

Swiss Legal Benchmarking Report

**KPMG Law Germany and
KPMG Law Switzerland
II. Swiss Edition**

In cooperation with



Universität St.Gallen

June 2024



Authors



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Personal greeting



Adrian Tüscher

Partner, Attorney-at-Law
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Dr. Konstantin von Busekist

Managing Partner
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Dear Readers,

We are pleased to present you with the latest edition of the “Swiss Legal Benchmarking Report” by KPMG Law in Germany and KPMG Law in Switzerland. At a time when the dynamics of the legal sector are rapidly accelerating and global challenges for legal departments are increasing, innovation remains essential. Companies must adapt quickly, particularly to digital business models, to meet increasing market demands and change in a globally connected world.

Ongoing geopolitical conflicts and the global energy crisis, driven by geopolitical tensions and the shift to renewable energy, have had a significant impact on the legal framework. These global developments have not only increased the complexity of legal matters, but also highlighted the importance of flexible legal strategies.

In this rapidly changing environment, the integration of new initiatives such as artificial intelligence (AI) into legal department operations plays an increasingly important role. By improving efficiency and the ability to analyze complex data, AI can help in the response to the increasing demands and complexity of business management.

This report, which now offers a long-term perspective with the second evaluation of the Swiss legal landscape, focuses on the Top 50 Swiss companies with a turnover of more than CHF 5 billion. It provides in-depth insights into the adaptation strategies and measures that are relevant in these uncertain times.

This report will provide you with a wide range of information and strategies that have proven useful to legal departments in companies of various sizes. They are intended to serve as a guide to better navigate and thrive in these dynamic times.

We look forward to exchanging ideas with you and discussing the developments and challenges addressed in this report. Together, we will set the course for the future of legal services in an increasingly interconnected world.

Kind regards,

Adrian Tüscher

Dr. Konstantin von Busekist

Zurich and Dusseldorf, June 2024

Preface



Andreas Bong

Partner,
Cluster Head Legal Operations
& Technology Services
KPMG Law in Germany



Prof. Dr. Bruno Mascello, LL.M.

Director – Law & Management
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Dear Colleagues,

Following the success of the first Swiss Legal Benchmarking Report and the very positive feedback we received, we are pleased to present you with the second edition of the Swiss Legal Benchmarking Report 2023/24 by KPMG Law in Germany. The first analysis of Swiss data in the previous edition filled an information gap and significantly strengthened our initiative to bring transparency to the performance indicators, trends and strategies of Swiss legal departments. This was even more evident in the second edition. The collaboration of KPMG Law in Germany, KPMG Law in Switzerland and the University of St. Gallen was highly productive.

This report provides detailed insights into the adaptation strategies and measures that are particularly relevant in these uncertain times. Based on the data from the global KPMG Legal Department Benchmarking Survey, we analyze the results of a broad data pool from international legal departments headquartered in Switzerland. The survey distinguishes between Swiss companies with the highest revenues and the entire peer group to ensure accurate findings. With the results of the second survey, it is now possible to start a long-term study of the Top 50 companies in Switzerland. This comparison aims to identify long-term developments and trends.

Once again, we were able to increase the participation rate in the survey thanks to the overall strong networking by the participants and the strong interest in the Swiss legal market. Our appreciation goes to all the Swiss legal departments that took part. Their contribution speaks for the high level of interest in this survey and the data it provides, which further strengthens our efforts.

Best regards,

Andreas Bong

Prof. Dr. Bruno Mascello

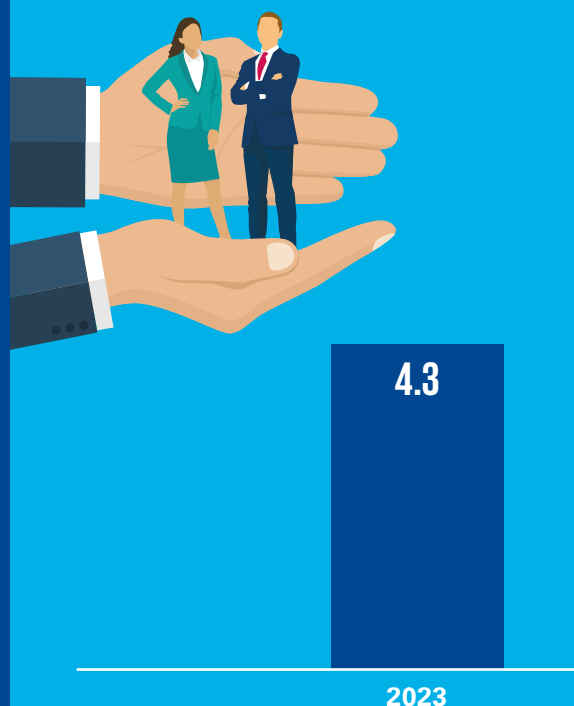
Dusseldorf and St. Gallen, June 2024

Executive summary

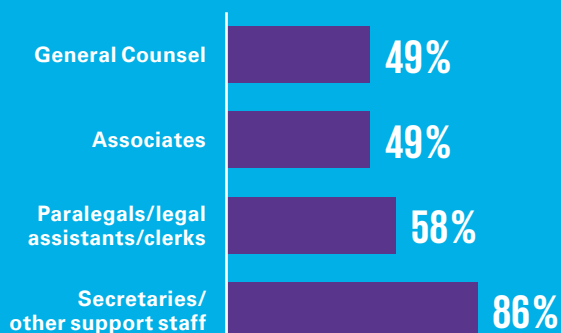
Lawyer FTE per CHF 1 billion revenue
(excluding financial services)^{2, 5}



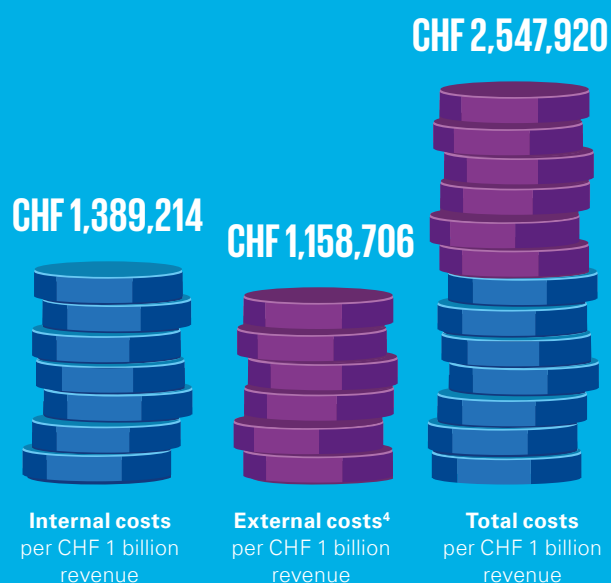
Ratio of lawyers to support staff^{1, 2, 5}



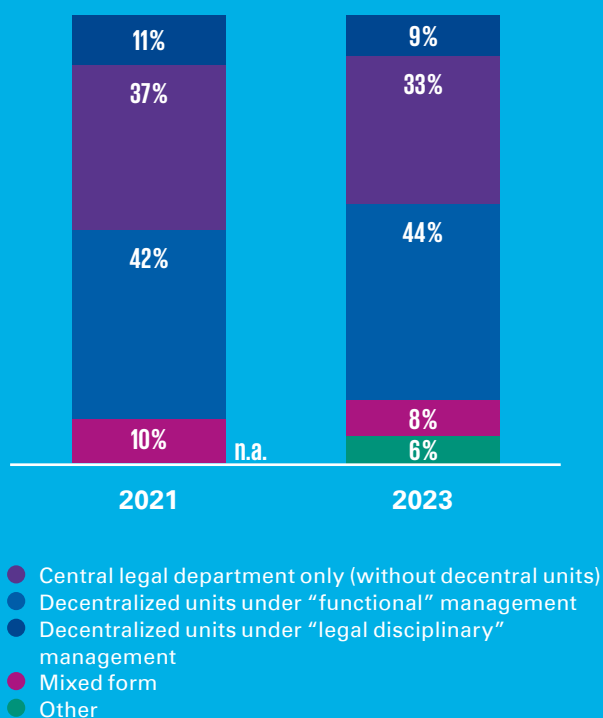
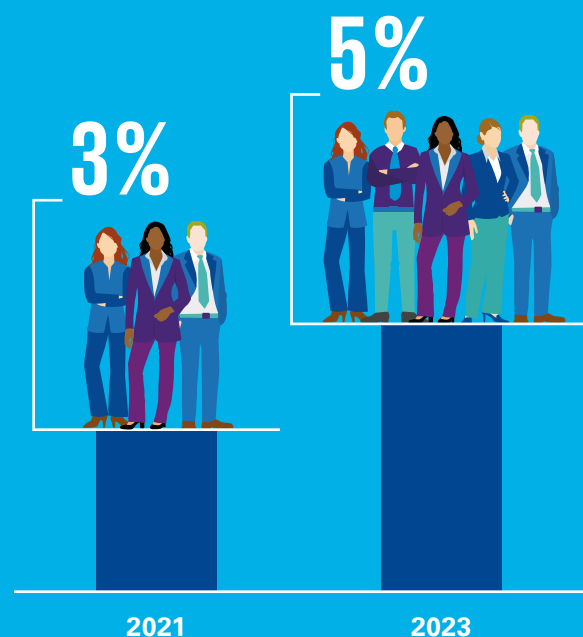
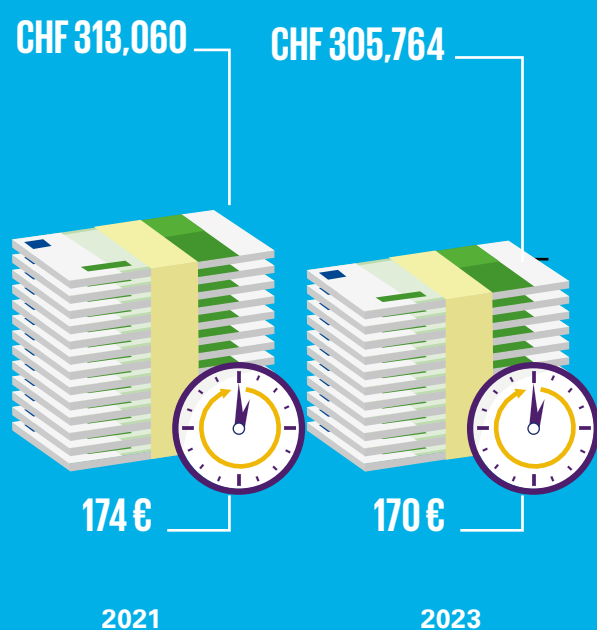
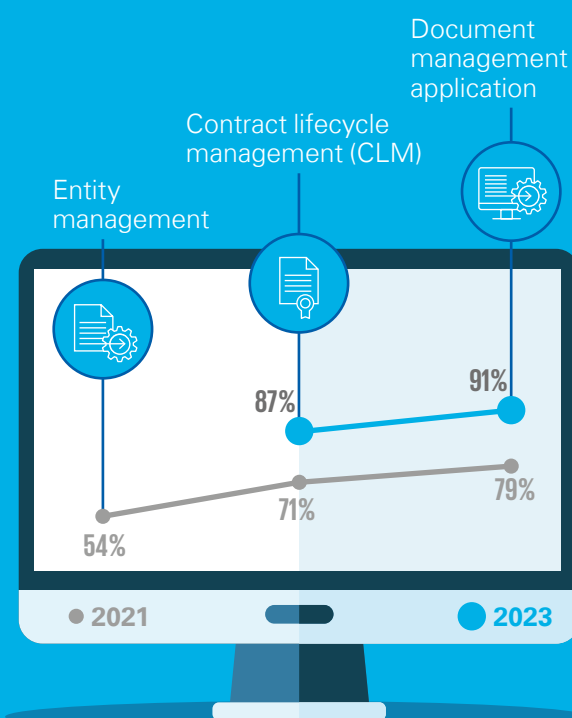
Ratio of women in the legal department^{2, 3, 5}



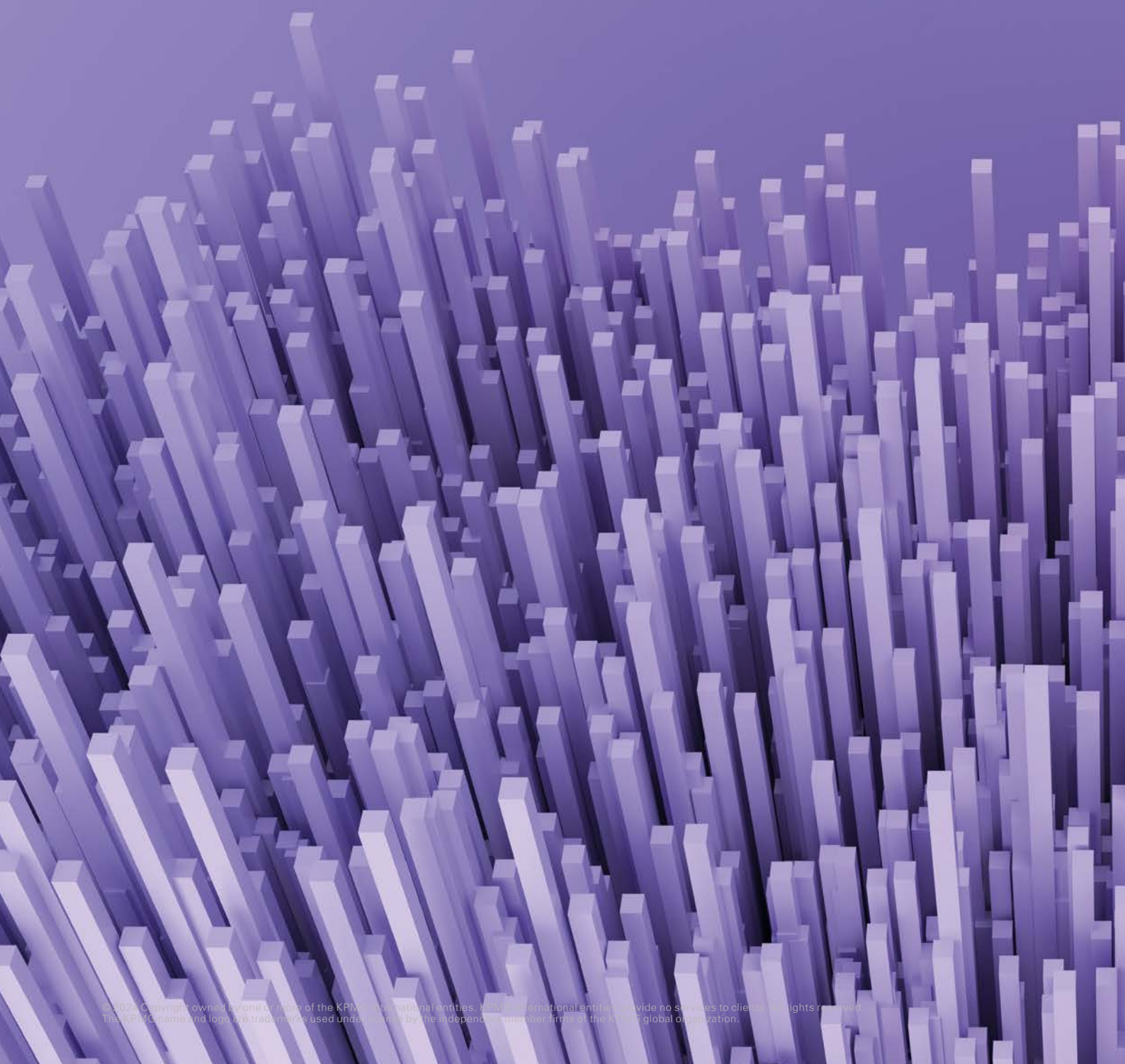
Costs per CHF 1 billion revenue^{2, 3, 5}



1 Full-time equivalent 2 Results for the Top 50 Swiss companies 3 Average 4 Including special effects 5 Source: KPMG Law in Germany, 2024

Governance of the legal department^{2, 5}Ratio of legal tech FTEs in relation to the entire legal team^{2, 3, 5, 6}Internal (full) costs per lawyer and hourly rate per lawyer^{3, 5}The tech topics of the year 2023^{3, 5, 7}

2 Results for the Top 50 Swiss companies 3 Average 5 Source: KPMG Law in Germany, 2024 6 Data adjusted for significant outliers 7 The percentages refer to the share of participants for whom the introduction of this solution has already been completed, is planned or is being considered.



1 Demographic data

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1.1 Sample of the survey and size of the participating companies

The database of this report includes 62 Swiss companies from 12 industry clusters. The survey was conducted in summer 2023.

To enable a long-term analysis of the legal departments, the data of the respondents belonging to the largest Swiss companies, with annual sales of more than 5 billion Swiss francs (CHF), were evaluated separately (Top 50). With the methodologically correct extrapolation of the survey results, the development of the key performance indicators (KPIs) of the legal departments in the long-term series should become evident.

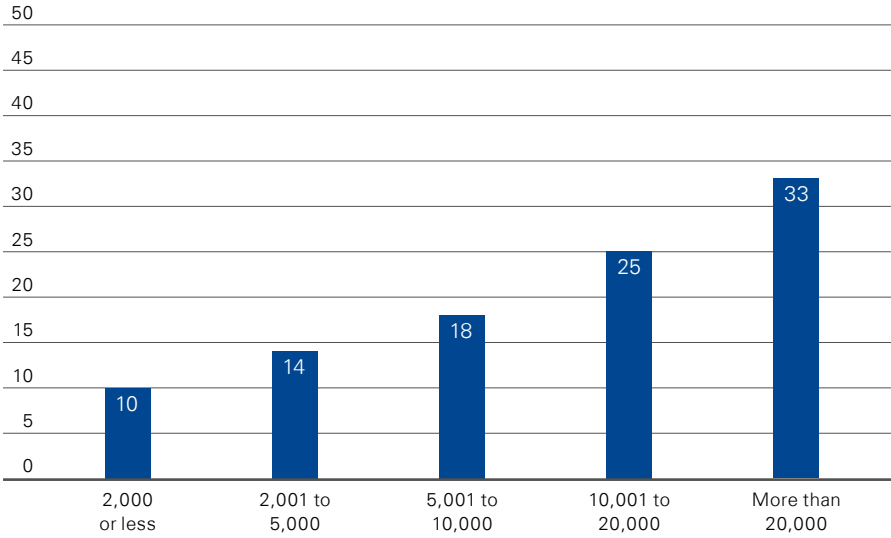
It can be assumed that the legal departments – depending on the size of the company – have sufficient human and material resources that they can deploy as needed to manage the legal opportunities and risks. Therefore, company size is a relevant characteristic for this report. Ideally, in addition to smaller companies, the respective heavyweights of their industry, measured in terms of sales, total assets and number of employees, also participate in the survey. The 2023/24 report represents precisely such a heterogeneous distribution.

33 per cent of the participating companies had more than 20,000 employees according to the information in their 2023 financial statements, 25 per cent name between 10,000 and 20,000 employees. 18 per cent had a staff of between 5,000 and 10,000 employees. The share of medium-sized companies with 2,000 to 5,000 employees is 14 per cent. Smaller companies are also adequately represented. About 10 per cent of the participating companies employ up to 2,000 people. (Figure 01, Page 11)

The distribution by annual turnover is similarly balanced. We see that 23 per cent of the companies achieved total sales of more than CHF 20 billion in 2023. Values between CHF 10 and 20 billion are reported by 4 per cent of the participants and for 34 per cent, the annual turnover was between CHF 5 and 10 billion. The share of companies with total sales of less than CHF 5 billion is 39 per cent. (Figure 02, Page 11)

01 Number of employees 2023 (global)
(in per cent)

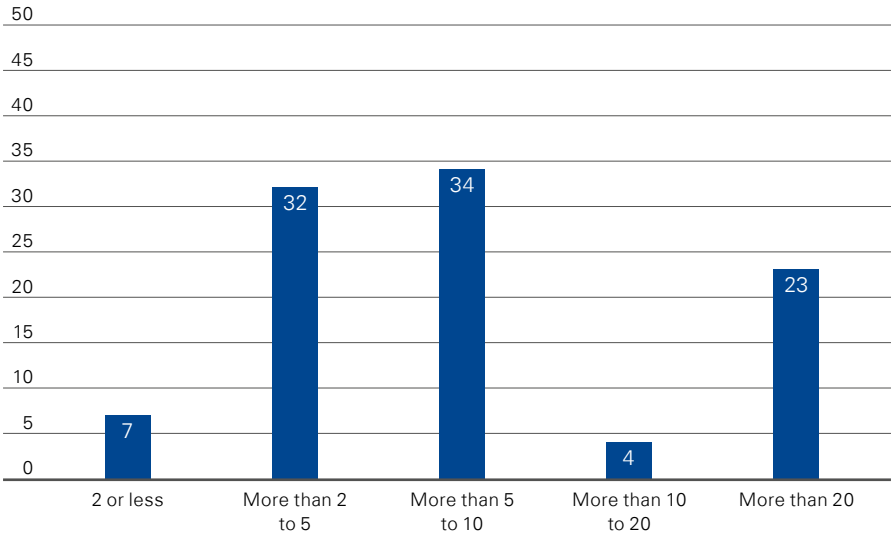
All participating companies



Source: KPMG Law in Germany, 2024

02 Revenue in 2023
(in billion CHF)

All participating companies



Source: KPMG Law in Germany, 2024

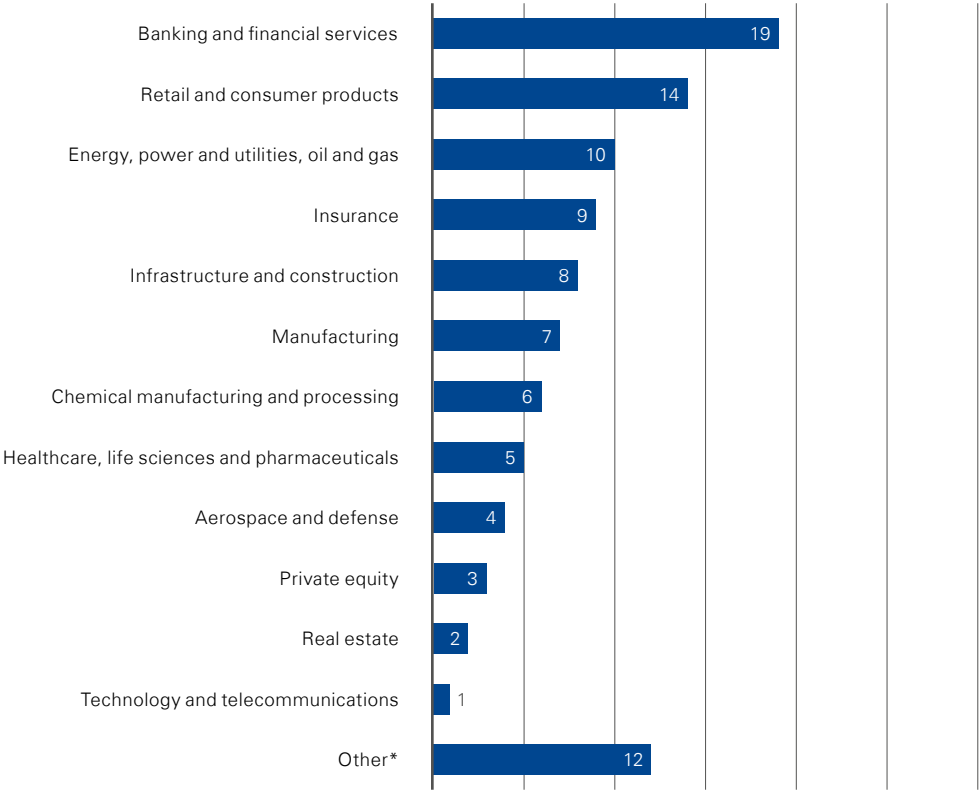
1.2 Sectoral distribution

In order to make valid statements about the organization, tasks, processes, resources and costs of the legal department, a balanced sector distribution of the participating companies is crucial. The respondents for this report represent 12 clearly definable industry clusters. Only a very small proportion of the participating companies are outside of these. Since due to their diversification a large proportion can be assigned to several economic sectors, the participants actually represent many more individual sectors.

With a combined 42 per cent, more than two-fifths of the industries represented in the Swiss Legal Benchmarking Survey 2023/24 are in the three business sectors banking and financial services (19 per cent); retail and consumer products (14 per cent) and energy, power and utilities, oil and gas (10 per cent). 9 per cent belong to insurance, 8 per cent to infrastructure and construction, followed by manufacturing (7 per cent), chemical manufacturing and processing (6 per cent) and healthcare, life science and pharmaceuticals (5 per cent). 4 per cent of the companies belong to the aerospace and defense industry. 3 per cent are doing business in private equity. Real estate (2 per cent) and technology and telecommunications (1 per cent) are comparatively weakly represented. The share of other sectors is 12 per cent. (Figure 03, Page 13)

03 Industry sectors of the participants
(in per cent)

All participating companies



* Other: e.g. Consulting, TIC sector, Sports, Media

Source: KPMG Law, 2024

1.3 Position of respondents in the companies

While the responsibility of heads of legal focuses on managing the legal function in their companies, General Counsel or Chief Legal Officers usually have overall responsibility for all legal matters of a group of companies. These include antitrust and competition, corporate and securities law and regulation, corporate governance, compliance and regulatory matters, enterprise risk management, contracts and licensing, litigation, tax, mergers and acquisitions, labor and employment, data privacy and security, and real estate.

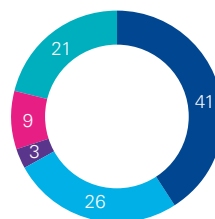
The person holding the position typically reports directly to the CEO, and their duties involve overseeing and identifying the legal issues in all departments and their interrelation, including engineering, design, marketing, sales, distribution, credit, finance, human resources and production, as well as corporate governance and business policy. Since Head of Legal or General Counsel are both functions that require extensive knowledge and experience in the strategy and organization of the legal department, this distinction does not affect the results of the survey.

Heads of the legal department are often confronted with conflicting goals. On the one hand, they must react quickly and flexibly to the needs of their clients and ensure the quality of legal advice. On the other hand, their department is exposed to growing cost pressure. Towards company management, they are obligated to align the advisory services of their department according to economic aspects. At the same time, they are expected to derive the legal-economic risk situation of the company from the planning and activities of the specialist departments and the executive bodies. The overall task can rightly be described as a balancing act between the provision of comprehensive legal competence and the imperative of economic efficiency.

