



Global Legal Department Benchmarking Survey

2021 Report

Global Legal Services/KPMG Law

KPMG International

kpmg.com/legalbenchmarking



Introduction

Today's legal teams operate in an environment of rapid change. Digitalization and globalization are intensifying competitive pressure and gaining new strategic importance. Creating sustainable business models, integrating technological innovation and driving economic efficiency are also at the top of management's agenda. For the legal function, these challenges create greater pressure to deliver high-quality legal advice and a top-notch customer experience.

The continuously evolving nature of the legal environment presents more challenges. New and revised laws, decrees and regulations and the growing influence of international and supranational (EU) regulations make it more difficult for legal teams to fulfil their professional duties. With cost pressures on the rise, legal departments are also under scrutiny to identify opportunities to produce efficiencies and reduce expenses.

This report aims to help legal teams meet these challenges by presenting measures that organizations have taken and provides guidance on becoming an efficient and modern legal department. Based on KPMG International's *Global Legal Department Benchmarking Survey*, which includes data from companies of all sizes, this report offers transparent and objective benchmarks that can help leaders of legal departments position their teams for success in the years to come.

We look forward to discussing the survey results with you.



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Key findings

Stronger central governance

As a result of globalization, the majority of legal departments (77 percent) have a decentralized structure; of those, 35 percent of them are within a central team led by the general counsel and 22 percent under functional management. The disciplinary lead shows strong growth.

35%



hold a disciplinary leadership from the general counsel

Under functional management

22%



The disciplinary lead shows strong growth

Cost of the legal department

The expenditure of the legal departments of the companies surveyed averaged \$2,592,421 per \$1 billion United States Dollars (US\$) in sales. Of this amount, US\$1,263,409 was accounted for by internal costs and US\$1,329,012 for external service providers.



Average expenditure of the legal departments surveyed per US\$1 billion of sales

2,592,421

Average expenditure of internal costs per US\$1 billion of sales

1,263,409

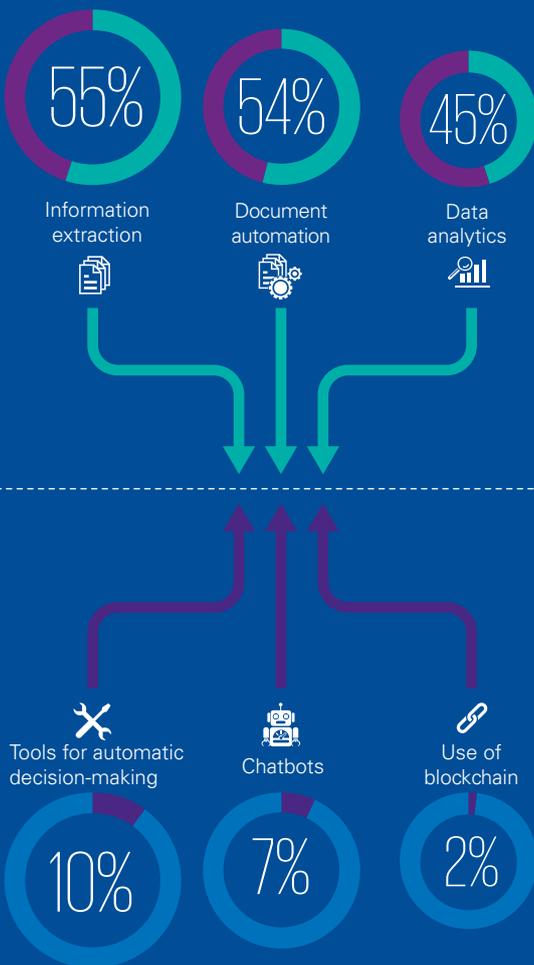
Average expenditure of external costs per US\$1 billion of sales

1,329,012

All references to currency are in United States Dollars (US\$).

Trends in digitalization

Top priorities for legal professionals in the coming years are information extraction from documents (55 percent), document automation (54 percent) and data analytics (45 percent). Tools for automatic decision-making (10 percent), chatbots (7 percent) or use of blockchain (2 percent) offer high potential but are still rarely used in legal departments.

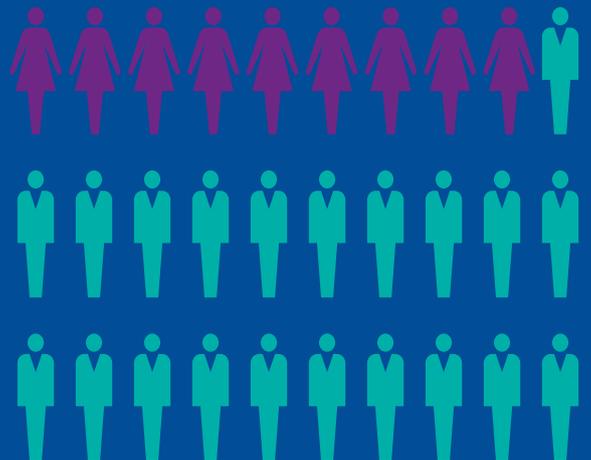


Presence of women in the legal department

Thirty percent of the general counsels within the companies surveyed are women. Women are also represented in other management-level roles (25 percent) and associate roles (41 percent).

30%

of respondent organizations have a woman as general counsel.

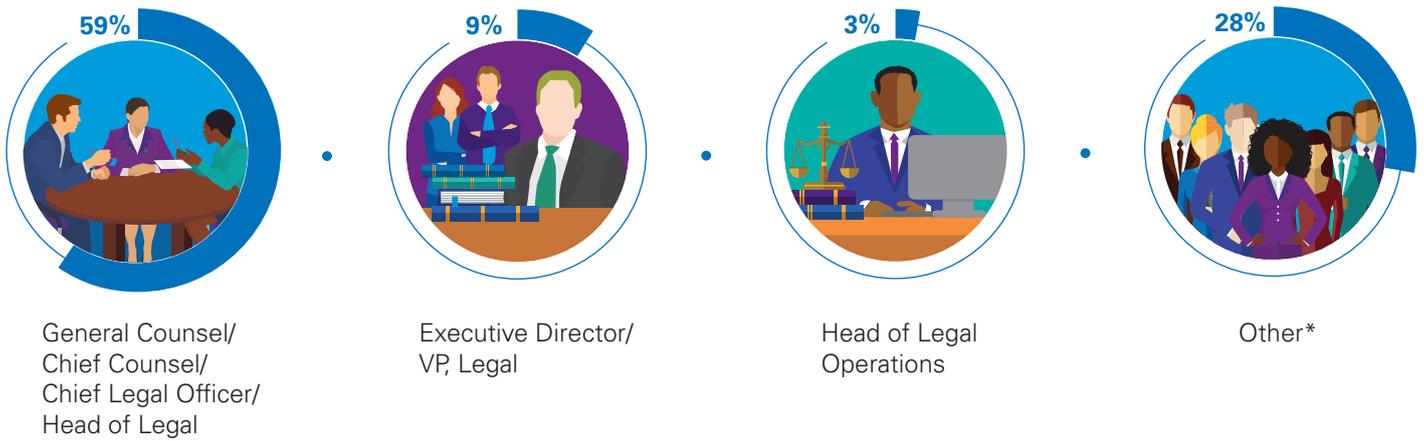


Demographics

KPMG member firms have closely followed trends and developments in legal departments for many years, and through that journey, many things have changed — while a lot has also stayed the same. A cohort of legal futurists predict that the COVID-19 pandemic will drive fundamental change in the way legal departments structure the work they do, and how they do it.

The *KPMG Global Legal Department Benchmarking Survey* attracted respondents from jurisdictions around the world. In some cases throughout this survey report, we highlight geographical distinctions among the responding legal departments in Europe, Asia-Pacific and the Americas. While 80 percent of the respondents are headquartered in Europe, the caliber of the respondents distributed over 20 industries and their wide ranging sizes, provide reliable results that offer valuable insights into universal trends.

