



ACC
CHIEF LEGAL
OFFICERS
2017 SURVEY

LEARN ABOUT what keeps CLOs up at night and how they work with the C-suite.

FIND OUT the details on company changes due to geopolitical events, law department spend, and future staffing changes.

DISCOVER INSIGHT from nearly 1,100 CLOs in 42 countries.

ACC Association of
Corporate Counsel
By in-house counsel, for in-house counsel®

The Association of Corporate Counsel (ACC) Chief Legal Officers 2017 Survey is the largest global study of the issues and challenges facing chief legal officers (CLOs) in corporate legal departments. ACC surveyed CLOs and general counsel (GCs) from around the world to gain further insight on business priorities, career satisfaction, organizational processes, outside counsel and vendor management, budget and spend, staffing, compensation, and a variety of new topics.

Incorporating the insights of nearly 1,100 CLOs in 42 countries, the 2017 survey sheds light on the evolving role and priorities of CLOs across key metrics such as company revenue, industry, number of staff, and region. *The ACC Chief Legal Officers 2017 Survey* is a resource and benchmarking tool for leaders of the law department, counselors to the CEO and board of directors, and business strategists. The findings in this report make evident that the evolution of the CLO from pure legal adviser to strategic business partner continues and brings with it tremendous opportunities as well as challenges. From budget and spend to fee structures to company policy and strategy, CLOs increasingly rely on data to make decisions that influence not only the department but also their company's business.

The corporate legal landscape is fraught with an increasingly complex regulatory environment, the never-ending balancing act between risk and compliance, and heightened internal pressure to demonstrate value while lowering costs. Twenty-eight percent of CLOs report being targeted by a regulator with respect to an alleged violation of the law, and 77 percent report handling at least one internal or external compliance-related investigation in their department.

Given their global roles, CLOs today are on the front lines of managing change in their organizations, from keeping abreast of complex regulatory and policy changes in an emerging populist environment to being called upon to weigh in on everything from profit to safety to growing the business while also mitigating major risks. One-third of CLOs surveyed made policy changes in their organizations as the result of geopolitical events. Examples of policy changes include initiating plans to enter new markets, adjusting insurance policies, and revising policies that promote employee safety.

We hope this report serves as a useful tool highlighting relevant metrics across a wide variety of law department operations. This report includes data useful in benchmarking against law department peers on metrics like budget, inside and outside spend, staffing, and resourcing by key demographics such as industry, region, and department size. Additional information on the role CLOs play in their organization and how they function at the board, C-suite, and business level is included in the overall results. The key findings section of the report highlights important results, while the executive summary contains more detailed discussion of the data. Overall results provide a question-by-question analysis of the findings and include key metrics such as proportion of spend, staffing averages, and budget.

28%

Targeted by regulator
in past two years



ABOUT ACC:

ACC is a global bar association that promotes the common professional and business interests of in-house counsel who work for corporations, associations, and other private-sector organizations through information, education, networking, and advocacy.

We anticipate and understand the needs of the in-house bar; help members deliver services to their corporate clients efficiently; promote the value of in-house services; influence the practice of law as it affects the in-house bar; and deliver a mix of relevant, timely services including information, education, networking, and advocacy.

With more than 42,000 members employed by over 10,000 organizations in 85 countries, ACC connects its members to one another and to the people and resources necessary for their personal and professional growth.

KEY FINDINGS

Geopolitical issues are affecting companies on multiple levels

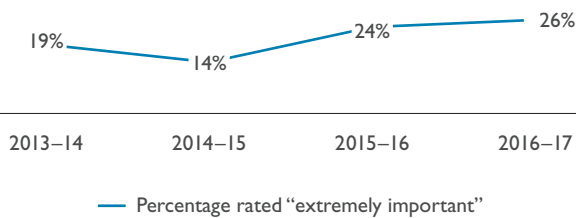
Geopolitical change has a direct effect on business, according to one in three CLOs. Thirty-five percent of respondents say their company changed plans to enter new markets as a result of geopolitical events last year. This was especially prominent in Europe, the Middle East and Africa, and Asia Pacific, where CLOs report that their companies made changes to supply and distribution lines. Thirty percent changed insurance and 28 percent changed employee safety policies as a result of geopolitical events.

