

ACC CUSTOM LEGAL DEPARTMENT BENCHMARKING REPORT

YOUR COMPANY

June 2022

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BENCHMARKING PROFILE

The cases selected for inclusion in this report were collected via the 2022 Law Department Management Benchmarking Survey. **Thirteen (13) peer companies*** were identified for benchmarking purposes based on the following selection criteria:

Peer Company Profile	
Company revenue	US \$500 million to US \$3 billion
Industry	Organizations in “Medical Technology and Life Sciences”: <ul style="list-style-type: none"> • SIC Code 35: Industrial Machinery and Equipment • SIC Code 36: Electronic and Other Electronic Equipment • SIC Code 38: Instruments and Related Products
Company type	Private companies and subsidiaries
Number of lawyers	15 or fewer
Total legal spend	Less than \$10M
Region	Organizations headquartered in Asia, Europe, or North America

Statistical Terminology

Mean: The values of each observation are summed together and divided by the total number of observations.

Median: This is the middle value of all observations ordered from low to high (also called the 50th percentile).

Percentile: This is a value that divides a population according to a distribution of observations. It allows us to know the percentage of observations that fall above or below a particular value. For example, if we find that the 25th percentile of the number of lawyers in a department is three, we then know that 25 percent of departments have up to three lawyers, while the other 75 percent of departments have three or more.

n: This indicates the number of observations for a given metric or reported value.

This report presents metrics on legal department structure, staffing, spending, work allocation, law firm usage and fees structures, and diversity and inclusion.

** This is the number of companies included in the report. Note that not all companies provided all the requested data for every single benchmarking metric, which results in “n” size variation throughout the report.*

METHODOLOGY AND DATA

Survey Instrument: The survey questionnaire was offered through an online survey platform. Personalized survey links were sent by email to the target population, which allowed participants to save their responses and fill out the questionnaire in more than one sitting, if needed.

Fielding Period: The survey opened on February 17, 2022, and closed on April 15, 2022. Reminder emails were sent weekly.

Target Population: We targeted relevant representatives in all legal departments with at least one ACC member. These individuals were selected based on their job position and their capability of reporting on the requested information, e.g., the highest-ranking legal officer and/or legal operations professionals. If no members in a given department held either of these positions, we targeted the highest-ranking individual available. Apart from personalized email messages, opportunities to participate were also sent through LinkedIn campaigns, through ACC's online network forums, and via outreach on the ACC website.

Comparability: Respondents were asked to report all information for the period January 1, 2021 to December 31, 2021, or the closest corresponding fiscal year. We asked legal departments within subsidiary companies to report their information at the level of the subsidiary rather than at the level of the parent company. Respondents were asked to enter all financial values in US dollars. Non-US respondents were asked to use the exchange rate on December 31, 2020, for currency conversion.

Anonymity: The results are only provided at the aggregate level. No specific data point or response is tied to any individual or organization.

Data Accuracy: Not all respondents answered all questions. The percentages and descriptive statistics provided are based on the number of valid responses received for each individual question or calculated for each individual metric. Many survey questions offered the opportunity to select multiple response options. In those cases, percentages may not total to 100 percent.

STAFFING AND STRUCTURE

SECTION 1

1. STAFFING AND STRUCTURE

In this section we present several metrics on legal department staffing and the business functions that are part of the legal department.

LEGAL DEPARTMENT STAFF BY POSITION

Overall number of lawyers, paralegals, legal operations professionals, administrative/secretarial staff, and other legal department staff in participating departments. The total number of legal staff and the number of contractor staff are also reported.

PERCENTAGE OF LEGAL DEPARTMENT STAFF BY POSITION

Percentage of lawyers, paralegals, legal operations professionals, administrative/secretarial staff, and other legal department staff as a percentage of total legal staff.

Calculation: $(\text{Number of staff} \div \text{Total legal staff}) \times 100$

LEGAL STAFF AS A PERCENTAGE OF COMPANY EMPLOYEES

Percentage of lawyers, paralegals, legal operations professionals, administrative/secretarial staff, other legal department staff, and total legal department staff as a percentage of total company employees.

Calculation: $(\text{Number of staff} \div \text{Number of company employees}) \times 100$

LAWYER TO OTHER LEGAL STAFF RATIOS

Number of lawyers per each of the other in-house positions, including all nonlawyer staff.

