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Episode title: What the data is saying in the recent “2022 State of Corporate Law Departments” report

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Gina Jurva: Thank you for joining us today for our Thomson Reuters Market Insights podcast. My name is Gina Jurva, Attorney and Manager of Market Insights and Thought Leadership for our corporate and government businesses. Today's episode is all about the corporate legal department. We're going to chat about our newly published 2022 State of Corporate Law Departments Benchmark, Optimize and Innovate report, Law Departments Performance in a Post-Pandemic World. That's a very long name for the report. Spoiler alert, the report reminds us that corporate law departments of all sizes and across many industries underwent dramatic shifts in workflow processes, strategic priorities, and perhaps the most significantly, working environments. Indeed, that ongoing crisis loomed heavily throughout 2021, even as the whole world progressed, all be it slowly and in fits and starts into this new post-pandemic era. Joining me today is Jen Dezso, Director of Client Relations at Thomson Reuters Market Insights and Thought Leadership. Her team also compiled the responses to our survey and produced the report. Jen, you are a return guest so thank you so much for coming back to the show. It's always fun to have you on.

Jen Dezso: Yeah, I'm excited to be here and thanks for having me.

Gina Jurva: Well, great, well as you know, as 2022 is well underway now we still have like eight - nine months left ahead of us, of course, we're probably all thinking, Oh my gosh, what's next? What could the universe possibly throw at us now? We might be looking for this crystal ball type of thing, but I think this report will actually help us. It's not a crystal ball, but is certainly data. And so, I'd like to talk to you about how the report is compiled, like how it's brought together, what type of methodology you're using and, you know, I think all of that, keeping in mind for the audience that I would encourage you all to read the report, but that the report will be focuses on these trends around technology solutions. There's a, you know, expected increase in legal spend and strengthening partnerships between the corporate law department and their external law firms. So, with that background tell us about methodology.

Jen Dezso: It's a complicated answer to what should be a simple question, but this report in particular comes from three different data sources, and I think what's really interesting about us doing that is we really are trying to get a pretty comprehensive view of what is going on in the state of corporate legal. So, what we're doing is we are pulling from interviews that we do with general counsel around the world. So, each year we do more than 2000 telephone interviews that really dig into what is it that these corporate legal departments are dealing with? How are their needs changing? What are they looking for from their legal providers? Just everything that you've ever kind of wanted to know what's going on behind the scenes in the corporate law department. We're out there, we're talking to them in that qualitative way. We also draw on some more quantitative metrics as well. So, each year we put out the legal department operations index and that is really information that is done with the operations side of the legal department and really understanding how their view of the world is changing, sometimes they're more just in the day to day of efficiency and how to run that legal department from a true management perspective. The third source is an interesting one because we actually pull from what we

call our stellar performance research and that is research that we do with law firm lawyers and each year we go out and we interview probably about 1,000 to 2,000 lawyers to get their take on what they're seeing with their clients as well. And how are they responding to those clients' needs? So, we're really gathering information from all of these different sources to pull a much more robust picture than I think we've done previously.

Gina Jurva: It sounds like it's a lot of it's a lot of information and it's like this holistic 360 degree like, well rounded view from all sides from the customer side to the corporate law department side. Sorry, the law firm side to the corporate law department side. And the other thing. I think that I do, I know you mentioned it, but I am not to put too fine a point on it, but you really are when we're talking about sharp legal your team is going out and doing, you said qualitative interviews. So, actually interviewing people. They're it's not a survey, they're not just typing answers in, but they're actually speaking to these people and taking a lot of time to do it. So, I think that's actually really important, I think to point out.

Jen Dezso: Yeah, well, it's a conversation just like we're having and so you can react and dig deeper when you hear something that is unexpected, and so it is a really rich information source for us.

Gina Jurva: Well overall, as we look at the, the report itself, was there anything surprising in there for you? I mean, you talked to so many different corporate law departments and lawyers anything unexpected from previous years?

Jen Dezso: It's a loaded question I think 'cause I've only been doing this for about 20 years, Gina. So it's one of those things where, interestingly, what was unexpected and surprising to me was almost what wasn't changing in the research that we saw. So, we just went through you described, you know all these changes that have happened in the last 18 - 24 months. At the end of the day, a lot of the core themes that we were hearing about from general counsel in terms of what they're looking to achieve, how they're looking to serve their company and protect their company, at the end of the day didn't shift all that significantly, so we were hearing a lot of those same themes. Now, we'll dig into this a little bit more. Of course, that's the, you know, big picture view. And as you start like peeling away the layers again, having these conversations, you start to really see some of the nuances in what really is shifting under the surface, but to me it was actually more surprising that at the end of the day, what corporate law departments are trying to do for their organization doesn't change. New circumstances get added to the mix, and they have to respond and incorporate that into the thinking, but ultimately, they're protecting their company. They're trying to provide the best service back to their own internal clients. They're trying to make sure they're running efficiently, so that didn't really shift, and I you know part of me was hoping there was going to be some big new like news flash change, but when you think about it, it's actually not too surprising that it didn't shift so significantly.