What is your job title?¹

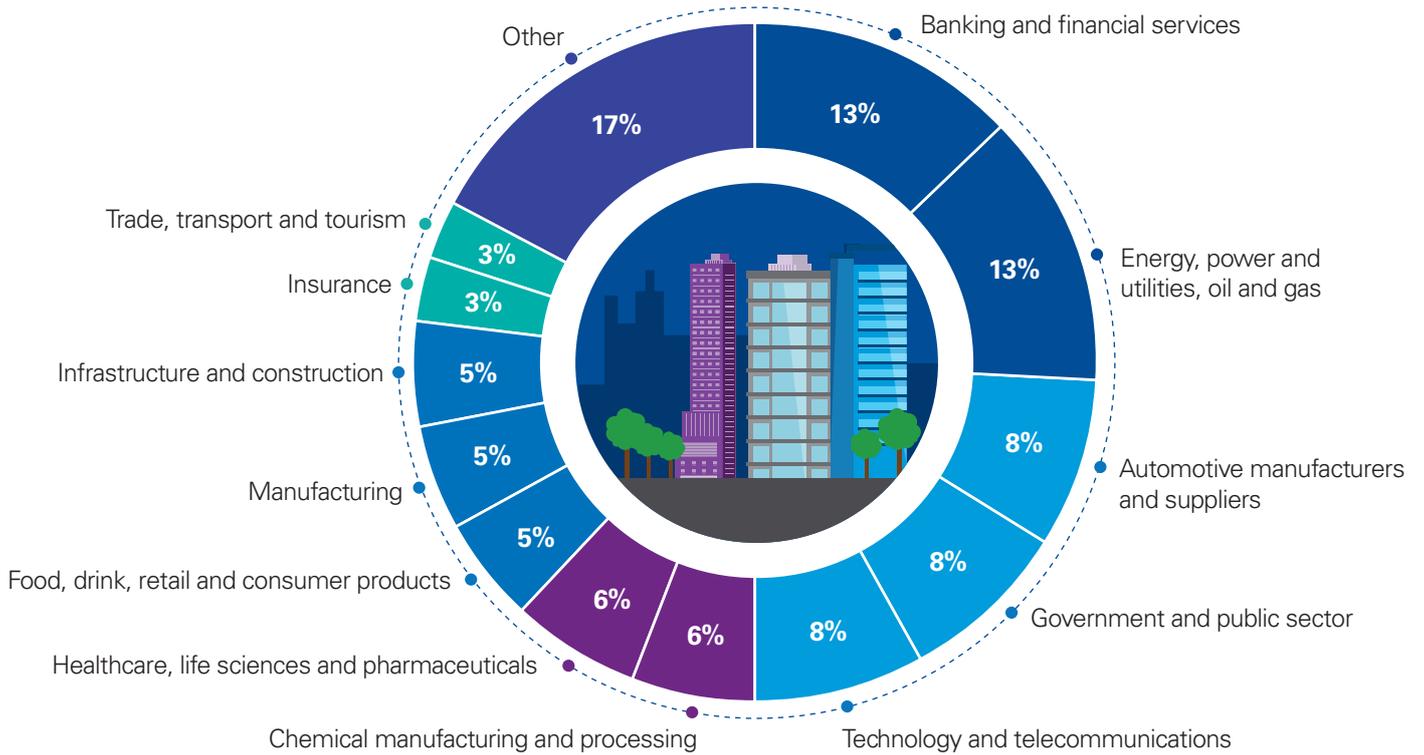


* e.g. Chief Compliance Officer, Legal Manager, etc.

¹ Small deviations possible due to rounding

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

What is your organization's primary industry?



Other includes: aerospace and defense, agriculture, asset management, conglomerate, media and entertainment, mining, metals and natural resources, private equity, and real estate.

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

Survey participants from each region:



Americas

5%



EMA

80%



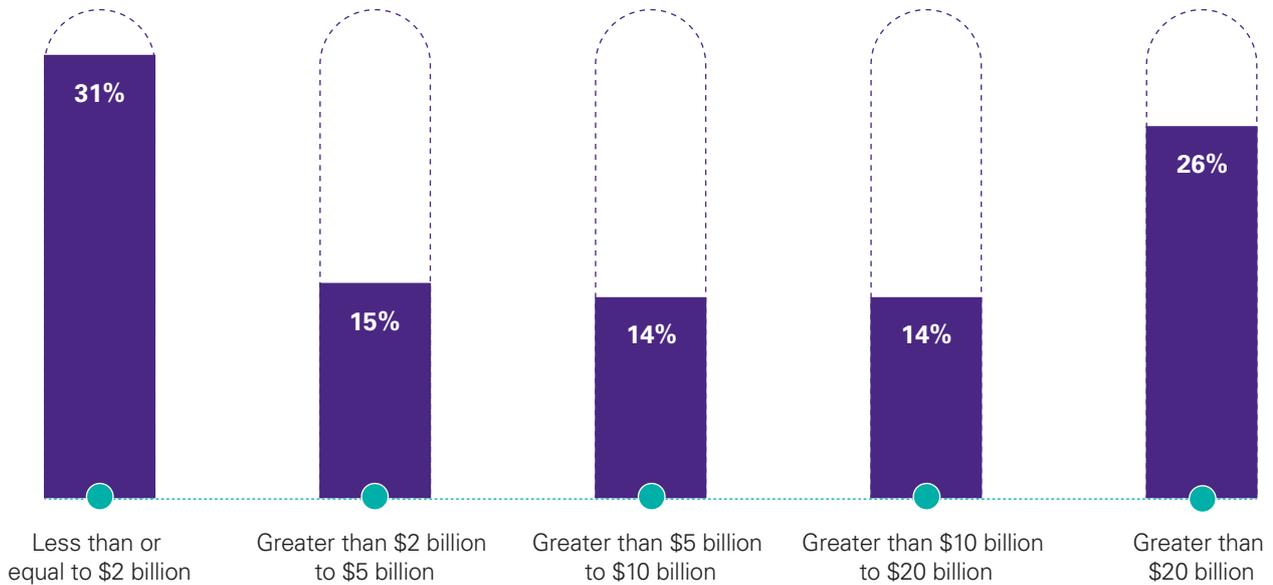
ASPAC

15%

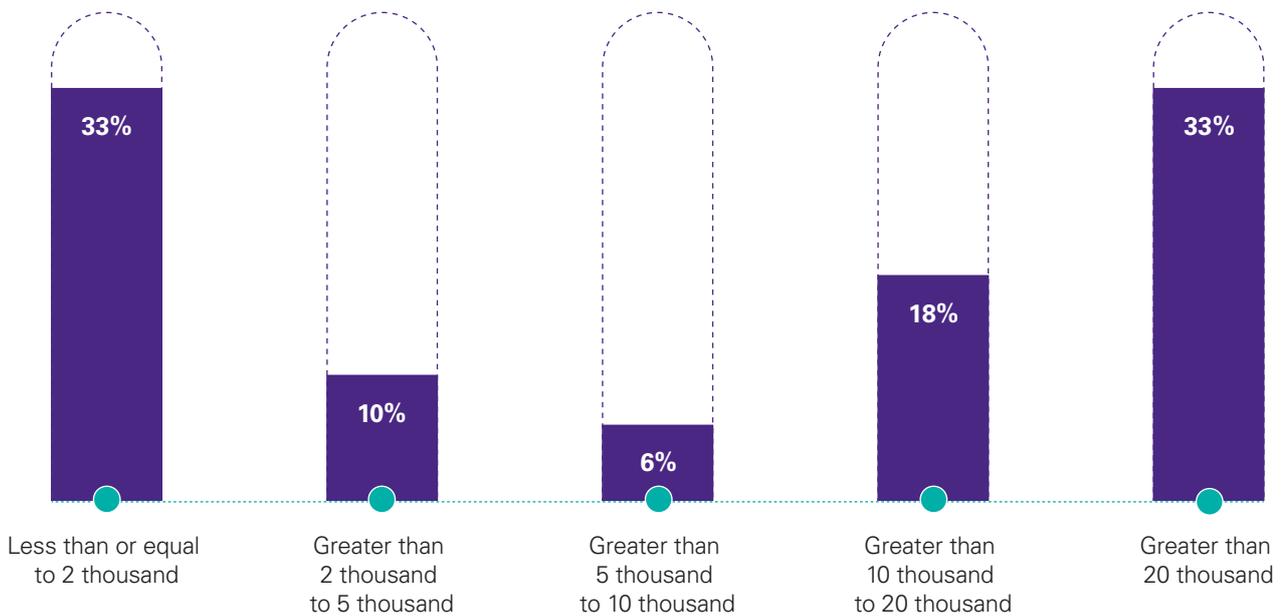
Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

What is your organization's annual sales revenue/turnover?¹

(Sales in US\$)



How many employees work for your organization?¹



¹ Small deviations possible due to rounding

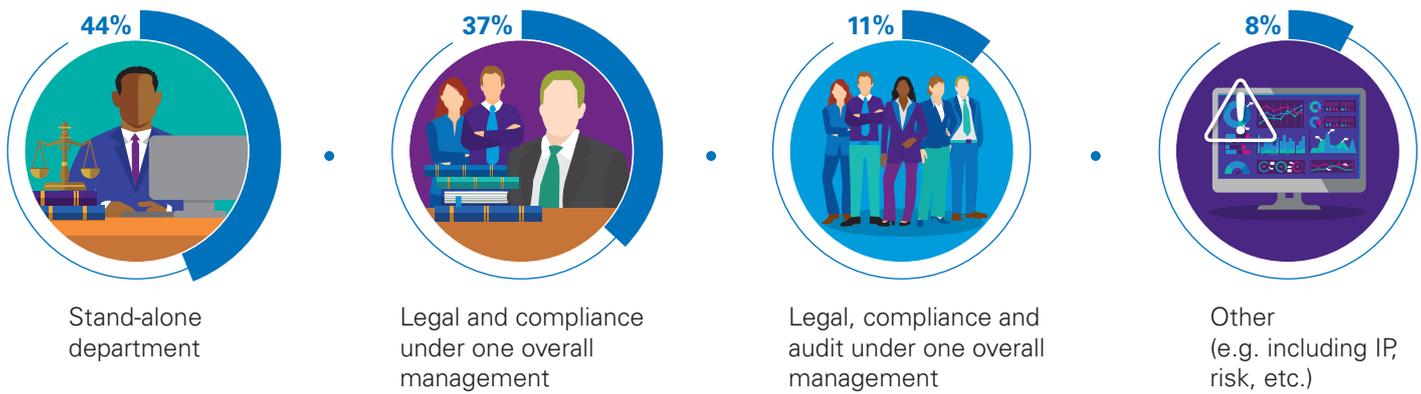
Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

Organization of the legal department

In order to fulfil their obligation to avoid or reduce risks to their company, the board of directors needs to set clear expectations for the completion of tasks. The board is also responsible for determining how the company is organized and assigning tasks to the management body as a whole so that duties are clear and do not overlap. For the legal department, management must clearly distinguish its role from those of personnel, tax, audit and compliance. Evidence of the tasks to be performed should be documented so that legal team members know their specific work assignments and tasks.

In 44 percent of the companies surveyed, the legal department is organized as an independent unit with clearly delineated tasks that were separated from all other departments. Compliance was also named as an area of responsibility for more than a third of the heads of legal (37 percent). According to the survey results, many companies see compliance and legal work as being close enough to place both areas in a common organizational unit. Eleven percent of the legal departments are responsible for legal matters as well as compliance and audits. Eight percent of the respondents also have other responsibilities, such as law/compliance/data protection or law/intellectual property (IP) management/audit/compliance.