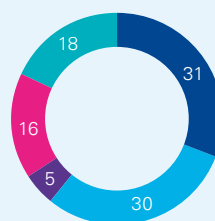
To obtain a sound knowledge-based and experience-based assessment of the organization, processes, personnel deployment, costs and budgets of the legal departments, the status of digital transformation as well as the cooperation with external law firms, the response rate of the heads of legal and the still young function of Chief Operating Officer Legal (COO Legal) is of decisive importance for the sustainability of the results. In this survey, 41 per cent of the questionnaires were answered by General Counsel or Chief Legal Officers/CLO (Top 50 Swiss: 31 per cent). 26 per cent of respon-

04 Position of the respondents in the companies (in per cent)

All participating companies



Top 50 Swiss companies



- General Counsel/Chief Legal Officer
- Head of Legal
- Legal Operating Officer
- Director Legal
- Other

Source: KPMG Law in Germany, 2024

dents (Top 50 Swiss: 30 per cent) indicate their position as Head of Legal, 3 per cent as Legal Operating Officer (Top 50 Swiss: 5 per cent) and 9 per cent as Director, legal (Top 50 Swiss: 16 per cent). 21 per cent of respondents use other job titles (Top 50 Swiss: 18). (Figure 04)

The broad distribution of the survey participants ensures that the knowledge and experience of high-ranking decision-makers in legal departments are included in the evaluation. At the same time, the strong participation rate of the leading legal officers in companies shows the importance of organizational and strategic issues for the legal department.

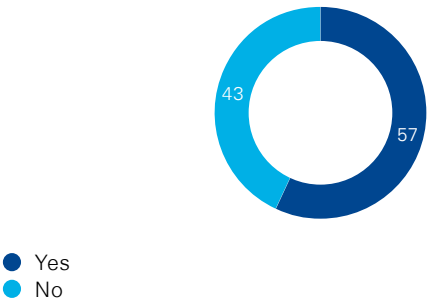
1.4 Global presence and stock exchange listing of participating companies

Poor in raw materials but rich in highly skilled labor, Switzerland maintains intensive trade relations with other countries. Traditionally, just behind the USA, Germany is the second most important export country (export share in 2022: 15.7 per cent). The export share of the economically highly relevant Swiss chemical and pharmaceutical industry remains the largest, followed by machinery, equipment and electronics, metals and metal goods, precision instruments and watches as well as textiles, clothing and shoes.

The predominant importance of international trade for Switzerland is reflected in the global presence of its companies. More than two-fifths of the respondents (43 per cent) have branches or subsidiaries in at least 51 countries around the world, almost half of them (21 per cent) even have branches or subsidiaries in 101 countries or more. 17 per cent of the respondents list 21 to 50 foreign subsidiaries, 21 per cent list 11 to 20. The proportion of participating legal departments that provide corporate legal services to ten or fewer countries is 19 per cent (Figure 05). Almost three out of five companies (57 per cent) are listed for stock exchange trading. (Figure 06)

06 Organizations listed on a public stock exchange or on any external public filings (in per cent)

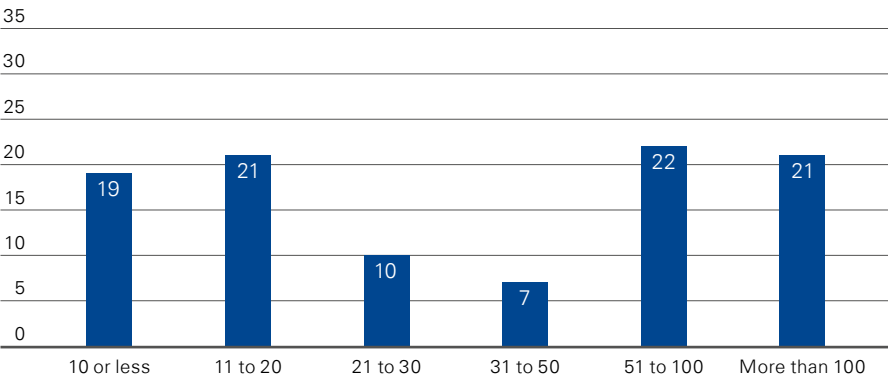
All participating companies



Source: KPMG Law in Germany, 2024

05 Number of subsidiaries or other establishments (in per cent)

All participating companies



Source: KPMG Law in Germany, 2024

2 Organization of the legal department

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2.1 Organizational structure of the legal department

As a traditional staff function, the legal department supports management and the company's divisions in solving all business-related legal issues. In addition, it monitors legislation on all legal regulations relevant to the company today and in the future. Its tasks also include the identification and management of legal risks. It therefore serves as an information hub and early warning system for the entire company. With its strictly delineated area of responsibility, its own processes and its combined advisory, service and regulatory tasks, the legal department has the most interfaces with operative day-to-day business. It is also closely involved in strategic decision-making and therefore often deals with forward-looking issues.

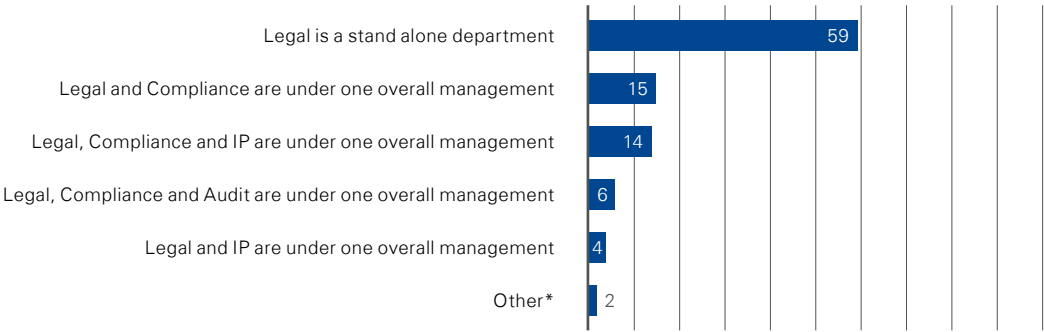
In view of the increasing importance of the legal department for corporate success, it is often assumed, especially in comparison to the USA, that the organizational design and appreciation of the legal department in Switzerland do not yet correspond to its true significance. Against this background, we have investigated where the legal department is organizationally anchored in the companies.

Our report shows that the majority of legal departments are no longer assigned to higher-level management together with thematically related departments such as compliance, intellectual property (IP) or internal audit, as reported in our 2021/22 study. Instead, today almost three-fifths (59 per cent) of the legal departments are organized as an independent unit with clearly delineated tasks. This emphasizes the importance of the legal department without diminishing the significance of the adjacent sectors.

In companies where the legal department together with other functions is under one superordinate management, 15 per cent is compliance and 14 per cent compliance and intellectual property (IP). 6 per cent of the companies have further reduced the interfaces between the legal-related sectors and combined the legal department with compliance and audit under one common management, 4 per cent have decided in favor of Legal and IP. In only 2 per cent of companies, the legal department forms an organizational unit together with other areas of activity such as corporate affairs, data privacy or information security. (Figure 07, Page 19)

07 **Structure of the legal department functions under one overall management**
(in per cent)

All participating companies



* Other: Legal and Corporate affairs; Legal, Compliance, Data privacy and Information security; etc.

Source: KPMG Law in Germany, 2024

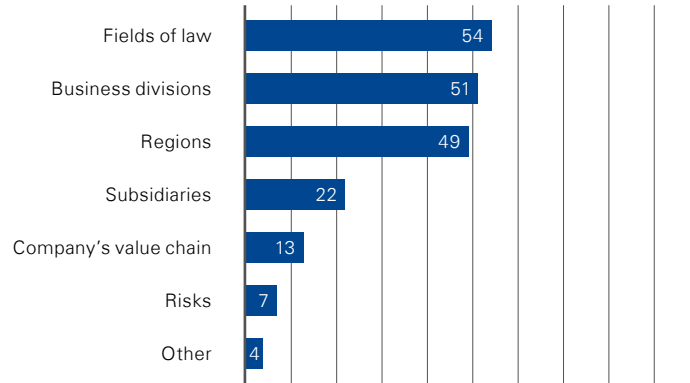
Internally, a slight majority of legal departments are traditionally organized according to fields of law (54 per cent) and/or business areas (51 per cent), followed by regions (49 per cent) and subsidiaries (22 per cent). Notably, from 2021 to 2023, the proportion of legal departments that followed newer business management approaches and aligned with the value chain more than tripled from 4 to 13 per cent. Over one in five (22 per cent) of the legal departments connects its organizational structure with branches or subsidiaries. 7 per cent have structured themselves in line with areas of risks, and 4 per cent align their internal organization according to other criteria. The sectoral analysis allows deeper insights. Those mainly organized along business areas are the legal departments in banking and financial services (83 per cent), followed by health-care (67 per cent). Nearly half of the participating departments (49 per cent) are oriented towards sales regions; companies in the chemical industry follow this approach almost without exception (94 per cent). (Figure 08 top, Page 21)

Regardless of this, organization by field of law remains the chosen form by 71 per cent of the Top 50 Swiss companies. From 2021 to 2023, the Top 50 legal departments increased their focus on fields of law (68 to 71 per cent), subsidiaries (24 to 29 per cent) and, most notably, on the value chain (8 to 21 per cent), while reducing their focus on business divisions (83 to 67 per cent). (Figure 08 bottom, Page 21)

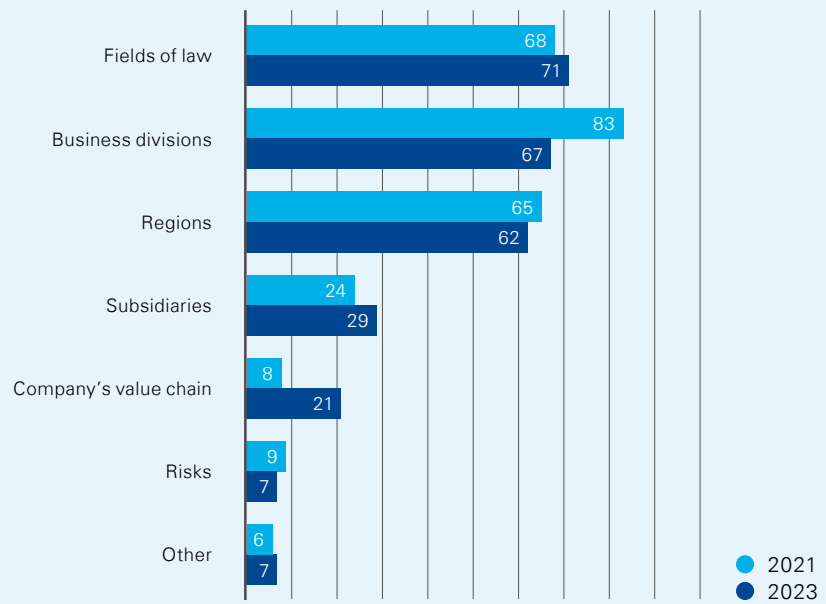
08 Criteria for the organizational structure of the legal department

(in per cent, multiple answers possible)

All participating companies



Top 50 Swiss companies



Source: KPMG Law in Germany, 2024

2.2 Organizational assignment of the legal department

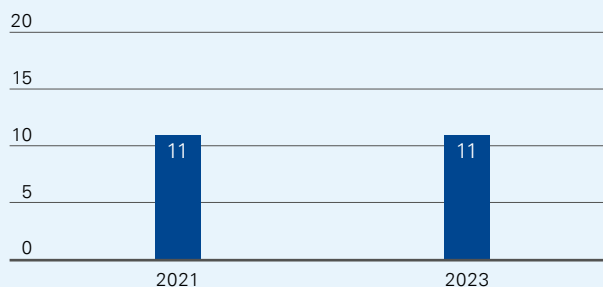
The responsibility of the General Counsel extends to the entire company as a legal entity and unit. The leaders of 11 per cent of the Top 50 reference group serve on the executive management board. This is a step down compared to recent years, when more top legal executives were positioned in top management. However, even without this formal upgrade, the majority of General Counsel report to the CEO. (Figure 09)

If the legal department is not represented on the board with its own member, General Counsel typically report directly to the company's top management. This is reflected in the survey: More than four-fifths of the heads of legal of the Top 50 owe accountability to the Chief Executive Officer (CEO, 53 per cent) or the Chief Financial Officer (CFO, 27 per cent). 11 per cent of all respondents report to the Chief Operating Officer (COO), and 9 per cent to other executives or committees like the Head of Shared Service Center or the Chairman of the Boards of Directors. The growing strategic importance of the legal sector is also evident in the findings: None of the participants report to the Chief Operating Officer (COO). In the 2021/22 report, this figure was still 11 per cent. (Figure 10, Page 23)

09

Legal department as a dedicated board/ management department (in per cent)

Top 50 Swiss companies



Source: KPMG Law in Germany, 2024

10 Organizational assignment of the legal department (in per cent)

Top 50 Swiss companies



- Chief Executive Officer (CEO)
- Chief Financial Officer (CFO)
- Chief Human Resources Officer (CHRO)
- Other*

* Other: Head of shared service center, Chairman of the board of directors

Source: KPMG Law in Germany, 2024

2.3 Governance of the legal department

Led by large companies that take globalization and divisionalization into account and often precede the smaller ones as early adopters, the share of legal departments organized as purely central corporate legal departments without decentralized units has become significantly smaller in recent years.

The results of our study may indicate a trend reversal. Slightly more than one-fifth of the legal departments (21 per cent) are not further subdivided organizationally (2021: 19 per cent). Arguably there will be good reasons for this, especially among banks and financial services where we report a heavily centralized approach with significant reliance solely on the central legal department. Larger companies, whose business activities are limited to geographically limited regions, are unlikely to see any reason to subdivide their legal departments internally.

However, once there is a decentralized organization, which is the case in four out of five participating companies in this survey (79 per cent), the sub-units are more or less closely linked to the General Counsel. Differences in the type of management become apparent. The share of decentralized legal departments under disciplinary leadership (solid line*) is 33 per cent. A further 22 per cent of decentralized legal departments are under functional management of the central legal department (dotted line*), and 16 per cent have implemented both central and decentral legal units that are not coordinated. 8 per cent are organized differently. In the decentralized legal departments of some industries, for example in retail and consumer products, a preference for decentralized yet functionally integrated legal structures is evident. (Figure 11 left, Page 25)

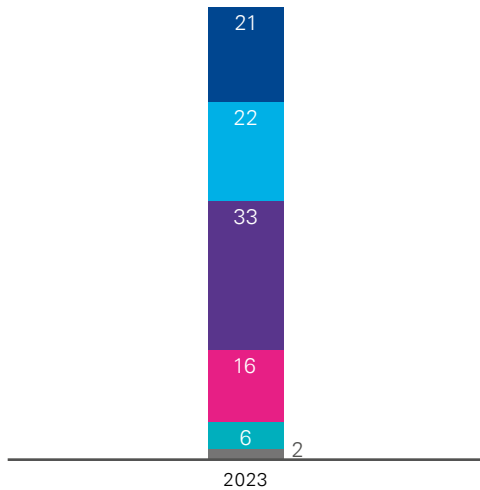
A glimpse into specific industries also reveals insights. In chemical manufacturing and processing we observe a clear preference for decentralized legal management with a high percentage in solid line, i.e. under disciplinary management of the central legal department. Healthcare, life science and pharmaceuticals place high emphasis on mixed form, showing a balanced approach between centralized and decentralized structures. Manufacturing relies strongly on decentralized units under “legal disciplinary” management (50 per cent), indicating a preference for decentralized control with fully disciplinary authority.

A slightly different picture emerges in the specially analyzed group of the Top 50 Swiss companies. Unsurprisingly, the percentage of decentralized legal departments increases to 91 per cent, with not even one in ten legal departments being managed as a solitary unit. The share of disciplinary sub-units is 44 per cent, and 33 per cent of companies are functionally managed (dotted line). Only 8 per cent have opted for a mixed organizational form. As 6 per cent are organized differently, central and decentral legal departments that are not coordinated were not among the participants in this survey period. (Figure 11 right, Page 25)

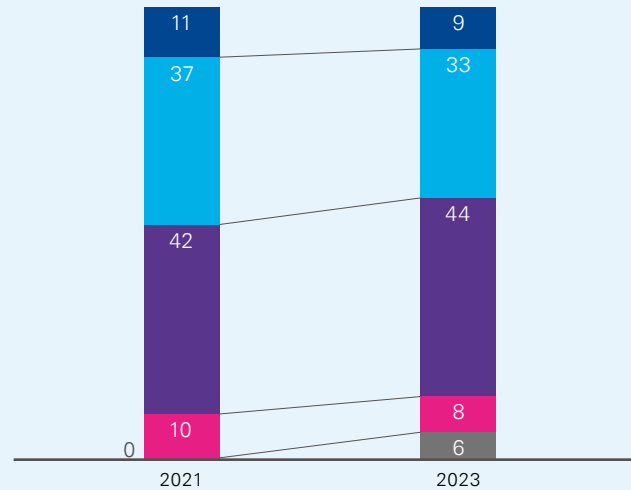
* The legal department report defines disciplinary management as the power to determine, for example, group-wide hiring, promotions or bonus payments – irrespective of whether the employee’s employment contract in the respective (foreign) country provides for a different reporting line. Dotted line management is a reporting structure within organizations where employees have additional, often project-specific, reporting relationships with managers outside of their primary, solid line reporting chain.

11 Degree of centralization and governance of the legal department (in per cent)

All participating companies



Top 50 Swiss companies



- Central legal department only (without decentral units)
- Dotted line: decentralized units under "functional" management of the central legal department (i.e., employees report to multiple managers, usually for specific projects or tasks, alongside their primary manager)
- Solid line: decentralized units under "legal disciplinary" management of the central legal department (i.e. with decision rights regarding succession management, promotions, compensation, etc.)
- Mixed form: decentralized units with functional management as well as decentralized units with legal disciplinary management from the central legal department
- Central and decentral legal department without any coordination
- Other

Source: KPMG Law in Germany, 2024

2.4 Management span and hierarchy levels

Regardless of the organizational form, the head of the legal department is faced with the question of the optimal management span. This involves both the “right” number of lawyers to manage directly and the number of hierarchical levels in the department.

Both depend on the size of the legal department, the qualifications and task profile of the lawyers, and the client groups to be served. Another criterion is the variance and degree of overlap of the issues to be handled: How congruent are the tasks of the staff? Another point to consider is that young lawyers usually require more supervision than experienced staff.

Depending on these considerations, contemporary organizational theory recommends a management span of no more than six to ten staff members. The organizational structure of smaller units should be flat, while for larger units it may be feasible to add another level of management.

For the current report, 39 per cent of respondents indicate a management span of 1 to 5 employees. 35 per cent manage 6 to 10 employees, 9 per cent are responsible for 11 to 15 employees and 17 per cent for a staff of more than 15 employees. (Figure 12 top, Page 27)

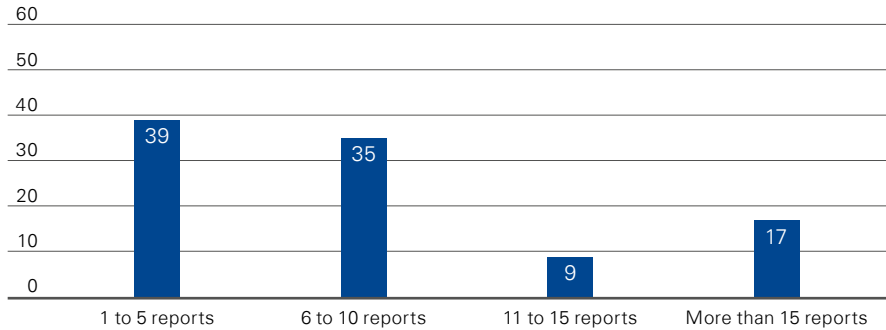
The number of management levels also depends on the size of the legal department. Only 17 per cent of the respondents limits it to one, thus earning the attribute “lean” management structure. 43 per cent indicate two to three levels, and 40 per cent more than three levels. (Figure 13 left, Page 27)

For the Top 50 Swiss companies, the distribution looks somewhat different. The heads of legal affairs in 38 per cent of the companies report a rather small leadership span of about 1 to 5 employees. Just over one in three oversees a team of 6 to 10 employees – the perfect size. Just under one-fifth of respondents (18 per cent) manage a team of 11 to 15 employees, and only 9 per cent report more than 15 employees. (Figure 12 bottom, Page 27)

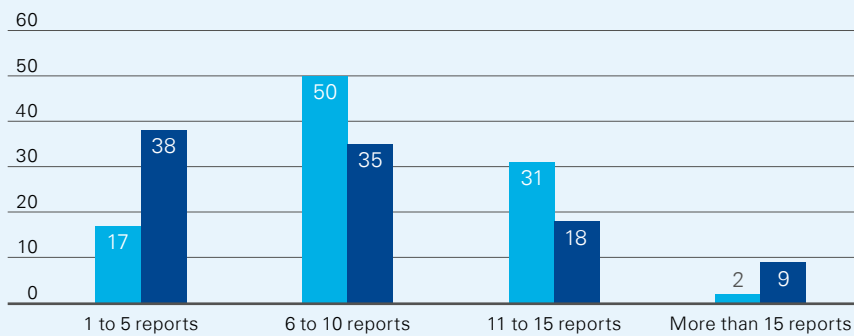
It is obvious that large companies also have a well-staffed legal department. Therefore, in this comparison group, the proportion of legal departments with a single management level is only 13 per cent, slightly more than 2021/22. Two to three management levels exist in 36 per cent of the legal departments surveyed, considerably less than 2021/22. Half of the respondents (51 per cent) work in a more deeply structured legal department with more than three management levels. (Figure 13 right, Page 27)

12 Number of direct reports with disciplinary and functional lead (in per cent)

All participating companies



Top 50 Swiss companies

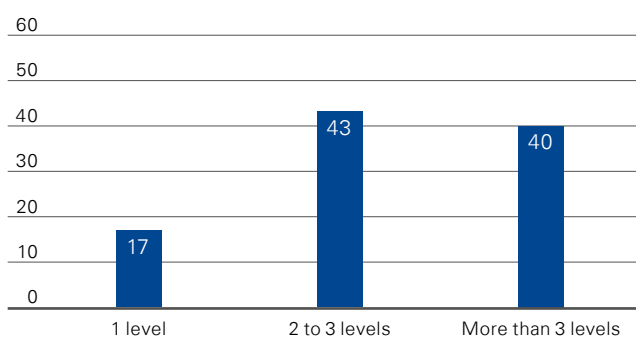


● 2021 ● 2023

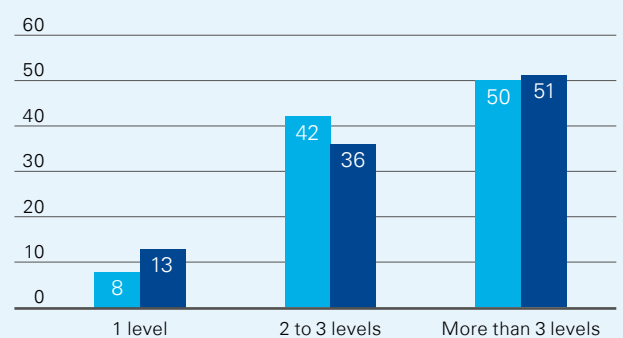
Source: KPMG Law in Germany, 2024

13 Number of established levels in the hierarchy between entry level employees to general counsel (in per cent)

All participating companies



Top 50 Swiss companies



● 2021 ● 2023

Source: KPMG Law in Germany, 2024

2.5 Distribution of internal lawyers among legal fields

In terms of division of labor, a clearly defined distribution of tasks is the prerequisite for working efficiently within a company. In this context, professional competence is the preferred structuring criterion, especially in a field that requires highly qualified services.

Having said that, legal departments who hire highly specialized lawyers with strictly delineated activities and competences and whose available knowledge is not in regular, sustained and continuous demand, are not structured efficiently. In this case, the head of the legal department is faced with the alternative of either resorting to external lawyers at peak times or distributing the competences more broadly, i.e. reducing the degree of specialization to expand the deployment options of the lawyers on the payroll.

Both options have their disadvantages. In the first case, this means increased costs and, depending on the scope of work, the risk of losing company-specific expertise. In the second case, the concern is that for certain areas of competence, the results may become more unsatisfactory in both quantitative and qualitative terms.

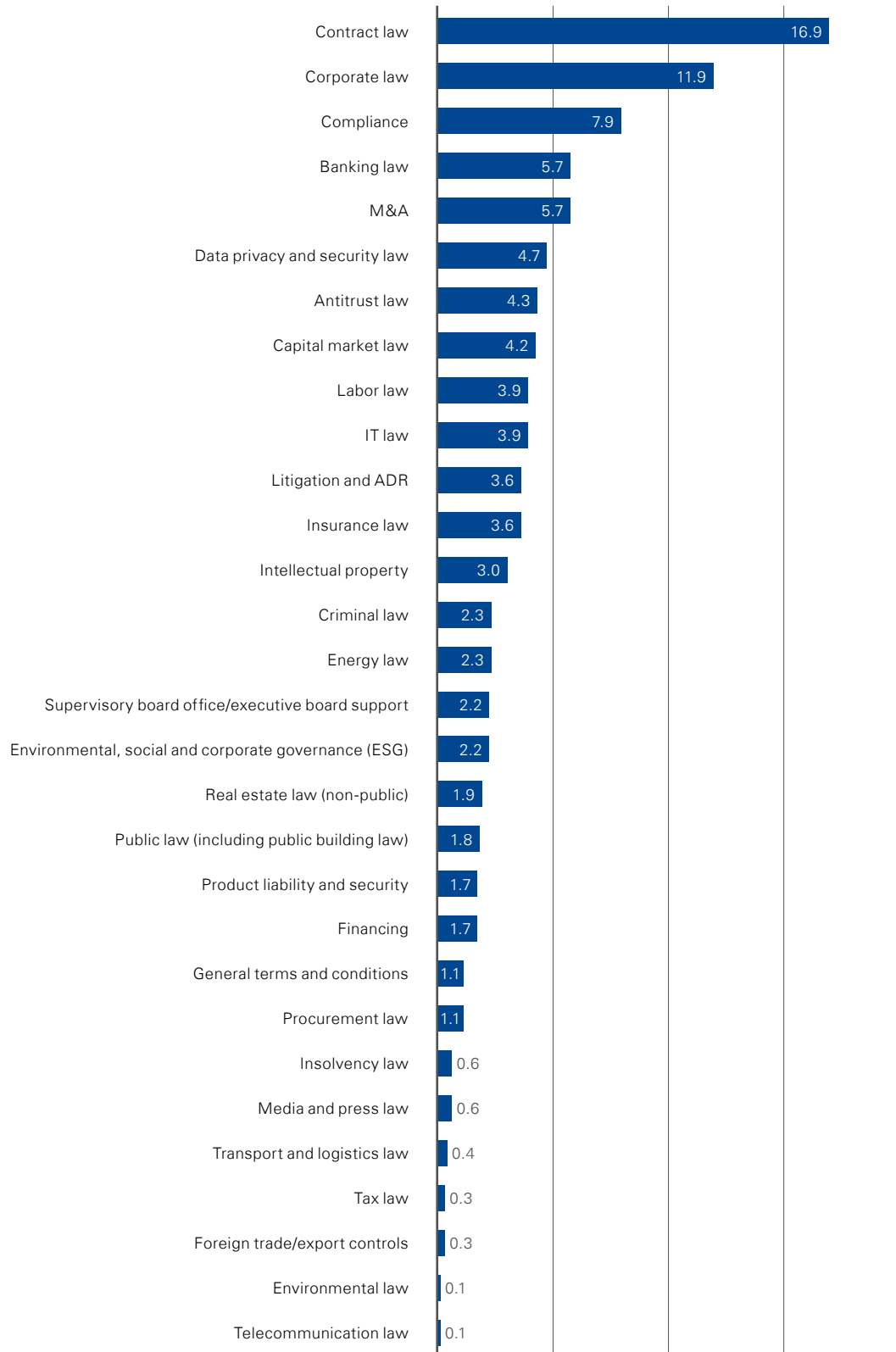
As a result, heads of legal affairs are confronted with a familiar dilemma: How should they plan, how should they dispose? To what extent and with what regularity are future tasks planned, what number of employees should be kept available for this purpose, and which corrective options and strategies can be considered in the event that changes occur?

