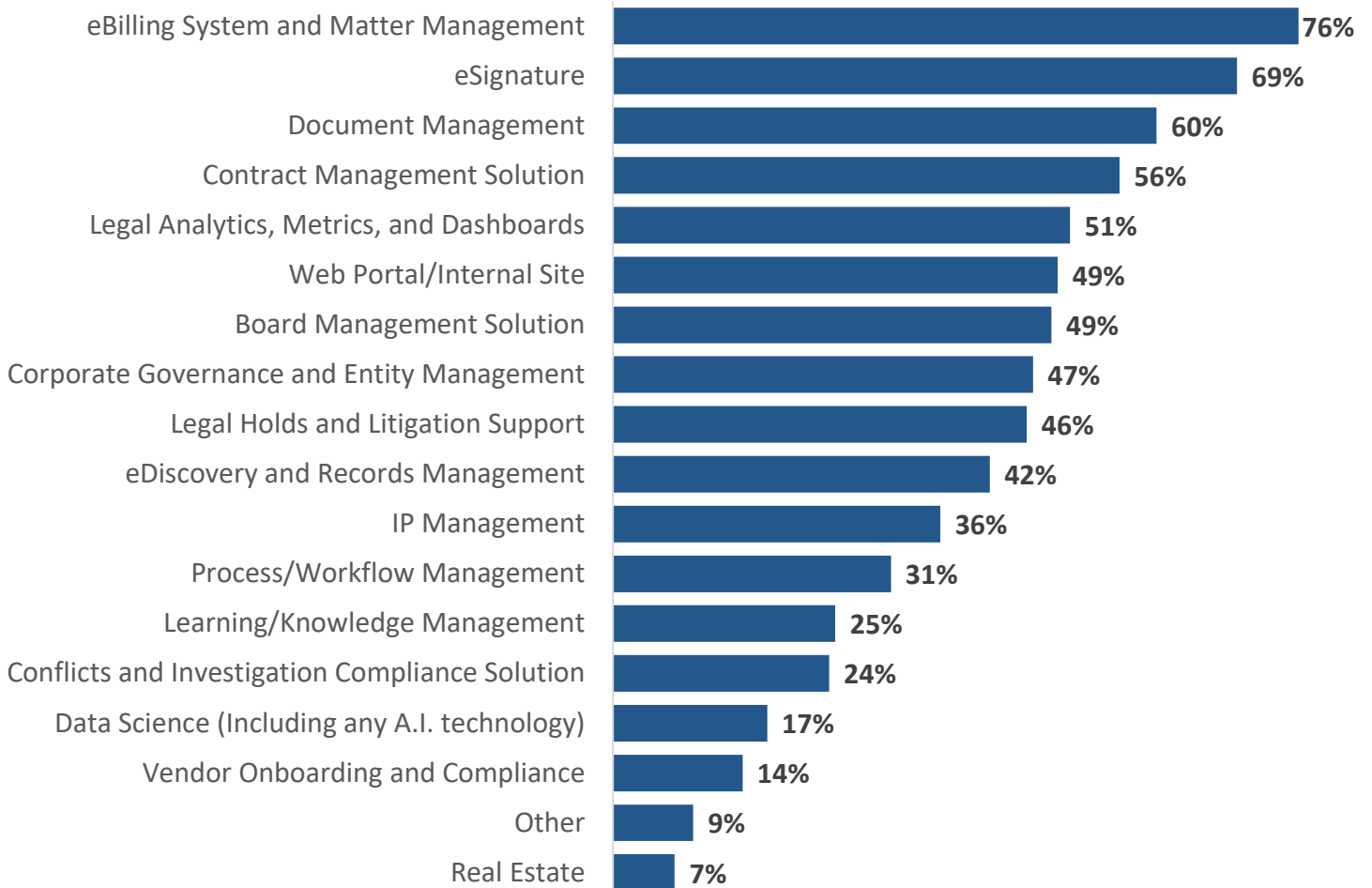


TECHNOLOGY & INNOVATION

Use of Technology Solutions Roadmap

eBilling systems remain the most commonly implemented technology in legal departments holding steady at 76% of respondents vs 78% last year. The use of e-Signature increased by 27% and Document Management increased by 12% this year.