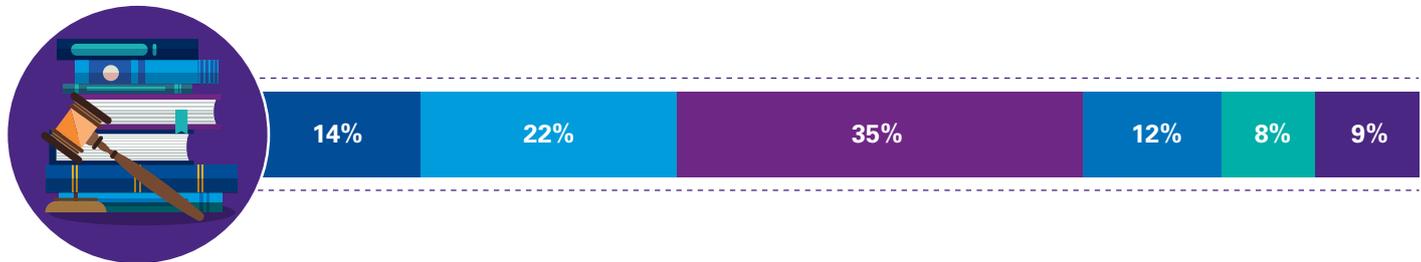
What does the structure of your legal department look like?



Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

Thirty-five percent of the respondents hold a disciplinary leadership from the general counsel toward decentralized departments. Heads of Legal who managed decentralized departments in a disciplinary manner realized a cost advantage of 9 percent to 15 percent of the total costs per US\$1 billion sales depending on the industry. Not surprisingly, there is a tendency to involve more and more decentralized departments in disciplinary matters. Of the participants, 14 percent stated that they currently have a mixture of functional and disciplinary units. Companies headquartered in the Asia-Pacific region commonly only have a centralized legal department (no decentralized units — according to 58 percent of participants). The same is true for small companies (56 percent of participants).

How is the legal department organized at your company?



- Central legal department only (without decentralized units)
- Central legal department with decentralized units under 'functional' management = 'dotted line' (only as related to content)
- Central legal department with decentralized units under 'legal disciplinary' management = 'solid line' (with decision rights regarding succession management, promotions, compensation, etc.)
- Hybrid: A combination of decentralized functional management as well as decentralized units with disciplinary management
- Decentralized units without any functional or disciplinary lead
- Other (please specify)

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

When asked about the criteria for the organizational structure of the legal department, about two-thirds of the respondents (67 percent) named the business units of the company and the legal areas that the department regularly deals with. Twelve percent reported having organizational structure that

is aligned with the company's value chain — an innovative approach that can help prevent silos. Nine percent are structured according to business risks, while another 9 percent applied other criteria.

What are the criteria for the organizational structure of the legal department?¹



¹ Multiple answers possible

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

Organizations work most efficiently when tasks are clearly defined and distributed. Professional competence is generally the structuring criterion, especially in the services sector. Nevertheless, it can be needlessly costly for the legal department to employ highly specialized lawyers with strictly defined activities and competencies if their knowledge is not in regular demand. In this case, the Head of Legal can either use external lawyers during peak periods or spread the competencies more broadly (i.e. reducing the degree of specialization in order to expand the range of possible applications for the lawyers employed).

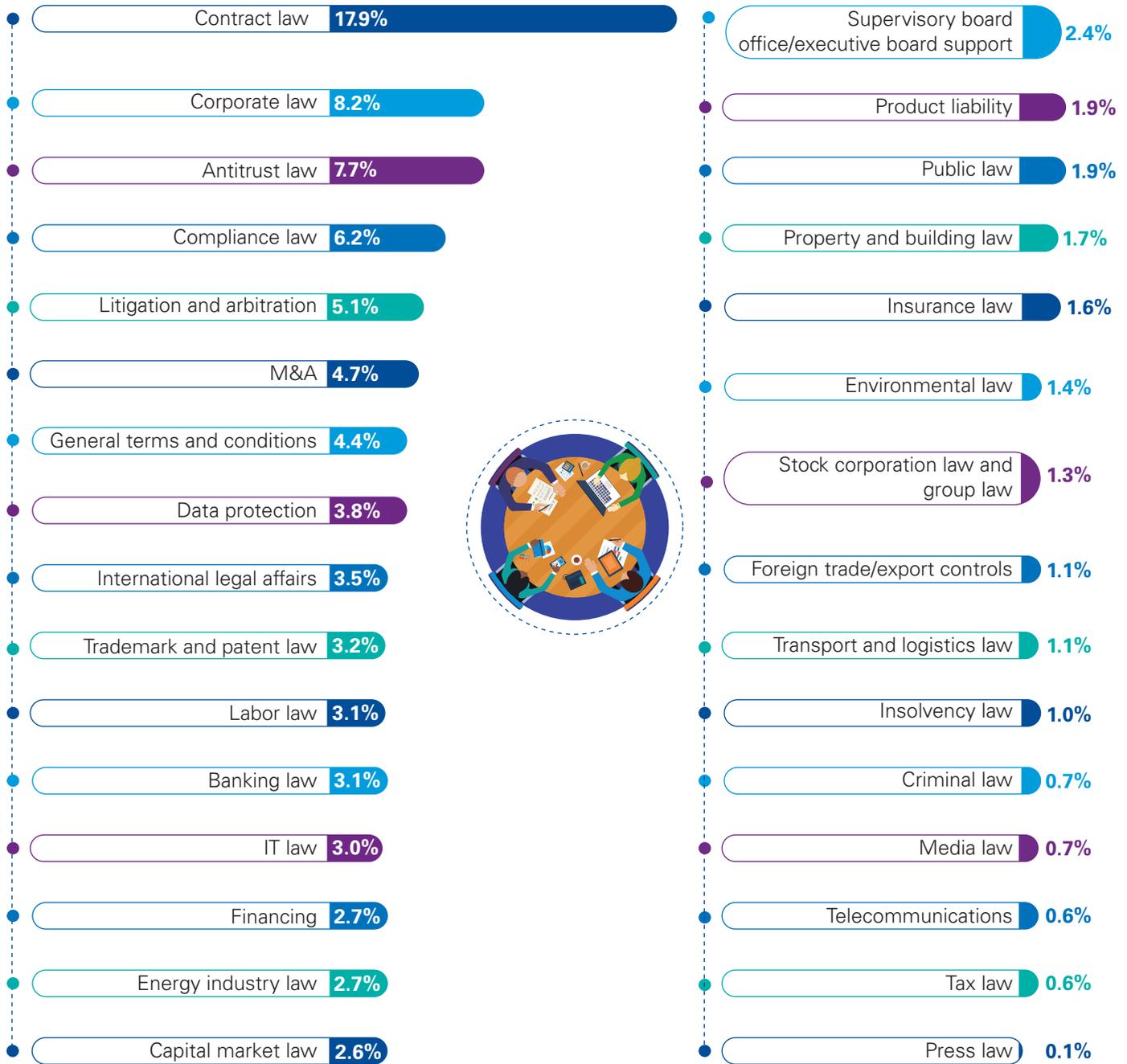
Both approaches have their disadvantages. Relying on external specialists may increase costs and, depending on the scope of the activity, company-specific know-how may

be lost. Reducing specialization and expanding the remit of lawyers in-house brings with it the concern that the results of specific competencies may decline in both quantitative and qualitative terms.

This complicates planning for heads of legal, raising questions over, for example, how far and over what periods to forecast sales, how many employees should be on tap for this work, and what steps should be considered if things change.

As expected, general contract law is on average the most common area of legal department responsibility among the companies surveyed (17.9 percent), followed by corporate law (8.2 percent), antitrust law (7.7 percent), compliance law (6.2 percent), and litigation and arbitration (5.1 percent). All other areas of law are represented by only 5 percent or fewer.

How are your organization's lawyers distributed across the following fields of law?¹



¹ Small deviations possible due to rounding

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

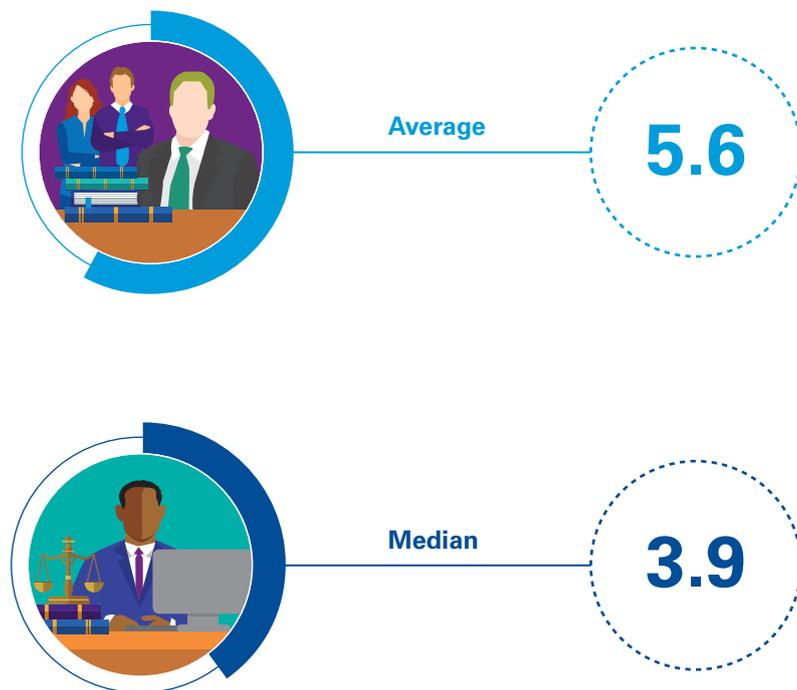
The number of lawyers an organization has depends on many factors. First among these is the organization's size as reflected in its revenue, earnings power and head count. If sales or the number of employees increases, the legal department can achieve economies of scale and large companies may realize potential savings. The companies surveyed employ an average of 5.6 lawyers per US\$1 billion turnover and a median of 3.9 lawyers per US\$1 billion turnover. These values differ between industry sectors. Companies in the automotive industry reported about half of the number

of lawyers per US\$1 billion turnover, while companies in the chemicals and pharmaceuticals industries report double and triple these values, respectively.