What keeps CLOs up at night?

Ethics and compliance remain the top issue for CLOs. Seventy-four percent rate ethics and compliance as somewhat or very important in the next 12 months, up 3 percentage points from last year (71 percent).

Regulatory or government changes ranked second on the list of issues keeping CLOs up at night. With flourishing regulations and a growing body of global regulatory guidelines that require attention, CLOs must ensure that a system is in place to monitor changes. With 28 percent reporting that a regulator targeted their company last year for an enforcement action, this issue is a timely one. In fact, the percentage of CLOs who created new positions in the regulatory/government affairs role last year doubled from 6 to 12 percent. Information privacy and data breaches also remain top issues weighing on the minds of CLOs.

IMPORTANCE OF DATA BREACHES AND PROTECTION OF CORPORATE DATA CONTINUE TO RISE AMONG CLOs

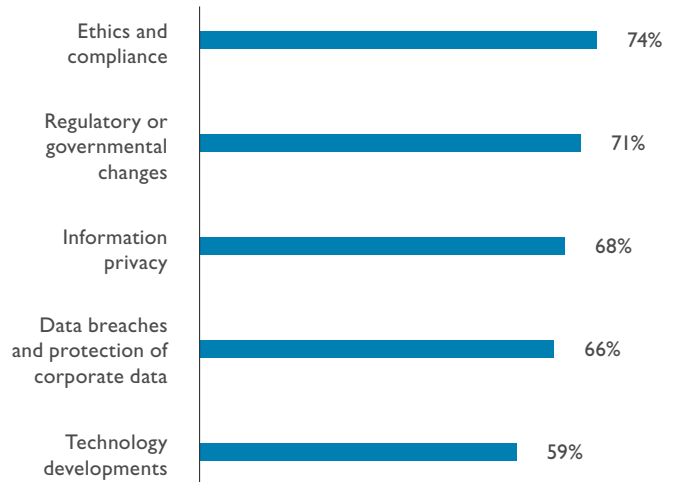


Regulatory action, patent trolls, and data breaches continue to affect companies

A significant proportion of CLOs report that a regulator has targeted their organization in the past two years (28 percent). Twenty-three percent say their company experienced a data breach during this time, and 17 percent have been targeted by a patent troll or NPE.

Data breaches continue to grow in importance yearly and across regions. A high percentage of CLOs in Europe report having experienced both a data breach and a regulatory action compared with those in other regions, likely affecting budget and workload in these departments. Europe surpassed the Asia Pacific region in reporting data breaches this year.

TOP ISSUES KEEPING CLOs UP AT NIGHT PERCENTAGE WHO RATED ISSUE EXTREMELY OR VERY IMPORTANT IN NEXT 12 MONTHS



“The CLO will likely become more business oriented focusing on decreasing cost and creating value. There will likely be an uptick in time spent and cost incurred on compliance related issues due to regulatory changes globally.”

CHIEF LEGAL OFFICER, CONSTRUCTION AND ENGINEERING

Employer's duty of care/workplace safety a top issue for 44 percent

Global conflict and instability, domestic and foreign terrorism, and workplace violence all require policies that support the best possible outcome should an adverse event occur. Employers are increasingly sensitive to duty of care and workplace safety in light of recent events where conflict or terrorism affected the safety of employees. Forty-four percent rated this a top issue — very or extremely important in 2017. CLOs in Australia had the highest percentage rate this issue as “extremely” important (23 percent), followed by CLOs in the Asia Pacific region (18 percent). Duty of care/employee safety is keeping 43 percent of CLOs in construction and engineering up at night. One in four CLOs in energy rated this of extreme importance. Six percent in retail rated duty of care/employee safety as important, the lowest among industries studied.