% Respondents with Implemented Systems & Tools



Commonly Used Technology



Board Management
BoardVantage
Diligent



Document Management
iManage



eBilling
Legal Tracker
Simple Legal



Legal Analytics
Tableau

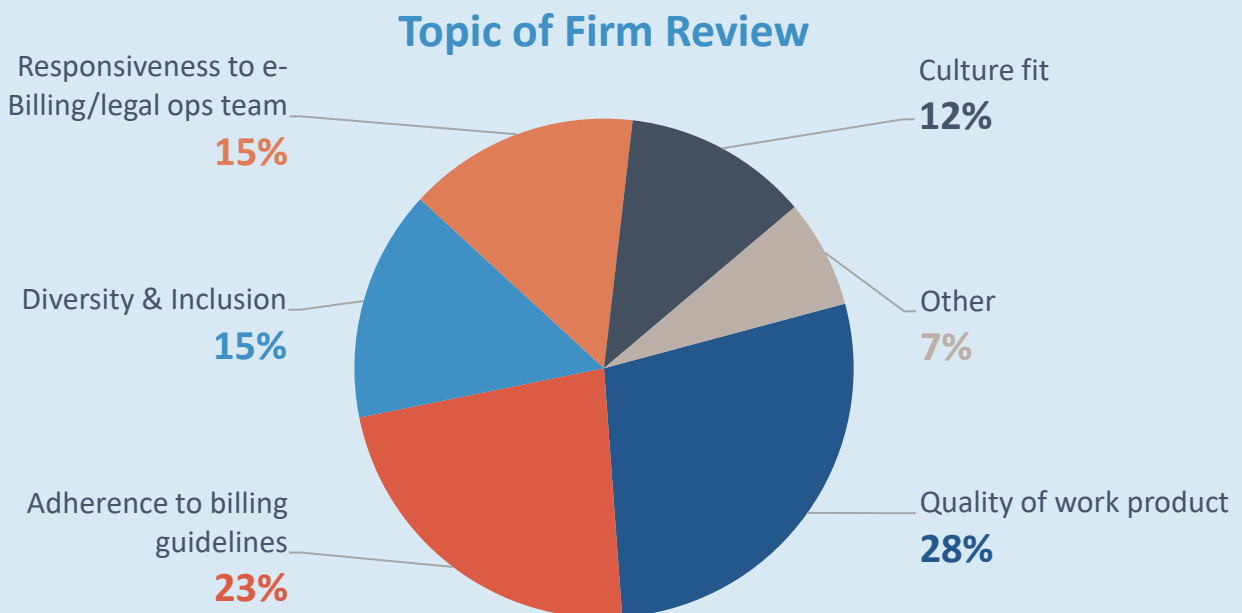
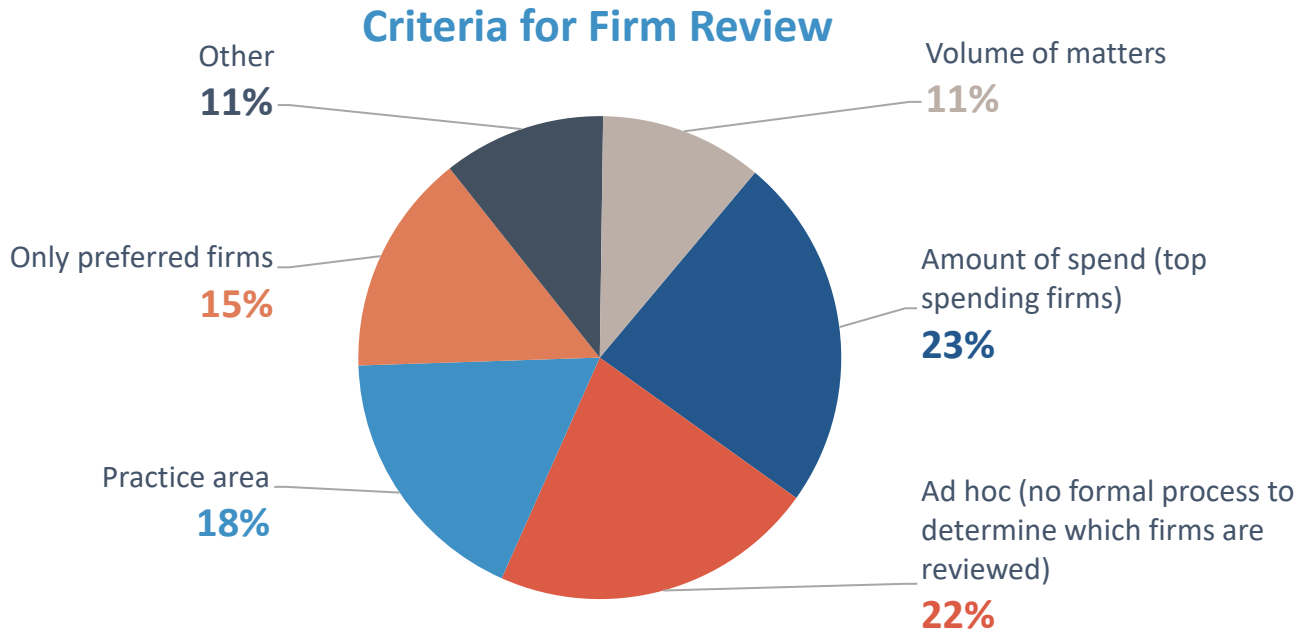


