Association of Corporate Counsel

# How Shifting Legal Work In-house Drives Cost Savings

## A Quantitative Analysis

### Overview

For years, the legal industry has broadly accepted that bringing legal work in-house can save money and provide greater control for corporate legal departments. While this belief holds true, our analysis, based on financial and operational data from hundreds of corporate law departments, reveals a more nuanced picture.

This report moves beyond anecdotal evidence to provide a data-driven analysis of how insourcing impacts overall legal spend. We set out to pinpoint whether departments that insource more work truly achieve lower costs. Our initial findings challenged the simplistic "more in-house equals more savings" assumption, showing no high-level correlation between overall insourcing rates and total legal spend.

However, a deeper, more granular analysis uncovered significant and measurable cost savings when insourcing is applied strategically to specific, high-cost legal work areas. We identify precisely where and how insourcing translates into quantifiable financial advantages, equipping legal leaders with the empirical insights needed to optimize their operational models, allocate resources effectively, and demonstrate tangible value to their organizations.

### Takeaways

**Data is Key.** The prevailing wisdom about insourcing driving cost savings is often based on assumption. Our report provides rigorous, quantitative analysis to back up the real financial benefits.

**Not All Insourcing is Equal.** A broad-stroke approach to insourcing does not necessarily lead to savings. Our research shows no simple correlation between overall insourcing rates and total legal spend.

**Targeted Insourcing Drives Major Savings.** Significant cost reductions are achieved by strategically insourcing specific, high-value legal work areas.

**Outside Counsel Spend is the Primary Lever.** The substantial cost savings from targeted insourcing come primarily from a dramatic reduction in outside counsel expenditures. While internal operational costs may see a marginal increase, these are overwhelmingly offset.

**Empirical Evidence for Strategic Decisions.** This report gives legal leaders the data-backed ammunition to identify precisely which legal work categories offer the greatest financial returns when brought in-house, justify internal growth and resource allocation to the C-suite, and optimize legal spend portfolios by building efficient hybrid models.

Prevailing wisdom has long championed insourcing as a primary lever for cost containment within corporate legal departments (or any business function for that matter). This perspective, often articulated in industry surveys[1], posits that bringing legal work in-house offers a potent antidote to escalating outside counsel spend, providing greater control, deeper institutional knowledge, and enhanced integration with business objectives. Indeed, the increasing volume of work handled internally, as evidenced by consistent year-over-year trends, reinforces a collective belief in its efficacy.

However, despite this widespread acceptance and a clear directional shift towards internalizing legal functions, the quantitative evidence underpinning the precise financial impact of insourcing across diverse legal work categories has remained largely anecdotal or confined to high-level estimations. Sophisticated legal operations leaders and discerning general counsel, tasked with optimizing legal spend and demonstrating tangible value to the enterprise, recognize the limitations of such generalized assertions. They keenly understand that while the *concept* of insourcing holds inherent appeal, a rigorous, data-driven analysis is essential to move beyond intuition and inform truly strategic decisions.

This report addresses that critical gap. Leveraging a robust dataset of financial and operational metrics from hundreds of corporate law departments[2], we undertake a quantitative analysis to systematically evaluate the impact of insourcing various categories of legal work on overall legal spend.

**More specifically, we explore whether law departments that insource a greater number of legal work categories achieve lower overall legal costs compared to those that rely more heavily on outside counsel.**

Our findings move beyond the theoretical to provide granular, empirical insights, revealing significant and measurable cost savings attributable to insourcing across a distinct subset of legal work areas. Importantly, we also identify several legal work areas where insourcing is less likely to yield any quantifiable cost reduction. By dissecting the "black box" of insourcing's financial benefits, this study aims to equip legal leaders with the precise data necessary to refine their operational models, optimize resource allocation, and ultimately, demonstrate the value their departments deliver to the bottom line. This is not merely an affirmation of current trends, but a precise articulation of where and how insourcing truly translates into quantifiable financial advantage.

## Measuring Insourcing: Our Methodology

To understand how legal departments manage their workloads, we surveyed 395 legal departments assessing how they allocate legal work across 17 distinct legal work areas. For each area, departments could indicate whether the work was handled **internally** (in-house), **externally** (by outside counsel or alternative legal services providers), or **both**. Table 1 lists the 17 legal work areas included in our survey.

[1] E.g., *ACC 2025 Chief Legal Officers Survey*. Association of Corporate Counsel and FTI Consulting; *2025 State of the Corporate Law Department Report*. Thompson Reuters Institute; *2024 Future Ready Lawyer Survey Report*. Wolters Kluwer.
[2] *ACC 2025 Law Department Management Benchmarking Report*. Association of Corporate Counsel and Major, Lindsey & Africa.

**Table 1. List of Work Areas**

| |
|---|
| *Compliance* |
| *Contract Management* |
| *Corporate and Governance* |
| *Discovery – Data Collection* |
| *Discovery – Data Processing/Hosting* |
| *Document Management - Review and Drafting* |
| *Due Diligence* |
| *Intellectual Property Services* |
| *Invoice Review* |
| *Labor and Employment* |
| *Legal Operations* |
| *Legal Research* |
| *Litigation - Legal Hold* |
| *Litigation - Case/Project Management* |
| *Privacy and Security* |
| *Records Management* |
| *Regulatory* |

To quantify the degree of insourcing versus outsourcing for each legal department, we developed an **insourcing score** based on the following criteria:

- **Score of 1:** If a work area is managed exclusively in-house.
- **Score of -1:** If a work area is managed exclusively by outside counsel.
- **Score of 0:** If a work area is managed both in-house and by outside counsel, or if the area is not managed at all. With 17 work areas evaluated, our insourcing score ranges from -17 (all work types handled by outside counsel) to +17 (all work types handled exclusively in-house). Consequently, a higher positive score signifies a greater proportion of work types handled internally, while a negative score indicates a higher reliance on outsourcing.