Forty-six percent of CLOs may terminate a law firm or outside counsel relationship next year

Thirty-one percent of CLOs reported that they terminated at least one law firm or outside counsel relationship for underperforming in 2016. Forty-six percent report that they either definitely (10 percent) or may (36 percent) terminate a law firm or outside counsel relationship with the intent to hire a new firm to perform the same work in 2017.

Insourcing versus outsourcing

Forty-eight percent of CLOs anticipate that the amount of work they send to firms will remain the same in 2017, while 31 percent will increase the amount of work outsourced and 18 percent will decrease it. Complex litigation remains the top area outsourced to law firms, with 97 percent of CLOs sending this work to an outside law firm. Law firms may see an increase in e-discovery work with 61 percent of CLOs sending this work to firms, up 16 percentage points from 2016.

Data breaches hit education and healthcare hardest

The educational services sector reported data breaches in numbers surpassing that of the healthcare sector for the first time in three years. Respondents in the service companies and organization, telecommunications, professional/scientific/technical services, and IT/software/Internet-related services sectors saw a significant decrease in the proportion of CLOs reporting a data breach from previous years. Thirty-four percent of CLOs in Europe and 33 percent in the Asia Pacific region say their company had a breach in the past two years.

PERCENTAGE OF CLOS WHO RATED DUTY OF CARE/WORKPLACE SAFETY A TOP ISSUE

	Extremely important
Construction/Engineering	43%
Energy	24%
Real Estate/Rental and Leasing	18%
Professional, Scientific, and/or Technical Services	16%
Manufacturing	15%
Telecommunications	12%
Healthcare/Social Assistance	12%
Retail Trade	6%
Insurance	5%
Information Technology/Software/Internet-related Services	4%
Pharmaceutical/Medical Devices	3%
Finance/Banking	2%

Big law departments spending more than half the budget on litigation

On average, 24 percent of the law department budget is spent on litigation. Those in the top 5 percent spend as much as 80 percent of their budget on litigation. Generally, the larger a department's budget, the greater the percentage of that budget is spent on litigation. Departments with budgets of greater than US \$50 million spend over half of their budget on litigation on average, compared with roughly 13 percent in departments with a budget of less than US \$50,000.

Delegation of legal operations expands

Delegation of legal operations rose this year, with 23 percent delegating either full time or part time, up from 16 percent in 2016. Among those who delegate legal operations full time, 42 percent delegate to non-lawyers. Eighty-one percent of CLOs say they use value-based staffing practices such as assigning work to a variety of internal resources, including non-lawyers, based on complexity and risk. Forty-three percent of respondents report having at least one legal operations professional on the team, similar to the 48 percent reported last year.

Gender gap in compensation persists

As prior ACC research has shown, a gender disparity in total compensation exists among in-house counsel. This is also true at the CLO level and has not changed this year, with a higher percentage of female than male CLOs making less than US \$200,000. Male CLOs are more likely than female CLOs to make US \$300,000 or more. This is consistent with last year's CLO survey.

Growth in inside budgets outpaces outside budgets

Year-over-year changes to total law department budgets were minimal, with the same percentage of respondents indicating they anticipate an increase in total budget this year compared with last year. Forty-three percent of CLOs plan to increase their inside budget over the next 12 months, while 37 percent plan to increase their outside budget.

Increases in staffing slowing in 2017

CLOs expect growth in department staffing to remain stable in 2017. While increases and cuts to in-house counsel, contract lawyers, and other positions are expected to remain the same as those reported in 2016, the large growth in year-to-year staffing seen in past years has slowed. Departments are expected to grow at the same pace in 2017 as they did in the past year. Twenty-six percent of CLOs report they will add in-house lawyers to their department in the next 12 months, the same as last year.