These numbers have risen steadily over the past 15 years — but today the demand for corporate lawyers has come to a plateau if not to a standstill. New goals are coming to the fore — above all, the desire to accelerate productivity and increase the efficiency of the legal department through digitization and improved internal processes.

How many employees work in the legal department?¹

(Number of lawyers per US\$1 billion turnover)



¹ Excluding financial services

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

A critical mass of inclusion and diversity practices, including but not limited to gender inclusiveness, is needed to achieve a new status quo in the working world, and the legal department is no exception. While some jurisdictions (including Brazil, Colombia, France, Greece and Portugal) have reported a higher ratio of women lawyers to men lawyers amongst their overall lawyer populations*, our aggregate data suggests that more work may still be needed to ensure women are equitably represented in senior positions within the law function of their organizations.

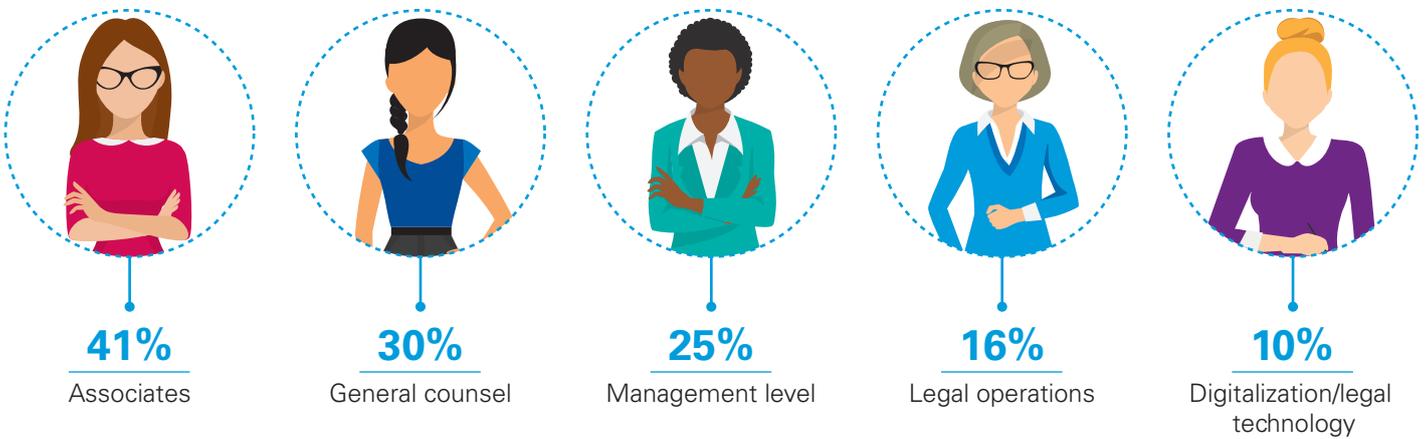
The proportion of women in the general counsel role is currently 30 percent, in our research. In other management level roles, the proportion of women across industries is 25 percent. We see this representation drop in larger companies, however, with

only 17 percent of general counsels reported as being women amongst this demographic. In smaller companies, the figure is higher at 48 percent.

We also see some variance across regions, with women general counsel seeming to be more common in the EMA region (30 percent) than in the Asia-Pacific region (13 percent).

Our research suggests that women are represented more strongly at other levels. They represent 41 percent of associate level positions within an organization, for example. With planning and focus, organizations may be able to leverage this strong pipeline of lawyers to help grow the number of women in leadership positions over time.

Of the employees in your legal department, what percentage are women across the following levels?¹



¹ Multiple answers possible

*Source: Michelson, Ethan, Women in the Legal Profession, 1970-2010: A Study of the Global Supply of Lawyers (December 21, 2012). Indiana Journal of Global Legal Studies, Forthcoming, Indiana Legal Studies Research Paper No. 218, Available at SSRN.

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

Activities of the legal department

The role of in-house counsel is to provide quality legal insight and advice at the request of internal clients, acting primarily as an internal service provider. Our survey shows this role is expanding as organizations increasingly expect to work with their lawyers as strategic business partners. It can be beneficial from a cost perspective for a company to hire their own lawyers as it reduces dependence on external lawyers. As the range of tasks and workload increases, more specialized lawyers are required.

Legal departments also face new demands to provide preventive and proactive advice, involve themselves in management matters, as well as manage compliance programs and internal reviews. At the same time, this job enrichment promotes an independent understanding of this role. For example, business outcomes are enhanced if the legal department is proactively involved when new business ideas are examined.

Legal departments have long served as red flag holders. If the company may be at legal risk, they are expected to warn management immediately of any problem or threat before it transpires.

Based on the survey results, many legal departments are progressing their transition from service provider to business partner. Most heads of legal see themselves as advisors to the management team and the board of directors and as guardians of compliance law with 96 percent of the respondents agreeing with these statements. Most respondents also believe their roles as business partners (91 percent) and providers of proactive legal advice (86 percent) are important, and these results suggest they see both roles as almost equally vital.

What role does the legal department play in your company?¹



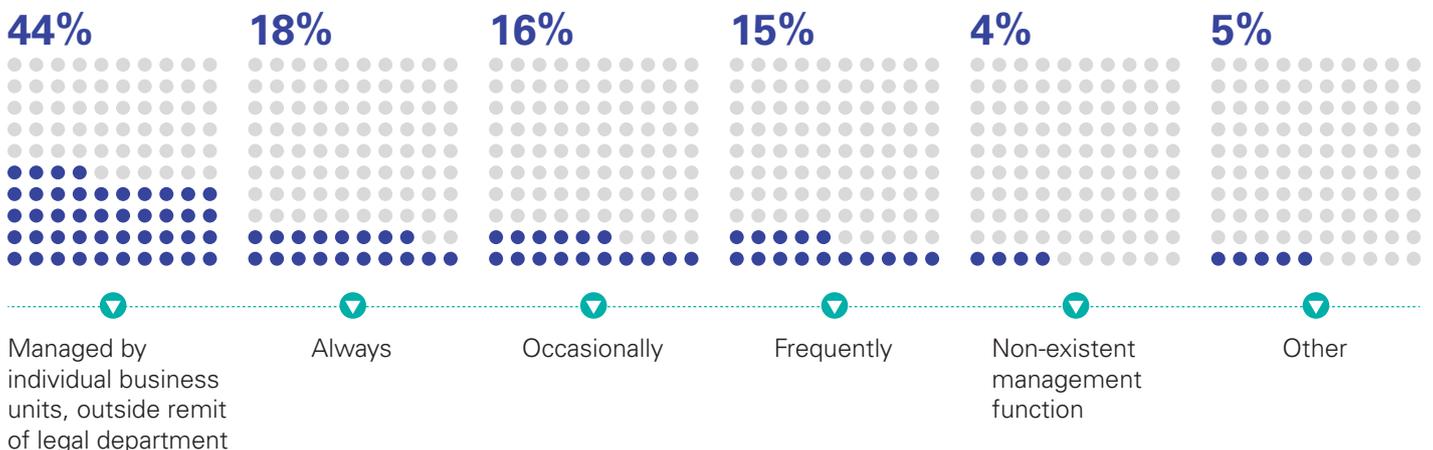
¹ Multiple answers possible

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

Managing the organization's contracts, from negotiation to post-termination, is one of the legal department's most important tasks. If the organization's legal department takes part in negotiating and preparing contracts, 18 percent of those surveyed also manage the contract documents after contract conclusion and termination. Under half (44 percent) stated that the contracts are managed by the respective

business unit and are therefore not accessible to the legal department. Six percent of respondents said that contract management is not assigned to a management function in their company. In large companies, 50 percent of legal managers said they were not responsible for managing contract documents.

If the legal department participates in contract preparation and negotiation, does it manage the contract documents after contract conclusion and termination?



Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

Costs of the legal department

On one hand, the technical complexity of corporate offerings and their digital and global marketing is growing, leading to a rise in complaints, claims and legal disputes. On the other hand, new laws, rules and regulations that companies must comply with are increasing year after year. The expenditure of the legal departments of all the companies surveyed averaged US\$2,592,421 per US\$1 billion in sales. Of this amount, US\$1,263,409 were accounted for by internal costs and US\$1,329,012 by expenses for external service providers.

Costs of the legal department per US\$1 billion of sales

Internal costs



External costs¹



Total full costs



¹ External costs including M&A, projects and litigation

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

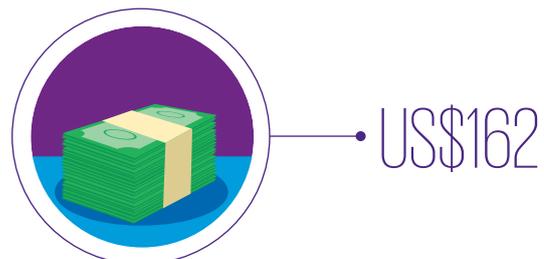
The average internal expenses of the legal departments surveyed is US\$291,420 per lawyer, or about US\$162 per hour. Since heads of legal have the 'make or buy' alternatives, they must be able to compare the costs of internal lawyers with those of external colleagues. There is no doubt that in-house lawyers have an advantage over traditional law firms, as expenses for acquisition, sales and marketing are eliminated. Personnel, infrastructure, communication and administration costs, on the other hand, are almost the same in both cases. Nevertheless, it can be advantageous or even mandatory to engage external lawyers for non-financial reasons.