As expected, on average contract law is the most represented area among the legal departments surveyed. This is where 16.9 per cent of lawyers work. This is followed at a distance (11.9 per cent) by corporate law. The third strongest area of law (7.9 per cent) is compliance. The latter is of particular importance in times when higher political constraints must be observed. This is followed by banking law and M&A, with 5.7 per cent of mentions each, as well as data privacy and security law at 4.7 per cent, antitrust law (4.3 per cent), and capital market law (4.2 per cent). All other fields of law are only represented with smaller shares.

Only few companies surveyed provide their own legal capacities for telecommunications and environmental law (0.1 per cent each). Foreign trade and tax law are also hardly covered by their in-house lawyers. (Figure 14, Page 29)

14 Distribution of the fully qualified lawyers across the fields of law (in per cent)

All participating companies



Source: KPMG Law in Germany, 2024

2.6 Shared service center

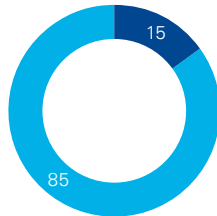
Automation, self-service functions and a shared service center (SSC) bring cost savings and free the legal department from routine tasks. Decentralized models with legal, compliance, IP and data protection experts can cover a large number of countries and jurisdictions, thereby relieving the burden on the respective teams. Some have long since taken the opportunity to lower risk, standardize services and transfer them to a global shared services structure as part of the digitalization of their business processes.

At present, around one in six legal departments (15 per cent) uses the services of a shared service center, indicating a cautious approach to centralizing these activities to a broader extent. SSCs are mainly used for compliance communication, minor tasks related to data protection management systems, contract management, and lower risk legal services such as non-disclosure agreements (NDA) and supply agreements. Further duties are training and housekeeping.

SSCs used outside Switzerland are mainly located in India, Malaysia, the Philippines, Portugal and Ukraine. (Figure 15, Page 31)

15 Outsourcing of legal department services to a shared service center (in per cent)

All participating companies



● Yes
● No

Source: KPMG Law in Germany, 2024

3 Employment in the legal department

3.1	Number of fully qualified lawyers in the legal department	34
3.2	Number of fully qualified lawyers: banks and financial service providers	36
3.3	Legal operations and legal technology functions	38
3.4	New roles in the legal department	40
3.5	Ratio of lawyers to support staff	42
3.6	Development of employment in the legal department: lawyers	44
3.7	Development of employment in the legal department: paralegals	46
3.8	Development of employment in the legal department: assistants/admins	47
3.9	Development of employment in the legal department: legal operations and legal technology	48
3.10	Proportion of women in the legal department	50

3.1 Number of fully qualified lawyers

This key figure depends on several factors; firstly, the size of the company, which is reflected in the number and location of its markets, its revenue and earning power, as well as the number of employees. With a company's increased market coverage, turnover and the number of employees, the scope and importance of legally significant transactions increase disproportionately. As a result, large companies usually employ more fully qualified lawyers per turnover unit than smaller companies – unless the heads of legal pursue a determined outsourcing strategy and prefer to call in external law firms when necessary. Some selected fully qualified lawyers may also be part of a dedicated shared service center as described in Section 2.6 (Page 30).

Another influencing factor is the organizational structure of the legal department, i.e. the ratio of lawyers to support staff. Many heads of legal departments optimize their staff by assigning paralegals to assist the lawyers. The costs incurred are significantly lower than those for fully qualified lawyers. In terms of support ratio, however, the differences are not in the corporate sphere, but solely in the degree of specialization of the legal department. The larger the department, the more the staff can focus on certain fields of law and the more likely it will be that legal challenges are successfully met without external support. Conversely, if a department works with more generalists, the greater the need for specifically qualified support staff.

In this report, the number of lawyers specified was put in relation to the company's turnover. The result shows that the companies (excluding banks and financial services providers) employed an average of 4.3 lawyers per CHF 1 billion in turnover. The median, which divides the number of full-time equivalents (FTE) exactly in half, is 4.0. Insurances are well above the average value, while the energy sector, retail, chemicals and manufacturing are slightly to strongly below it. Compared to 2021/22, both the average (2021/22: 4.9) and the median (2021/22: 5.0) have declined. This result is fully in line with our expectations outlined above.

Number of fully qualified lawyers (FTE) per CHF 1 billion sales

All participating companies
(excluding financial services)



4.0

Median



4.3

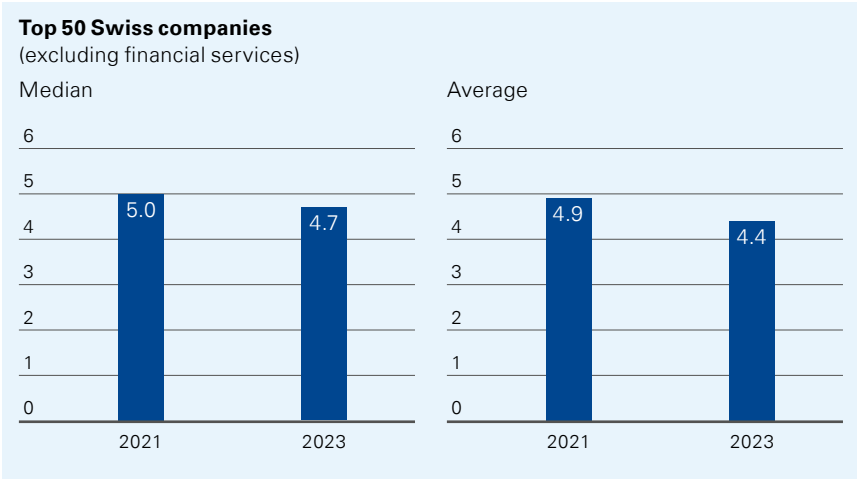
Average

Source: KPMG Law in Germany, 2024

Focusing on the Top 50 Swiss companies (excluding banks and financial services providers), the negative scale effect mentioned at the beginning of this chapter also takes effect. On average, 4.4 lawyers are employed per billion in turnover generated, while the median is 4.7. (Figure 16, Page 35)

It will be interesting to see how the need for legal expertise will continue to develop in the coming years. Since the year 2000, Swiss-based companies, associations and international organizations have experienced significant growth in the demand for lawyers. This may bring new goals to the fore – such as the desire to push back negative economies of scale with the help of digitalization and automation (see Chapter 5, Page 71). The following figures may provide an outlook on this: the average number of FTE employed in Swiss legal departments (excluding banks and financial service providers) is 5.5 with a median of 3.3. When employees in legal tech and legal operations are included, the average increases to 6.2 and the median to 3.7.

16 Number of fully qualified lawyers (FTE) per CHF 1 billion revenue



Source: KPMG Law in Germany, 2024

3.2 Number of fully qualified lawyers: banks and financial service providers

The Swiss Federal Act on Banks and Savings Banks, which came into effect in 2015, stipulates in Article 2, Paragraph 2 that banks are classified in four categories by the Swiss Financial Market Supervisory Authority (FINMA), according to the criteria total assets, assets under management, privileged deposits and minimum own funds. A bank is assigned to the category in which it meets at least three of these criteria. In terms of balance sheet total, the limits are less than CHF 1 billion, more than CHF 1 billion, more than CHF 15 billion, more than CHF 100 billion and more than CHF 250 billion. Institutions in categories 1 and 2 are monitored on an ongoing basis due to their importance and risk structure, whereas the basis on which market participants in category 5 are monitored is more numbers-based.

In the case of banks and financial service providers, whose size is reflected in their balance sheet total, this development is already becoming apparent. For every CHF 10 billion in total assets under management, an average of 3.1 fully qualified lawyers are employed. This also corresponds to the median.

However, if all full-time legal department staff are included in the analysis (excluding legal operations and legal technology), the average number of FTEs per CHF 10 billion in total assets increases to 4.0.

**Number of fully qualified lawyers (FTE)
per CHF 10 billion in total assets**

Financial services only



3.1

Median



3.1

Average

Source: KPMG Law in Germany, 2024

**Number of legal FTE (excluding
legal operations and legal tech FTE)
per CHF 1 billion sales**

Financial services only



4.0

Average

Source: KPMG Law in Germany, 2024

3.3 Legal operations and legal technology functions

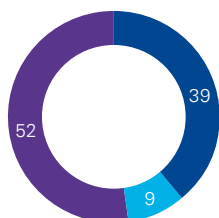
Digital transformation is changing the way in-house legal advice is delivered. This is in line with management expectations: boards and managing directors demand speed, efficiency and cost-effectiveness. Legal advisors are therefore faced with the major challenge of organizing digital transformation in a very short time frame. This often goes hand in hand with placing a larger emphasis on legal operations i.e., the strategic and managerial aspects of running a legal department such as budgeting, legal technology implementation, process improvement and vendor management. In addition, lawyers are constantly looking for IT tools to manage and efficiently use the continuously growing volume of digital information. These tools are mostly IT software solutions that deal with the automation of legal activities – also known as legal technology or legal tech.

Employees in legal operations can even be found in smaller legal departments. Legal tech specialists are primarily found in larger legal departments with more than 100 FTE. Practical experience shows that it makes sense for a legal department with around 25 or more full-time employees to start introducing a dedicated full-time function for legal operations.

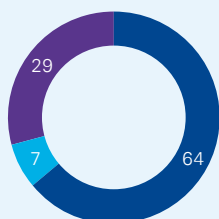
The emphasis on legal operations and the degree of digitalization in legal departments varies from company to company (see Section 5.2, Page 74). Among Swiss companies, 39 per cent of legal departments have introduced a legal operations function, and a further 9 per cent are planning to introduce it. (Figure 17 top) In the legal department, 8 per cent FTE are primarily involved in legal operations. (Figure 18 top) In the focused group of the Top 50 Swiss companies, 64 per cent have already

17 Dedicated functions/teams for legal operations in the legal department (in per cent)

All participating companies



Top 50 Swiss companies

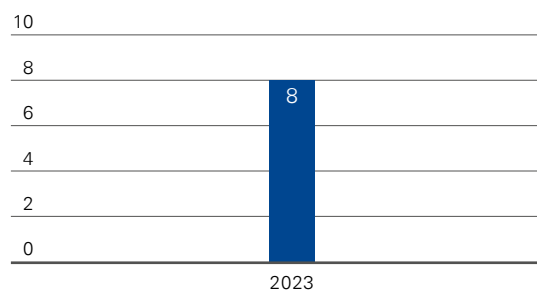


- Already introduced
- Introduction planned
- Not yet considered

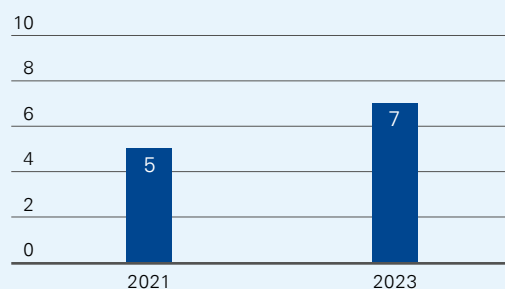
Source: KPMG Law in Germany, 2024

18 Average number of legal operations FTE in relation to the entire legal team (in per cent)

All participating companies



Top 50 Swiss companies



Source: KPMG Law in Germany, 2024

defined functions or teams for legal operations and further 7 per cent are planning to do so. (Figure 17 bottom, Page 38) The proportion of employees specialized in this field in relation to all employees in the legal department is 7 per cent. (Figure 18 bottom, Page 38) The high number of employees working in the field of legal operations indicates that a growing number of employees are taking on responsibility for this in addition to their main activities. This may explain the increase in legal operation FTE, despite the fact that only two in five of the departments already have a dedicated legal operations function.

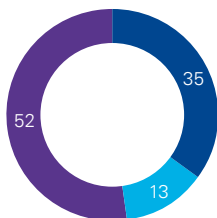
In legal technology, more than one-third (35 per cent) states that it has defined its own functions for this topic or is in the process of doing so (13 per cent). (Figure 19 top) 5 per cent of the legal depart-

ment's employees work in this function. (Figure 20 top) Among the Top 50 Swiss companies functions or teams for legal technology have already been defined by more than half of the companies (55 per cent), with a further 9 per cent still in the process of doing so. (Figure 19 bottom) 2 per cent of all employees in the legal departments of the Top 50 currently work with legal technology. (Figure 20 bottom)

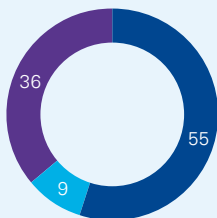
There is no doubt that the number of employees specialized in legal operations and legal technology will continue to increase in absolute and relative terms in relation to the number of all relevant employees. In banks and financial service providers, on average 7 per cent of the legal staff is already involved in legal ops and legal tech applications – this is the highest proportion of all sectors.

19 Dedicated functions/teams for legal tech/digitalization in the legal department (in per cent)

All participating companies



Top 50 Swiss companies

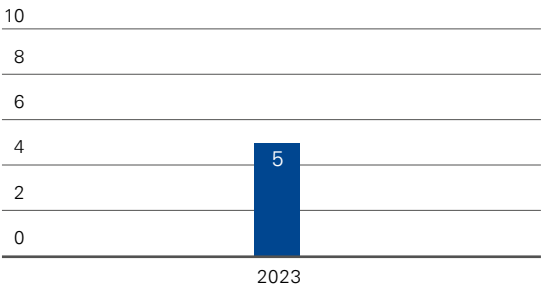


- Already introduced
- Introduction planned
- Not yet considered

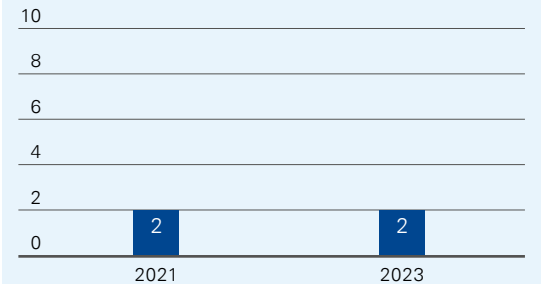
Source: KPMG Law in Germany, 2024

20 Average number of legal tech/digitalization FTE in relation to the entire legal team (in per cent)

All participating companies



Top 50 Swiss companies



Source: KPMG Law in Germany, 2024

3.4 New roles in the legal department

With legal operations and legal tech, legal departments now have two new functions. This inevitably leads to a higher degree of specialization for the legal department and, as a result, two new staff roles and responsibilities – with more to come.

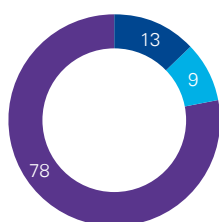
The innovation function has already been introduced in 13 per cent of all legal departments, and in 19 per cent of the Top 50. 9 per cent of all respondents are still in the planning phase, compared to 2 per cent in the Top 50. Interestingly, the avant-gardists are all among the Top 50 companies. (Figure 21) The list of early movers is headed by energy, power and utilities, oil and gas, where three out of four (75 per cent) have already upgraded their teams with the new innovator role. That is significantly more than in the automotive industry (33 per cent) and the manufacturing industry (25 per cent). There are plans to introduce this role in the legal department of every second bank and every second financial services provider.

Legal departments have also begun introducing cross-functional roles. They have already been established in 4 per cent of all legal departments and a further 4 per cent intend to introduce such roles. (Figure 22) The chemical industry is the most advanced with an implementation rate of 50 per cent, followed by the energy industry with 25 per cent and automotive at 17 per cent.

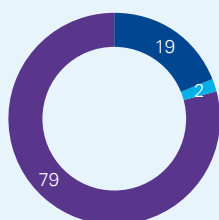
It should be noted that the establishment of these new roles emphasizes the increasing importance of specialist roles in the legal department. Surprisingly, only 27 per cent of all respondents expect the number of specialists to continue to grow, while 45 per cent see generalists on the rise. The assessment by the Top 50 is even more pronounced. Here, every second respondent expects an increase in the number of generalists, while only 3 per cent envision the legal department being reinforced by more specialists. (Figure 25, Page 41).

21 Introduction of an innovation function (in per cent)

All participating companies



Top 50 Swiss companies

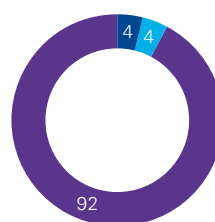


- Already introduced
- Introduction planned
- Not yet considered

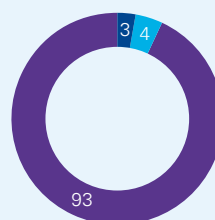
Source: KPMG Law in Germany, 2024

22 Introduction of other cross-functional roles (in per cent)

All participating companies



Top 50 Swiss companies

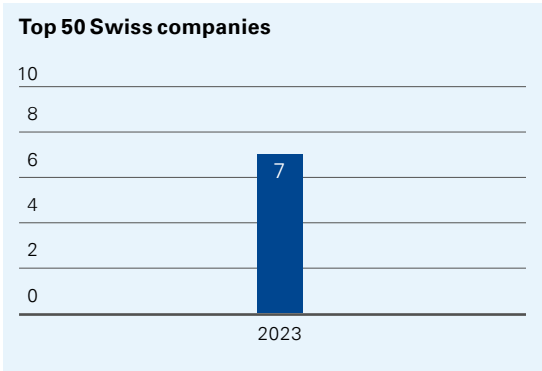
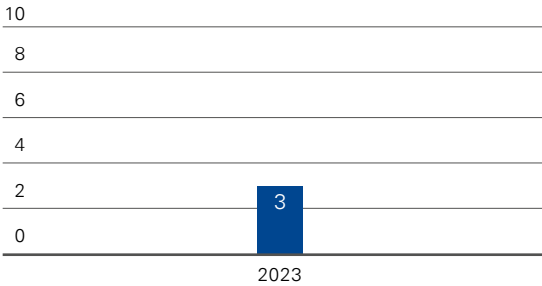


- Already introduced
- Introduction planned
- Not yet considered

Source: KPMG Law in Germany, 2024

23 Average number of innovation FTE in relation to the entire legal team (in per cent)

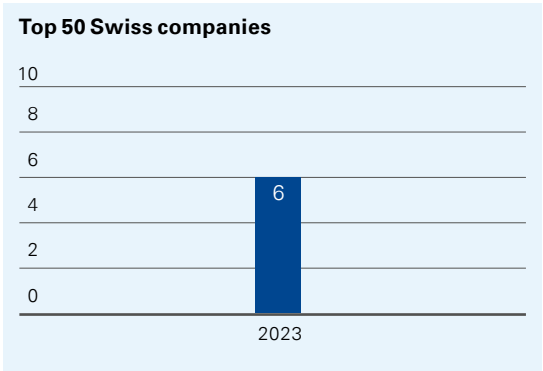
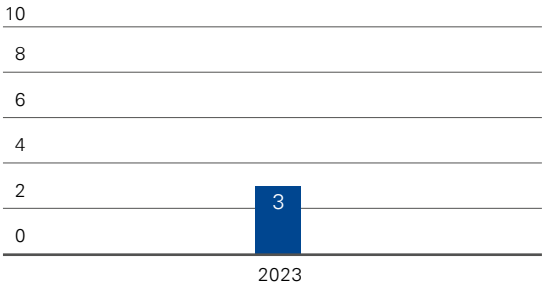
All participating companies



Source: KPMG Law in Germany, 2024

24 Average number of FTE for cross-functional roles in relation to the entire legal team (in per cent)

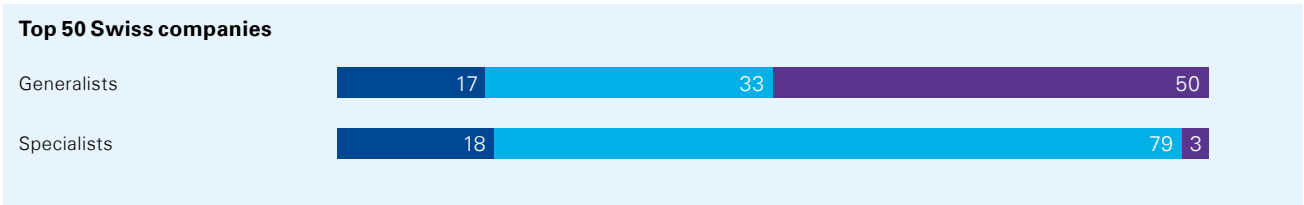
All participating companies



Source: KPMG Law in Germany, 2024

25 Estimate of how the number of resources within the legal department will develop in 2023: generalists versus specialists (in per cent)

All participating companies



- Decrease
- No change
- Increase

Source: KPMG Law in Germany, 2024

3.5 Ratio of lawyers to support staff

The performance of in-house lawyers, especially during peak periods, is largely determined by how effectively they are supported by secretarial assistants, paralegals, legal assistants and, more recently, application developers and information specialists. Professionally trained paralegals not only ensure how smoothly the legal department runs, but also take on demanding tasks with an external impact, for example by handling parts of the business dealings with internal clients, contractual partners and authorities. As a result, they can deliver significant added value to the legal department in a cost-effective manner. Companies often recruit these professionals among lawyers with a first state examination, i.e. without a bar exam, or train experienced employees from the legal and notarial secretariats.

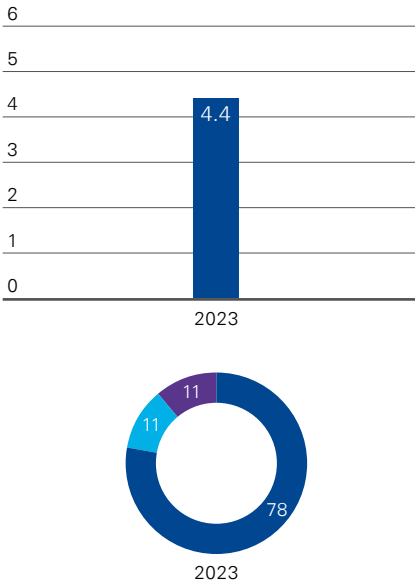
In order to obtain recent key figures that provide information on the level of support for lawyers in the legal department, the specified number of lawyers was put in relation to the number of support staff. The long-standing downward trend in the employment of assistants appears to be paused. The result across all sectors shows that assistants make up 11 per cent (2021/22: 10 per cent) and paralegals 11 per cent (2021/22: 8 per cent) of all employees in a legal department. On average, 4.4 lawyers share one support staff member (Figure 26 left, Page 43). That does not mean the trend is turning, but the increasing participation of smaller companies with large legal departments is causing both the number of lawyers employed per billion in turnover and the support rate to rise. However, the legal department support ratio in banking and financial services as well as in energy industry is among the lowest.

On average, the Top 50 Swiss companies employ significantly fewer assistants (4 per cent, 2021/22: 9 per cent) and a slightly lower number of paralegals (9 per cent, 2021/22: 10 per cent). On average, 4.8 lawyers share one support staff member. (Figure 26 right, Page 43)

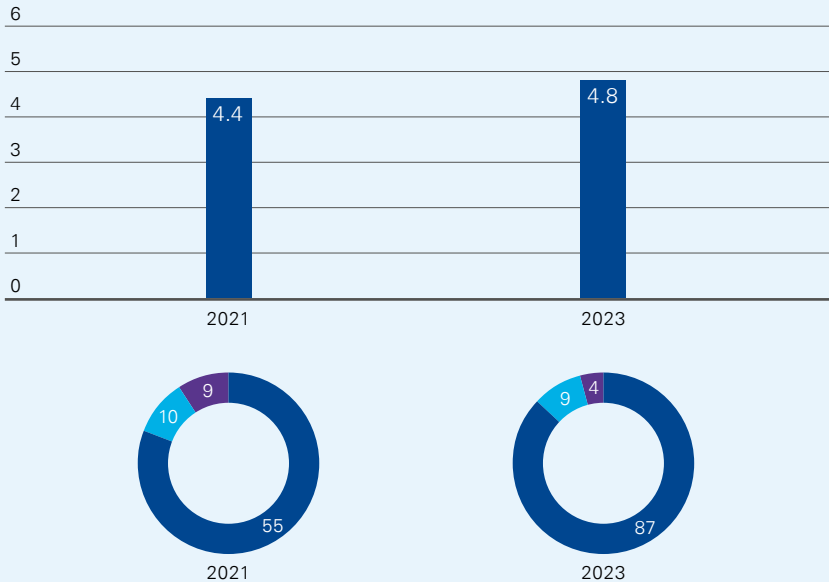
These figures confirm the above-mentioned observation that large firms with a high demand for lawyers who specialize in a particular field and subject area are more likely to work without the help of assistants than smaller firms, whose lawyers usually work in a generalist capacity and are therefore dependent on more support to complete routine tasks.

26 **Support ratio: ratio of lawyers to support functions**
(in per cent)

All participating companies



Top 50 Swiss companies



- Lawyers
- Paralegals
- Assistants

Source: KPMG Law in Germany, 2024

3.6 Development of employment in the legal department: lawyers

In addition to the current number of employees in the legal department, the planned change in the number of employees deployed is also of interest, as it reflects, *ceteris paribus*, expectations about the future workload in human resources planning.