LAW FIRM EVALUATIONS

Law Firm Review and Performance

Law Firm Review

66% of legal operations departments report they do not formally review law firms, but 88% of respondents answered with criteria used to choose which firms to review.





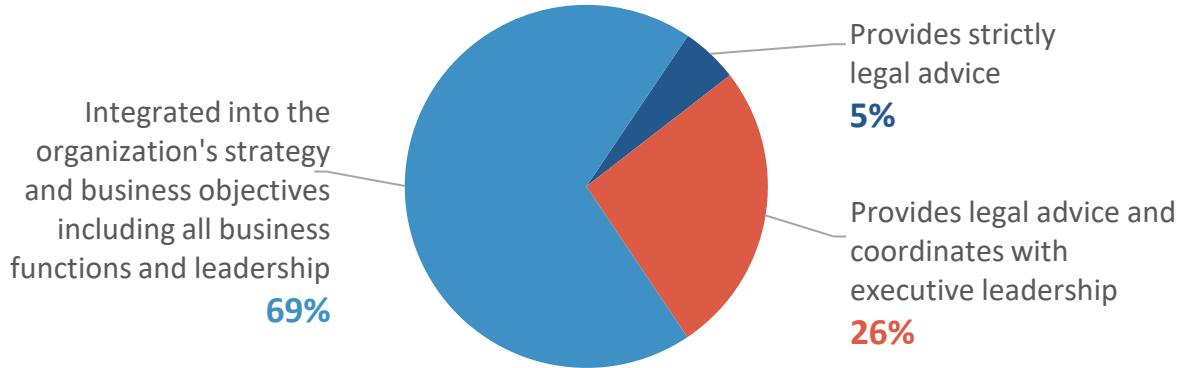
LEGAL DEPARTMENT PRIORITIES & MATURITY

Legal Operations Organization Support

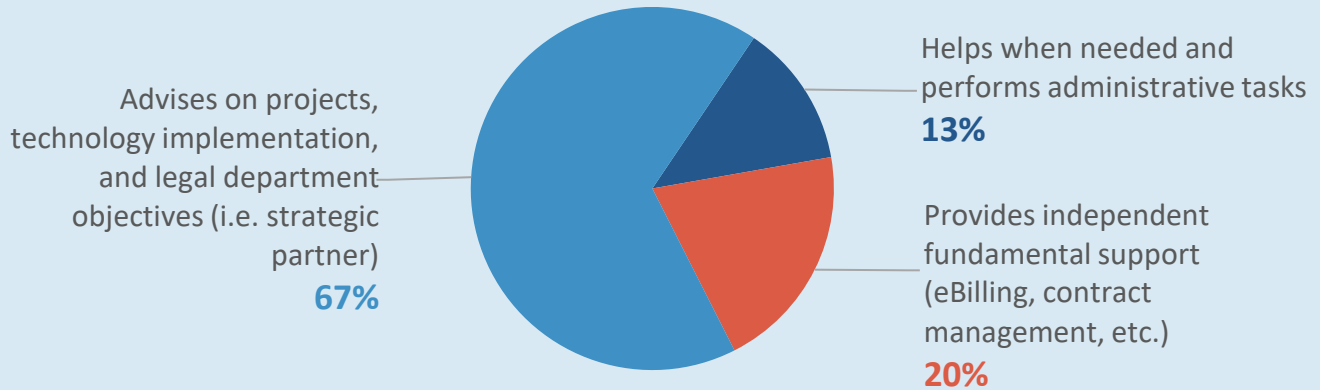
Looking at services provided by legal operations departments, 84% offered more than 5 services and 73% of these companies that rated their legal department as integrated into all business functions. 73% of legal operations departments with more than 5 services also rated themselves strategic partners with their company's legal department.



What is the perception of your legal department within your organization?



What is the perception of your legal operations team within your legal department?