In order to benchmark the costs for internal lawyers, the key performance indicator of the firm's internal legal team is the cost of the services it provides of the full costs per employed in-house lawyer. This includes overhead costs such as administrative services, paralegals, support staff and all other apportionable direct and indirect costs.

Of note: To determine the annual hourly output, the survey assumed lawyers had 220 working days of 10 hours each and an average capacity utilization of 80 percent. This gives about 1,800 hours per year as a reference value.

Internal full cost per lawyer

Internal hourly rate per lawyer
(assuming 1,800 work hours per year per lawyer)



Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

Cooperation with law firms

Legal departments most commonly outsource work when it requires specialized legal knowledge that they don't have in-house. More than a quarter of legal departments (29 percent) awarded mandates to external law firms for this reason.

Eighteen percent of the externally awarded orders were made because in-house lawyers lacked the authority to represent certain matters in court themselves. In some cases, strict requirements apply to the ability to appear before higher and specialized courts. A further 17 percent of the mandates went to external parties because the legal department lacked the capacity to handle the cases. Foreign jurisdictions posed particular challenges that led 16 percent of the respondents to seek support from external law firms. Other reasons for outsourcing legal work include the need for an independent perspective (8 percent) or to satisfy the express wishes of internal clients (5 percent). Interestingly, 4 percent of the legal departments stated that they outsourced routine tasks because it was more cost-effective. In 3 percent of the participants, time pressure was the deciding factor.

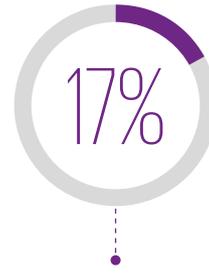
For what reasons did your company engage law firms last year?



Necessary specialist legal expertise not available in legal department



No right of audience



Lack of capacity



Contact with foreign areas of law that cannot be handled internally



Additional independent perspective required



Wish of internal client



More cost-effective when outsourcing (routine task)



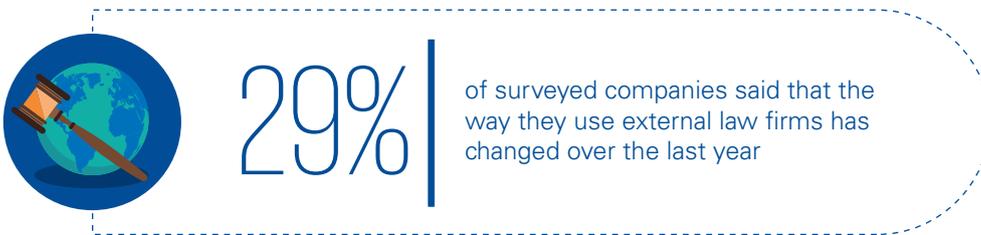
Time/speed

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

Of those surveyed, 29 percent have changed the way they use external law firms in the past year — this applies to both smaller and larger companies. Respondents from companies of all sizes said the biggest changes were due to cost pressure. For example, 30 percent engaged law firms

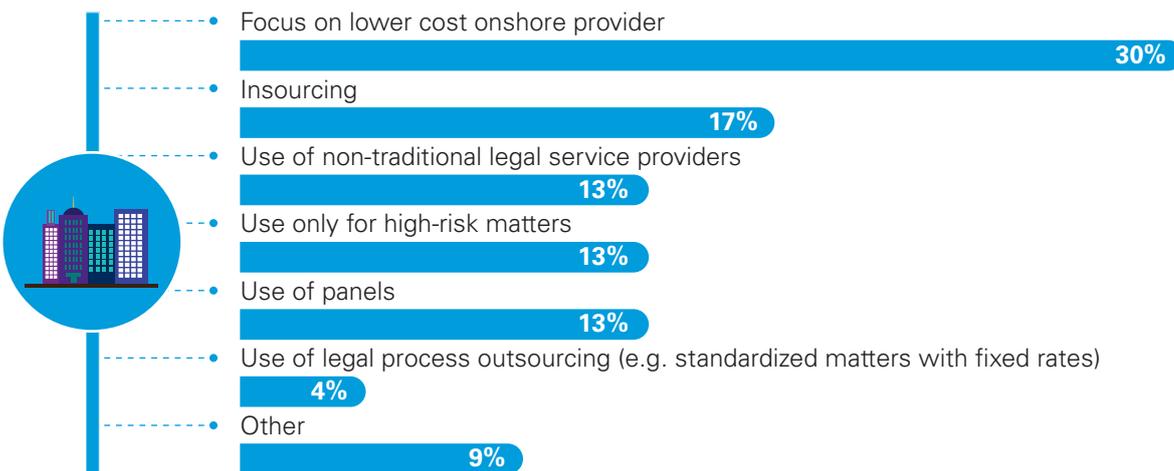
located in the country where the legal matter was to be resolved (i.e. a lower cost onshore provider). Other reasons include: insourcing (17 percent), use of non-traditional legal service providers (13 percent), and the introduction of a panel (13 percent).

Has the way you use external law firms changed over the last year?



Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

How has the use of external law firms changed?¹



¹ Small deviations possible due to rounding

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

The legal departments of the companies surveyed work together with numerous law firms and service providers. Legal departments work with traditional law firms for one main reason: the large number of legal fields cannot be covered in-house with the same high level of specialist expertise. Large multinational and export-oriented companies often need support for cross-border legal matters, and they often commission local offices abroad for this purpose.

A large portion of legal departments (38 percent) worked with 6 to 15 law firms on legal matters in their home country. Approximately 33 percent commissioned 5 or fewer law firms. The remainder uses the services of 16 or more firms, of which, 15 percent used the services of 16 to 25 and 10 percent used the services of 26 to 50 law firms. Only 5 percent of all legal

departments were supported by more than 50 law firms to cover all legal fields and countries. Not surprisingly, smaller companies tended to use fewer external law firms. The detailed analysis shows that well over three-quarters of them (83 percent) worked with up to 15 law firms. Conversely, large companies need external expertise in more legal fields, so they also involve more law firms. Around three-quarters of large companies (78 percent) had more than 5 preferred providers on their panel of law firms.

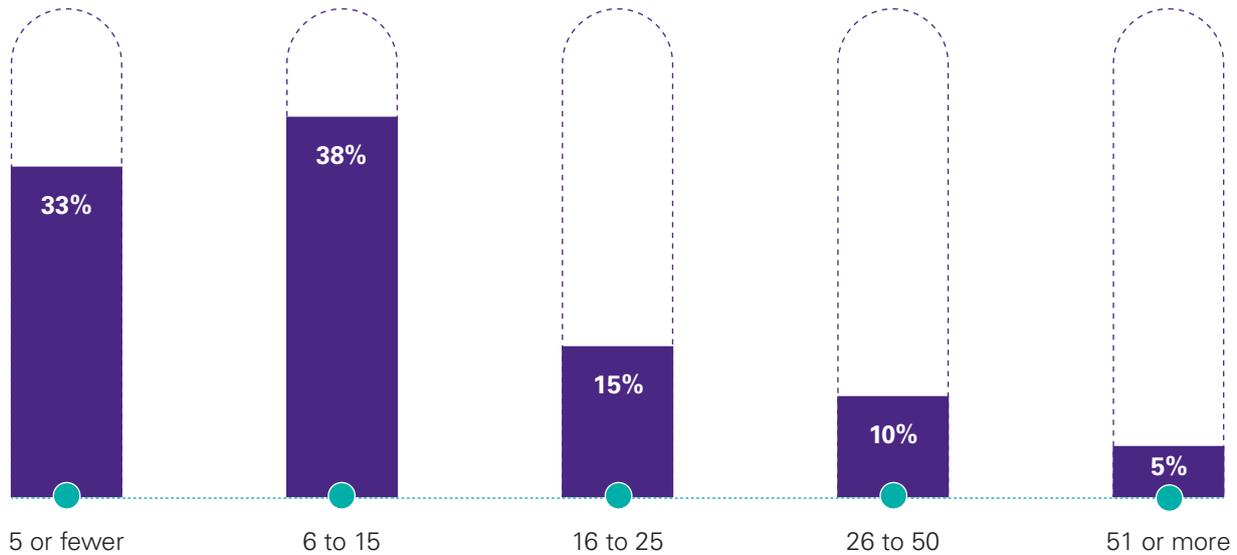
Cooperation with law firms becomes much more intensive when it comes to cross-border legal issues requiring country-specific legal knowledge. On international legal matters, 40 percent of legal departments worked with up to 10 law firms. One in three legal departments (33 percent)

used between 11 and 30 law firms for this purpose. A further 10 percent used between 31 and 60 law firms and 10 percent used up to 100. Eight percent required the services of more than 100 external law firms. Presumably, these companies could reduce the number of their cooperation partners if they were to use law firms with a global network and follow a