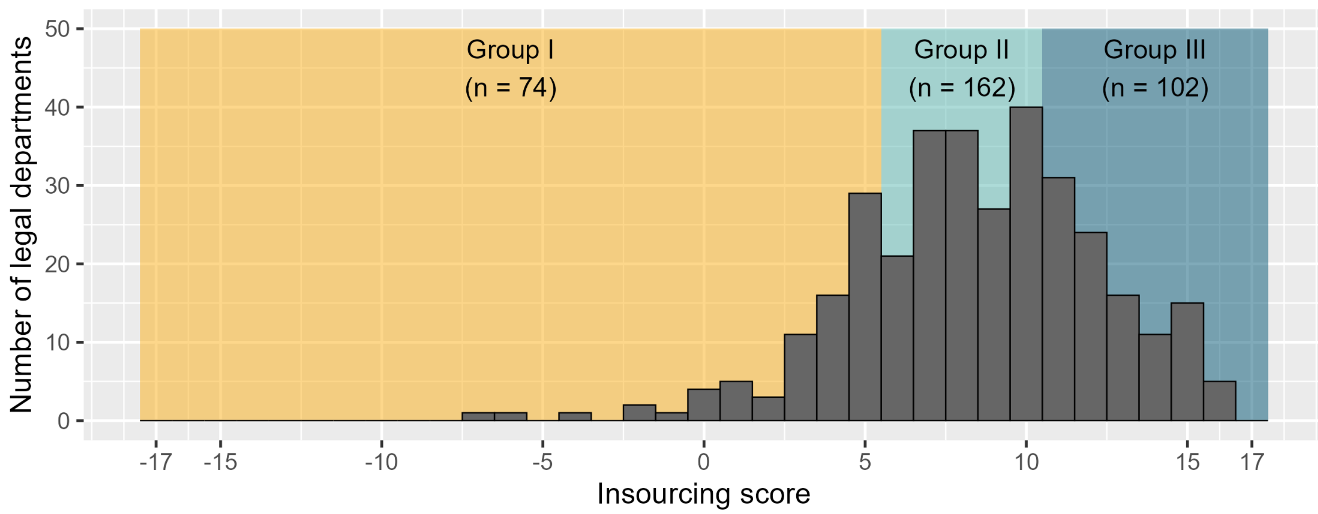
## Insourcing Score Distribution and Analysis Groups

Figure 1 illustrates the distribution of our insourcing score across all surveyed legal departments. The data show that only a small minority of departments outsource more work areas than they manage exclusively in-house.

To analyze the impact of insourcing on legal spend, we categorized legal departments into three groups based on their scores:

- **Group I** (Scores up to 5): These departments exhibit lower insourcing levels, characterized either by a heavier reliance on outside counsel or by handling only a few work areas exclusively in-house.
- **Group II** (Scores from 6 to 10): Departments in this group show a more balanced approach, handling approximately half of the surveyed work types exclusively in-house.
- **Group III** (Scores of 11 or more): This category represents departments with the highest insourcing levels, managing the majority of their legal work types internally.

Figure 1. Legal Department Insourcing Score - All Work Areas




## The Relationship Between Company Revenue, Insourcing, and Total Legal Spend

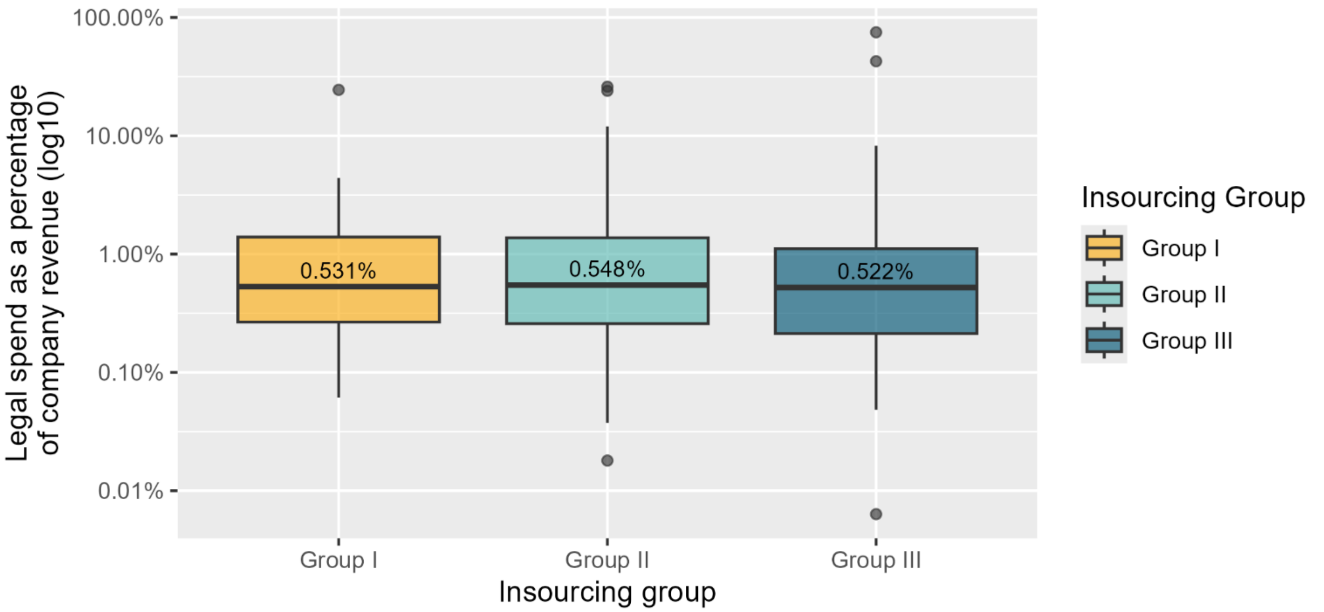
As an initial analysis, we visually examine the relationship between a legal department's total legal spend and company revenue size, graphically illustrated in Figure 2. Legal departments are color-coded according to their insourcing score category: Group I (scores up to 5), Group II (scores from 6 to 10), and Group III (scores of 11 or more), as defined in the preceding section.

As anticipated, the data reveals a clear and robust positive linear correlation between company revenue and overall legal spend: larger companies consistently incur higher legal costs. However, a critical observation from this visualization is the absence of a discernible impact of different work allocation strategies (as represented by our insourcing score categories) on total legal spend. The trendlines for each insourcing category virtually overlap across the revenue spectrum, suggesting that, at a macro level, a department's overall insourcing approach does not appear to significantly differentiate total legal expenditures.