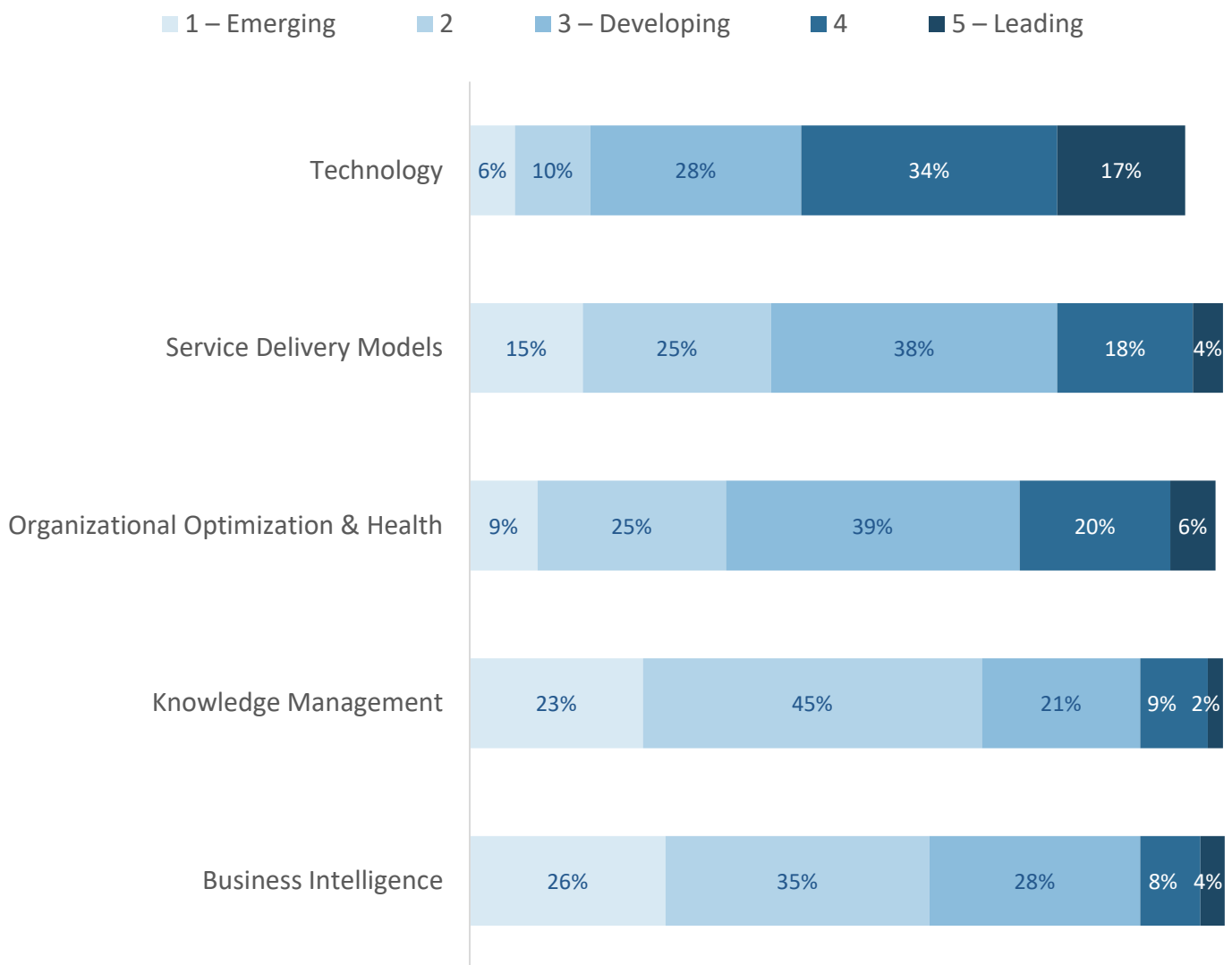


What are the legal operations partnerships with other business functions?

	Finance	IT	HR	Procurement	Security
Frequent communication and viewed as trusted advisor	35%	28%	29%	33%	26%
Formal collaboration to address organizational objectives	32%	25%	26%	14%	20%
Regular check ins and general exchange of information	21%	29%	18%	21%	17%
Occasional conversations, but no strategic partnership	10%	15%	22%	24%	26%
No relationship	1%	2%	5%	8%	12%