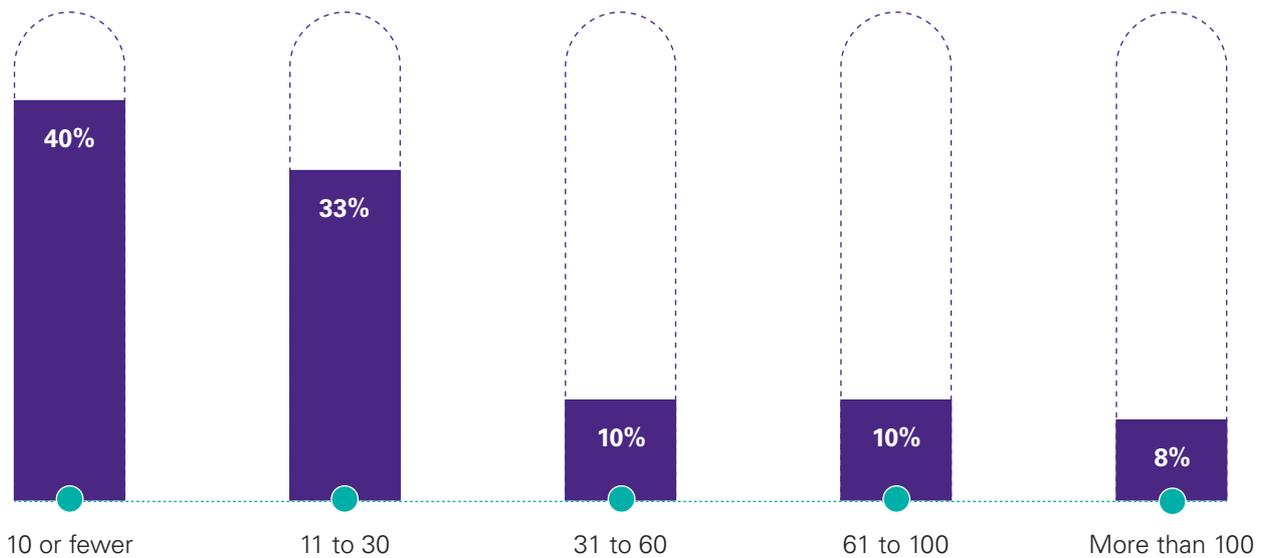
uniform, group-wide approach. The picture for international transactions is the same for domestic transactions. Of the smaller companies, 90 percent used a maximum of 30 law firms. In contrast, 40 percent of all legal departments in large companies worked with more than 30 different law firms.

How many law firms does your legal department cooperate with?^{1*}

Home country/Territory



Worldwide



* Law firms with a framework agreement count only once

¹ Small deviations possible due to rounding

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

Over the last few years, we have seen a strong trend toward insourcing across different industries and firm sizes. This may be largely due to the ongoing cost pressure within legal departments, combined with a tendency toward more cost-effective internal service delivery compared to traditional law firms and general counsels' efforts to address important issues internally. As a result, the firms surveyed showed an average insourcing ratio of 50 percent. If highly specialized

areas are excluded such as M&A and litigation, the ratio would commonly be 85 percent internal costs to 15 percent external costs.

This balance is expected to change over the next years as the simple equation, 'internal service is cheaper than external', no longer applies. New service providers, such as ALSPs and tech providers, will offer even cheaper services for recurring requests.

What percentage of your legal departments functions are handled internally and externally?



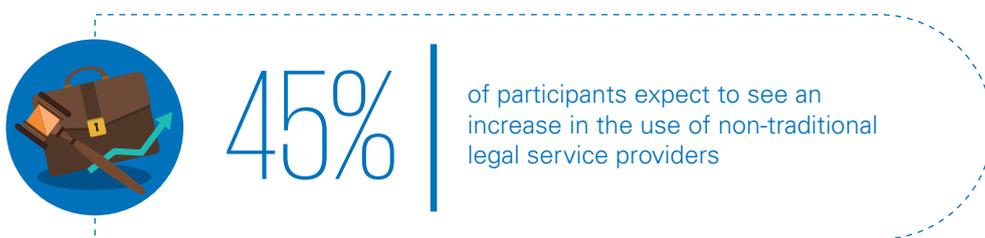
- Insourcing ratio
- Outsourcing ratio

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

As in any other industry, digitization is increasing in the legal services industry. Non-traditional legal service providers use a combination of technology deployment and specialization in a particular legal field or activity to penetrate the market. So far, they have concentrated on document review, contract management, litigation support and (electronic) research. But they also offer monitoring and protection of intellectual property. In principle, they offer their services to both legal departments and law firms. Forty-five percent of the

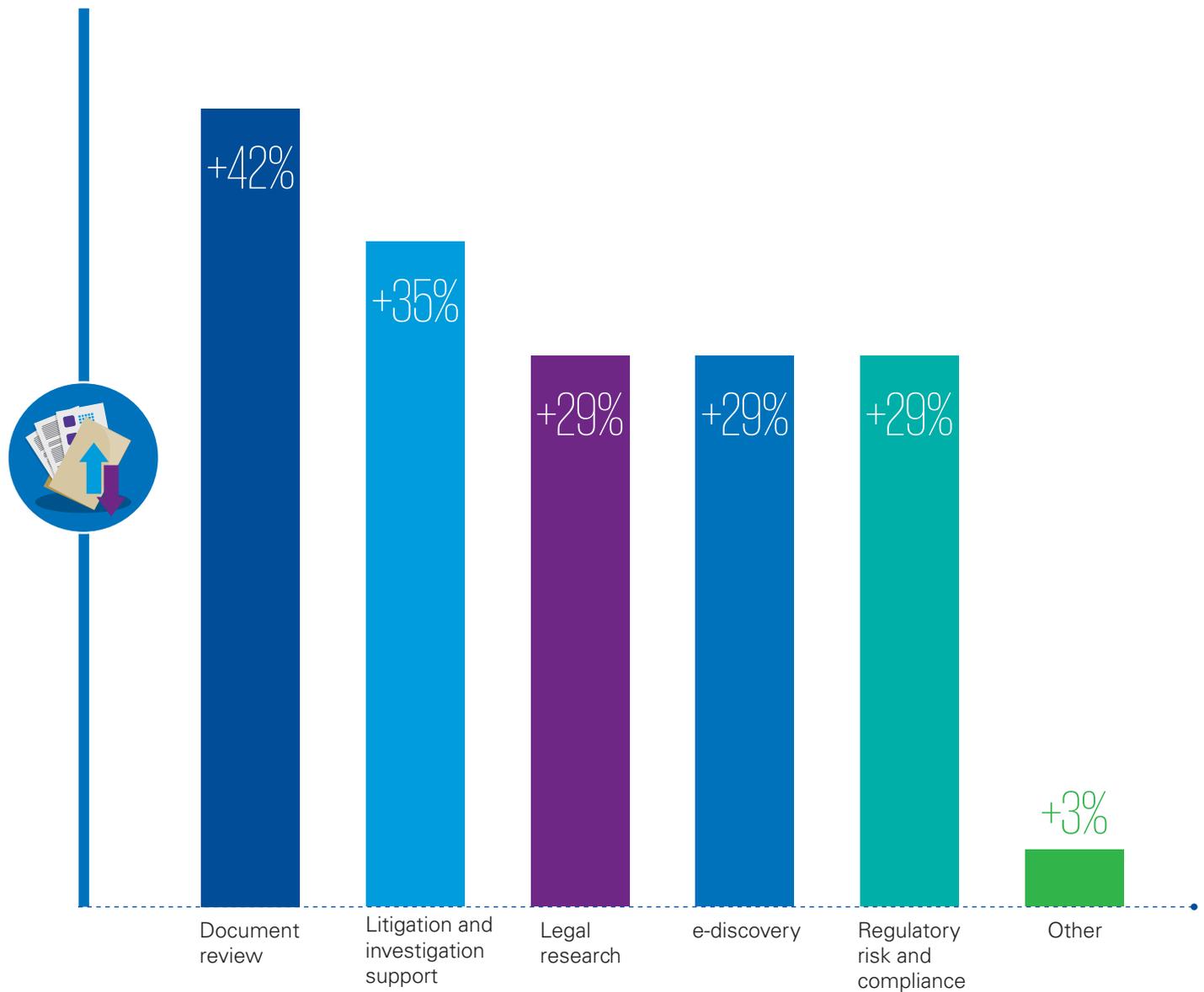
respondents assumed that the use of non-traditional legal service providers by their companies would increase within the next year. The legal departments of both smaller and larger companies agreed on this. When asked about the legal tasks assigned to non-traditional legal service providers that are most likely to increase, respondents cited document review (42 percent), litigation and investigation support (35 percent), as well as legal research, preparation of large data sets (e-discovery) and risk and regulatory (all at 29 percent).

Do you think your company's use of non-traditional legal service providers will increase or decrease in the next year?



Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

In which areas do you think the use of non-traditional legal service providers will increase/decrease in the next year?¹



¹ Multiple answers possible

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

Legal operations and technology

Companies are large and complex systems. To run them, management depends on the timely recording and evaluation of important key performance indicators (KPIs). Monitoring such key indicators also helps minimize risk. For heads of legal, the most important KPIs often relate to costs. Eighty percent of those surveyed who work with KPIs said the total expenditure of the legal department and its expenses in relation to company turnover were highly relevant indicators. Other frequently cited performance metrics include internal client satisfaction (56 percent), the quality of the work performed (55 percent) and the commitment of employees (46 percent).

For a third of legal departments (35 percent), the risk profile played a role in evaluating their own performance. Business value (28 percent) and time to completion (22 percent) were significant for about one in five legal departments. Work profile (20 percent) and staff turnover rate (14 percent) played less important roles. What stands out is what was not in focus — for example, performance measurements of response times or times until the conclusion of a (standard) contract were not carried out or only to a limited extent. Considering the valuable insights KPIs can provide to management, it is likely that with the increase in digitalization, and consequently, the possibility to track incoming orders, use of performance metrics will be top of mind for legal leaders.