PROJECT OVERVIEW & METHODOLOGY

This survey opened on Sept. 26 and closed on Nov. 3, 2016. A total of 1,139 lawyers participated with 1,096 responses included in this analysis; 75 percent (851) of respondents were ACC members, and 25 percent were non-members. Among members, a total of 7,640 GC and CLO members were invited to complete the survey for a response rate of 11 percent. Additional invitations to participate were sent to non-ACC GC and CLOs via partner bar associations and a purchased sample within the target audience of GC and CLOs.

Interpreting the data

The overall results present all survey responses question by question. These responses were analyzed by a number of relevant demographics at both the individual and department/company level, including gender, minority status, industry, department size, company revenue, and region/country. By analyzing responses in this way, we are able to decrease the influence of overrepresentation among audience segments. Cross-tabulations are presented to assess the influence of these segments of the survey population, and t-tests are used when appropriate to determine whether differences between groups or between time periods are statistically significant at the .05 level.

Due to rounding, some table and chart percentage totals may not sum to 100. When adding percentages, the whole number is rounded evenly. Tables may not reflect 100 percentage points where “Don’t know/Not sure” is not shown. All dollar amounts are expressed in US dollars (US \$).

In some cases, due to changes in question structure and/or response measurement, year-over-year trend comparisons are not presented. Further, some response categories are collapsed in the presentation of results to provide a clearer or more holistic summary of the data.

Additionally, some results presented by regional segments have relatively low sample sizes. Therefore, readers should be cautious in generalizing regional results and be judicious in drawing strong conclusions. The total of CLO participants in Latin America is 14 and in the Middle East region is 23.

Statistical terminology

Mean: This is the average value of all relevant observations. The values of each observation are summed together and then divided by the total number of observations.

Median: This is middle value of all observations ordered from low to high (also called the 50th percentile). In a list of numbers from one to 11, the median value is six. In a list of numbers from one to 10, the median value is 5.5.

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 falls above or below a particular value. For example, if we find that the median number of lawyers in a department is three (50th percentile), then we know that 50 percent of departments have more than three lawyers and 50 percent have fewer than three lawyers.

95 Percent Confidence Intervals: In some cases throughout the report, we place confidence intervals at the (conventional) 95 percent level around mean values. These intervals indicate the upper and lower bounds of what the potential mean value might be if we were to survey a sample of the population again. For example, if we were to take 100 different samples of in-house lawyers as large as this current sample, in fewer than five of those 100 samples would we expect not to observe that average value to be within the upper and lower confidence interval values. Therefore, we can be highly confident that the mean value we present is almost certainly within the values of the confidence intervals.

Histograms and boxplots

We present histograms and boxplots in addition to more common tables and charts to more clearly demonstrate the variation in the data across different segment categories of interest, such as industry and department size. This allows for more efficient visual comparisons rather than simply scanning numbers in charts line by line.

Histograms: A histogram graphically displays the full distribution of observations. In this report we present the full distribution of responses to a particular survey question. We specifically show the number of respondents who selected or wrote in a particular value. We then place vertical reference lines on the graph to point out key statistics of interest and where those values lie within the overall distribution of values. Within each histogram, we report the mean, median, and 95th percentile value.

Boxplots: A boxplot (sometimes called a box and whisker plot) graphically displays five key summary statistics for a specific variable: the first quartile (25th percentile), the median (50th percentile), the third quartile (75th percentile), and in our case the value that is 1.5 times the value of the interquartile range (IQR) above the third quartile and below the first quartile. It is also common to use the minimum and maximum values. However, we use the prior numbers in order to reveal outliers across our segments, which are simply the values that lie outside of 1.5 times above and below the IQR.

If you would like additional information about this report or other ACC research products, please contact ACC Research at research@acc.com or contact Robin Myers, Director of Research, 202.349.1517.



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