Figure 2. Total Legal Spend by Work Allocation - All Areas

Instead of examining total legal spend in absolute dollar amounts, we repeated the analysis using total legal spend as a percentage of revenue as an alternative measure. Much like Figure 2, Figure 3 shows no apparent impact of work allocation practices on total legal spend when standardized by company revenue. The legal spend distributions for each insourcing group are practically identical, reinforcing our initial observation.

Figure 3. Legal Spend as a Percentage of Revenue by Work Allocation - All Areas




The insights from Figures 2 and 3 are critical. They indicate that a macro-level, generalized assessment of insourcing across all legal work categories fails to uncover any significant relationship with overall legal expenditures. This counter-intuitive finding highlights a key challenge in understanding legal department efficiency – that merely increasing the volume of in-house work, without deeper strategic consideration, may not automatically translate into a measurable reduction in total legal spend.

What is required is a more granular, disaggregated analysis, wherein we meticulously examine the financial implications of insourcing within specific legal work categories. This more detailed approach, explored in the ensuing sections, is designed to uncover nuanced relationships and identify areas where insourcing genuinely translates into measurable financial advantage.

## Refining the Analysis: Focusing on the Work Areas Most Commonly Outsourced

Our initial high-level analysis, examining total legal spend across all 17 work areas, did not reveal a significant relationship with overall insourcing levels. We hypothesize that this broad approach may obscure the true impact of insourcing on specific, often high-cost, work types. For instance, areas such as contract management, invoice review, and legal operations are overwhelmingly handled in-house and are rarely outsourced. Including these consistently insourced areas in our aggregate score might dilute the observable effects of insourcing or outsourcing more costly work—such as discovery and intellectual property (IP)—from our analysis.

To address this, we will refine our methodology by trimming our list of work areas to exclude those most commonly handled exclusively in-house. This focused approach allows us to concentrate on areas where there is a more genuine choice between insourcing and outsourcing, and where cost implications are likely to be more pronounced.

## Identifying Key Work Areas for Focused Analysis

Table 2 presents the percentage of departments that manage each of the 17 work types in-house versus outsourcing them to law firms. The table is sorted by the largest difference between the share of departments handling work in-house and those outsourcing it.

It is worth noting that the percentages for each area can sum to more than 100 percent because some work is often handled by both in-house teams and outside counsel within the same department.

For our refined analysis, we will exclude any work area where the difference between the percentage of departments handling it in-house and those handling it by outside counsel is greater than 50 percentage points. This criterion helps us identify areas where there is a more balanced distribution of insourcing and outsourcing.

**Table 2. Percentage of departments that handle each type of work in-house or by outside counsel**

| *Work Area* | *Managed In-house* | *Managed by Outside Counsel* | *Difference* |
|---|---|---|---|
| *Legal Operations* | 94% | 1% | 93 |
| *Invoice Review* | 92% | 1% | 91 |
| *Contract Management* | 99% | 14% | 85 |
| *Records Management* | 87% | 4% | 83 |
| *Compliance* | 93% | 13% | 80 |
| *Corporate and Governance* | 96% | 19% | 77 |
| *Privacy and Security* | 86% | 21% | 65 |
| *Document Management - Review and Drafting* | 87% | 23% | 64 |
| *Regulatory* | 91% | 36% | 55 |
| *Litigation - Legal Hold* | 76% | 21% | 55 |
| *Legal Research* | 85% | 40% | 45 |
| *Labor and Employment* | 87% | 53% | 34 |
| *Due Diligence* | 75% | 50% | 25 |
| *Litigation - Case/ Project Management* | 67% | 51% | 16 |
| *Discovery - Data Collection* | 52% | 39% | 13 |
| *Discovery - Data Processing/Hosting* | 31% | 46% | -15 |
| *Intellectual Property Services* | 54% | 71% | -17 |

Based on this, we will concentrate our analysis on seven specific legal work areas that are more likely to be handled by outside counsel. These areas are:

- Legal Research
- Labor and Employment
- Due Diligence
- Litigation – Case/Project Management
- Discovery – Data Collection
- Discovery – Data Processing/Hosting
- Intellectual Property Services

By focusing on these areas, we aim to assess whether handling these particular categories exclusively in-house truly results in measurable cost savings.

## Recalculating Insourcing Scores for Key Work Areas

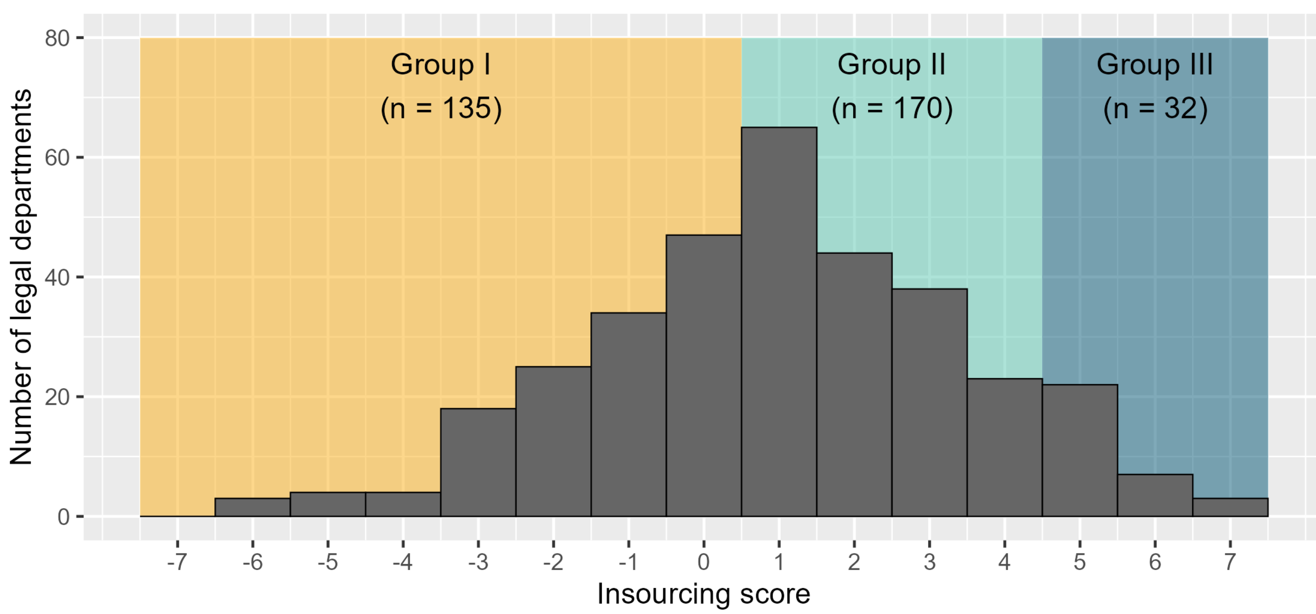
Our insourcing score will be calculated using the same methodology as before, but it will now apply only to these seven selected work areas. Consequently, the score will range from -7 (all seven areas handled exclusively by outside counsel) to +7 (all seven areas handled exclusively in-house).