Which of the key performance indicator (KPI) types below do you use to assess the performance of your legal department?¹



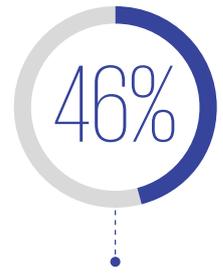
Cost: total legal spend and cost relative to business size



Business engagement and satisfaction



Quality of legal work delivered



Staff engagement



Risk profile: level and types of risk



Business value



Turnaround times



Work profile



Self-service



Staff turnover



Utilization



Other*

¹ Multiple answers possible

* Other: e.g. KPI self-service, head count

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

Information technology (IT) tools for improved communication (74 percent) and legal research tools (65 percent) are already being used in numerous legal departments. About half of the legal departments surveyed use technical solutions for further training measures such as legal education (53 percent), legal reporting (48 percent), entity management/corporate housekeeping (47 percent) and data rooms (45 percent). Interestingly, the top six solutions in use are not 'legal tech' in particular but more likely to be called 'tech' in general, which is expected to change within the next years.

Other areas of application for IT tools for in-house lawyers were matter management and related work processes (39 percent), contract management over the entire life cycle (39 percent) and expenditure management, known as legal spend management

(36 percent). In contrast, corporate lawyers made lesser use of e-discovery (16 percent), document automation (24 percent) and data analysis (14 percent).

At the top of the agenda for the coming years were information extraction from documents (55 percent), document automation (54 percent) and data analysis (45 percent). These areas show the greatest growth potential in terms of responses (introduction planned or under consideration) and our most recent project experience. Information extraction from documents (13 percent), tools for automatic decision modeling (10 percent), chatbots (7 percent) and blockchaining (2 percent) are still rarely used in legal departments. These answers indicate that the majority of legal managers may be taking a 'wait-and-see' approach to this area.

Which IT solutions are in use, planned or under consideration in your legal department?¹

Communication tools



Legal research tools



Legal education



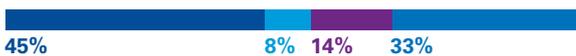
Legal reporting/reporting on legal changes



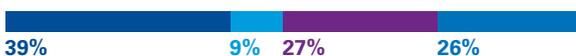
Entity management/corporate housekeeping



Data rooms/extranets



Matter management and associated workflow

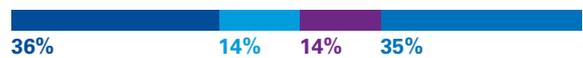


Contract life cycle management



■ In use ■ Introduction planned ■ Under consideration ■ Not planned

Spend management, e-invoicing



Document automation



e-discovery



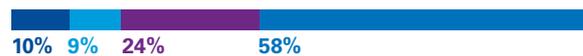
Data analytics



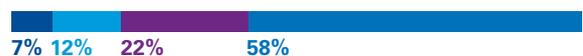
Extracting information from documents



Decision modeling



Chatbots



Blockchain, smart contracts



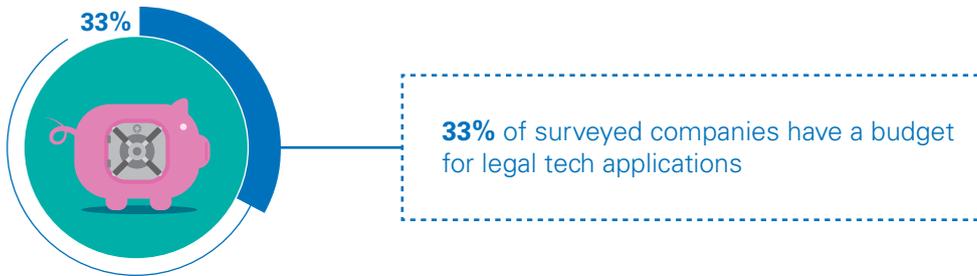
¹ Small deviations possible due to rounding

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

The use of legal technology requires investments in the necessary hardware and software. However, only a third of legal departments (33 percent) had earmarked funds for this purpose and two-thirds (67 percent) did not have a dedicated budget for legal technology. There were no significant

differences between large and small companies with no budget — 63 percent and 68 percent, respectively — or by industry. Of those that had a budget, the average amount was US\$248,041.

Is there a budget for legal tech applications in your company?



Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

What amount and percentage of the overall legal department budget have you designated for legal tech?

Average total amount of legal tech budget

Average percentage of overall legal department budget spent on legal tech

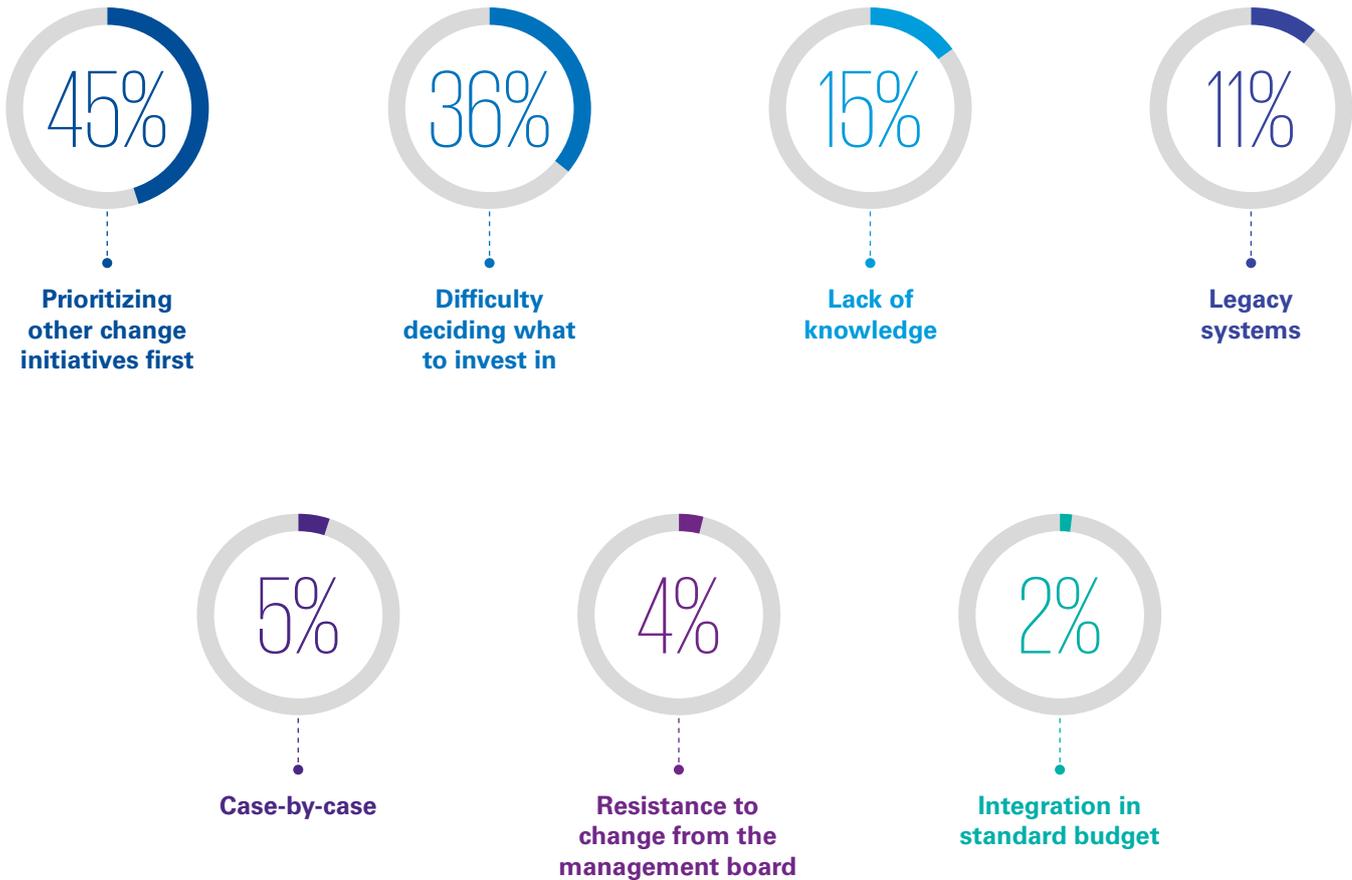


Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

When asked why so many legal departments did not invest in technical solutions, it turns out that they often lack IT-specific knowledge to find tailor-made solutions for their own needs. For example, other change initiatives were given priority by 45 percent of legal departments, while 36 percent had difficulty deciding which investments were worthwhile. Fifteen percent of those surveyed cited lack of knowledge as a reason. Eleven percent found it difficult to replace legacy

systems (i.e. the corporate or legal department software used to date). Only in isolated cases did the introduction of legal technology applications fail due to resistance from the management board (4 percent). Other reasons for the lack of a permanent legal technology budget included the case-by-case decision on the budget (5 percent) and its integration into overall expenditure planning (2 percent).

Why do you not have a budget for legal tech applications?¹



¹ Multiple answers possible

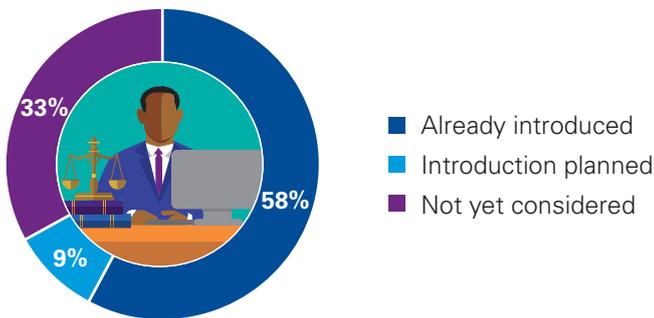
Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

The tasks of a general counsel include representing the company externally in all legal matters and supporting internal clients with legal expertise and knowledge. The larger the company and its legal department become, the more important it becomes to manage these areas well. In addition to the general counsel, a legal department manager, usually called Legal Operations Officer or COO Legal, is often appointed to manage the internal workflows. Over half of companies surveyed (58 percent) have already set up such a function, and another 9 percent plan to introduce one. The remaining third (33 percent) have not yet considered this step. Of these companies

that have introduced legal operations functions, an average of 8 percent of the legal employees were classified as such.