Due to the growing workload, an increase in the number of employees in the legal department can be expected – unless economies of scale are realized or improved efficiency or productivity is sought and achieved through organizational, technological and operational changes. Such improvements can be achieved through new processes, structures and tools, as well as through the increased use of digital technology.

Assuming this is the case, we asked the heads of legal departments about the expected development of the number of lawyers for 2023/24. Overall, 46 per cent of general counsels want to hire more lawyers (2021/22: 44 per cent). At 43 per cent, almost the same number are planning no change, and 11 per cent are considering a reduction in hires. The highest increase is expected by the respective legal departments of the industries energy, power and utilities, oil and gas (67 per cent) and manufacturing (63 per cent). The greatest decrease is expected in healthcare, life sciences and pharmaceuticals (62 per cent). (Figure 27 top, Page 45)

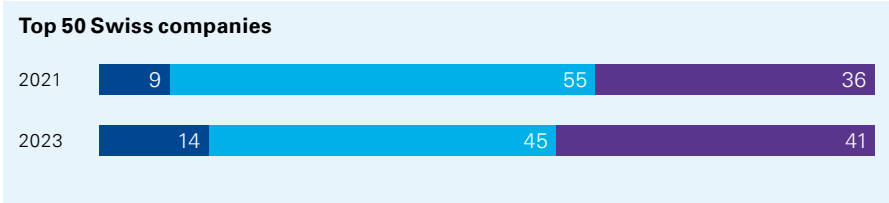
The disposition of the Top 50 Swiss companies indicates a wait-and-see attitude. More hiring is planned by 41 per cent, 45 per cent intend no change. 14 per cent of general counsels are considering laying off qualified lawyers. (Figure 27 bottom, Page 45)

27

Estimate of how the number of resources within the legal department will develop in 2023: lawyers

(in per cent, average)

All participating companies



- Decrease
- No change
- Increase

Source: KPMG Law in Germany, 2024

3.7 Development of employment in the legal department: paralegals

Stricter laws, increasing regulatory requirements, the accumulation and complexity of legal enquiries from internal departments and the globalization of regulations continue to increase the workload in legal departments of Swiss companies.

For 2024, almost every second head of legal intends to hire more lawyers (see Section 3.6, Page 44). Alternatively, one consideration could be delegating tasks that must not necessarily be done by lawyers to paralegals. Paralegals not only ensure that the legal department runs smoothly, but also take on demanding tasks with external impact, for example by handling parts of business interactions with clients, contractual partners and authorities. Their central tasks include legal research as well as “legal writing”, i.e. drafting memos, preparing presentations and drafting legally relevant documents.

Across all industries, 8 per cent of respondents state that they plan to increase the number of paralegals. This is roughly half the figure for 2021/22 (17 per cent) and may be related to necessary recruitment in the technical field. Even general counsels in well-performing companies must decide whose expertise is of greater value for the legal department. The vast majority of survey participants (84 per cent) are sticking with the status quo. This underlines the fact that the rapid developments in legal technology are not only slowing down the demand for secretarial and support staff (see Section 3.8, Page 47), but are also putting the demand for paralegals under scrutiny. (Figure 28 top)

A look at the special evaluation of the Top 50 Swiss companies confirms the presumed wait-and-see attitude. Only 11 per cent of companies want to part with some of their paralegals – and just as many (11 per cent) say they want to hire new legal support staff. However, the vast majority of more than three out of four legal department heads (78 per cent) do not plan to make any changes. (Figure 28 bottom)

28 Estimate of how the number of resources within the legal department will develop in 2023: paralegals (in per cent, average)

All participating companies



Top 50 Swiss companies



- Decrease
- No change
- Increase

Source: KPMG Law in Germany, 2024

3.8 Development of employment in the legal department: assistants/admins

The need for secretaries, assistants and similar admin staff is in sharp decline. Lawyers in legal departments are used to handling their own desk work. Usually only one assistant is required to support an entire team of lawyers, for example, in making appointments, preparing for meetings, researching and preparing presentations. This trend started decades ago with the advent of computers. At present, most legal departments have found a proven way to offer support to lawyers while keeping overhead personnel costs under control. The conclusion is far from being rocket science: support functions are not expected to increase as much as lawyers, resulting in a lower support ratio.

The results of the Top 50 Swiss companies have a similar dynamic. Only 9 per cent of the general counsels want to increase the number of secretarial or assistant staff. But 12 per cent, one-third more than in the overall group, want to reduce these positions. 79 per cent do not foresee any changes at the present time. We conclude from this that the heavyweights in their sector have already made the necessary adjustments. (Figure 29 bottom)

According to this survey, less than one in ten heads of legal are planning to hire new assistants in 2023/24 (8 per cent). This is within the range of para-legals. Retail and consumer products companies are an exception; here, one in four general counsel wants to employ new secretarial or assistant staff (25 per cent). Nevertheless, the overwhelming majority of general counsels (84 per cent) see no reason for making changes to their assistants and admin staff. 8 per cent of respondents even want to cut down on these positions. (Figure 29 top)

29 Estimate of how the number of resources within the legal department will develop in 2023: assistants/admins
(in per cent, average)

All participating companies



Top 50 Swiss companies



- Decrease
- No change
- Increase

Source: KPMG Law in Germany, 2024

3.9 Development of employment in the legal department: legal operations and legal technology

It comes as no surprise that digitalization is gaining momentum – also and especially in legal departments. Legal technology and legal operations are on the rise. This applies to all business activities and processes that can be digitalized and which enable a legal team to meet corporate legal requirements with a strategic business approach. Meanwhile, 7.7 per cent of employees working in a legal department are involved in legal operations, and 4.8 per cent are full-time legal technology employees. Banks and financial service providers are sending a strong signal here, with an above-average number of people employed in legal operations and legal tech functions (see Section 3.3, Page 38).

Swiss legal departments have recognized and accepted the challenge. 15 per cent want to increase the number of employees in legal operations in 2024. For digitalization there is less growth, with only 11 per cent of legal departments planning to increase hires. Only a tiny fraction (3 and 4 per cent respectively) are considering a reduction in the number of jobs associated with legal operations and legal technology. 82 and 85 per cent of the heads of legal departments do not intend to change their current headcount. (Figure 30 top, Page 49)

We also enquired about emerging new innovation and cross-functional roles in the legal department (see Section 3.4, Page 40). If we look at innovation, it appears as if the approach is falling on fertile ground, if with a slow start: 3 per cent are planning to increase hires. 95 per cent of companies consider their current staffing levels to be sufficient. The implementation of other cross-functional roles seems to be welcomed by more legal departments: almost one in ten (8 per cent) want to hire new employees.

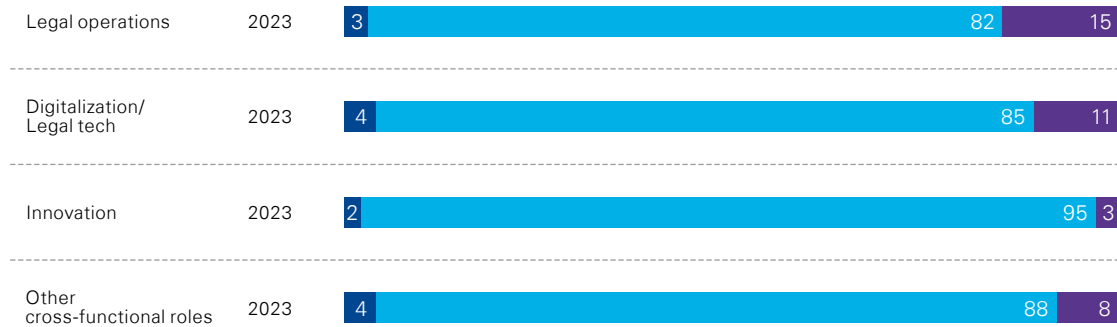
Based on this data and additional observations and analyses, we expect further professionalization in legal operations. For legal departments to realize their highest efficiency potential, it is essential that they focus on digitalized legal processes and legal technology. (Figure 30 top, Page 49)

Looking at the Top 50 Swiss companies, the structural shifts in the competence spectrum of legal departments are confirmed. Almost one in three (30 per cent) of the legal departments surveyed are eager to increase staffing in the areas of legal operations, the respective number for legal technology is 22 per cent. The planned staff reductions in both areas are stated at only 3 per cent each. Three-quarters (75 per cent) of the heads of legal do not want to rush digitalization with further changes in personnel for the time being. Two-thirds (67 per cent) share this intention concerning legal operations (Figure 30 bottom, Page 49).

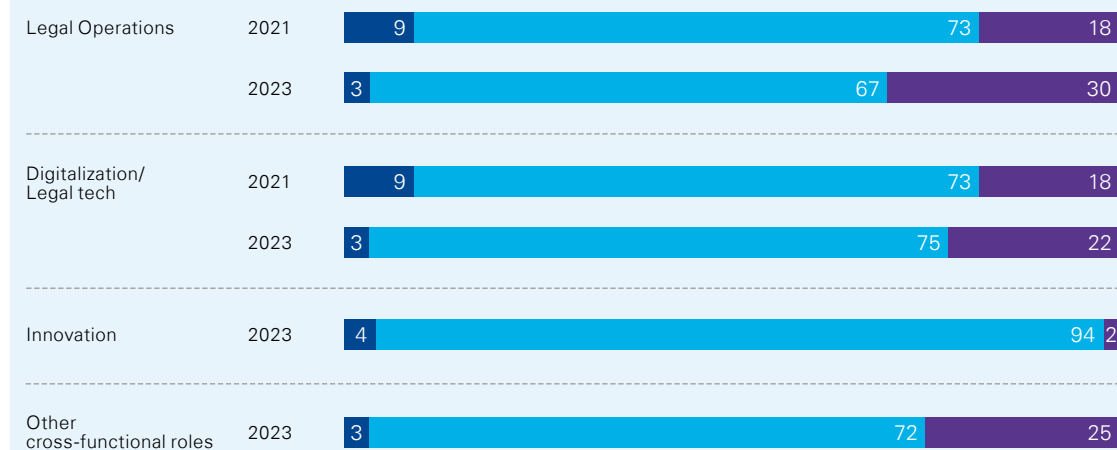
When it comes to introducing new roles, the legal departments of the Top 50 are once again proving to be frontrunners. Although just one in fifty (2 per cent) plan to strengthen recruitment in innovation, one in four are eager to invest in newly created cross-functional roles (25 per cent). We expect to see a slight increase in innovation and other cross-functional roles in the coming years. This displays a cautious readiness of legal departments to branch out and further develop not only their services, but also the progress for their execution. (Figure 30 bottom, Page 49)

30 Estimate of how the number of resources within the legal department will develop in 2023: legal operations and digitalization/legal technology (in per cent)

All participating companies



Top 50 Swiss companies



- Decrease
- No change
- Increase

Source: KPMG Law in Germany, 2024

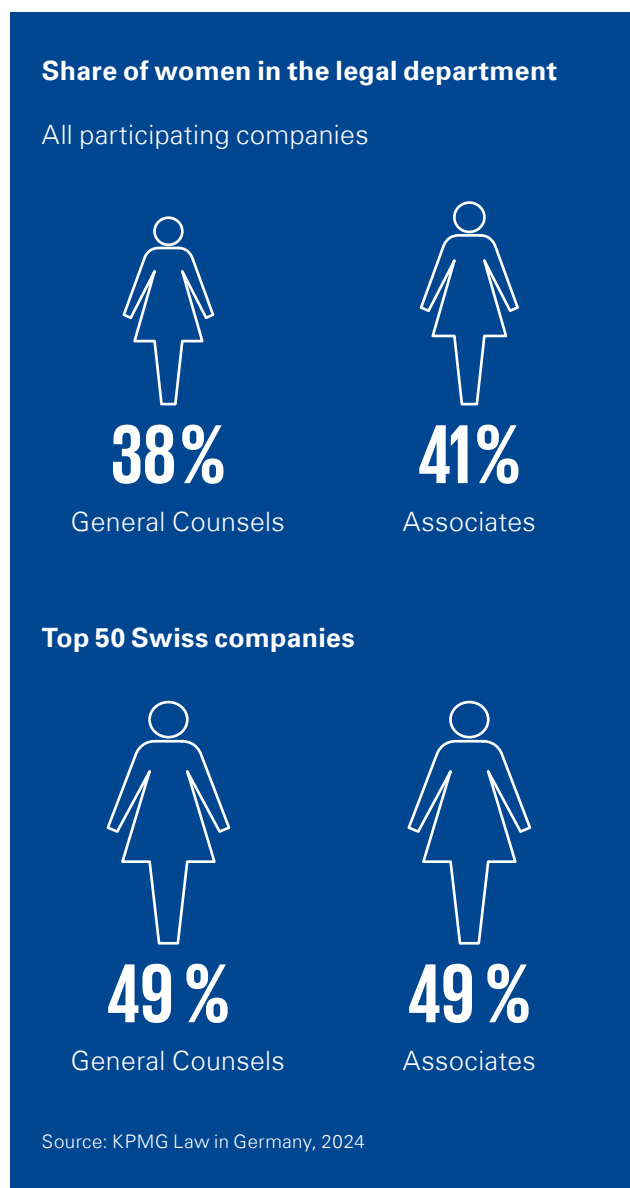
3.10 Proportion of women in the legal department

The fact that approximately half of those employed are women is evidence of equal rights and opportunities among women and men in the working environment. In Switzerland, the proportion of women in management positions in business and administration has been growing since 1996. According to the Federal Statistical Office (Bundesamt für Statistik), they accounted for slightly more than one-third at the end of 2022. Internationally, however, Switzerland is lagging somewhat: the upward trend for women is slow. Many come up against the notorious “glass ceiling”: as the size of a company increases and the hierarchical level rises, the proportion of women in management positions falls behind.

Female lawyers are playing an increasingly important role in the Swiss law firms as well as in the legal departments of companies and other organizations. However, this does not apply to all levels of the hierarchy. While almost half of all junior legal counsels and associates are women, just under one-third of all senior legal counsels are women. At the top of the law firms the proportion of women is only 13.6 per cent (2022). Studies show that a critical number of women is necessary to reach a new status quo in the business community. This is likely to be achieved in the legal field in the near future, as female law students have been in the majority for years. In 2020, three out of five first-year law students were women. There are now more female lawyers than male lawyers in the under-35 age group. Almost half of all lawyers employed by the largest 15 Swiss law firms are women.

To assess whether these developments are making themselves felt in legal departments, we asked about the proportion of women at various working levels. The highly impressive result: the proportion of female general counsels in the legal departments of Swiss companies is currently at 38 per cent. In the Top 50 Swiss companies, it has almost reached parity at 49 per cent.

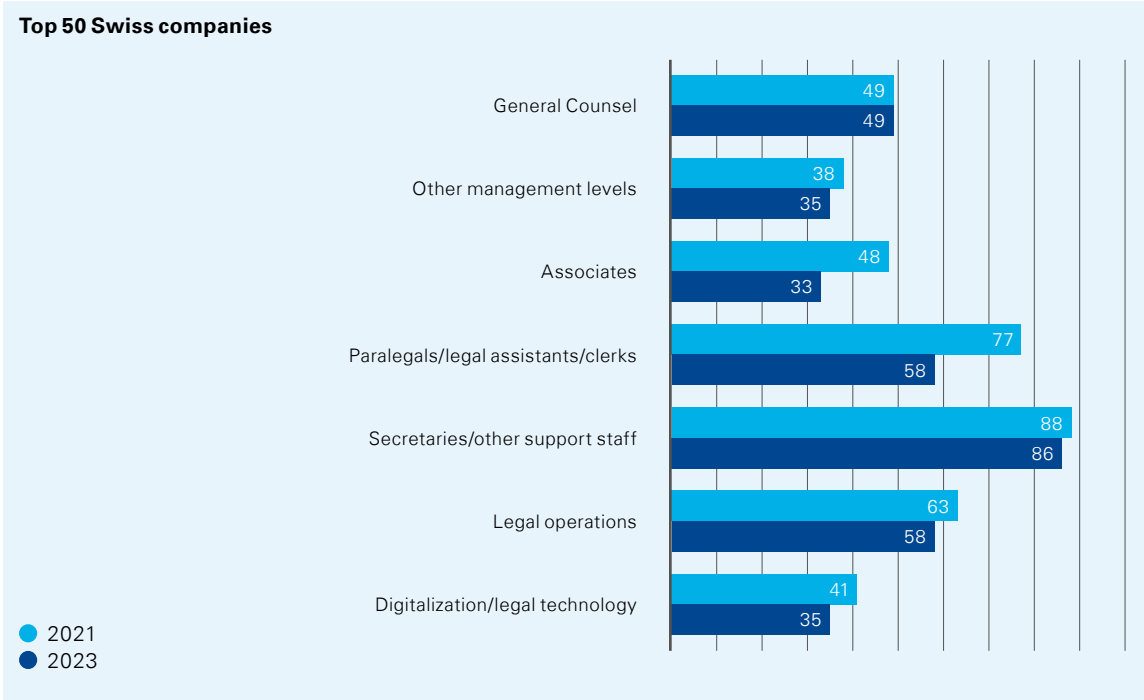
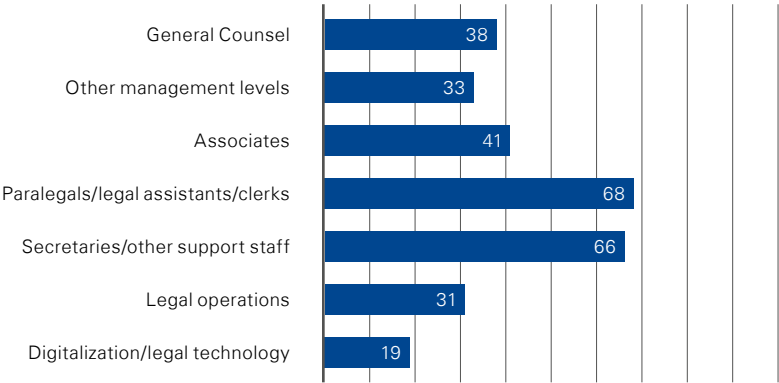
There has also been visible progress at other legal department management levels of the largest Swiss companies. At 35 per cent, the proportion of women is slightly higher than in the legal departments of all participating companies (33 per cent). Among in-house counsels, women are represented by almost half, at 49 per cent in the Top 50 and 41 per cent in all legal departments. Women are particularly strongly represented among paralegals (68 for all



legal departments and 58 per cent for the Top 50) and among secretaries and assistants (86 and 66 per cent respectively). The proportion of women in legal operations is gratifyingly high (58 per cent in the Top 50, 31 per cent in all legal departments), and legal tech at 35 per cent in the Top 50, respectively 19 per cent in all legal departments. (Figure 31, Page 51)

31 **Share of women in the legal department**
(in per cent, multiple answers possible)

All participating companies



Source: KPMG Law in Germany, 2024

4 Activities of the legal department

4.1	Insourcing and outsourcing ratio according to fields of law	54
4.2	Make-or-buy ratio	56
4.3	Outsourcing ratio according to legal department size	58
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4.1 Insourcing and outsourcing ratio according to fields of law

A legal department that handles all legal issues itself is the absolute exception. In view of the diversity of legal issues, it is uneconomical, especially for smaller departments, to maintain the full range of competences demanded by the specialized departments themselves. As a rule, sufficient in-house lawyers are employed to be able to perform the majority of the frequently occurring work internally. The less frequently a specific expertise is needed, the more likely it is that external law firms will be called in for such tasks.

To provide an idea of which areas of work are increasingly outsourced by the respondents and which tend to be handled internally, this survey examined the insourcing rates and the inversely proportional outsourcing rates of the legal fields over the past business year.

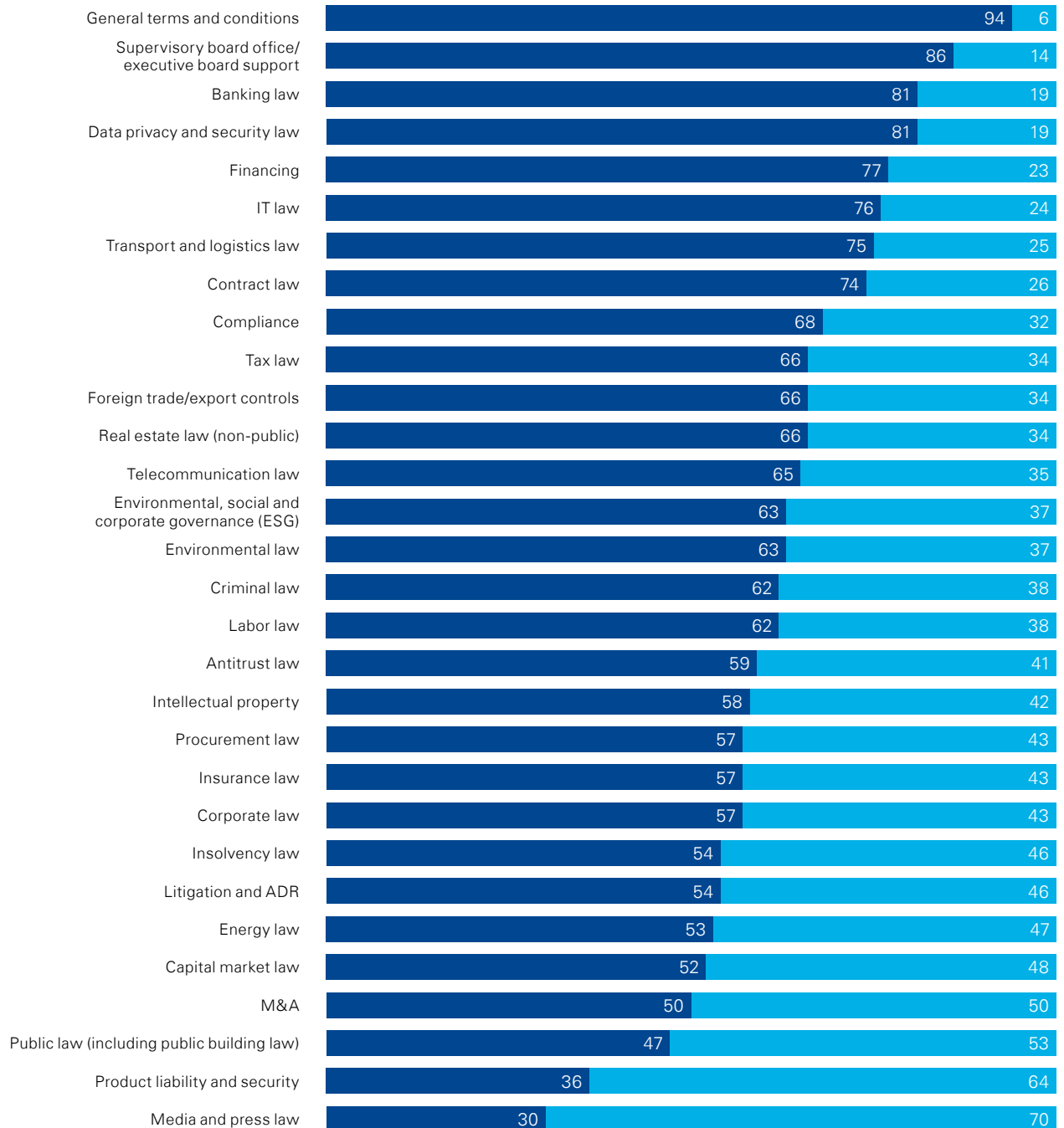
The highest insourcing rates are still achieved in corporate legal day-to-day business. Almost completely covered by the legal department's in-house staff are general terms and conditions (94 per cent), supervisory board office/executive board support (86 per cent), banking law (81 per cent), data privacy and security law (81 per cent), financing (77 per cent) and IT law (76 per cent). Transport and logistics law (75 per cent), contract law (74 per cent) and compliance (68 per cent) also achieve high scores.

The highest outsourcing rate among all areas of law is recorded in media and press law (70 per cent). In second place is product liability and security (64 per cent). The outsourcing rate for public law (53 per cent) is also above the 50 per cent mark. Mergers and acquisitions are handled in equal parts internally and externally. All other areas of law are predominantly handled in-house, albeit to varying degrees.

The extensive use of external lawyers can have many reasons. For one, the legal framework is constantly changing, which causes deficits and demands new expertise. The increase in foreign trade restrictions is likely to lead to a greater need for external advice, especially in globally active groups. In addition, the workload of the legal department is subject to seasonal fluctuations, for example in preparation for the general meeting and the annual financial statements. Legal requirements for procedural support and representation in court as well as the typical peculiarities of criminal law issues further limit the use of in-house lawyers. Finally, in-house lawyers are at a disadvantage in court proceedings on their own behalf, due to a lack of authority to postulate. (Figure 32, Page 55)

32 Insourcing and outsourcing per field of law (in per cent)

All participating companies



● Insourcing
● Outsourcing

Source: KPMG Law in Germany, 2024

4.2 Make-or-buy ratio

The distribution of lawyers assigned to each area of law in a company is an important indicator of the expected demand for the importance of the respective field of law for the company. If it is placed in relation to the type of service provision – i.e. in-house or outsourced – a two-dimensional field emerges. In it, there are three areas that stand out: The “make-or-buy corridor” runs diagonally through the middle, in which the importance of the legal area and the insourcing rate are in balance.

The legal area contract law, which is located at the upper right triangle of the matrix, is potentially of high importance for companies. The insourcing rate is high; here, mandates are generally rarely outsourced. If things are handled differently in a legal department, then this is a good starting point for improvement. Significant external fees can be saved by increasing the number of in-house lawyers, thus raising the insourcing rate (“make” instead of “buy”).

In the lower left third are numerous areas of law with a generally low volume of legal cases – such as media and press law, product liability and security, public law, insolvency law and energy law. Since legal expertise in these fields is usually only selectively needed, it is hardly worthwhile to employ lawyers specialized in these areas. Legal departments that are heavily staffed in this area should examine whether they can reduce their fixed costs by outsourcing.

An exception in this segment is the area litigation/alternative dispute resolution (ADR), because although litigation is of great importance to the company in individual cases, it is still provided almost exclusively by law firms.