Figure 4 displays the distribution of these refined insourcing scores across all legal departments. For our analysis, we have classified departments into three new categories based on this updated score:

- **Group I** (Score of 0 or lower): These departments tend to outsource most of these specific work types.
- **Group II** (Score of 1 to 4): This group indicates a mixed approach, with between one and about half of these selected areas handled exclusively in-house.
- **Group III** (Score of 5 to 7): Departments in this category demonstrate the highest levels of insourcing for these key work areas, managing a majority of them exclusively in-house.

When narrowing the list of work types, we observe a clear shift in the distribution compared to Figure 1. While a majority of legal departments still handle more of these seven types of work exclusively in-house than exclusively relying on outside counsel, Figure 4 distinctly shows that a substantial portion of legal departments lean more heavily on outside counsel for matters related to discovery, IP services, or labor and employment. This refined view provides a more accurate representation of work allocation in areas with significant cost implications.

Figure 4. Legal Department Insourcing Score - Seven Select Work Areas



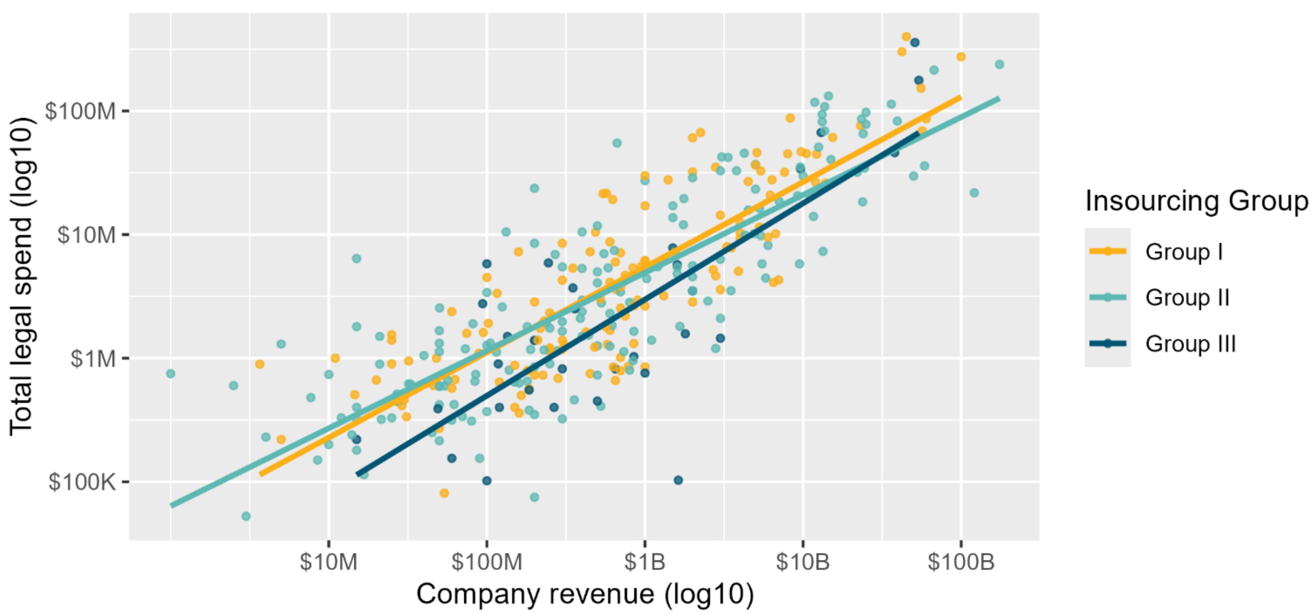

## The Financial Impact of Insourcing Key Legal Work Areas

We now replicate our analysis of legal spend, but this time focusing exclusively on the seven targeted legal work areas (legal research, labor and employment, due diligence, litigation case/project management, discovery data collection, discovery data processing/hosting, and intellectual property services). We categorize legal departments based on their insourcing scores for these specific areas:

Group I (scores of 0 or lower) for departments tending to outsource most of these work types; Group II (scores of 1 to 4) for those insourcing some of these areas; and Group III (scores of 5 to 7) for departments insourcing practically all of these seven types of legal work.

At first glance, Figure 5 presents a familiar picture, again highlighting the strong, positive correlation between company revenue and total legal spend. However, a key difference emerges: the trendlines for our refined work allocation categories no longer overlap significantly. Notably, the teal trendline, representing departments that handle between five and seven of these select work areas in-house (Group III), consistently appears lower than the other two lines. This difference is particularly pronounced for companies with revenues below $10 billion. This suggests that, especially for smaller companies, handling most of these seven high-value areas in-house can lead to **tangible cost savings.** The potential for these savings, however, appears to moderate as company size increases.

Figure 5. Total Legal Spend by Work Allocation - Seven Select Work Areas




## Quantifying the Savings: Projected Legal Spend by Insourcing Category

Based on the distinct trendlines observed in Figure 5, Table 3 provides projected total legal department spend for typical companies across various revenue tiers. This granular analysis clearly illustrates that the benefits of strategic insourcing are indeed substantial, particularly for smaller companies.

Consider a typical company with $100 million in revenue:

- For legal departments that heavily rely on outside counsel for these seven work types (insourcing scores of 0 or lower), the projected spend is $1.1 million.
- In stark contrast, for departments that insource most of these seven areas (scores of 5 to 7), the projected spend drops to just $497,000.
- This represents a whopping 55 percent reduction in overall legal costs – a truly significant finding.

The savings remain considerable as company size grows, though the percentage reduction moderates:

- For a $1 billion company, departments in the 0 or lower insourcing score category face a projected spend of $5.4 million, compared to approximately $3 million for departments that insource more of these work types. This translates to about 45 percent savings in total legal costs.
- For a typical $10 billion company, cost savings are approximately **33 percent**.
- For the largest companies, such as a $50 billion company, the savings stand at around **22 percent**.