Calculation: $\text{Number of lawyers} \div \text{Number of other staff}$

Example: A department with 6 lawyers and 2 paralegals has $6 \div 2 = 3$ lawyers per paralegal.

LAWYER AND LEGAL STAFF PER BILLION IN COMPANY REVENUE

Standardized number of lawyers and total legal staff per billion in company revenue.

Calculation: *Number of lawyers ÷ (Company revenue ÷ \$1B)*

It is important to note that in organizations with a revenue below \$1 billion the calculation becomes more of a projection since the denominator in the division is smaller than one and, accordingly, the metric’s result will be higher than the actual number of lawyers in the department. For example, if a \$500 million company employs five lawyers, the “lawyers per billion” metric is 10 lawyers per billion: $5 \div (\$500M \div \$1B) = 5 \div 0.5 = 10$ lawyers per billion.

LEGAL DEPARTMENT FUNCTIONS

For a list of 21 different business functions, the results report the percentage of participating departments for which each of the listed functions is a) part of the legal department; b) a separate function that reports to legal; c) a separate function that does not report to legal; or d) not known or not covered.

Table 1. Legal Department Staff by Position

	n	25th	Mean	Median	75th
Lawyers	13	3	6.8	5	10
Paralegals	13	0	1.2	1	2
Legal operations professionals	13	0	0.4	0	1
Administrative/secretarial staff	13	0	0.8	0	1
Other staff	13	0	2.2	0	2
Total legal staff	13	5	11.5	9	17
Contract (temporary) staff	12	0	0.4	0	0.5

Table 2. Percentage of Legal Department Staff by Position

	n	25th	Mean	Median	75th
Lawyers	13	50%	64.35%	60%	76.47%
Paralegals	13	0%	11.80%	11.76%	20%
Legal operations professionals	13	0%	4.91%	0%	5%
Administrative/secretarial staff	13	0%	6.63%	0%	10%
Other staff	13	0%	12.31%	0%	25%

Table 3. Legal Staff as a Percentage of Company Employees

	n	25th	Mean	Median	75th
Lawyers	13	0.086%	0.236%	0.147%	0.410%
Paralegals	13	0%	0.038%	0.033%	0.058%
Legal operations professionals	13	0%	0.011%	0%	0.020%
Administrative/secretarial staff	13	0%	0.025%	0%	0.041%
Other staff	13	0%	0.065%	0%	0.041%
Total legal staff	13	0.143%	0.377%	0.265%	0.641%

Table 4. Lawyer to Other Legal Staff Ratios

	n	25th	Mean	Median	75th
Lawyers per paralegal	9	3	4.28	4	5
Lawyers per legal operations professional	5	3	7.4	6	10
Lawyers per administrative/secretarial staff	6	6	7.29	7.75	8
Lawyers per other staff	6	1.43	3.55	1.75	2.33
Lawyers per total nonlawyer staff	12	1	1.99	1.45	3.13

Table 5. Lawyers and Legal Staff per \$1 Billion in Company Revenue

	n	25th	Mean	Median	75th
Lawyers	13	4	6.64	5.71	7.5
Legal staff	13	7.14	11.22	10	11.84

Table 6. Business Functions Reporting to Legal

	n	Part of legal	Separate function reporting to legal	Separate function NOT reporting to legal	Not known
Compliance	13	76.9%	7.7%	15.4%	0%
Ethics	13	61.5%	15.4%	23.1%	0%
Privacy	13	61.5%	0%	30.8%	7.7%
Administration	12	25%	0%	66.7%	8.3%
Risk	13	23.1%	0%	61.5%	15.4%
Government affairs	13	15.4%	0%	61.5%	23.1%
Communications	12	8.3%	8.3%	83.3%	0%
Environmental, social, and governance (ESG) / corporate social responsibility (CSR)	13	7.7%	7.7%	76.9%	7.7%
Physical security	13	0%	15.4%	76.9%	7.7%
Public/corporate affairs	12	0%	8.3%	83.3%	8.3%
Information governance	13	0%	7.7%	76.9%	15.4%
Information security	13	0%	7.7%	84.6%	7.7%
Internal audit	13	0%	7.7%	92.3%	0%
Cybersecurity response	13	0%	0%	100.0%	0%
Environment, health, and safety (EHS)	12	0%	0%	100.0%	0%
Finance	13	0%	0%	100.0%	0%
Human resources	13	0%	0%	100.0%	0%
Information technology (IT)	13	0%	0%	100.0%	0%
Procurement	13	0%	0%	84.6%	15.4%
Real estate/corporate facilities	13	0%	0%	92.3%	7.7%
Supply chain	13	0%	0%	84.6%	15.4%

SPENDING

SECTION 2

2. SPENDING

This section covers a wide range of legal spending metrics, based on the overall amounts of inside and outside legal spend provided by participating legal departments.