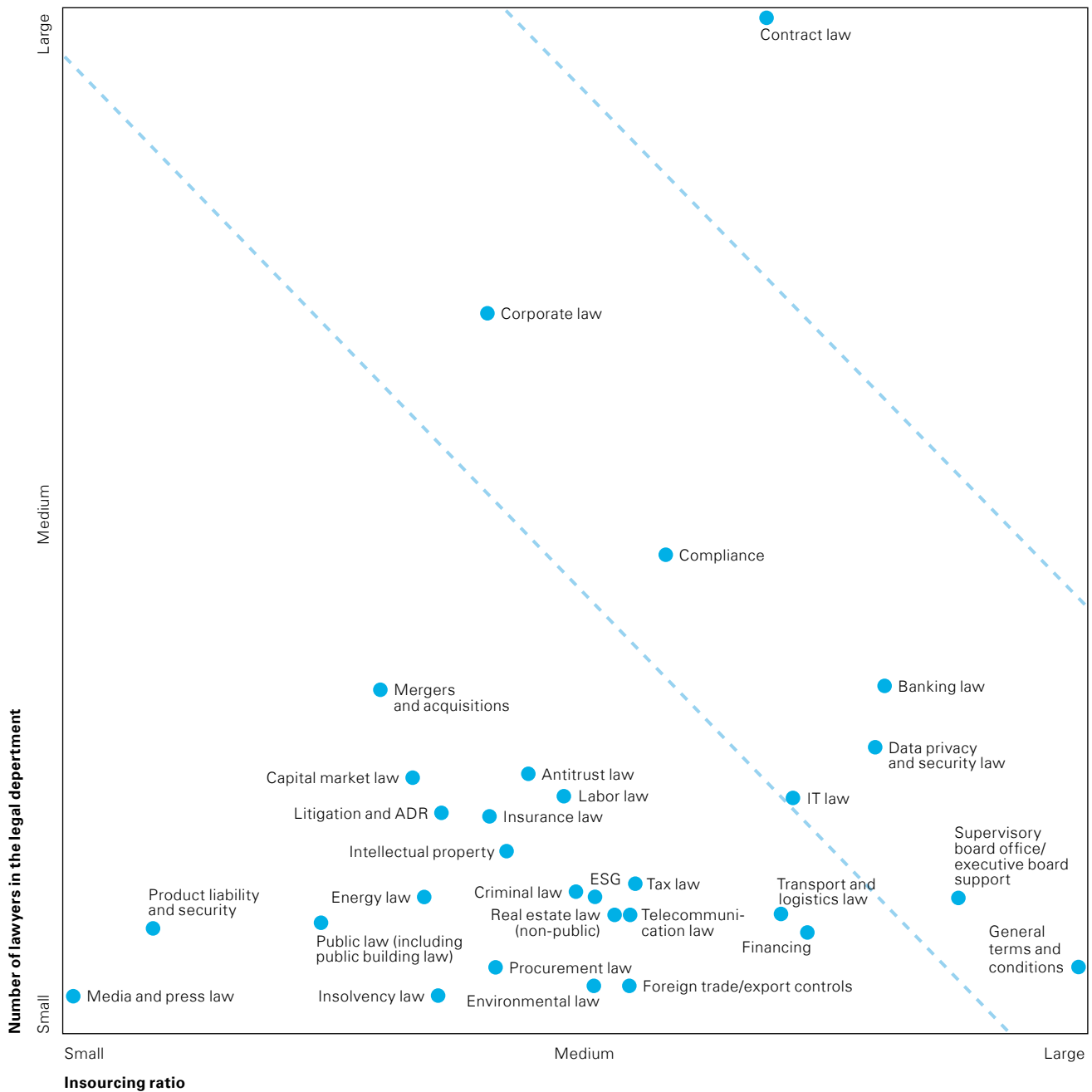
The most interesting areas of law from a company’s point of view are in the middle range – in the chart in the corridor running diagonally from top left to bottom right. In the case of corporate law, compliance, IT law, banking law and some other areas, it is worth checking whether a shift to the upper right (increase in the insourcing ratio) or to the lower left (increase in the outsourcing ratio) can be reconciled with the available staffing, with a view to the future importance of the field of law. (Figure 33, Page 57)

33

Make-or-buy in relation to the importance of the field of law

The “make-or-buy corridor” runs through the middle, where importance and insourcing ratio are balanced.

All participating companies



Source: KPMG Law in Germany, 2024

4.3 Outsourcing ratio according to legal department size

The staffing level of a legal department is contingent upon two factors: On the one hand, it depends on the demand from internal clients, i.e. the various corporate divisions and departments. Secondly, the depth of demand stems from the core competence of the company. As soon as one of these two factors increases, more legal staff is needed – or the outsourcing quota increases.

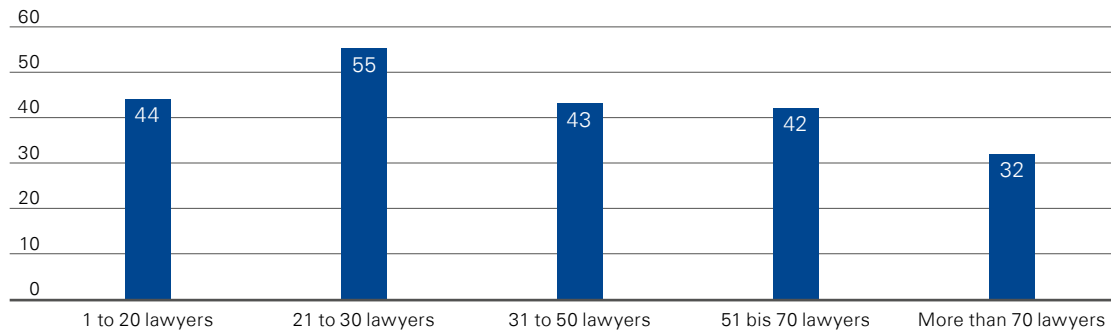
It is therefore natural to assume that small legal departments have a higher outsourcing rate than larger ones. A handful of in-house lawyers is hardly in a position to offer the necessary professional depth in all areas of law. Conversely, large legal departments in particular face the challenge of providing legal advice to management on strategic decisions. Therefore, the need for external support may also increase in large legal departments. This, in turn, leads to an increasing number of corporate lawyers who must deal with mandating and managing external law firms.

Compared to the previous biennial report, the outsourcing rate has increased significantly in smaller and medium-sized legal departments. For departments with up to 20 lawyers, it is 44 per cent and for those with 21 to 30 FTE, even 55 per cent. We assume that this increase can be attributed to a higher need for outsourcing in areas of law that smaller and medium-sized legal departments must deal with on a more than average frequency. By using legal tech, alternative legal services providers can make outsourcing tasks cheaper than having them handled by in-house lawyers.

The opposite development can be seen in larger legal departments. Those with more than 30 lawyers have an outsourcing rate of 43 per cent, those with more than 50 FTE have 42 per cent and legal departments with more than 70 FTE only 32 per cent. Here, we also assume that the increased use of legal tech plays a role. The larger the company and its legal department, the more worthwhile it is to use legal technology to free up in-house lawyers for important tasks and therefore be able to dispense with external law firms. (Figure 34, Page 59)

34 Outsourcing ratio depending on the size of the legal department

All participating companies



Source: KPMG Law in Germany, 2024

4.4 The use of key performance indicators

Companies are large and complex organizations. For management, the ability to manage them professionally and assess the associated risks depends on the timely collection and evaluation of important key figures, so-called key performance indicators (KPIs). The same applies when assessing the performance of a legal department and identifying potential for improvement: here, too, data must first be collected, then measured and put into perspective. This applies to both the legal services provided internally and those purchased externally. Various KPIs such as cost and process efficiency, risk mitigation, client satisfaction and the evaluation of external law firms serve this purpose.

At 53 per cent, slightly more than half of all respondents use KPIs to record and measure the internal and external provision of legal services. This proportion is 64 per cent for the Top 50 Swiss companies. (Figure 35, Page 61) This higher value may not be surprising given the observation outlined in Section 2.3, Page 24, that larger companies are considered “early adopters” and smaller companies will tend to follow. It turns out that larger companies are adopting an increasing number of KPIs for transparency and control objectives. Following this logic, it makes sense that in the coming years a growing number of smaller companies will also adopt this practice and start introducing KPIs in their legal department.

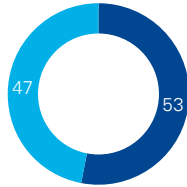
If KPIs are used, this does not automatically mean that they are also reported to the executive or supervisory boards. In 64 per cent of the companies that use KPIs, the executive management board receives the figures. Conversely, this still means that 36 per cent of supervisory board offices or business managers are not informed about the performance of their legal departments as documented by KPIs. There is still much potential for more transparency here. (Figure 36 top, Page 61)

Of the companies that use KPIs, the satisfaction of internal clients is measured by 66 per cent, followed by cost efficiency with 63 per cent. These two are by far the most important indicators. 37 per cent evaluate employee satisfaction, 36 per cent check the cost efficiency of their legal department, 35 per cent risk mitigation and 30 per cent also record performance/productivity of their in-house lawyers. All six KPIs have considerably gained in importance compared to the Swiss Legal Benchmarking Report 2021/22, increasing by between 7 and 36 percentage points. About one-fourth each evaluates the legal services provided by external law firms (26 per cent) and case management (25 per cent). The degree of legal tech implementation is determined by 21 per cent. (Figure 37 top, Page 62)

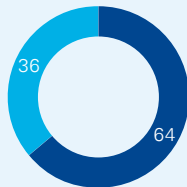
In the separately evaluated group of the Top 50 Swiss companies, reporting is a more common occurrence. The majority of the companies that use KPIs, at 67 per cent (Figure 36 bottom, Page 61), also forward the corresponding figures to the executive management board. Evaluation of external legal service providers is the most important factor at 61 per cent, closely followed by client satisfaction (58 per cent), cost efficiency (57 per cent) and process efficiency (56 per cent). More than two out of five companies also check the degree of legal tech implementation (43 per cent) and employee satisfaction (42 per cent). (Figure 37 bottom, Page 62)

35 Use of KPIs (in per cent)

All participating companies



Top 50 Swiss companies

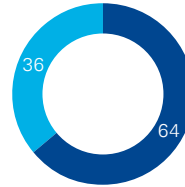


● Yes
● No

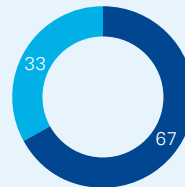
Source: KPMG Law in Germany, 2024

36 Communication to the management board (in per cent)

All participating companies



Top 50 Swiss companies



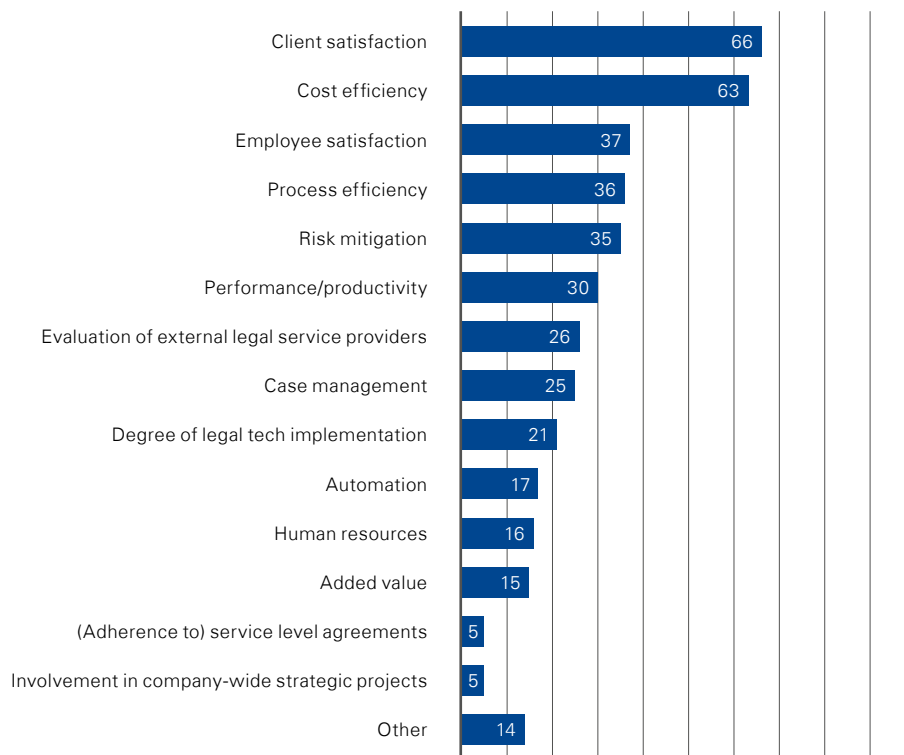
● Yes
● No

Source: KPMG Law in Germany, 2024

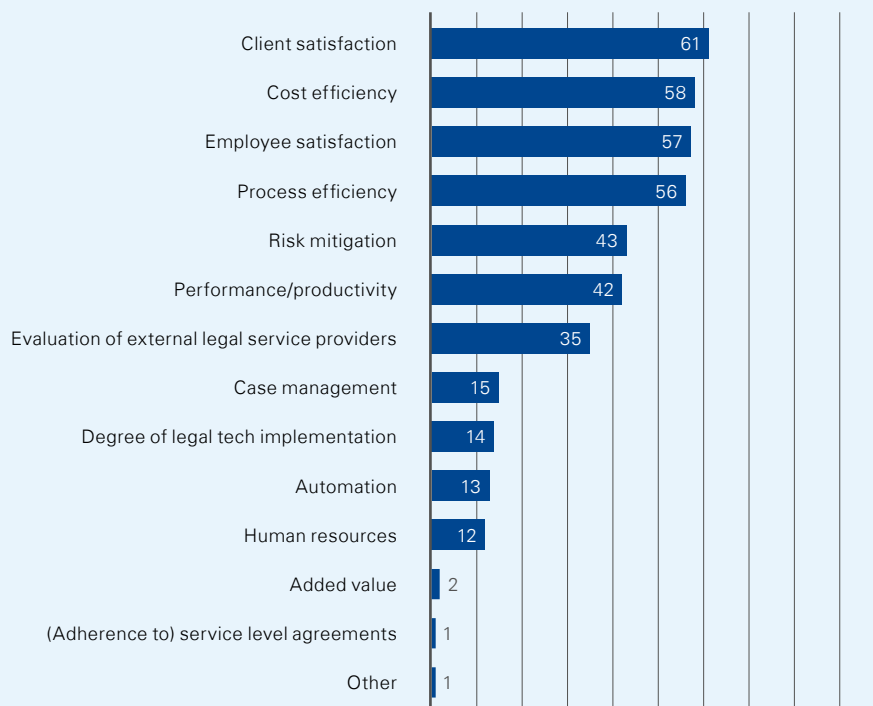
37 Types of KPIs in use

(in per cent, multiple answers possible)

All participating companies



Top 50 Swiss companies



Source: KPMG Law in Germany, 2024

4.5 Risk management

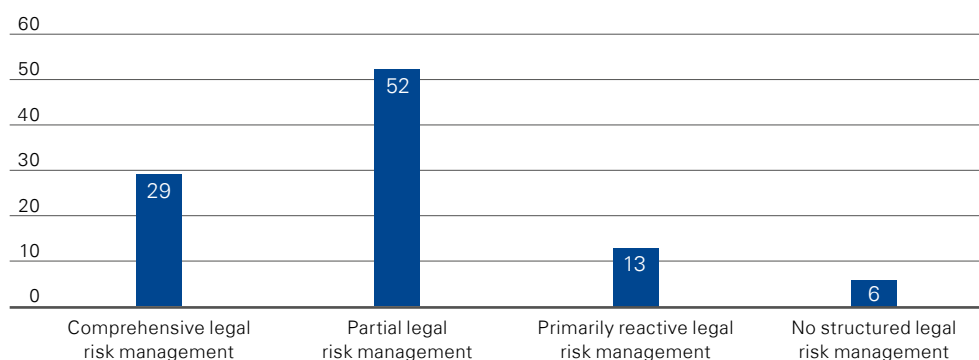
Legal risk management is one of the fundamental tasks of a legal department. Risk management means the prevention of potential legal risks as well as the assessment and reactive control of risk situations that have already occurred.

29 per cent of the companies surveyed state that the legal department is comprehensively entrusted with legal risk management. Slightly more than half of them (52 per cent) only provide partial legal risk management. 13 per cent of the legal departments only become active when corresponding difficulties are foreseeable or have already occurred. As many as 6 per cent state that they do not have a structured legal risk management system. (Figure 38)

In the sector analysis, it is noticeable that retail companies (67 per cent) mainly apply a wait-and-see attitude towards legal risks. Every third energy and real estate company have not implemented structured legal risk management.

38 Risk management: functional tasks owned by the legal department (in per cent)

All participating companies



Source: KPMG Law in Germany, 2024

4.6 Documentation of processes

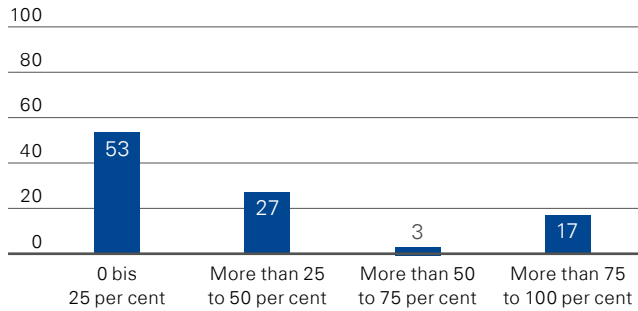
Process documentation is an important tool for performing work more efficiently – especially if processes are to be digitalized. After all, accurate process documentation makes it possible to make targeted changes to a process, detect errors and shortcomings and find better ways of carrying out tasks.

Legal departments are increasingly recognizing the value of process documentation. However, they still have a long way to go to achieve complete documentation. More than half of all legal departments (53 per cent) document no more than one-quarter of all processes. In more than one in four departments (27 per cent), this applies to one-quarter to one-half of all processes. 3 per cent of legal departments document up to three-quarters and 17 per cent even almost all their processes. (Figure 39, Page 65)

Slightly less than one-third (31 per cent) of all processes are documented and more than two thirds remain undocumented. (Figure 40, Page 65) Where processes are already documented, they are regularly reviewed and adjusted in 61 per cent of cases. In nearly one-third of legal departments (32 per cent) revisions are made depending on the situation, while 7 per cent do not review their documented processes. (Figure 41, Page 65)

39 Percentage of documented legal processes (in per cent)

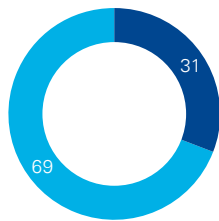
All participating companies



Source: KPMG Law in Germany, 2024

40 Process documentation in the legal department (in per cent)

All participating companies

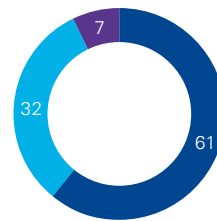


- Yes
- No

Source: KPMG Law in Germany, 2024

41 Frequency of process documentation review/revision (in per cent)

All participating companies



- On a regular basis (e.g. biannually, annually)
- Situation-based review
- Not at all

Source: KPMG Law in Germany, 2024

Excursus: Litigation in the legal department

The tasks of the legal department also include litigation before state courts or arbitration tribunals. This includes assisting internal clients with enforcement proceedings in Switzerland and abroad if enforcement proceedings follow a judgement that has been made. Although forensic work requires specialized knowledge, it is rarely needed. With the objective of economic efficiency in mind, general counsel will not maintain many lawyers for a field of work that is rarely demanded by their clients. For this reason, litigation, like alternative dispute resolution (ADR), is one of the areas of law that legal departments prefer to outsource to experts in the respective field. (See Section 4.1, Page 54)

Our report reveals a trend towards insourcing. This is because slightly more than one third of legal departments (35 per cent) already have personnel resources for the litigation function, most frequently in banking (93 per cent), healthcare (89 per cent) and insurance (53 per cent). In almost one out of three (29 per cent), teams specializing in specific regions are entrusted with this function, and to a slightly higher part (30 per cent), the practice groups organized by legal areas also handle the litigation for their cases. 32 per cent of legal departments have dedicated in-house litigation teams to which all cases are assigned. In a few companies (3 per cent), the work is shared between the legal experts and the litigation experts. (Figure 42 top, Page 67)

The proportion of legal departments with their own litigation function is slightly lower in the group of the Top 50 Swiss companies (33 per cent). Litigation is significantly less frequently the responsibility of regional specialists (14 per cent), with 36 per cent of cases remaining with the practice group in the relevant legal field and 9 per cent being handled by arrangement. In the Top 50, even 38 per cent of legal departments have dedicated in-house litigation teams. (Figure 42 bottom, Page 67)

Legal FTE working in litigation

All participating companies

2.9



Source: KPMG Law in Germany, 2024

Legal FTE working in litigation

Top 50 Swiss companies

3.7

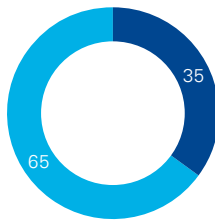


Source: KPMG Law in Germany, 2024

42 Litigation in the legal department

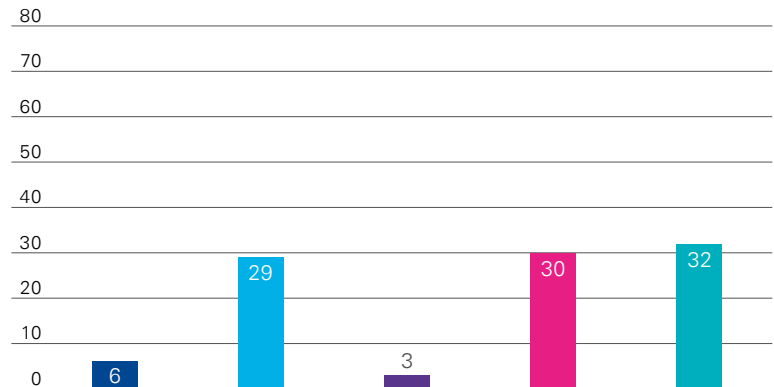
Legal department with a litigation function (in per cent)

All participating companies

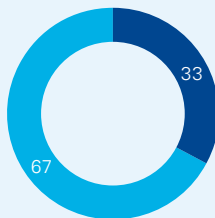


Handling of litigation in the legal department (in per cent, multiple answers possible)

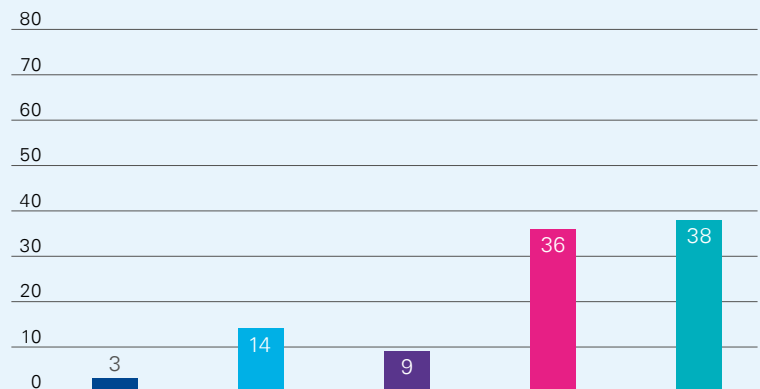
All participating companies with a litigation function



Top 50 Swiss companies



Top 50 Swiss companies with a litigation function



- Yes
- No

- One litigation team handles all cases and involves practice groups as necessary
- Each practice group for a particular legal area handles litigation cases in its area of expertise
- Litigation resources handle most matters, but some practice groups handle their own dispute/litigation matters
- Region-specific teams handle litigation matters specific to their region
- Other

Source: KPMG Law in Germany, 2024

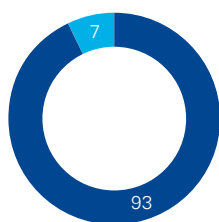
The resources involved in litigation in the legal departments are divided into 93 per cent lawyers (Top 50: 95 per cent) and 7 per cent (Top 50: 5 per cent) paralegals/assistants. (Figure 43) On average, litigation is handled by 2.9 lawyers in the general group and 3.7 in the Top 50. Around two-thirds of the cases are processed in the central legal department (Top 50: 75 per cent).

The majority of the general counsels we surveyed attach increasing importance to litigation. One in three (33 per cent) assume that the number of lawyers working in this area will increase. Paralegals are expected to grow by 15 per cent and secretaries and assistants by 9 per cent. Respondents from the Top 50 companies take a different view. Here, only 21 per cent expect an increase in the number of specialized lawyers who can also manage their tasks with the existing support staff. Just 1 per cent expects an increase in the number of paralegals. (Figure 45, Page 69)

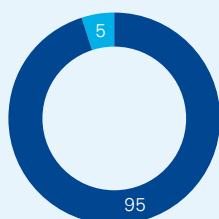
We see only minor differences between the Top 50 and the general group. While litigation teams are managed decentrally by almost half of the Top 50 companies (48 per cent), decentral management is practiced by 45 per cent of all companies. (Figure 46, Page 69).

43 Litigation resources (in per cent)

All participating companies



Top 50 Swiss companies

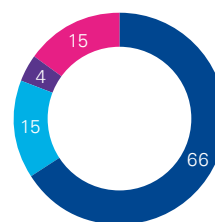


- Lawyers
- Paralegals/assistants

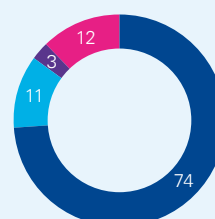
Source: KPMG Law in Germany, 2024

44 Distribution of lawyer FTE according to region (in per cent)

All participating companies



Top 50 Swiss companies



- Switzerland
- Europe, Middle East and Africa (EMEA)
- Asia Pacific (APAC)
- Americas

Source: KPMG Law in Germany, 2024

45 Expected development of litigation resources (in per cent)

All participating companies



Top 50 Swiss companies

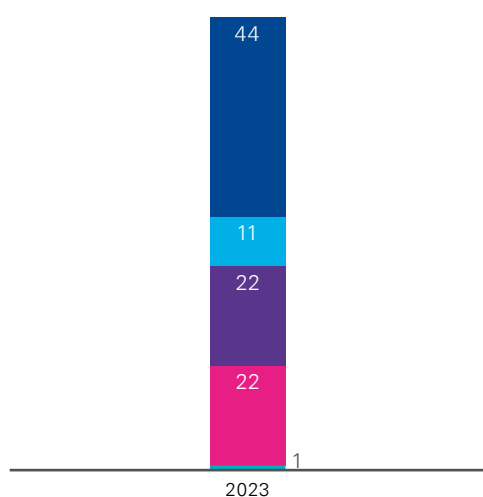


● Decrease ● No change ● Increase

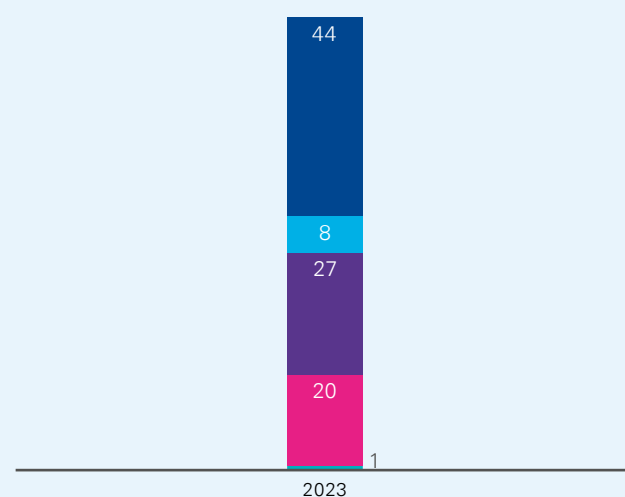
Source: KPMG Law in Germany, 2024

46 Degree of centralization and governance of the litigation function (in per cent)

All participating companies



Top 50 Swiss companies



- Central litigation unit only (without decentral litigation FTE)
- Central and decentral litigation units without any coordination
- Mixed form: decentralized litigation units with "functional" management as well as decentralized units with legal disciplinary management
- Solid line: decentralized litigation units under "legal disciplinary" management of the central litigation unit
- Other

Source: KPMG Law in Germany, 2024

5 Automation and digitalization

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5.1 Digital strategy in the legal department

Automation and digitalization only promise success if they are based on a dedicated strategy. Most legal departments are still on the way to achieving this. Only 4 per cent of the respondents state that they have already fully implemented a digital strategy. Another 23 per cent have already implemented such a strategy at least in part. But at 55 per cent, more than half of the heads of legal departments indicated that they do not have a dedicated digital strategy, but have only implemented or at least designed individual technical solutions. 17 per cent of the respondents have neither a strategy in planning nor have they deployed any legal tech solutions. (Figure 47, Page 73)

Most Swiss participants surveyed do not have a dedicated digitalization strategy for their legal department, and this seems to be the case across industries. One in four companies in the retail sector, more than one in three companies in the energy sector (37 per cent) and almost all companies in the real estate sector (96 per cent) state that they do not pursue a strategy for legal tech. However, this does not mean that legal tech solutions are not used in most sectors.