It is important to emphasize that even as the percentage difference diminishes for larger enterprises, the absolute dollar amount of these savings remains substantial, representing millions of dollars that can be reallocated or reinvested by the organization. This detailed breakdown demonstrates that while a broad-stroke view may obscure the impact, a focused insourcing strategy for specific, high-value legal work areas offers a clear and measurable path to significant cost optimization.

**Table 3. Predicted Total Legal Spend by Company Revenue and Work Allocation Strategy**

| | Insourcing Score | | | Cost Savings | |
|---|---|---|---|---|---|
| *Company revenue* | Group I *0 or lower* | Group II *1 to 4* | Group III *5 to 7* | *USD Amount* | *Percentage* |
| *$100M* | $1,114,627 | $1,154,774 | $497,325 | -$617,302 | -55% |
| *$500M* | $3,378,467 | $3,179,259 | $1,740,502 | -$1,637,965 | -48% |
| *$1B* | $5,446,647 | $4,917,562 | $2,985,226 | -$2,461,421 | -45% |
| *$5B* | $16,508,947 | $13,538,753 | $10,447,474 | -$6,061,473 | -37% |
| *$10B* | $26,615,152 | $20,941,251 | $17,919,010 | -$8,696,142 | -33% |
| *$20B* | $42,908,027 | $32,391,165 | $30,733,835 | -$12,174,192 | -28% |
| *$50B* | $80,671,308 | $57,654,263 | $62,711,635 | -$17,959,673 | -22% |

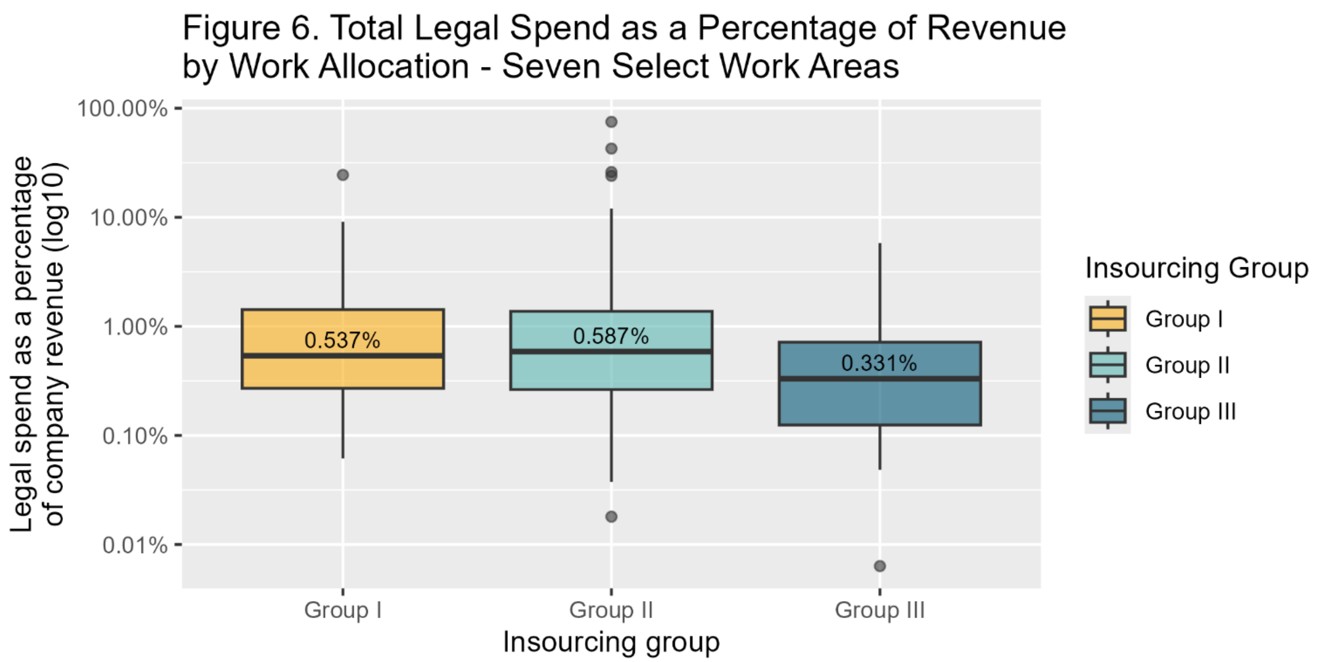
## Insourcing's Impact on Legal Spend as a Percentage of Revenue

Figure 6 further reinforces these findings by replicating the visualization from Figure 3, but this time focusing exclusively on our seven key work areas. This figure illustrates the distribution of total legal spend as a percentage of company revenue for each of our refined insourcing categories.

The results from Figure 6 provide clear evidence: handling most of these specific, high-value work areas in-house indeed leads to lower legal costs when standardized by company size.

To quantify this impact, consider the median spend:

- For legal departments that primarily outsource these select work types (Group I, insourcing scores of 0 or lower), the median legal spend as a percentage of revenue is 0.537 percent.
- In sharp contrast, for departments that predominantly insource these same work types (Group III, insourcing scores of 5 to 7), the median legal costs are substantially lower at 0.331 percent.




This significant difference in median spend underscores that a strategic focus on insourcing these particular legal functions can drive meaningful efficiency and cost reduction, translating directly into a lower percentage of company revenue allocated to legal expenses.

## Deconstructing the Savings: The Role of Outside Counsel Spend

Our analysis clearly demonstrates that departments handling a majority of the seven key work areas in-house report lower overall legal expenses. Unsurprisingly, this cost reduction is primarily attributable to lower outside counsel spending, as Figure 7 illustrates.

Figure 7 disaggregates total legal spend into its two core components: in-house (inside) spend and outside counsel spend. When examining inside spend, the trendlines for the three different work allocation strategies show a more pronounced overlap, indicating that varying insourcing levels for these specific work types do not dramatically alter internal operational costs. In other words, while departments are bringing work in-house, their *internal* spend (salaries, overhead, etc.) does not seem to vary significantly based on how much of *these particular seven areas* they insource.