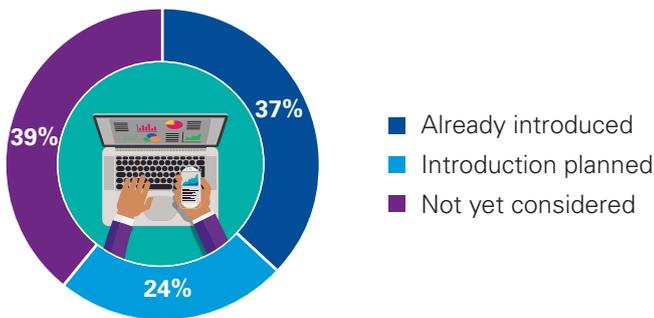
Like legal operations, the introduction of legal technology requires specially trained personnel. So far, 37 percent of the legal departments already have specialists in this field. Another 24 percent intend to create positions for technology experts. Over one-third of those surveyed (39 percent) have not yet addressed this issue. On average, only 4 percent of the employees working in the legal departments were classified as legal technology specialists.

Have you set up dedicated functions/teams for legal operations in your legal department?



Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

Have you set up dedicated functions/teams for digitalization/legal technology in your legal department?



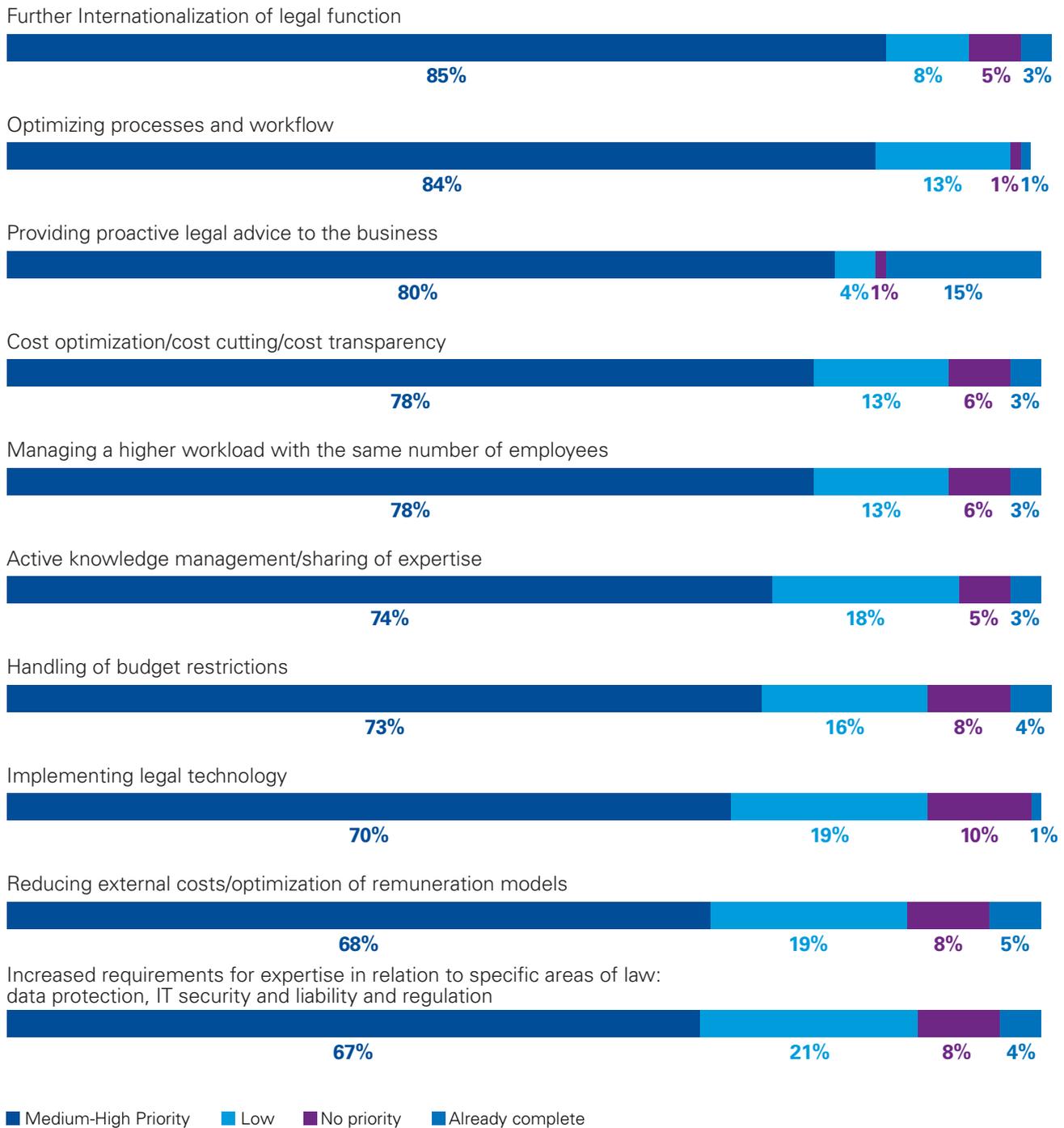
Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

Trends and developments

Hardly any other department in a company faces as much change in its everyday work as the legal department. Corporate lawyers must constantly monitor the activities of national and international regulators, and their work is under pressure from technological progress, increasing competition and the growing demands of internal clients. However, it is not only the scope of tasks and responsibilities that is increasing but also the contribution legal departments are expected to make to the company's success. If legal departments want to meet their requirements in the long term, they must constantly question their established processes and organizational structure.

In order to grasp the current challenges facing heads of legal, participants were asked to identify their areas of priority. Further internationalization of the legal function topped the list of challenges selected. This topic was given the highest priority by 85 percent of respondents. We expect these and other trends highlighted by our survey to continue into 2021 and beyond.

With what level of priority are you tackling the organizational and strategic challenges in your legal department? (Top ten priorities reported amongst respondents shown.)¹



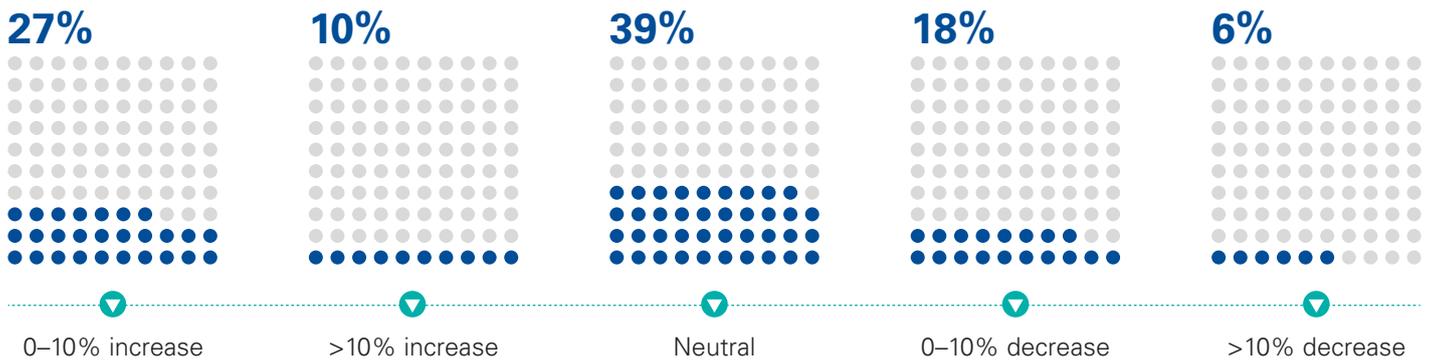
¹ Small deviations possible due to rounding

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

Cost pressures are increasingly weighing on all departments. In order to find out how strongly and to what extent this is affecting legal departments, participants were asked about budget changes in the financial years 2020/2021. The result: slightly more than a quarter of legal departments (27 percent) will have up to 10 percent more resources available in the future while one in 10 will gain more than that. For over a third of the departments (39 percent), nothing will change. However, 18 percent of general counsels will have to cut

their budgets by up to 10 percent, and another 6 percent face even deeper budget cuts. There are no significant differences between large and small companies. By sector, the legal departments of banks were most likely to expect budget cuts (67 percent). In the chemical industry, nothing will change for 29 percent of corporate lawyers, but 43 percent will have to cope with smaller budgets. Most legal departments of companies in the automotive industry can continue to operate unchanged (43 percent).

What changes to the budget are planned for the years 2020/2021?



Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

When heads of legal were asked what investments they would make if they had the choice, 75 percent chose to increase funds for the success-critical expertise and knowledge of lawyers. Almost two-thirds of legal departments (65 percent) planned to invest in improving control and efficiency of their processes. Almost as important were funds for increasing transparency of work processes (62 percent), and more IT support for work processes and increased automation (61 percent), and managing the

legal department/legal operations (60 percent). Improving technical equipment was named by 59 percent. More than half (54 percent) would choose to add more administrative and support staff, 44 percent would increase headcount in general, and half would add more legal technology employees. Thirty-nine percent would consider further outsourcing of individual services so their in-house teams can focus on their core processes.

Which of these elements would you invest in to support your legal department's strategy?¹



¹ Multiple answers possible

Source: Global Legal Department Benchmarking Survey, KPMG International, 2021

How to participate in the KPMG Global Legal Department Benchmarking Survey

Get started:



Access the survey website page on:
www.kpmg.com/legalbenchmarking.

On the *KPMG Global Legal Benchmarking Survey* website page, you will find a direct URL link to take the survey. Additional information on the survey and instructions are also provided.

If you have problems accessing the site or registering, please contact us at:
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