LEGAL DEPARTMENT SPENDING – OVERALL AMOUNTS

Participants were asked to report overall spending numbers for the period January 1, 2021, to December 31, 2021, or to the closest corresponding fiscal year. Only expenses allocated to the legal department should be included.

Participants reported their legal departments' overall inside and outside spend separately, and we calculated the amount of total legal spend.

Calculation: *Total legal spend = Inside spend + outside spend*

Additionally, participants were asked to break down their internal spend in the following three categories:

- ❖ Lawyer compensation
- ❖ Nonlawyer compensation
- ❖ Any other additional inside spend

Participants were asked to include salary, cash bonus, taxes, and benefits in the reported compensation amounts.

Outside spend was broken down in the following three categories:

- ❖ Outside counsel spend
- ❖ Alternative legal services provider spend
- ❖ Any other additional outside spend

Participants were asked to *not* include settlement costs, judgements, fines, recoveries, or costs associated with claims or capitalized expenses.

PERCENTAGE OF LEGAL SPEND BY CATEGORY

Inside spend and outside spend as a percentage of total legal spend.

Calculation: $(\text{inside/outside legal spend} \div \text{total legal spend}) \times 100$

Lawyer compensation, nonlawyer compensation, and other inside spend as a percentage of total inside spend.

Calculation: $(\text{lawyer comp/nonlawyer comp/other} \div \text{total inside spend}) \times 100$

Outside counsel spend, spend on alternative legal services providers (ALSPs), and other outside spend as a percentage of total outside spend.

Calculation: $(\text{outside counsel spend/ALSP spend/other} \div \text{total outside spend}) \times 100$

LEGAL SPEND AS PERCENTAGE OF COMPANY REVENUE

This metric provides a standardized value of legal department spending based on the company's revenue size. We present the results for total legal spend as a percentage of company revenue, as well as inside and outside spend as a percentage of company revenue.

Calculation: $(\text{total/inside/outside legal spend} \div \text{company revenue}) \times 100$

COST PER LAWYER HOUR

Based on the lawyer compensation amount provided by participants and the number of lawyers in the legal department, we calculated the average cost for the legal department for one hour of lawyer's work. We use the industry-standard value of 1,800 hours of work annually to make the calculation:

Calculation: $\text{lawyer compensation} \div (\text{number of lawyers} \times 1,800 \text{ hours/year})$

LEGAL TECHNOLOGY SPEND

Participants were asked to provide an estimate of their spend on legal technology as a percentage of total legal spend.

Table 7. Legal Department Spend – Overall Amounts

	n	25th	Mean	Median	75th
Total inside spend	13	\$500,000	\$2,186,049	\$1,500,000	\$2,473,000
Total outside spend	13	\$521,577	\$2,557,610	\$2,325,060	\$4,300,000
Total legal spend	13	\$1,684,163	\$4,743,659	\$4,324,000	\$5,800,000
Total compensation (lawyers)	11	\$300,000	\$1,112,011	\$1,132,511	\$1,548,633
Total compensation (non-lawyers)	10	\$99,000	\$469,428	\$213,356	\$320,000
All other additional internal spend	11	\$0	\$242,076	\$4,849	\$404,208
Total spend on outside counsel	13	\$521,577	\$2,383,774	\$2,189,443	\$4,000,000
Total spend on ALSPs	12	\$0	\$89,301	\$0	\$135,807
All other additional outside spend	13	\$0	\$91,404	\$0	\$0

Table 8. Percentage of Legal Department Spend by Category

	n	25th	Mean	Median	75th
<i>As a percentage of total legal spend</i>					
Inside spend	13	37.19%	47.50%	46.03%	59.49%
Outside spend	13	40.51%	52.50%	53.97%	62.81%
<i>As a percentage of total inside spend</i>					
Lawyer compensation spend	11	60%	73.98%	71.25%	93.09%
Nonlawyer compensation spend	10	6.91%	19.46%	17.84%	32.05%
Other additional inside spend	11	0%	8.32%	1.57%	18.75%
<i>As a percentage of total outside spend</i>					
Outside counsel spend	13	94.17%	95.31%	100%	100%
ALSPs spend	12	0%	1.78%	0%	2.21%
Other additional outside spend	13	0%	3.05%	0%	0%