However, a stark contrast emerges in the outside counsel spend chart. Here, the divergence of the trendlines is clear and compelling. Departments that manage 5 to 7 of these select work types exclusively in-house (represented by the lowest trendline) demonstrably spend lower amounts on outside legal costs. This effect is particularly pronounced for smaller companies with under $1 billion in revenue, where the gap between insourcing-heavy departments and their outsourcing-reliant counterparts is most significant.

This confirms our hypothesis that the primary mechanism for cost savings through strategic insourcing lies in the reduction of expenditures on external legal services, particularly within these high-value, previously outsourced categories.

Figure 7. Inside and Outside Spend by Work Allocation - Seven Select Work Areas

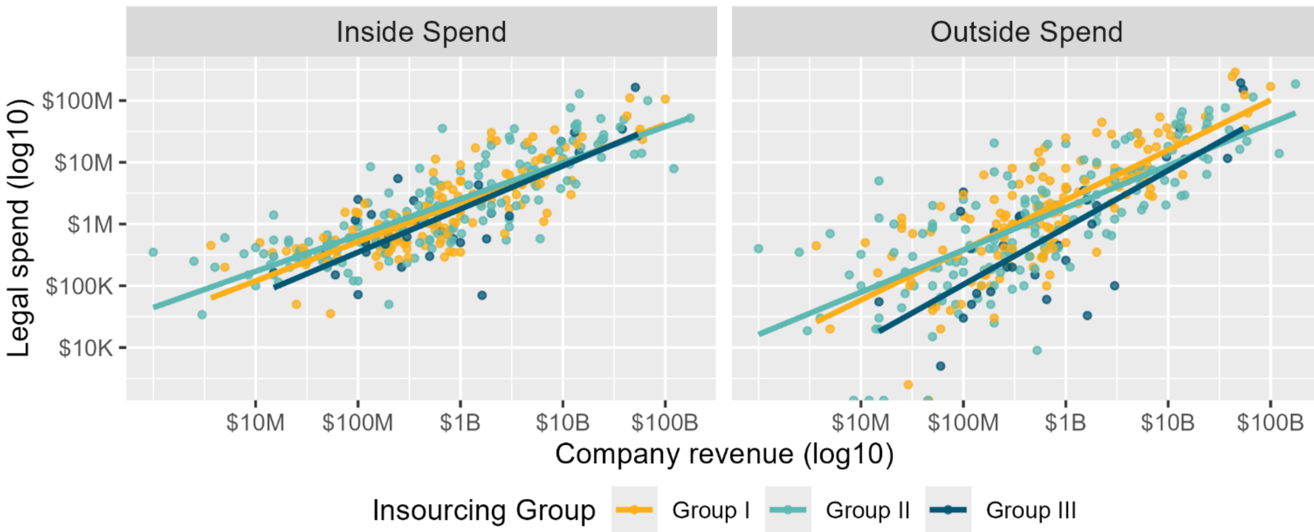
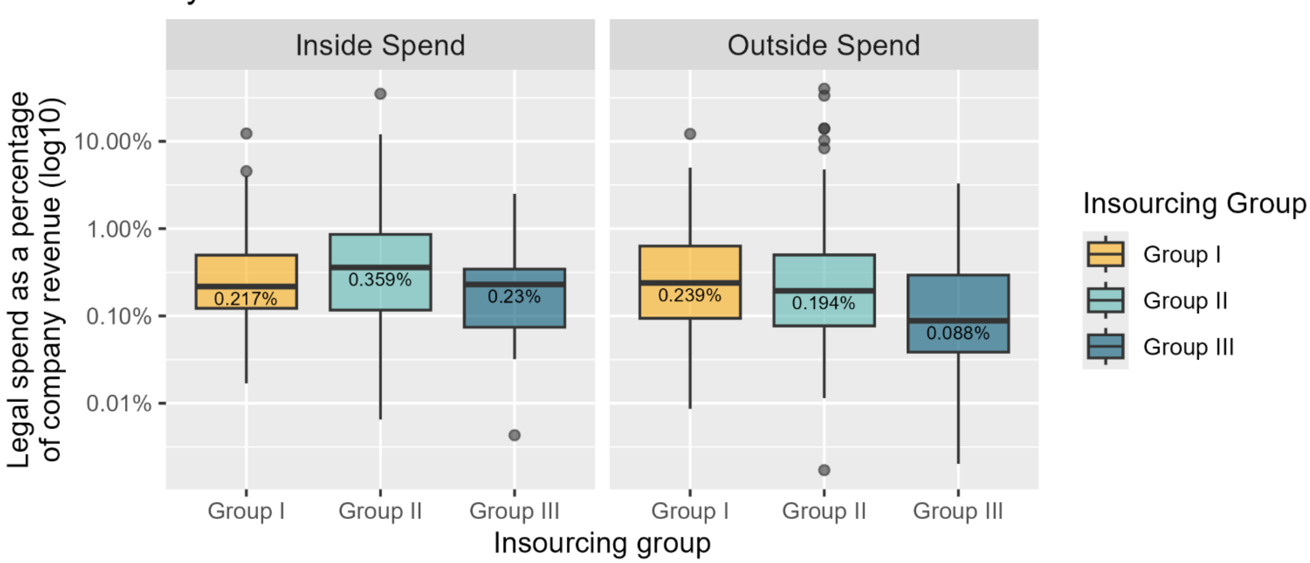



Figure 8 provides further compelling evidence of the financial benefits of strategic insourcing. This visualization clearly demonstrates how companies that handle a majority of the seven key legal work types exclusively in-house, significantly reduce their outside spending costs as a percentage of revenue.

This figure mirrors the insights from Figure 7, but by normalizing outside counsel spend against company revenue, it offers a more direct comparison of the relative cost efficiency across different insourcing strategies. The clear divergence in trendlines, with departments heavily relying on insourcing showing a markedly lower percentage of revenue allocated to external legal services, underscores the impact this strategic shift has on a company's financial bottom line. This visual representation again powerfully reinforces that the cost savings we have identified are largely driven by a reduced reliance on external law firms for these specific, high-value legal functions.