Only 4 per cent of respondents describe the level of digitalization of their legal department as advanced, meaning that they apply legal tech solutions in every case and process where possible. Two out of three companies (67 per cent) see themselves in the midfield: they apply digital solutions in certain cases. Another 13 per cent plan to use legal tech. At 17 per cent, more than one in six companies assign this topic low priority for their legal department. (Figure 48, Page 73) Although most respondents do not have a dedicated strategy for digitalizing their legal department, many of them see themselves in the midfield because they already use digital solutions in individual cases. Nearly all manufacturers (94 per cent) and banks (93 per cent) also claim this. In contrast, the chemical industry (67 per cent) and pharmaceutical companies (53 per cent) still have some catching up to do.

When asked about the desired implementation horizon for their legal department's digital strategy, 4 per cent said they would need less than one year. Slightly more than a half (52 per cent) said they need another one to three years, 12 per cent even longer. Every third company (32 per cent) has not yet decided on this. (Figure 49, Page 73)

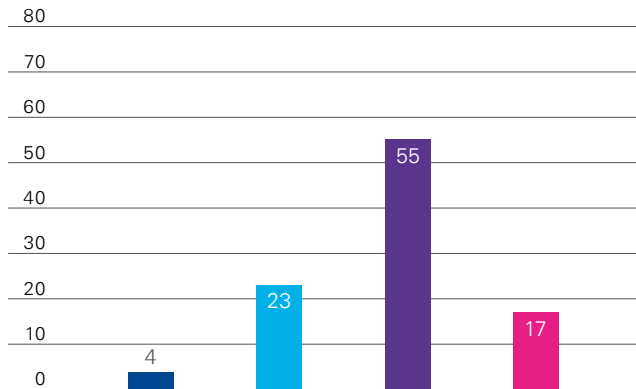
The budgets available for advancing legal tech solutions have increased in the past three years in more than half of the companies surveyed. 10 per cent of the legal departments expanded their budget by up to 20 per cent, for 45 per cent it was even more. For about one-third (30 per cent), spending has remained constant. Only 15 per cent reduced their budgets for legal tech, one-third of them by more than 20 per cent. (Figure 50, Page 73).

The industry analysis shows that all energy companies expect legal tech budgets to increase. In this sector as well as in manufacturing industries, every second company expects a rise of more than 20 per cent. In the healthcare and technology and telecommunications industries, this even applies to more than half of the respondents.

It is also interesting to note that none of the companies with a turnover of more than CHF 5 billion expect their legal tech budget to decrease. This shows to the continuing dynamics in this area and the desire of companies to keep pace with the latest developments or to benefit from them as pioneers.

47 Implementation of a dedicated legal tech/digitalization strategy in the legal department (in per cent)

All participating companies

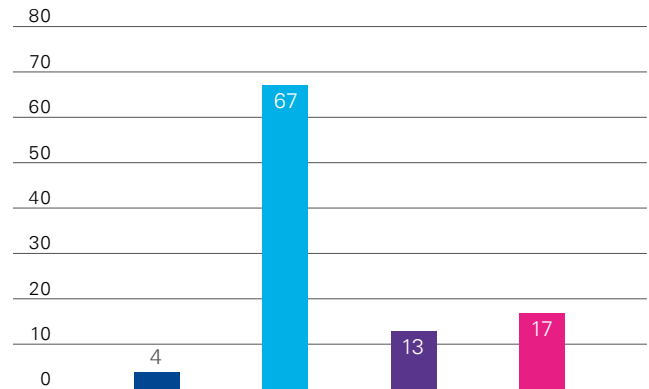


- Yes, digital strategy is implemented fully
- Yes, digital strategy is implemented partially
- No dedicated digital strategy, but single legal tech solutions are implemented or planned
- No strategy, no legal tech implementation

Source: KPMG Law in Germany, 2024

48 State of digitalization in the legal department (in per cent)

All participating companies

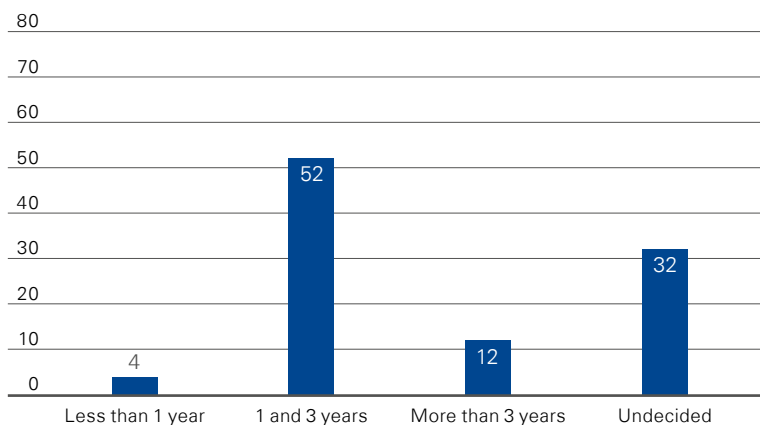


- Advanced – use of legal technology in any case/process possible
- Intermediate – use of legal technology in singular cases/processes
- Planned
- Currently low priority

Source: KPMG Law in Germany, 2024

49 Target horizon for implementing a digital strategy for legal (in per cent)

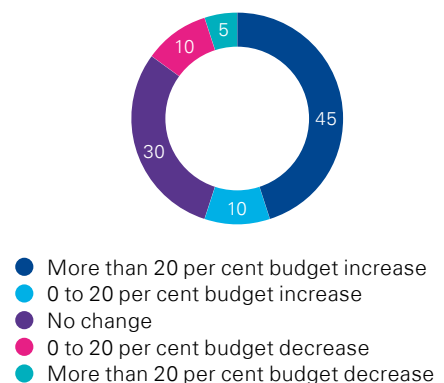
All participating companies



Source: KPMG Law in Germany, 2024

50 Evolution of the legal tech budget in the past three years (in per cent)

All participating companies



Source: KPMG Law in Germany, 2024

5.2 Use of IT solutions

Heads of legal departments are increasingly confronted with the problem of having to manage a growing workload with the same or even a smaller budget. In addition to process and organizational improvements, information technology tools and solutions are coming into play at a progressive rate.

Although reputation, a company's level of digitalization and other aspects are likely to play a role in the implementation of IT solutions, their use is normally based on a cost-benefit consideration. The financial aspect can usually be clarified very quickly, whereby the implementation and update costs should not be underestimated. The benefits, on the other hand, are more difficult to assess. Here, those responsible must decide which systems will help them in the relevant situation, both to improve the efficiency of advisory services for internal clients and to comply with the requirement to provide economically viable services.

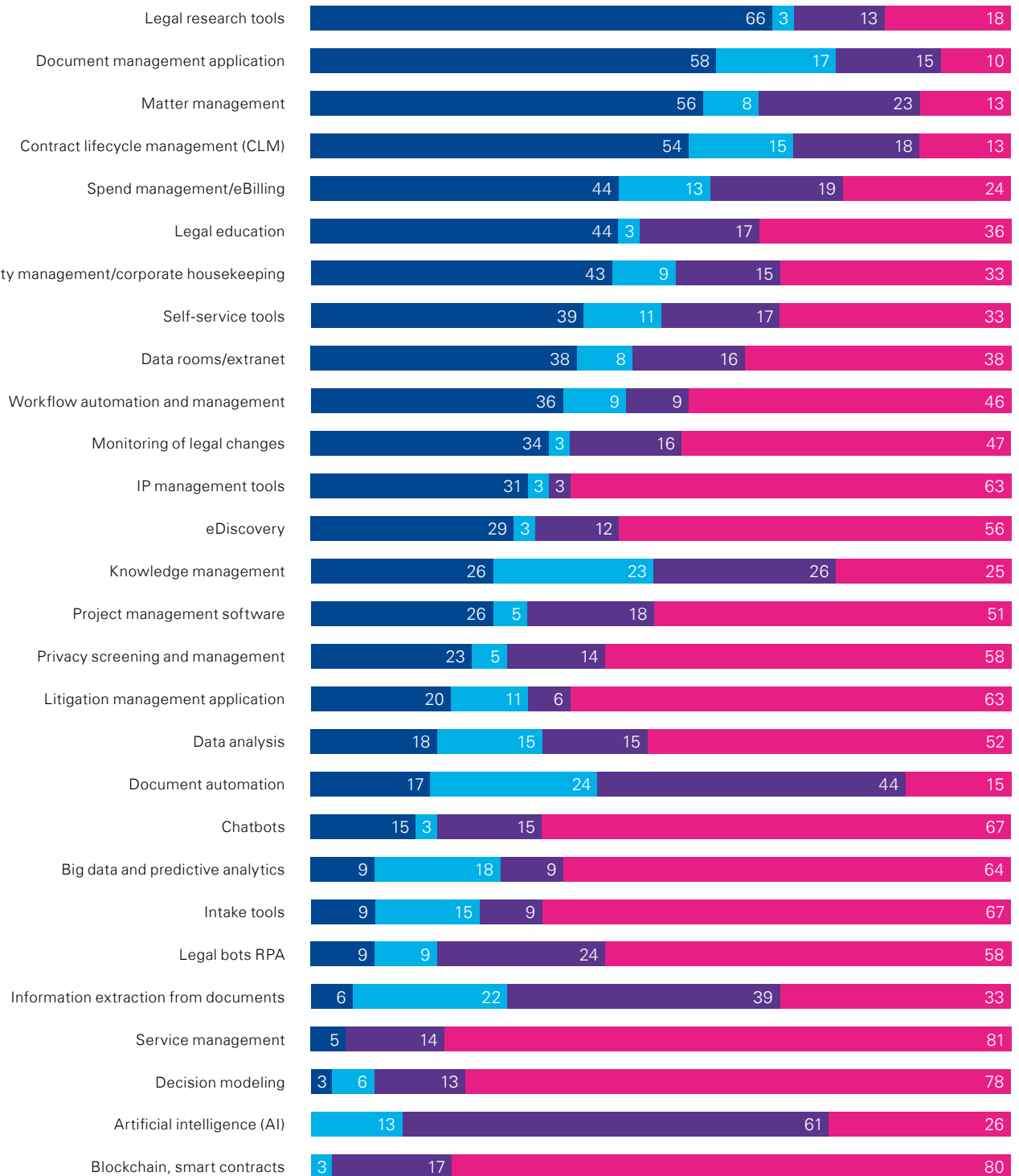
Legal research tools (66 per cent) are already in use in many legal departments. Nearly half of all legal departments or more also make use of technical solutions for document management applications (58 per cent), contract lifecycle management (54 per cent) and matter management (56 per cent).

To extract information from documents, 6 per cent of legal departments use digital solutions. In addition, 22 per cent are planning to utilize them and more than one-third (39 per cent) are considering them. 15 per cent work with text-based dialogue systems, 3 per cent are preparing to implement chatbots, and 15 per cent are considering their use.

Legal departments are also following the topic of artificial intelligence with great interest. Although none are working with AI yet, 13 per cent are planning to introduce it and 61 per cent are considering it. Only document automation (68 per cent) and information extraction (61 per cent) receive as much attention in legal departments if the responses to "introduction planned" and "introduction considered" are added. However, IT solutions for knowledge management (49 per cent), matter management (39 per cent), contract lifecycle management and legal robotic process automation (33 per cent each), document management applications (32 per cent) and data analysis (30 per cent) are also of increasing interest to legal departments. (Figure 51, Page 75)

51 Use of IT tools in the legal department (in per cent)

All participating companies



- In use
- Introduction planned
- Under consideration
- Not planned

Source: KPMG Law in Germany, 2024

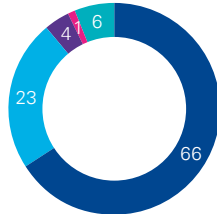
5.3 Integration of contract lifecycle management into the legal department

Contract management is an important task for companies. The increasing digitalization of this task makes it necessary to clearly define processes and responsibilities. Ownership of the contract lifecycle management system lies with the legal department in two thirds of all respondents and with the purchasing department in almost one in four companies (23 per cent). Business is only in charge in 5 per cent of companies and an organization of process department in 4 per cent. It is extremely rare for IT or another department to be responsible for the CLM system (1 per cent in each case). (Figure 52, Page 77)

If a contract lifecycle management system is in place, they are most frequently applied for archiving and reporting (78 per cent), deadline management (76 per cent), contract conclusion including digital signature (52 per cent) and template management (48 per cent). One-third of the CLM users among the respondents also use a clause library or playbooks (33 per cent), nearly one-fifth (19 per cent) rely on automated contract creation. With 10 per cent each, both negotiation and obligation management still have room for improvement when it comes to automated or digitalized solutions. (Figure 53, Page 77)

52 Ownership of the contract lifecycle management system (in per cent)

All participating companies



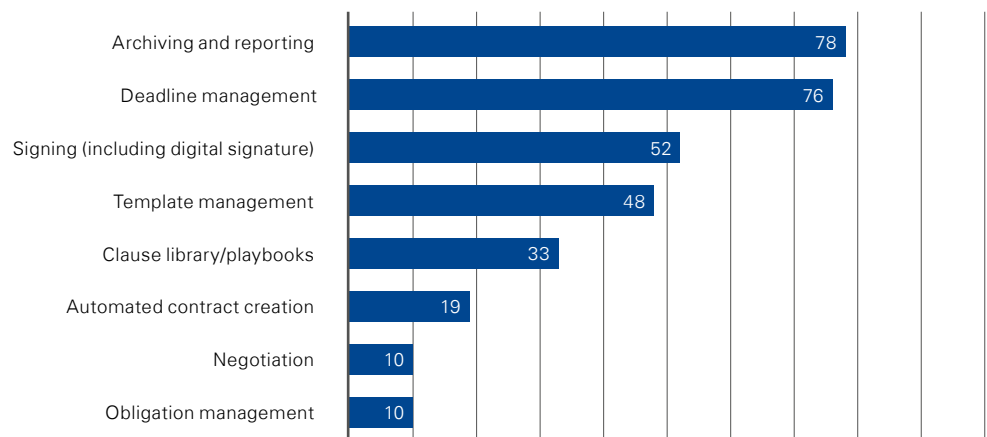
- Legal
- Procurement
- Organization of process department
- IT
- Other*

* Other include: Business; Legal/IT/Procurement combination; individual business unit contract management; undefined overall ownership; Sales

Source: KPMG Law in Germany, 2024

53 If contract lifecycle management system is in place, elements that are included (multiple answers possible)

CLM elements used by companies



Source: KPMG Law in Germany, 2024

5.4 Challenges for the implementation of legal tech tools and services

The use of legal tech solutions can be instrumental in helping legal departments successfully address the challenges and priorities identified in Section 8.1, Page 110. However, a precise demand analysis is required to find out in which applications the available funds should most likely be invested. This is because, at 79 per cent, nearly four out of five respondents cite budget constraints as the biggest challenge when considering and implementing legal tech tools and services. Another obstacle cited by 42 per cent, is the fact that a tech solution can only provide a part of what is needed.

The inability to integrate a legal tech application into the company's different IT systems (40 per cent) is also frequently mentioned. 34 per cent of respondents consider it difficult to keep track of the legal tech market, and for 33 per cent, change management for the transformation from analogue to digital processes presents an obstacle.

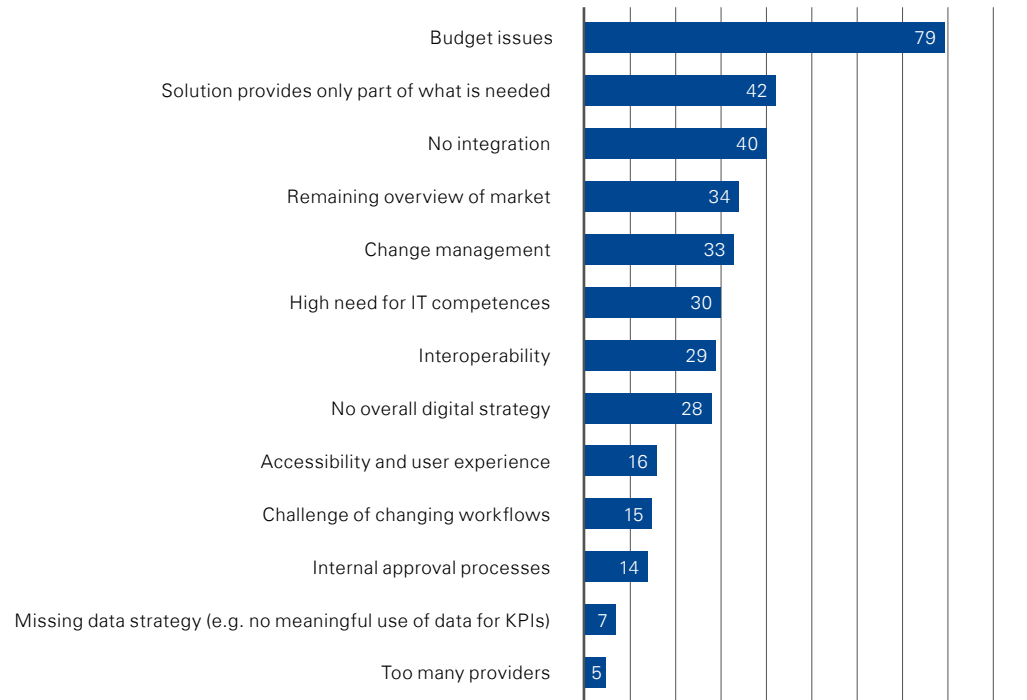
Nearly a third of respondents in each of the following find it difficult to meet the high demand for IT expertise in the company (30 per cent), to overcome interoperability issues (29 per cent) and confirm the lack of a comprehensive digital strategy (28 per cent). One in six see problems due to accessibility and user experience (16 per cent) and changing work processes (15 per cent), while one in seven face difficulties due to internal approval processes (14 per cent). The lack of a consistent data strategy that allows the meaningful use of existing data to derive key performance indicators (7 per cent) and too many providers (5 per cent) are cited as further obstacles for the introduction of legal tech tools. (Figure 54, Page 79)

In a sector comparison, particularly respondents from infrastructure and construction, energy, chemical and healthcare industries as well as manufacturing and banking cite budget problems as the greatest challenge. Integration issues and the fact that a legal tech solution only provides part of what is needed is emphasized most by respondents from the infrastructure and construction sector. The difficulty of keeping track of the legal tech market is a challenge for companies in chemical industries and manufacturing. Healthcare organizations are struggling to provide accessibility and a good user experience and to develop an overall digital strategy. For companies in the chemical industry, interoperability is an additional problem while banks find it difficult to hire enough IT competencies.

54 Biggest challenges within the legal department when considering and implementing legal tech tools and services

(in per cent, multiple answers possible)

All participating companies



Source: KPMG Law in Germany, 2024

5.5 Technological drivers and potentials

The fierce competition among companies also leads to increased cost pressure in legal departments. It is therefore important to optimize the use of available resources in order to utilize them more efficiently. For the majority, namely 65 per cent of those surveyed, this is the most important driver for investments in legal technologies.

Improving the quality of the legal department's work and enabling departments to help themselves with legal tech solutions (42 per cent each) are also considered to be strong drivers for change. This is notable, since these two aspects were frequently cited by in-house lawyers as arguments against technology investments. It was feared that they could become a frequent source of errors, for example in self-application modules for legal issues. We also see the trend towards decentralization, which we can observe as a driver for the implementation of digital tools in contract management. They enable the legal departments to delegate recurring tasks to the business units. This allows them to focus on the core business and complex legal issues.

Two out of five legal departments intend to use digital solutions to reduce costs (41 per cent), increase their value to the core business (39 per cent) and provide their services faster (37 per cent). Reducing risks is the main reason for 33 per cent of participants to allocate more resources to legal tech applications. Providing business units with in-house knowledge is a driver for technology investments for 26 per cent of legal department heads. Every fifth, or 21 per cent, wants to use them to keep track of legal changes, whereas only one out of ten hopes to relieve the workload of their lawyers (12 per cent), participate in the company's digital strategy (11 per cent) and focus on people for retention and recruitment (9 per cent). (Figure 55, Page 81)

55 Strongest drivers for technology investments

(multiple answers possible)

All participating companies

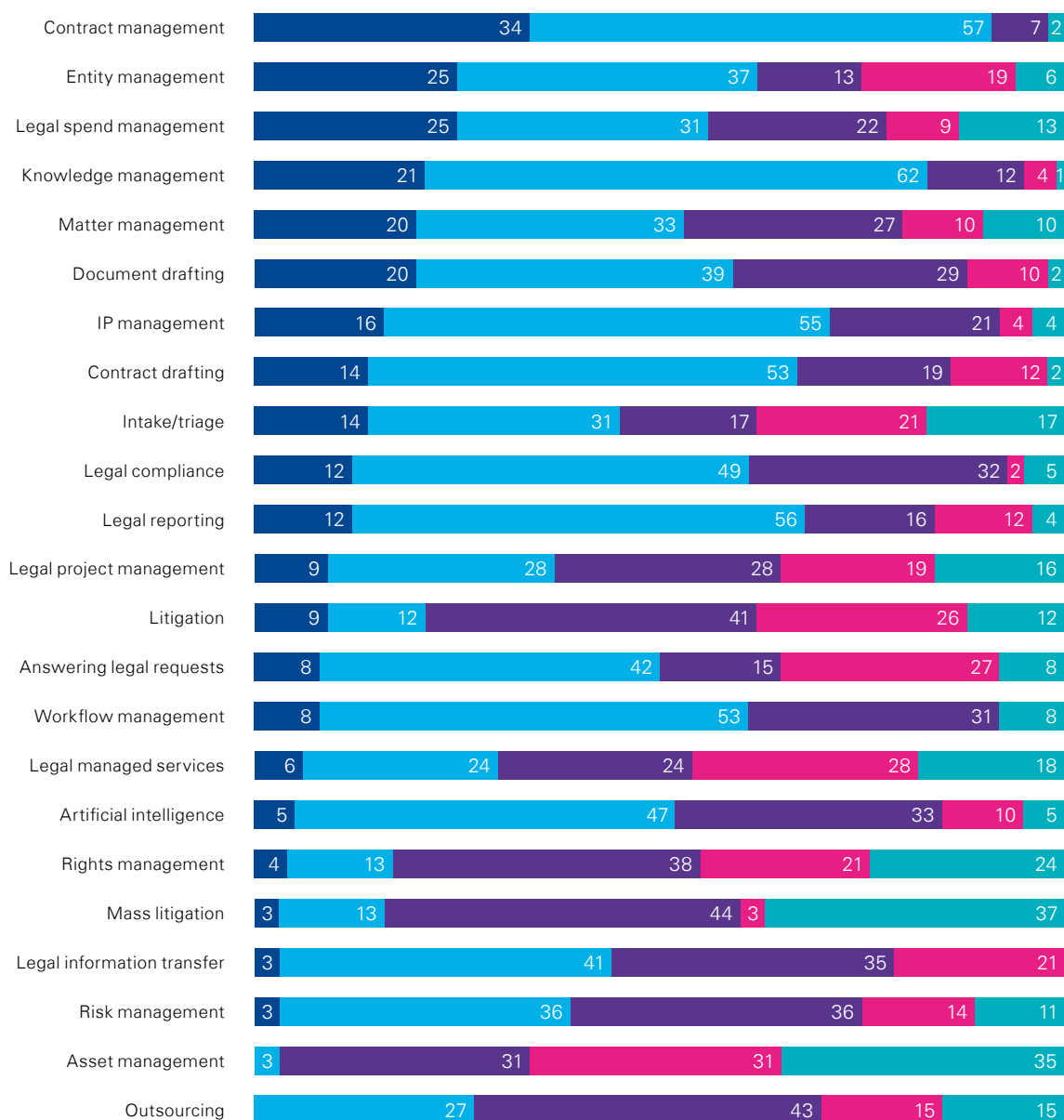


Source: KPMG Law in Germany, 2024

The answers to the question about the potential of using legal tech also reveal insights. Contract management is mentioned most frequently: 90 per cent state that legal tech has very high or high potential to improve this. Knowledge management trails slightly (83 per cent), intellectual property management somewhat less (71 per cent), followed by legal information reporting (68 per cent) and the automated drafting of contracts (66 per cent). Legal departments also see high potential for the management of entities (63 per cent), workflow management (62 per cent) and legal compliance (61 per cent). More than half of all respondents also deem legal tech as an instrument to improve document drafting (59 per cent), legal spend management (56 per cent) and matter management (53 per cent). The latest developments in artificial intelligence have not gone unnoticed in legal departments. 53 per cent of all participating companies see this as an opportunity to manage their work more efficiently in the future. (Figure 56, Page 83) This corresponds with the areas of application in which the majority of legal departments already use IT solutions. (See Section 5.2, Page 74)

56 Tasks and processes within the legal department with the highest potential for the use of legal tech (in per cent)

All participating companies



- Very high potential
- High potential
- Neutral
- Low potential
- No potential

Source: KPMG Law in Germany, 2024

5.6 Cost reduction through automation

Although the use of legal tech solutions is not only based on cost-benefit considerations, they are an important starting point for improving key performance indicators (see Section 4.4, Page 60). While the costs of acquisition, implementation and regular updates can be calculated relatively accurately, the benefits are more difficult to quantify. It is therefore important to select application areas or solutions that are most likely to help the respective legal department.