Table 9. Legal Spend as a Percentage of Company Revenue

	n	25th	Mean	Median	75th
Inside spend	13	0.071%	0.216%	0.137%	0.272%
Outside spend	13	0.074%	0.255%	0.215%	0.364%
Total legal spend	13	0.168%	0.471%	0.386%	0.772%

Table 10. Cost per Lawyer Hour

	n	25th	Mean	Median	75th
Cost per lawyer hour	11	\$55.56	\$102.14	\$86.11	\$150.87

Table 11. Legal Technology Spend as a Percentage of Total Legal Spend

	n	25th	Mean	Median	75th
Legal technology spend as a percentage of total legal spend	13	0%	4.89%	1%	5%

WORK ALLOCATION

SECTION 3

3. WORK ALLOCATION

Legal departments were asked about how 17 different types of legal work were managed. Participants indicated whether each of those tasks was managed internally or outsourced to outside counsel and/or to alternative legal service providers (ALSPs).

ALLOCATION OF WORK – IN-HOUSE, OUTSIDE COUNSEL AND ALSPs

Because some tasks may be handled both internally and externally, multiple responses were allowed. The results show which types of work are more commonly handled internally and those legal tasks that are more likely to be outsourced to outside vendors.

The following table reports the percentage of legal departments that handled each of the 17 work areas in-house, externally through outside counsel, and externally through ALSPs. Because multiple responses were allowed (i.e., a specific area may be handled concurrently by the legal department, law firms, and ALSPs) the results may add up to more than 100 percent.

Participants were also able to indicate that a specific task was not applicable to their specific situation, or that it was either not covered or not known. For each of the 17 work areas, the percentage of participants that indicated any of the three scenarios that we have just described is based on the total number of responses received concerning each type of work.

The percentages reported for work allocated in-house, to outside counsel, and to ALSPs are based on the “valid” responses, thus excluding those departments in the non-applicable scenarios described above. The 17 work areas are sorted by the percentage of legal departments that handle the work in-house, from highest to lowest.

Table 12. Allocation by Work Type

	n	Managed In-house	Managed by Outside Counsel	Managed by ALSP/LPOs	Not Covered or Not Known	Not Applicable
Compliance	13	100%	7.7%	0%	0%	0%
Contract management – review and drafting	13	100%	15.4%	0%	0%	0%
Corporate and governance	13	100%	7.7%	0%	0%	0%
Labor and employment	13	100%	38.5%	0%	0%	0%
Legal operations	13	100%	0%	8.3%	0%	7.7%
Document management – review and drafting	13	92.3%	38.5%	0%	0%	0%
Invoice review	13	91.7%	8.3%	0%	0%	7.7%
Privacy and security	13	90.9%	18.2%	0%	7.7%	7.7%
Records management	13	90.9%	90.9%	0%	7.7%	7.7%
Regulatory	13	83.3%	33.3%	0%	7.7%	0%
Due diligence	13	80%	30%	10%	7.7%	15.4%
Legal research	13	75%	50%	0%	0%	7.7%
Litigation – legal hold	13	61.5%	38.5%	15.4%	0%	0%
Discovery – data collection	12	50%	66.7%	8.3%	0%	0%
Litigation – case/project management	12	50%	75%	0%	0%	0%
Intellectual property services	12	27.3%	72.7%	0%	8.3%	0%
Discovery – data processing/hosting	13	16.7%	58.3%	25%	0%	7.7%

LAW FIRMS AND ALSPs

SECTION 4

4. USE OF LAW FIRMS

In this section we present results related to law firm and ALSP engagement, including the number of providers used, whether the number of engaged providers changed last year compared to the year before, and the types of outside counsel fees used by participating legal departments.

NUMBER OF LAW FIRMS ENGAGED AND ALSPS ENGAGED IN 2021

Participating departments reported the number of law firms and alternative legal service providers that they engaged in 2021. Alternative legal service providers (ALSPs), or legal process outsourcers (LPOs), refer to any vendors other than law firms that provide legal services.

CHANGE IN THE NUMBER OF LAW FIRMS AND ALSPS ENGAGED IN 2021

This statistic provides the percentage of participating legal departments that reported that the number of law firms and ALSPs that they engaged in 2021 had increased, stayed the same, or decreased compared to the number of vendors engaged the previous year.