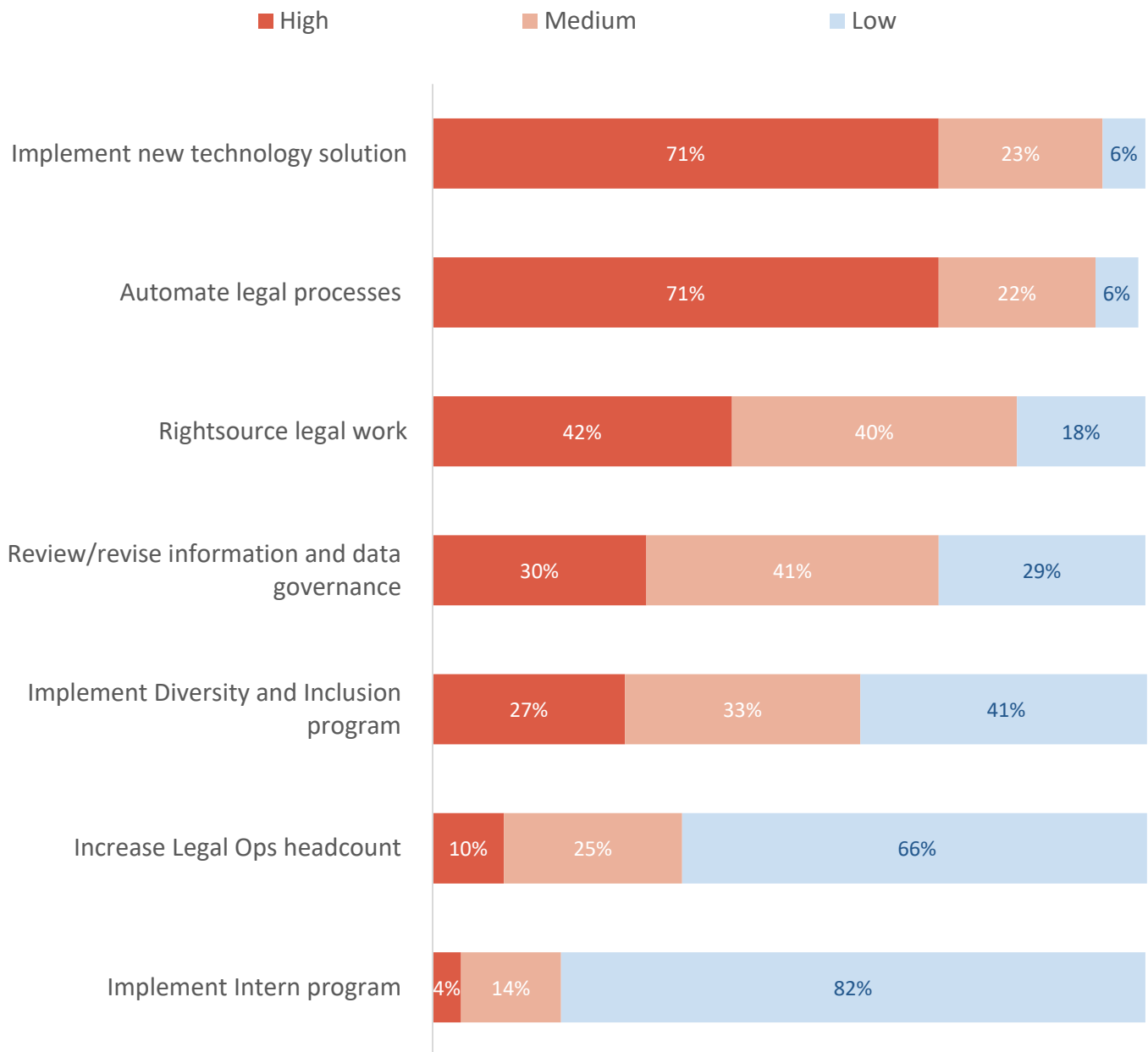
Competencies and Perceptions

Of 137 respondents, these are the self-perceptions of the Legal Department’s competencies. This year, CLOC asked respondents to rate their maturity level in specific functional areas where many organizations continue to evolve their practices. CLOC anticipates that these functional areas will mature as more resources become available and the industry continues to share best practices for optimizing efficiency.



Priorities for 2020

Respondents were asked to rank 7 objectives as “High Priority”, “Medium Priority”, or “Low Priority”. Automating legal processes and implementing new technology solutions were both considered high priority responses by 71% of companies represented.



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

Our Five Pillars

- Education
- Improve the Delivery of Legal Services
- Industry Change
- Connecting the Ecosystem
- Networking

Early Formation

CLOC evolved from a small group of focused legal operations professionals who frequently met to exchange their opinions, information, and best practices. These early professionals were eager to share what they had learned, and practiced, to better understand the role of legal operations, as well as the impact and value demonstrated by this new function/role to the organization.

In 2016, they recognized the growing demand and need for legal operations education, development, and outreach across many other corporations and throughout the legal ecosphere. This founding group of professionals responded by forming the Corporate Legal Operations Consortium (CLOC) and organized the first CLOC Institute to meet the demand. Organized in under three months, the event drew over 500 attendees to San Francisco, California. It was clear that a movement had been born.

CLOC Today

CLOC continues with its same founding principles. Legal operations best practices only evolve from sharing, collaborating and crowd-sourcing throughout the industry. New practitioners don't have to start from scratch or reinvent the wheel. CLOC members innovate, take risks and tilt the status quo in order to come up with new ideas, streamline operations, reduce costs and improve departmental ROI. In 2019, CLOC expanded its focus to collaborate more with law firms. Law firm legal operation professionals can now collaborate and share ideas with in-house legal operations professionals.

CLOC has guided and supported the legal operations profession globally through its 2,000+ members, 300+ law firm participants, board of directors and staff, creating change and advancing the legal operations role across the entire legal ecosystem.