Figure 8. Inside and Outside Spend as a Percentage of Revenue by Work Allocation - Seven Select Work Areas



As anticipated, departments that mostly handle these specific work types exclusively in-house (Group III, insourcing scores of 5 to 7) do report slightly higher median internal legal costs compared to those departments that primarily outsource work in these same areas (Group I, insourcing scores of 0 or lower). This marginal increase in internal spend is an expected and reasonable trade-off, reflecting the investment in salaries, benefits, and operational infrastructure required to build and maintain robust in-house capabilities for these functions.

However, the impact on outside counsel spend is dramatically different. The median outside spend for the departments heavily favoring insourcing (Group III) is a striking one-third of the spend incurred by departments that more heavily rely on outside counsel (Group I). This profound reduction in external legal expenditures for the insourcing-heavy group directly translates into substantial overall savings. The data clearly indicates that the incremental investment in internal resources is overwhelmingly offset by the significant decrease in payments to external law firms, particularly for these high-value, strategically insourced legal areas. This provides a clear financial rationale for prioritizing in-house management of these specific work types.

## Maximizing Efficiencies: Insourcing Areas with the Highest Savings Potential

Our data shows that insourcing a majority of these seven work areas results in considerable legal cost savings but, lastly, we dig deeper into each of these work types to explore whether insourcing some of them yields higher savings than others. Figure 9 reports the total legal spend as a percentage of revenue based on the work allocation strategy for each of these seven areas. We show the results for departments that i) exclusively outsource the work in a given area, ii) exclusively insource the work, and iii) handle the work by both outsourcing and handling it in-house.

In figure 9, work areas are sorted based on the difference in median legal spend as a percentage of revenue between those departments that exclusively insource a work area and those that exclusively outsource it, from highest to lowest. Therefore, the highest savings potential results in insourcing discovery–data collection and intellectual property services: departments that exclusively outsource the former report median standardized legal costs of 0.614 percent compared to just 0.428 percent for those who entirely handle this work in-house, and the savings are also substantial for those who handle intellectual property services exclusively in-house—0.457 percent compared to 0.584 percent.

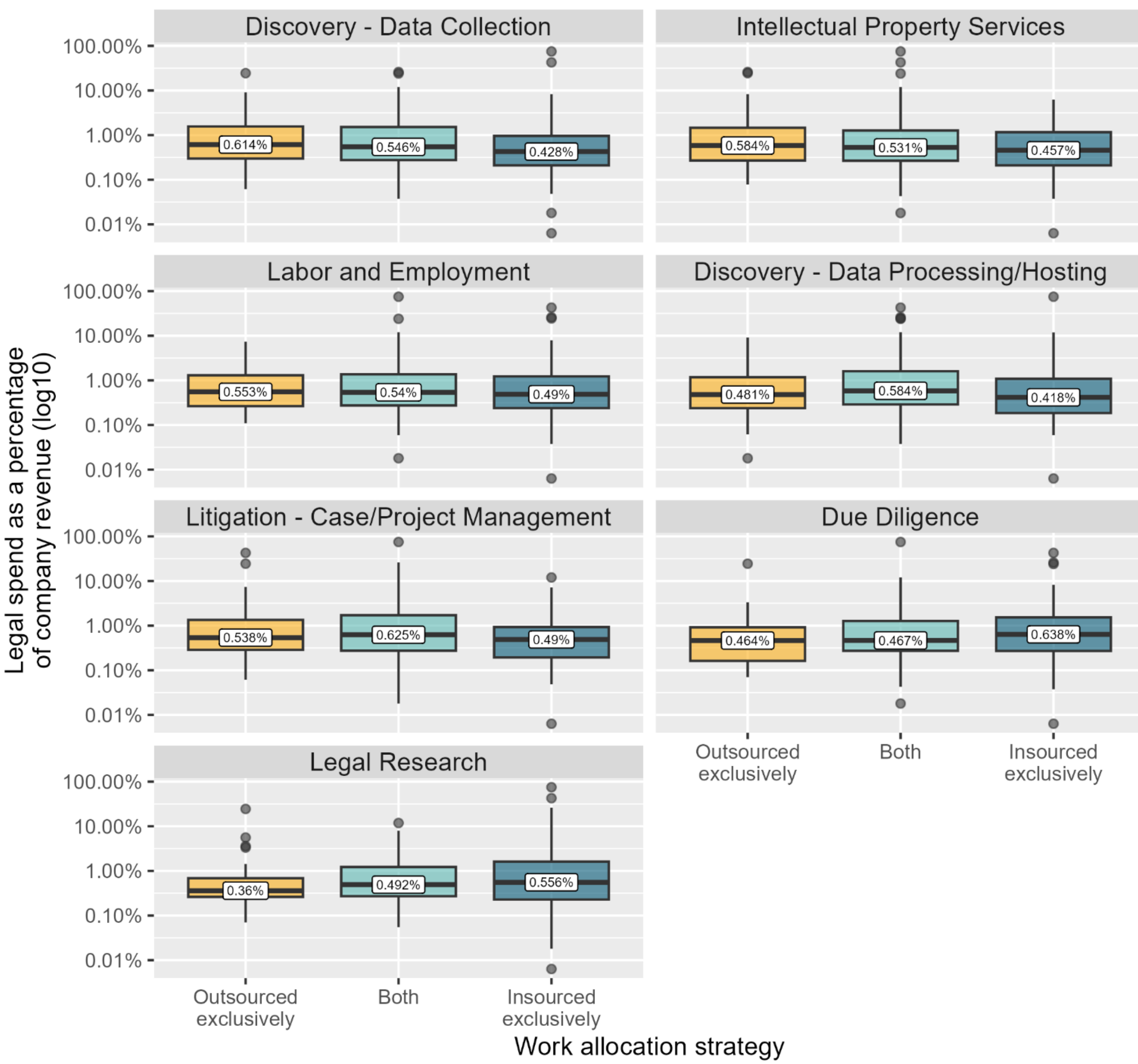
The data also supports the case for a progressive transition to insourcing these two areas, as departments that handle discovery–data collection and intellectual property services using a combination of both outsourcing and insourcing for different aspects of the work still report lower overall standardized legal costs compared to those departments that exclusively outsourced these areas.

Departments that exclusively insource labor and employment, discovery–data processing/hosting, and litigation–case/project management also report lower overall costs than those departments that exclusively outsource these areas to outside counsel, though the differences are more limited: 0.49 percent to 0.553 percent for labor and employment, 0.481 percent to 0.418 percent for discovery–data hosting/processing, and 0.538 percent to 0.49 percent for litigation.