TYPES OF OUTSIDE COUNSEL FEES USED

Departments were asked which type of outside counsel fees (e.g., standard hourly rates, discounted hourly rates, blended rates) did they use with their outside counsel providers in 2021. The results report the percentage of departments that used each of the nine types of fees listed.

Table 13. Number of Law Firms and ALSPs Engaged by Your Organization in 2021

	n	25th	Mean	Median	75th
Law firms	13	8	20.5	10	17
Alternative legal service providers	13	0	0.5	0	1

Table 14. Change in the Number of Law Firms and ALSPs Engaged in 2021 Compared to 2020

	Increased		Stayed the same		Decreased	
	n	Percentage	n	Percentage	n	Percentage
Law firms	4	30.8%	7	53.8%	2	15.4%
Alternative legal service providers	1	7.7%	12	92.3%	0	0%

Table 15. Percentage of Legal Departments that Use Each Fee Type

	n	Percentage
Discounted hourly rates	12	92.3%
Flat fees for entire matters or for some stages of matters	11	84.6%
Standard hourly rates	11	84.6%
Capped fees	8	61.5%
Blended hourly rates	6	46.2%
Retainers (including periodic retainer fees for a portfolio of services)	6	46.2%
Contingency fees (including reverse contingency fees)	3	23.1%
Incentives or success fees	2	15.4%
Performance-based holdbacks	0	0.0%
Other	0	0.0%

DIVERSITY

SECTION 5

5. DIVERSITY

This section reveals to what extent legal departments are tracking diversity and inclusion metrics both in terms of their own internal composition and in relation to their outside counsel. Departments that do track diversity metrics were also asked to share which specific items they evaluate.

LEGAL DEPARTMENT INTERNAL DIVERSITY METRICS

We report the percentage of legal departments that indicated tracking internal diversity with metrics or targets related to legal staff.

Question: *Does your department have diversity metrics and/or targets with respect to its own composition?*

Those who answered positively were inquired about which specific areas or items were tracked, e.g., hires, departures, promotions. This same population was also asked whether a formal strategy was in place to improve diversity in the legal department.

Question: *Is there a formal strategy to improve departmental diversity with tangible consequences for success or failure?*

OUTSIDE COUNSEL DIVERSITY METRICS

We also report the percentage of departments that indicated having diversity metrics or targets related to their outside counsel vendors.

Question: *Does your department have diversity metrics and/or targets with respect to its outside counsel?*

Resembling the structure followed for internal diversity metrics, those that indicated tracking outside counsel diversity metrics were asked to report on the areas or items that were evaluated for outside counsel providers, e.g., matter teams working for the department, partners in a firm, all lawyers in a firm. The results indicate the percentage of departments that evaluate each item regarding diversity among those participants that track outside counsel diversity metrics.

Finally, we asked the same population whether formal requirements for outside counsel to improve diversity were in place.

Question: *Are there formal requirements for outside counsel to improve diversity with tangible consequences for success or failure?*

LEGAL DEPARTMENT INTERNAL DIVERSITY

Table 16. Legal Department Has Diversity Metrics with Respect to Its Own Composition

	n	Percentage
No	10	23.1%
Yes	3	76.9%

Table 17. Legal Department Diversity Is Evaluated Based on the Following Factors

	n	Percentage
Hires	3	100%
Levels or Functions	2	66.7%
Promotions	2	66.7%
Departures	0	0%
Matter Staffing	0	0%
Other	0	0%
Training	0	0%

Table 18. Formal Strategy to Improve Departmental Diversity with Tangible Consequences

	n	Percentage
No	2	66.7%
Yes	1	33.3%

OUTSIDE COUNSEL DIVERSITY

Table 19. Legal Department Has Diversity Metrics with Respect to Its Outside Counsel

	n	Percentage
No	12	92.3%
Yes	1	7.7%

Table 20. Outside Counsel Diversity Is Evaluated Based on the Following Factors

	n	Percentage
All lawyers in a firm	1	100%
Matter teams working for your department	1	100%
Firm leadership positions, such as key committees	0	0%
Incoming associate classes	0	0%
Matter leaders or responsible partners	0	0%
Partners in a firm	0	0%
Promotions to partner	0	0%
Other	0	0%

Table 21. Formal Requirements to Improve Diversity for Outside Counsel with Tangible Consequences

	n	Percentage
No	1	100%
No	0	0%

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