Of those surveyed, 77 per cent said they had not yet realized any cost benefits from automation. However, 23 per cent confirmed that they had (Figure 57 top, Page 85). Companies in the chemical industry are doing particularly well: half of the legal departments in this industry report cost savings.

Those companies that were able to reduce costs with the help of automation saved an average of 5 per cent of their legal department's budget. The average acceleration of work processes by 10 per cent of respondents also represents a significant efficiency gain.

In the specially analyzed group of the Top 50 Swiss companies, more than one quarter of legal departments (27 per cent) successfully reduce costs with the help of automation. (Figure 57 bottom, Page 85) This is probably due to the fact that the larger companies take a pioneering role in legal tech, since they are most likely able to afford the investments. At an average of 3 per cent, their savings are somewhat lower than for all companies. On the other hand, the average acceleration of work processes is as high as 13 per cent.

Cost reduction through automation

All participating companies

On average,
a cost reduction of

5%



of the entire budget
was possible.

On average, an
efficiency increase of

10%



(faster processes)
was realized.

Top 50 Swiss companies

On average,
a cost reduction of

3%



of the entire budget
was possible.

On average, an
efficiency increase of

13%

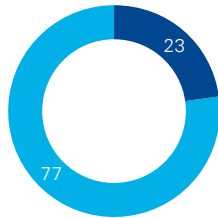


(faster processes)
was realized.

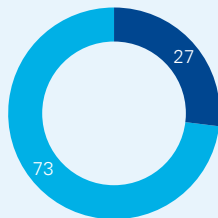
Source: KPMG Law in Germany, 2024

57 Cost reduction through automation (in per cent)

All participating companies



Top 50 Swiss companies



- Yes
- No

Source: KPMG Law in Germany, 2024

5.7 Budget for legal tech

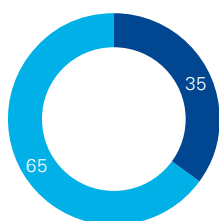
Investments in the necessary hardware and software are a prerequisite for the successful application of legal tech. However, only slightly more than one-third of legal departments (35 per cent) have earmarked funds for this purpose, while 65 per cent have no dedicated budget for legal tech. (Figure 58 top) In those companies that have allocated a budget for this purpose to their legal department, an average of CHF 1,619,509 per year is available. (Figure 59 left)

In the specially analyzed group of the Top 50 Swiss companies, 43 per cent of legal departments have a legal tech budget at their disposal (Figure 58 bottom), whose average of CHF 4,671,256 per year is nearly three times bigger than that of all companies. (Figure 59 right)

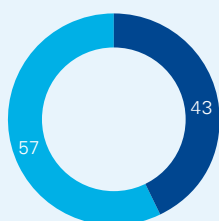
This puts the share of the legal tech budget in relation to internal (full) costs at 6.4 per cent. In the specially analyzed group of the Top 50 Swiss companies, the share of the budget for legal tech in the internal (full) costs is 8.7 per cent on average. (Figure 60)

58 Budget for the purchasing of legal tech applications in the company (in per cent)

All participating companies



Top 50 Swiss companies

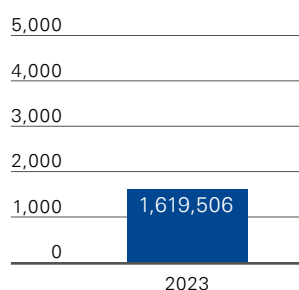


● Yes
● No

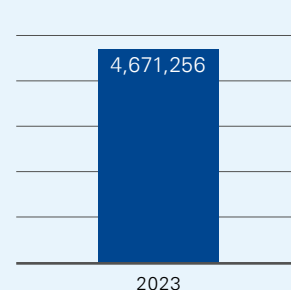
Source: KPMG Law in Germany, 2024

59 Average amount of the legal tech budget (in thousand CHF)

All participating companies



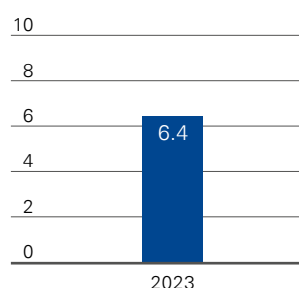
Top 50 Swiss companies



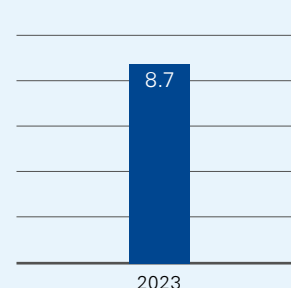
Source: KPMG Law in Germany, 2024

60 Proportion of legal tech budget to internal costs (in per cent)

All participating companies



Top 50 Swiss companies



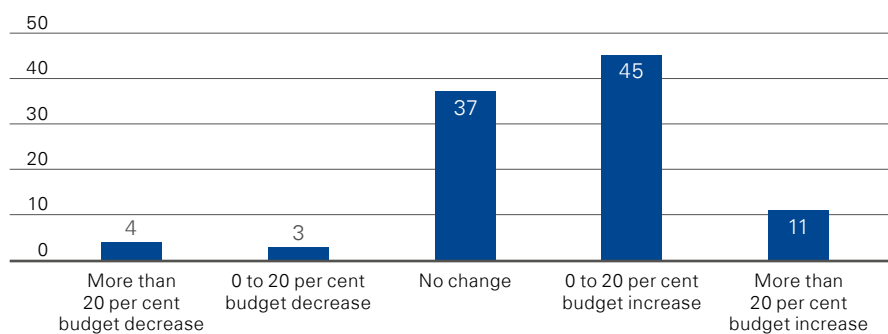
Source: KPMG Law in Germany, 2024

To ascertain how much and to what extent legal departments can invest in legal tech, they were asked about expected budget changes for the 2023 financial year. The result: more than every second legal department (56 per cent) predicted a budget increase compared to the previous year, more than every tenth (11 per cent) has more than 20 per cent at their disposal. More than one-third can operate with the same budget (37 per cent), while only 7 per cent have less funds available, with 4 per cent having more than 20 per cent less. (Figure 61 top) Especially insurance, chemicals, energy and infrastructure companies expect an increase of legal tech budgets, with banking and healthcare at the forefront with an increase of more than 20 per cent.

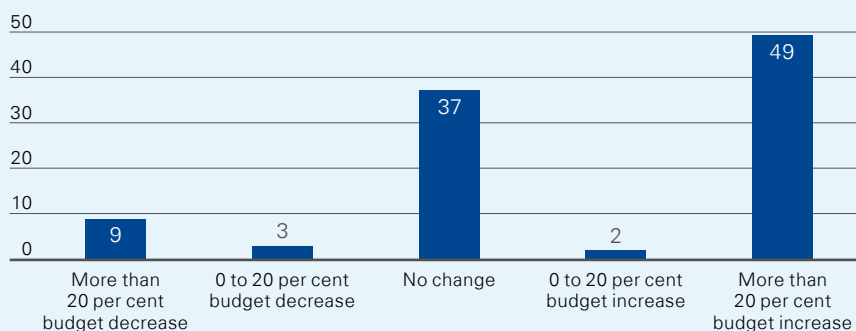
In the Top 50 Swiss companies, more than every second legal department expects an increase of their legal tech budget, most of them (49 per cent) of more than 20 per cent. 37 per cent can work with the same budget and only 12 per cent will have to cut costs, the majority (9 per cent) will get more than 20 per cent less. However, this might indicate that these companies have their legal tech solutions already in full working condition and can reduce their budget to just maintain them. (Figure 61 bottom)

61 Development of the legal tech budget (in per cent)

All participating companies



Top 50 Swiss companies



Source: KPMG Law in Germany, 2024

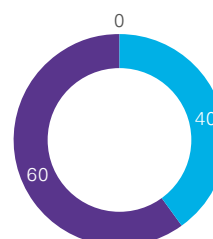
5.8 Use of platforms (one-stop shop)

A one-stop shop is the organization of a process in which all necessary steps are carried out on a single platform. This instrument for the standardized use of legal tech tools is still applied far too rarely in legal departments. 60 per cent of respondents state that their dominant structure is silo architecture, i.e. that their legal tech tools do not run on a common platform. The others (40 per cent) make partial use of this option, albeit with variations and different platforms, and no company has a single platform as the basis for the coordinated use of their IT solutions. (Figure 62)

We believe that there is a distinct need for more comprehensive solutions that combine different legal tech tools under one roof, to simplify processes and improve interoperability. The benefits of a one-stop shop in the legal department are too obvious to do without them in the future. In addition to an easier exchange of information between departments, the automation of recurring tasks and reduced duplication of work through better coordination, this also means faster and easier access to required resources and secure and organized document management. Project management also benefits – as a result of clear allocation and tracking of tasks and responsibilities as well as better planning and time management.

62 Use of platforms (one-stop shop) (in per cent)

All participating companies



- Tools run hand-in-hand on a single platform (one-stop shop) as fundamental
- Partially, but there are variations and different platforms
- No platform in use (silo architecture)

Source: KPMG Law in Germany, 2024

5.9 Knowledge management and data-driven decisions

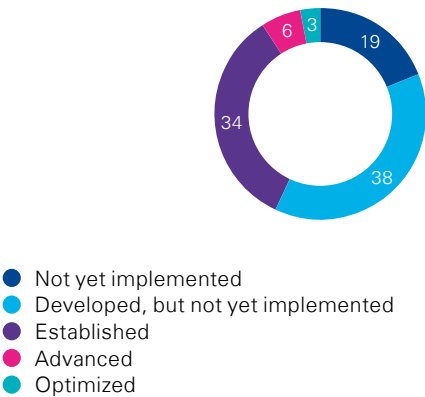
As stated in Section 5.2 (Page 74), one in four companies already uses legal tech solutions for knowledge management and one-quarter respectively are considering or planning its introduction. 9 per cent of companies use big data and predictive analytics in their legal department, another 18 per cent plan to introduce it. Despite this progress, there is still much catching up to do when it comes to integrating data analytics and data-driven decisions.

Those surveyed described the maturity of their company’s knowledge management - which can be seen as the basis for the targeted use of big data, predictive analytics and data-driven decisions very differently: 19 per cent do not have an implemented system for this, more than one-third respectively consider it to be developed (38 per cent) or established (34 per cent). Only a minority refers to it advanced (6 per cent) or even optimized (3 per cent). (Figure 63).

The situation is similar for data-driven decisions. Here, more than half of the participants (61 per cent) answered the question about the level of maturity with “not implemented”. Slightly more than one in six (17 per cent) consider it to be developed and 13 per cent even consider it to be established. Here too, only few regarded the maturity level as advanced (7 per cent) or optimized (2 per cent). (Figure 64).

63 Maturity degree of knowledge sharing (in per cent)s

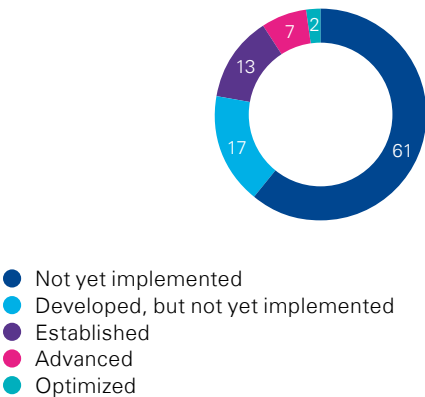
All participating companies



Source: KPMG Law in Germany, 2024

64 Maturity degree of data driven decisions (in per cent)

All participating companies



Source: KPMG Law in Germany, 2024

6 Costs of the legal department

6.1	Costs of the legal department in relation to company turnover	92
6.2	Insourcing and outsourcing ratios	93
6.3	Full costs and hourly rates per lawyer	94
6.4	Budget changes in 2024	95

6.1 Costs of the legal department in relation to company turnover

In 2022, the total costs of the legal departments of all companies surveyed amounted to an average of CHF 2,232,954 per CHF 1 billion in turnover. Of this, CHF 1,211,587 was for internal costs and CHF 1,021,367 went to external costs. It can be presumed fairly certainly that total legal department costs will continue to rise. This is due, on the one hand, to the technical complexity of the company's offerings and the growth of their digital and global marketing, which is likely to lead to a growing number of complaints, recalls, legal disputes and, finally, M&A activities. On the other hand, companies are required to comply with new laws, rules and regulations that are added every year.

But simply adding up the internal and external costs incurred by a legal department does not yet lead to a generalizable key figure, if the size of the company and its industry specifics are not considered. Therefore, the calculated indicator needs to be set in relation to the company's turnover. With the indicator obtained in this way, the department's expenditure can be compared with that of similarly structured companies. As with employee numbers, these values are subject to significant fluctuations depending on the industry and size of the company.

For the Top 50 Swiss companies, the full internal costs of the legal department per billion in turnover amounted to CHF 1,389,214, with the expenses for law firms totaling CHF 1,158,706. This results in a total expenditure per CHF 1 billion in turnover for internal and external legal advice of CHF 2,547,920. (Figure 65)

Internal costs per CHF 1 billion revenue
All participating companies

CHF 1,211,587

External costs per CHF 1 billion revenue*
All participating companies

CHF 1,021,367

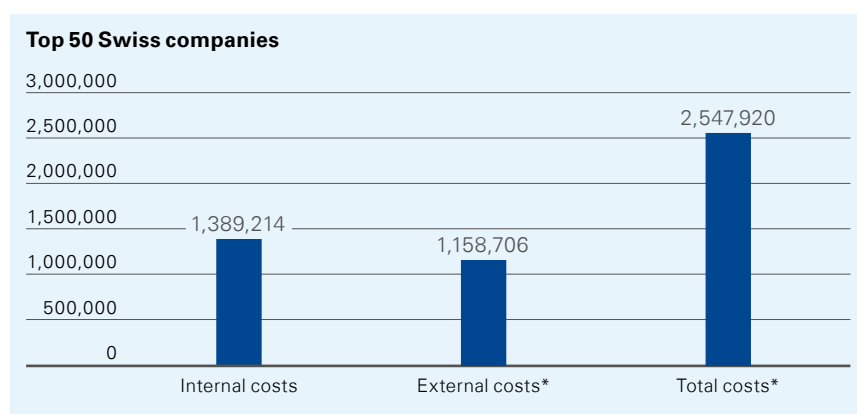
Total costs* per CHF 1 billion revenue
All participating companies

CHF 2,232,954

* External costs including M&A, projects and litigation

Source: KPMG Law in Germany, 2024

65 Costs per CHF 1 billion revenue (in CHF)



* External costs including M&A, projects and litigation

Source: KPMG Law in Germany, 2024

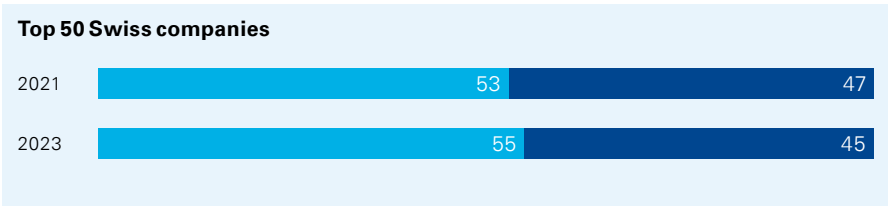
6.2 Insourcing and outsourcing ratios

Today, the legal departments of Swiss companies spend slightly more on in-house lawyers, administration and legal technology as they do on assignments to law firms. This is reflected in an insourcing ratio of 54 per cent (“make”), which contrasts with an outsourcing ratio (“buy”) of 46 per cent. This cost-based calculation for outsourcing includes M&A, projects and litigation. In the comparison group of the Top 50 Swiss companies, the insourcing ratio of 55 per cent is only slightly higher (Figure 66). Compared with 2021, all companies raised their insourcing ratio from 51 to 54 per cent, whereas the Top 50 Swiss companies increased it from 53 to 55 per cent.

It will be interesting to observe how the rates for insourcing and outsourcing will develop in the coming years. Increasing “buy” decisions are supported by the efforts of the general counsel to staff forward-looking topics such as legal operations and legal technology internally, where possible. On the other hand, there is the continuing cost pressure, combined with the aspiration to provide services more cost-effectively internally in relation to external law firms.

66 Insourcing/outsourcing (cost based)*
(in per cent)

All participating companies



- Insourcing ratio
- Outsourcing ratio

* External costs including M&A, projects and litigation

Source: KPMG Law in Germany, 2024

6.3 Full costs and hourly rates per lawyer

In view of the business alternative of “make or buy”, the head of legal must be able to compare the costs of in-house lawyers with those of external colleagues. There is no doubt that in-house lawyers have an advantage over traditional law firms, as they do not incur expenses for acquisition, sales and marketing and need not to maintain a sufficiently staffed bench for transactional work. Personnel, infrastructure, communication and administrative costs, on the other hand, can be considered almost identical for companies and law firms. Nevertheless, hiring external lawyers can be advantageous or even imperative for reasons other than financial ones. To benchmark the costs for in-house lawyers, the full costs per employed corporate lawyer can be applied. This includes the costs for overhead, i.e. secretarial services, paralegals, other assistants and all other apportionable direct and indirect costs.*

According to this calculation, the average annual internal expenditure of the legal departments per lawyer is CHF 305,764. This corresponds to an actual full-cost hourly rate of CHF 170.

Internal (full) costs per lawyer

All participating companies

CHF 305,754



Source: KPMG Law in Germany, 2024

Internal hourly rate per lawyer

All participating companies

CHF 170*



* assuming 1,800 work hours per year per lawyer

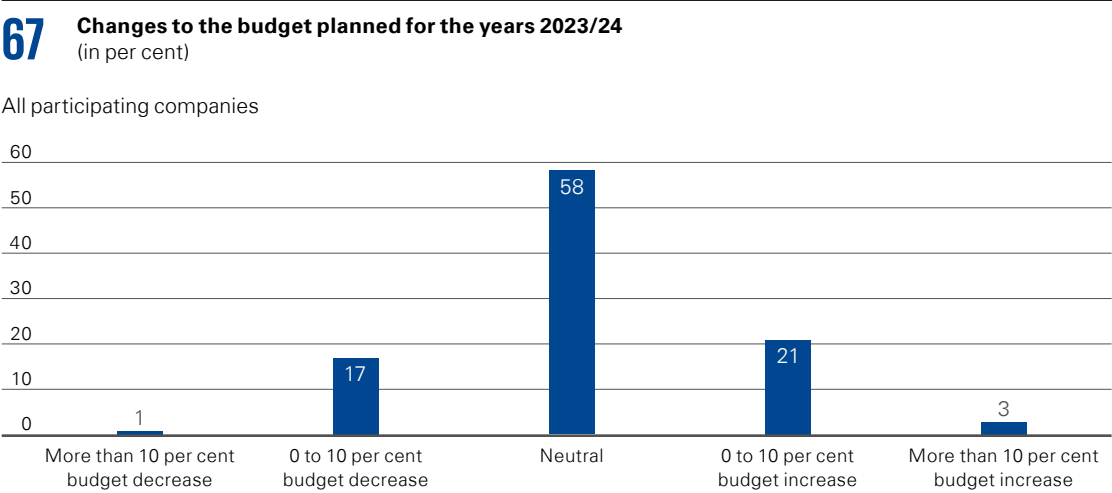
Source: KPMG Law in Germany, 2024

* To determine the annual hourly output, the following assumptions are made: 220 working days of ten hours each and an average capacity utilization of 80 per cent. This results in approximately 1,800 hours per year as a reference value.

6.4 Budget changes in 2024

Cost pressure in legal departments remains high, but a rethink is emerging in the legal technology sector. To be able to assess how much and to what extent legal departments can invest, they were asked about budget changes for the 2024 financial year. The result: every fifth legal department (21 per cent) has more funds available in perspective than in the previous year, an additional 3 per cent can spend even more than 10 per cent.

For the majority of legal departments (58 per cent), nothing will change. However, 17 per cent of general counsel must deal with up to 10 per cent lower budgets. Another 1 per cent must work with a more than 10 per cent cut to their financial resources. (Figure 67)



Source: KPMG Law in Germany, 2024

7 Collaboration with law firms

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7.1 Budget authority and number of law firms/ALSPs used

When working with external service providers, from the company's perspective the question arises about who has budgetary control over the external commissioning of legal services. In fact, this is handled very differently in the companies. Three out of five respondents (61 per cent) stated that the legal department alone budgets for the assignment of law firms and alternative legal service providers (ALSPs). Conversely, in less than one out of ten companies (9 per cent) each department has its own budget for outsourcing legal services. In slightly less than one in three companies (29 per cent), the legal and specialist departments share this task. (Figure 68, Page 99)

The legal departments of the companies surveyed in Switzerland work with numerous law firms and service providers. There are two main reasons for this. Firstly, the large number of legal areas cannot be covered in-house with the same high level of professional expertise. Secondly, the strongly export-oriented Swiss companies often need support in cross-border legal matters.

When it comes to ensuring that all legal areas are covered, 37 per cent of the companies use 5 or less law firms. One-third of all legal departments (33 per cent) work with 6 to 15 law firms on legal matters in Switzerland. 13 per cent engage the services of 16 to 25 external firms. 7 per cent of all legal departments work with more than 25 law firms, and one out of ten with more than 50 firms. (Figure 69 top, Page 99)

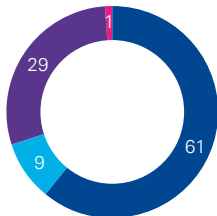
A sector comparison shows that chemical companies get by with a smaller number of law firms: two-thirds of the legal departments in this sector work with 5 or fewer law firms. For insurance companies, it is exactly the opposite: here, one-third rely on the support of more than 25 law firms.

Working with law firms becomes significantly more intensive when it comes to cross-border legal matters. In international legal matters, more than every fourth Swiss legal department (28 per cent) works with up to 10 law firms. Additionally, more than one in four legal departments (29 per cent) use between 11 and 30 law firms for this purpose. Another 21 per cent use between 31 and 60 law firms and 13 per cent even up to 100. Nearly one in ten legal departments (9 per cent) even require the services of more than 100 law firms. It can be assumed that the companies could reduce the number of their cooperation partners if they would partly resort to globally networked law firms and use them uniformly according to a group-wide harmonized approach. (Figure 69 bottom, Page 99)

A sector comparison shows that chemical companies, which tend to get by with a smaller number of law firms nationally, need far more law firms for international legal transactions: all legal departments in this sector work with 11 to 60 law firms world-wide. In contrast, one in three insurance companies and one in four retail companies use the services of more than 60 law firms. Our research found no correlation between the number of law firms used and external costs. However, there is a correlation between revenue and number of international law firms in use.

68 Budget authority for the assignment of external legal services
(in per cent)

All participating companies

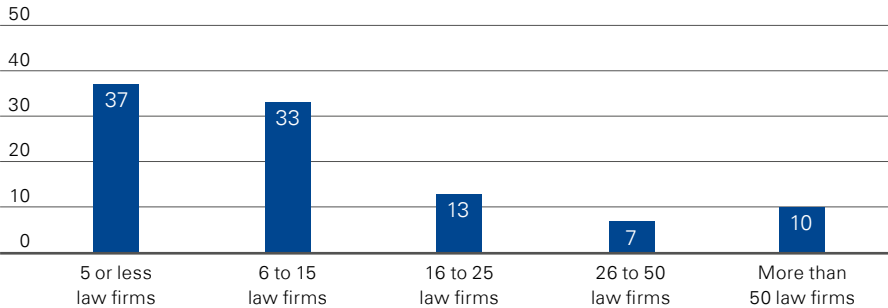


- Legal department
- Each department has its own budget for the assignment of legal services
- Mixed form – legal and business hold separate budgets for external legal assignment
- Other

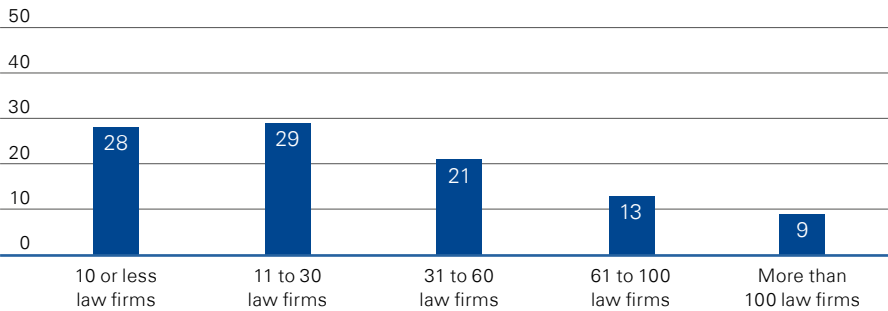
Source: KPMG Law in Germany, 2024

69 Number of law firms the legal department cooperates with
Law firms with a framework agreement only count once
(in per cent)

Switzerland



Worldwide



Source: KPMG Law in Germany, 2024

7.2 Reasons for outsourcing to law firms

When awarding external mandates, the expertise of the law firm in the required area of law (91 per cent) and the associated costs (69 per cent) are the decisive selection criteria. More than half of the respondents also cited the geographical proximity of the law firm (56 per cent) and its reputation (55 per cent) as reasons for awarding a mandate. Alternative fee arrangements (AFA) and agility each play a role for one-third of companies. For one in six legal departments (17 per cent), integration into in-house project teams is also important. 15 per cent of respondents stated that they pay attention to diversity and inclusion when selecting a law firm. Value added through automation (9 per cent) and compliance with environmental, social and governance (ESG) and sustainability criteria (6 per cent) are further arguments in favor of a particular law firm. (Figure 70, Page 101)

There are several good reasons why legal departments rely on support by external service providers. The most common is contact with foreign jurisdictions (43 per cent), followed by quantitative reasons. Almost two in five legal departments (39 per cent) outsource mandates because the appropriate capacity to handle the cases is not available in-house.

The lack of specialized legal knowledge for a particular task in their own department is the third most mentioned argument. Almost one in three legal departments (30 per cent) awards mandates to law firms for this reason.