Finally, departments that exclusively insource due diligence and legal research report higher overall spending than departments that exclusively outsource these two areas or use a mixed allocation approach. One interpretation of this finding is that insourcing these two specific areas may not result in substantial savings to legal departments compared to insourcing work on other areas. But, by looking at these areas independently, there is also the possibility that departments that exclusively insource due diligence and legal research are *concurrently* outsourcing other work types like intellectual property services exclusively, resulting in higher legal costs overall.

While deeper analysis is needed to further scrutinize the incidence of insourcing these work types on overall legal costs, our analysis creates a blueprint for legal department leaders who are conscientious about efficient resource allocation to consider insourcing specific, high-cost work areas like discovery and intellectual property services to limit overall legal department expenses.

Figure 9. Total Legal Spend as a Percentage of Revenue by Work Area and Allocation Strategy - Seven Select Work Areas



## Conclusion

The widespread belief that insourcing legal work inherently drives cost savings has long been a foundational tenet in the legal industry. Yet, as our initial broad-stroke analysis revealed, a simple, high-level correlation between overall insourcing rates and total legal spend proved elusive. Figures 2 and 3, which mapped total legal spend against company revenue and by general insourcing categories, demonstrated virtually no discernible impact, challenging the simplistic assumption that "more in-house equals more savings" across the board. This initial finding was crucial, proving the need to move beyond anecdotal evidence and superficial assessments.

Our subsequent, more granular analysis provided important clarity. By refining our focus to seven specific, often high-cost legal work areas—legal research, labor and employment, due diligence, litigation case/project management, discovery (data collection and processing/hosting), and intellectual property services—we uncovered a profound and measurable financial advantage. **This report provides empirical evidence demonstrating that strategically insourcing these particular categories of legal work translates into substantial cost reductions for corporate law departments.**

The impact is clear:

- **Significant and Measurable Savings:** As illustrated in Figure 5 and quantified in Table 3, departments that predominantly handle these seven work areas in-house report significantly lower total legal expenditures. The magnitude of these savings is particularly striking for smaller companies (e.g., a 55 percent reduction for a $100 million company), remaining substantial even for larger enterprises.
- **The Power of Reduced Outside Spend:** Figures 7 and 8, along with the detailed breakdown in Table 3, reveal the primary mechanism of these savings: a dramatic reduction in outside counsel spend. While there may be a marginal increase in internal operational costs to support expanded in-house capabilities, this is overwhelmingly offset by the substantial decrease in expenditures on external legal services. Our data shows median outside spend for insourcing-heavy departments to be practically one-third of those relying heavily on outside counsel for these key areas.

**The implications of these findings are potentially far-reaching for general counsel, legal operations professionals, and consultants alike:**

1. **Strategic Clarity for Insourcing Initiatives:** This analysis moves beyond generalities to provide actionable, data-driven insights. Legal leaders can now identify precisely *which* categories of legal work offer the greatest financial returns when brought in-house. This empowers a more strategic approach to insourcing, enabling targeted investments in internal capabilities where they will yield the most significant cost optimization.
2. **Challenging the Status Quo with Data:** For too long, discussions about insourcing have relied on qualitative benefits. This report provides the quantitative evidence needed to advocate for strategic in-house growth, justify resource allocation, and demonstrate tangible value to the C-suite.
3. **Optimizing Legal Spend Portfolios:** Understanding where insourcing delivers distinct financial advantages, and conversely, where it does not (as implied by our initial broader analysis), allows for a more sophisticated allocation of legal work.

Departments can build more efficient hybrid models, leveraging in-house expertise for cost-effective execution in high-impact areas while judiciously engaging outside counsel for highly specialized or surge capacity needs.

While the broad-brush notion of insourcing as a cost-saving panacea may be overly simplistic, our analysis demonstrates its power when applied with precision. For general counsel and legal operations leaders seeking to optimize their spend and maximize value, the imperative is clear: strategic insourcing of critical, high-value work types is not just a trend, but a data-backed imperative for achieving significant and sustainable financial efficiencies. This report provides the empirical foundation to make those decisions with greater confidence.

## Caveats and Limitations

It is important to point out that with every quantitative analysis, there are limitations based on the available data as well as in the assumptions made in the measurement of the data used.

- **Measurement of Work Allocation:** Our data only considers how each broad category of legal work area is managed, but not the *volume* of work involved or the relative strategic importance of the work. Clearly not all law departments handle the same volume of legal work within each of these categories and there is certainly a range of low to high value work contained within each category. Therefore, our score may, for example, reward departments that handle very little work exclusively in-house and penalize those who handle a vast majority of work in-house but outsource some of it to law firms.
- **Response Accuracy and Data Quality:** The considerable savings potential observed, particularly for legal departments in small companies, may be the result of respondents indicating that they handle work in-house and not outsource it for areas that do not involve a substantial workload. For example, one could indicate that litigation is handled exclusively in-house, but without having actually done any litigation work in the previous year. Additionally, a few respondents indicated handling all work types in-house (and outsource none) while also reporting outside counsel spending amounts greater than zero. While these observations were removed from the analysis and a thorough data validation process is employed, it could indicate that further inconsistencies in the data exist.
- **Grouping Decisions:** The decision to only consider seven work areas for a more refined analysis is only based on the somewhat arbitrary decision to consider the seven areas where the difference between those departments that insource and those that outsource these areas is smaller than 50 percent. This threshold could have been lower or higher, and the final list of areas is of course contingent on the existing data, while the same criteria may have yielded a different selection with other data (for example from the previous year's survey). Other criteria could have been used, e.g., selecting a certain number of areas that are most commonly outsourced or excluding those areas handled in-house by more than 80 percent of departments. Similarly, the decision to group departments based on their insourcing scores is based on the attempt to categorize different work allocation patterns while also attempting to maintain a working number of observations within each group. Groupings could have been different, potentially impacting the results differently.

- **Independent Effects of Individual Work Areas:** Figure 9 looks at the impact of work allocation for each individual of the seven selected areas on legal spend independently, but this is likely to mask the impact of other variables (including insourcing/outsourcing other work areas) on the results. In addition, although the connection between insourcing and spend was standardized by company revenue, which is likely the largest driver of differences in spend, this analysis did not control for the many other factors that could be driving changes in legal spend.