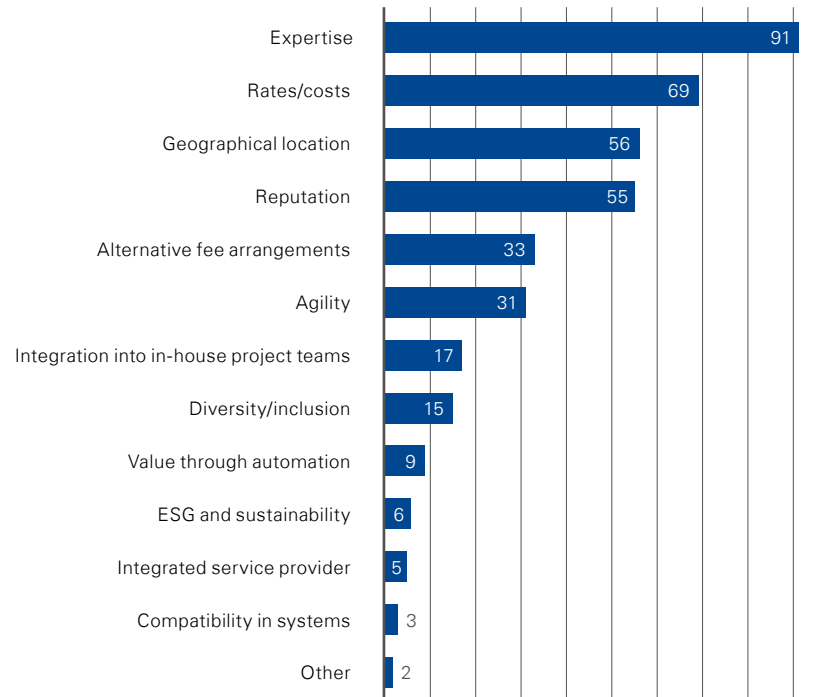
Just under one quarter each cite the delegation of routine work (24 per cent) and obtaining an additional independent perspective (23 per cent) as arguments for outsourcing mandates. The lack of postulation skills is the reason for 22 per cent of externally awarded mandates. This means that the lawyers in the company lack the necessary authority to represent certain matters themselves in court. Strict requirements apply to the ability to postulate before higher instances and specialized courts.

For one in five respondents, time pressure is the deciding factor. In another 17 per cent of cases, outsourcing is done to comply with the express wish of the internal client. (Figure 71, Page 101)

70 Criteria for selecting law firms

(multiple answers possible)

All participating companies

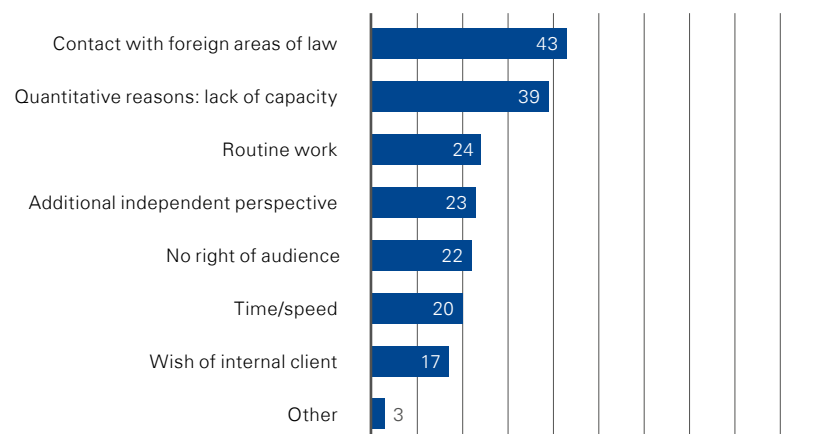


Source: KPMG Law in Germany, 2024

71 Reasons for engaging law firms in 2023

(in per cent, multiple answers possible)

All participating companies



Source: KPMG Law in Germany, 2024

7.3 Use of alternative legal service providers

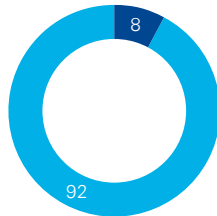
As in any other sector of the economy, digitalization is taking hold in the legal services industry. ALSPs are using the combination of technology deployment and specialization in a particular area of law or activity to penetrate the market. So far, they focus on document review, contract management, litigation support and (electronic) research. But ALSPs also offer monitoring and protection of intellectual property. Basically, they offer their services to both legal departments and law firms.

As a result, ALSPs make up the third and youngest law firm category. It complements the established group of tier 1 and tier 2 law firms.

Currently, only a minority of companies (8 per cent) allocate the costs they have incurred for their mandates to the respective law firm category. This means that 92 per cent of companies are missing out on the opportunity to use cost-effective tier 2 law firms and ALSPs for legal services. (Figure 72, Page 103) Those who already make this allocation by law firm type nevertheless award more than half of their mandates (55 per cent) to tier 1 law firms. They are primarily engaged when it comes to mergers and acquisitions, regulatory law, antitrust law issues and litigation. A further 43 per cent of mandates go to tier 2 law firms. They are used in areas of law that are also covered by the top tier, but which can be handled more cost-effectively and with the same quality by tier 2 law firms. So far, only 2 per cent of mandates have gone to ALSPs, with the decisive factor being the cost argument. (Figure 73, Page 103)

72 Allocation service providers according to law firm type in use (in per cent)

All participating companies

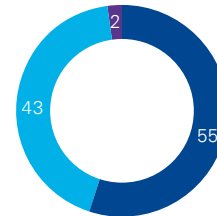


- Yes
- No

Source: KPMG Law in Germany, 2024

73 Allocation of costs for external legal service providers (in per cent)

All participating companies



- Tier 1
- Tier 2
- Alternative legal service provider (ALSP)

Source: KPMG Law in Germany, 2024

7.4 Billing arrangements for the compensation of law firms

The remuneration of external service providers is essentially based on the hourly rates negotiated between the legal department and the law firm. More than two out of three legal departments (68 per cent) agree on them. We see this as an unfortunate development, since the legal departments are forfeiting potential savings. The complexity of legal issues is one of the reasons why companies often rely on tier 1 law firms. The price for this is the acceptance of their preferred billing model.

There are, however, a variety of options for negotiating hourly rates, which were observed among legal departments. 13 per cent say they agree on blended hourly rates. This means that a fixed hourly rate is agreed for all lawyers of a law firm, although the heterogeneous qualifications and seniority of the lawyers are normally billed at different hourly rates.

Nearly one out of four legal departments (23 per cent) applies fixed or flat fee rates. The main reason for such an agreement is clarity, planning and the certainty that a defined cost limit will not be exceeded. 5 per cent of all legal departments based the fees on the task or the size of the legal team, 3 per cent used mixed models.

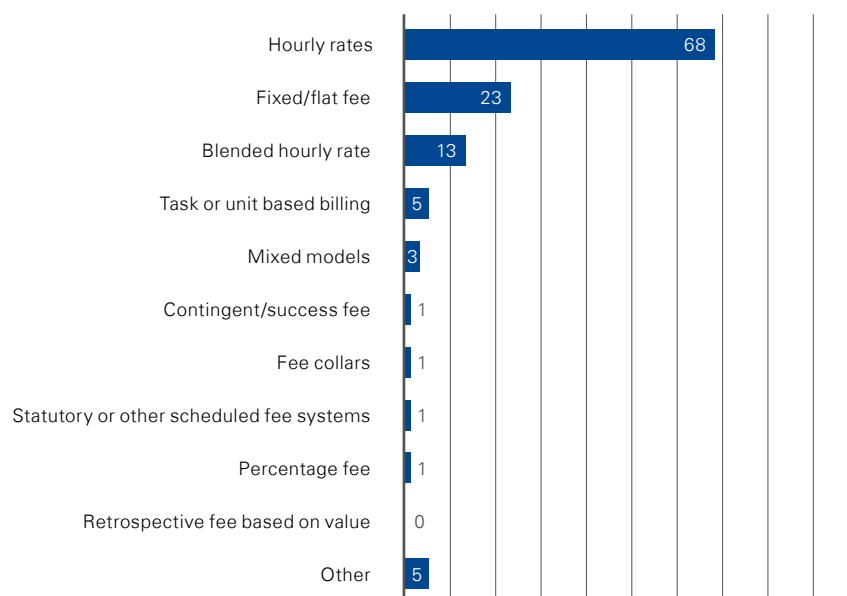
Alternative payment models, such as the fee collar, are only slowly establishing themselves in Switzerland. Here, a fixed amount for the payment of legal services is agreed with the law firm. If the hours worked by the lawyer correspond to or exceed this amount by a defined percentage, the law firm receives the agreed amount. If it falls below this percentage, the client and the law firm share the saved costs. If the agreed cost framework is exceeded, the law firm may only charge half of the additional hours worked. Only 1 per cent of the legal departments surveyed make use of this model.

In addition, just 1 per cent of those participants surveyed have either made fee agreements based on volume or performance. Another 1 per cent of legal departments set the fee for the law firm commissioned as a percentage – this can be based, for example, on the amount in dispute in court, which must also be paid in the event of an unfavorable judgement. (Figure 74, Page 105)

74 Fee arrangements used to engage law firms

(in per cent, multiple answers possible)

All participating companies



Source: KPMG Law in Germany, 2024

7.5 Changes in cooperation with external law firms

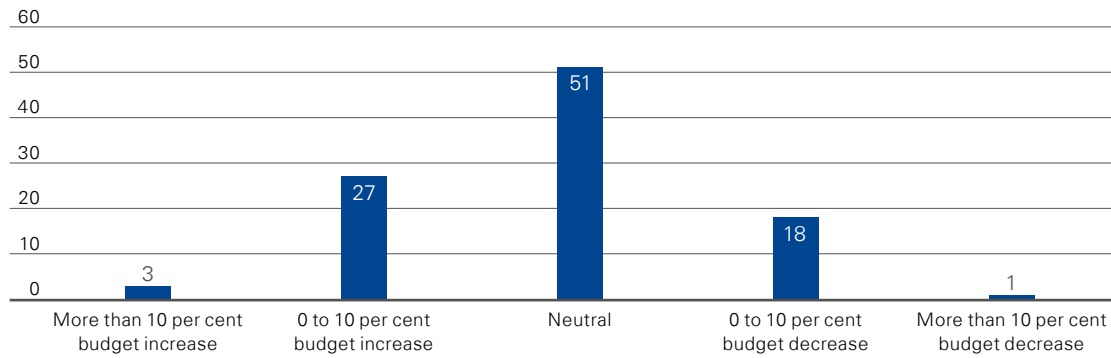
When asked about the development of the budget available to them for hiring law firms, almost one in three general counsel stated that they receive more funds than in the previous year: 27 per cent of them have up to 10 per cent more budget available, 3 per cent have even more than 10 per cent at their disposal. More than half of all legal departments (51 per cent) work with the same budget and 19 per cent must manage with lesser funds. Most of them (18 per cent) must make it with up to 10 per cent less in financial resources, and just 1 per cent will have to accept even greater cuts. (Figure 75, Page 107)

Companies in infrastructure and construction as well as the insurance sector uniformly anticipate a budget increase of up to 10 per cent. The same applies to half of all retail and consumer goods companies and 25 per cent of energy and utilities companies. Banking and financial services, health-care and pharmaceuticals sectors predominantly expect a stable budget, whereas budget decreases are expected in aerospace and defense along with private equity companies.

17 per cent of all respondents estimate that the total costs for external tier 1 law firms will increase. This is also expected by 15 per cent of companies for tier 2 law firms. A cost increase for alternative legal service providers is predicted by 11 per cent. Conversely, 13 per cent anticipate lower costs for tier 1 law firms, 16 per cent for tier 2 law firms and merely 3 per cent for ALSPs. Between 69 and 86 per cent of respondents do not expect any change in cost allocation to the three categories. (Figure 76, Page 107).

75 Expected change in the company's budget for the use of external law firms in 2023/24 (in per cent)

All participating companies



Source: KPMG Law in Germany, 2024

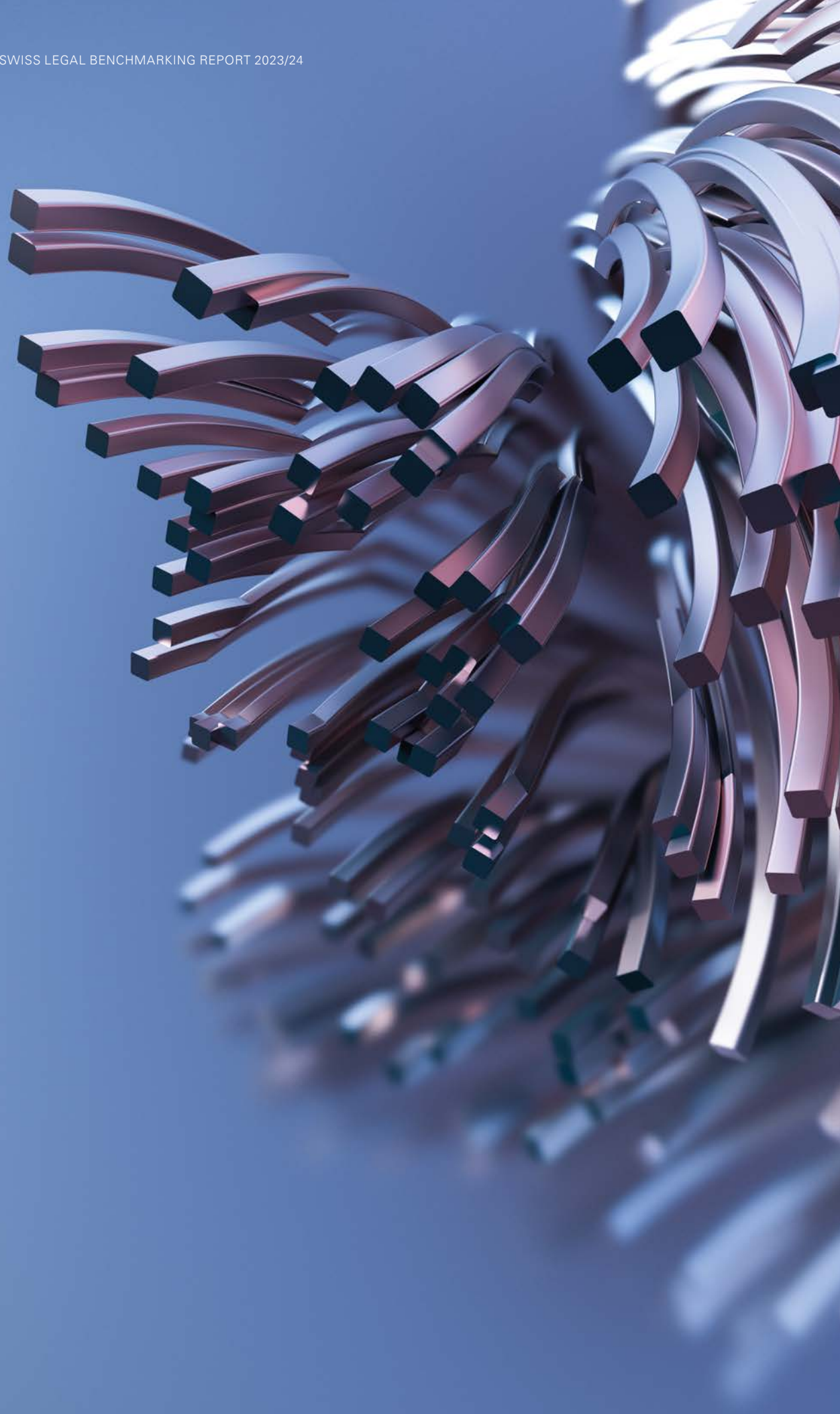
76 Expected development of cost allocation according to law firm type (in per cent)

All participating companies



- Decrease
- No change
- Increase

Source: KPMG Law in Germany, 2024



8 Future challenges and priorities

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8.1 Future challenges in the legal department

Hardly any department in a company is subject to as many changes in its daily work as the legal department. Corporate lawyers must continuously monitor the activities of national and international regulatory authorities. In addition, their work is subject to technological progress, increasing competitive pressure and the growing demands of their internal clients.

But not only the scope of the legal department's tasks and responsibilities is increasing, so is the contribution it must 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 structures.

To capture the current challenges facing the heads of legal departments, participants were asked which topic areas have particularly high priority for them. The areas mentioned are likely to remain topical in the coming years.

The traditional task of in-house lawyers is to provide legal advice to internal clients. The respondents see the greatest challenge in providing proactive legal advice to the business. For 55 per cent, this has a high priority, while it is a medium priority for 34 per cent. For a further 46 per cent, it is of high importance that the legal department is able to improve cooperation with the management, while another 35 per cent say it is of medium importance and 14 per cent say that cooperation with management is already optimal. Appropriate training is also considered very important by 16 per cent and is a medium priority for another 34 per cent.

Costs and budgets also form the financial framework within which legal departments operate. Making costs transparent, optimizing or even reducing them is a high priority for more than one in three legal departments (36 per cent) and a medium priority for a further 38 per cent. For one in four legal departments, this is not or only slightly important – or has already been achieved. Adhering to budget limits is an important challenge for 33 per cent of respondents and of medium concern for another 39 per cent.

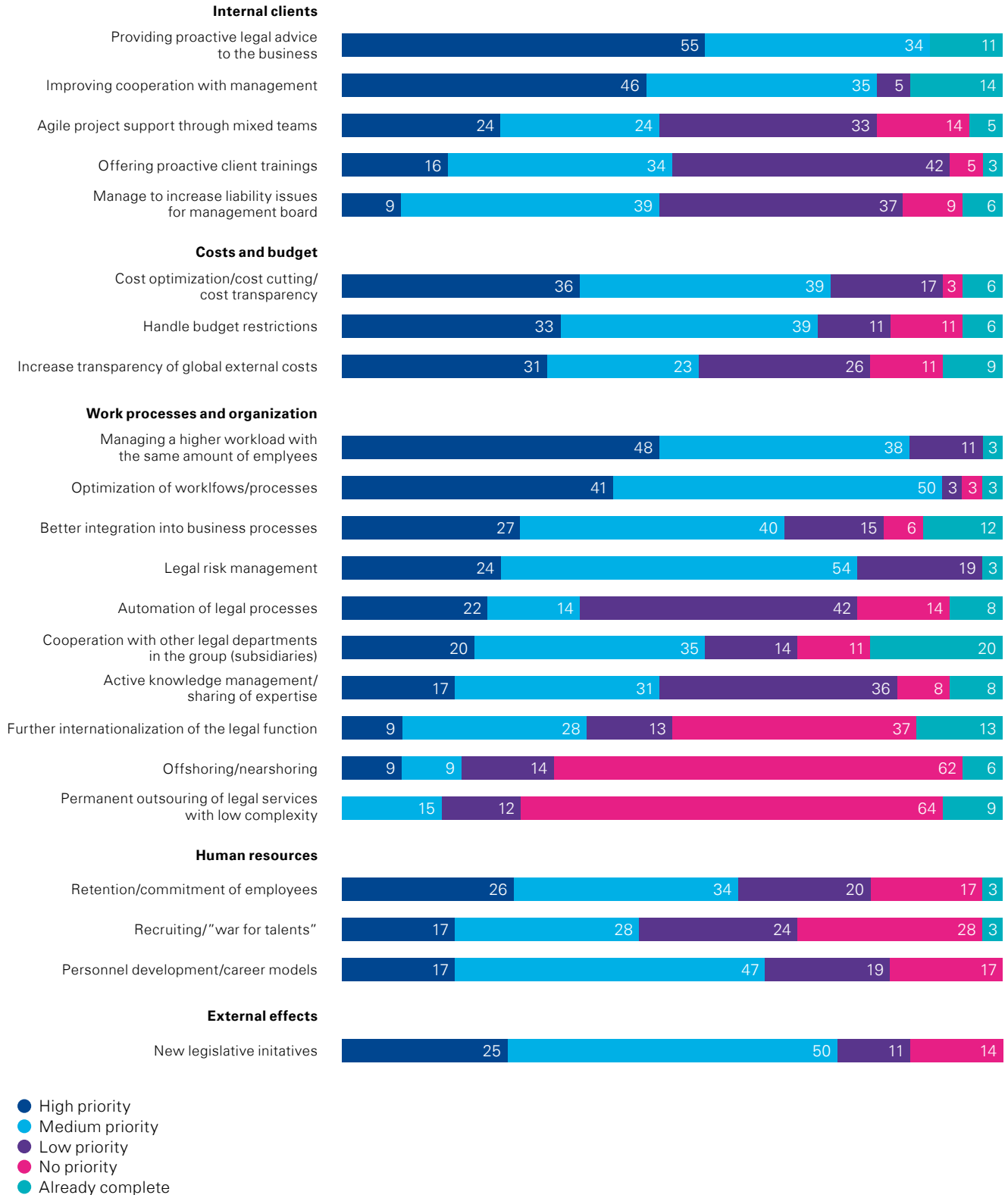
The increasing workload is also clearly felt in legal departments. 48 per cent of respondents state that the increased workload with the same number of staff presents them with a major challenge. More than one-third (38 per cent) see it as at least a medium hurdle that must be overcome. Optimizing workflows is therefore a high priority for more than two in five legal departments (41 per cent) and a medium priority for no less than 50 per cent. Better integration into business processes is very important to 27 per cent of respondents and important to another 40 per cent. Mitigating legal risks is important, which is why it is a high priority for 24 per cent of respondents and a medium priority for an additional 54 per cent.

Employee retention and their commitment is the most fundamental human resources task for legal departments. 26 per cent of participants rate this topic as a high priority, while 34 per cent set the priority at medium. Developing existing staff through career models and talent recruitment also received high (17 per cent each) or medium priority (47 and 28 per cent respectively).

The work of legal departments is significantly influenced by foreign jurisdictions and directives as well as national legislation. Dealing with new legislative initiatives is therefore considered very important by 25 per cent of respondents, and important by another 50 per cent. Only 11 per cent assign a low priority to this task. (Figure 77, Page 111)

77 Challenges and priorities for the legal department (in per cent)

All participating companies



Source: KPMG Law in Germany, 2024

8.2 Conclusion and outlook: Transformation in legal departments

In today's dynamic business environment, legal departments are undergoing a significant transformation that is characterized by strategic realignment and technological innovation. The increasing integration of legal and compliance shows the call for more efficient risk management and the creation of synergies. There is an increased focus on cost efficiency and budget management, with a balanced approach to resource planning and staff investment.

A key trend is the shift towards digitalization, which is being driven by the implementation of legal tech solutions. Despite progress in this area, there is still a need for comprehensive digitalization strategies, particularly in the areas of automation and the use of artificial intelligence. At the same time, the strategic use of external resources is becoming increasingly important. The growing involvement of external law firms for specialized expertise reflects a targeted and efficiency-oriented selection of partners.

Personnel structures are also being adapted. Stability and sometimes even growth in specialized and generalist roles reflect the ability to adapt to changing market conditions and efficiency efforts. The expanded use of data analytics and KPIs to communicate value also shows how legal departments are prioritizing data-driven decision-making.

A balance between centralization and specific requirements of certain legal fields is becoming increasingly important in order to globally align operational decision-making processes and legal approaches from a risk perspective. Finally, the trend is moving away from purely in-house solutions towards more efficient, scalable approaches, which emphasizes the growing role of legal tech and underlines the need for strategic adjustments.

These developments mark a turning point for legal departments as they reposition themselves to remain agile, efficient and competitive in a rapidly changing business environment. (See Page 113)

1. Integrated management of legal and compliance

There is a clear trend towards closer integration of legal and compliance functions. This integration reflects the desire to create synergies and ensure more effective governance.

2. Focus on cost efficiency and budget management

Legal departments are increasingly focusing on cost control and efficient budget management. This includes balanced resource planning and investment in the workforce to address both current and future needs.

3. Digitalization and use of legal tech

The increasing implementation of legal tech solutions characterizes the transition in legal departments. This mainly includes document automation and management, contract lifecycle management and the use of artificial intelligence, although a comprehensive digitalization strategy is often still lacking.

4. Increasing use of external law firms

External law firms are being used more frequently for their specialized expertise and to achieve cost efficiency through outsourcing. This shows a shift towards a more strategic selection of external partners.

5. Evolving role structures and staff development

There is a trend towards stabilization and in some cases growth in roles in legal departments. This underlines the need to deploy professionals efficiently and adapt them to changing business requirements.

6. Use of KPIs and data analytics

KPIs are being used increasingly to communicate the value proposition of the legal department internally. At the same time, there is a need for more advanced data analytics to enable informed, data-driven decision-making.

7. Centralization and focus on legal fields

We are currently observing a trend towards centralized structures for standard tasks and concurrently place a stronger emphasis on the respective fields of law. This makes it possible to better address specific functional requirements from a governance perspective and act in a globally consistent manner.

8. Efficiency and scalability as new priorities

The shift away from traditional in-house strategies towards more efficient and scalable approaches characterizes the current transformation. This is where technology, especially legal tech, plays an increasingly important role.

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List of abbreviations

ADR	Alternative dispute resolution
AFA	Alternative fee arrangements
AI	Artificial intelligence
ALSP	Alternative legal service provider
APAC	Asia Pacific (business region)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHF	Swiss franc
CHRO	Chief Human Resources Officer
CLM	Contract lifecycle management
CLO	Chief Legal Officer
COO	Chief Operating Officer
DIW	Deutsches Institut für Wirtschaftsforschung e. V. (German Institute for Economic Research)
EMEA	Europe, Middle East and Africa (business region)
ESG	Environmental, social and corporate governance
FINMA	Swiss Financial Market Supervisory Authority
FTE	Full-time equivalent
HR	Human resources
IP	Intellectual property
IT	Information technology
KPI	Key performance indicator
LOTS	Legal Operations & Technology Services (KPMG department)
M&A	Mergers and acquisitions
NDA	Non-disclosure agreements
RPA	Robotic process automation
SSC	Shared service center
Tier 1	Law firms that are selected for high-profile and highly complex assignments due to the special expertise of their lawyers
Tier 2	Law firms that are generally commissioned by large national clients as well as medium-sized and smaller companies to handle complex assignments

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Questionnaire

The KPMG Law Swiss Legal Benchmarking Report 2023/24 is a country report for Switzerland. It is based on the Global Legal Benchmarking Survey, which was conducted by KPMG International in over 80 countries in summer 2023. This survey is conducted regularly and focuses on the legal departments of global companies representing a wide range of industries. It provides valuable information on the challenges faced by legal departments, which strategies and measures have proved particularly successful, and which issues will play an important role in the future.

The report not only gives a broad-ranging impression of the organizational structures of legal departments, but also presents a global picture of their level of maturity and development, broken down to the level of individual countries and industries. Would you like to learn more? Contact us.

Would you like to take part in the next evaluation? Please scan the QR code below.



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