Gina Jurva: So, when we talk about law department priorities, I know that was one piece of it that that was that you ask, you ask in the surveys, and I think you do this every year where you ask the corporate lawyers, the general counsel, what their priorities are for the next 12 months. And like you said, I think you know these priorities don't really change that much year over year, they're typically the same 3-ish, you know give or take, and for this year what I saw in the report and tell me more, but it was their number one priority seemed to be operating efficiently, followed by safeguarding the business and then

not surprisingly delivering the best work. So, with that in mind, can you talk about, even though it's the same three, had these three changed in the last two years over the last two years?

Jen Dezso: Yeah, exactly, and that's the question and this is really when you start digging into the nuances of how our corporate law departments talking about these goals you do start to see some shifts, so for example, that that number one goal that we did hear about most frequently, I think it was 50% of general counsel are talking about efficiency at this point. So how do we run more efficiently as a department? Now again, have done this for a while cost savings running more efficiently is frequently one of those top three, but what was a new addition to the list was how they wanted to be efficient. So, it wasn't just about cost savings cost containment, but now we were hearing a lot more about digitalization of the corporate legal department and how can we really streamline our own internal operations. We used to hear that a little bit in years past. Pandemic everybody starting to have to work from home and really be connected remotely really spread that along and I think I don't think I've heard from general counsel is now that they were forced into using some of these solutions, they started to see all these other applications and wait a minute, you know, we can be more efficient. We should start thinking about how we really take some of these things that we've learned over the course of having to work with more technology and apply it to more of the prostheses that we have in the legal department. So, that's one example of it. I think another great example, if you talk just about, you know, at the end of the day everyone I think if we forced people to prioritize their priorities, you would hear protect the company, right? Number one priority, that's the job. And you know two years ago that priority was related very strongly to how do I mitigate? How do I manage my litigation? My exposure? How do I contain that? Now that is shifted pretty substantially over to compliance. And how am I going to make sure that I'm keeping up with all the regulatory changes that have happened over the course of the last 18 months? And especially if I'm a large organization operating in multiple jurisdictions, how do I keep up with all the changes that are happening in every place that I operate? So, that's where you really start to see some of those micro trends that give you a little bit more insight to what the GCs and the law departments really are grappling with more on a day-to-day basis.

Gina Jurva: And do you see, do you see differences in the priorities shifting based on size of the law department? where they were talking global, large, you know, corporate law departments, smaller companies, is there much of a change between the three or do they stay pretty consistent? I know that's a broad question, I think.

Jen Dezso: Yeah, it is, and we look at the data in so many different ways. We cut it by company size, we cut it by industry, we cut it by region so there are tons of ways that we slice the data. I wish I had a better answer for you than "no". Honestly, when we looked into it, it was pretty consistent across the board that this was the order that everybody was really looking at their priorities this year.

Gina Jurva: Well, efficiency is key for sure. Like, you know, making sure you're efficient. Safeguarding the business, but what about talent management and how corporate legal departments are recruiting and retaining that talent?

Jen Dezso: Yeah, so talent's an interesting one because there's a pretty substantial drop when we hear about talent in terms of the other priorities that corporate law departments are telling us about. So, you know, I think it's 14% - 15% of GCS are telling us talent, maintaining and developing their talent is their top priority and it's a slightly different story, I think than what, you know, you kind of hear when you're reading the news and waiting, especially from the law firm perspective where talent is number one

priority that they're dealing with, and it's an interesting dichotomy because when we're talking to the GC's, it's less about the recruitment side and it's more about that, how do I maintain the talent I have? How do I really develop the talent? And interestingly, it ties very much into that efficiency goal that we were just talking about because a lot of what we're hearing on the efficiency side and why that digitalization is becoming such a strong theme that's emerging out of the interviews is we hear things where they're telling us, you know, we want to bring in technology to help us do this so we can free up our great resources to be more strategic in what they're doing because, you know, you've got, you know, I did one of these interviews myself and the general counsel saying, you know, I've got one full time lawyer who most of the time is just trying to sort through all of the invoices and making sure all the you know, and it it's a waste of time at the end of the day is what the general counsel told me .So, when they implemented, you know, e-billing and they started getting matter management systems in place it freed up this person like a full lawyer to now actually go and do more strategic things for the company rather than just the maintenance and the operation side.

Gina Jurva: To actually get a lawyer, right?

Jen Dezso: Yeah, shocking, right?

Gina Jurva: Yeah, exactly yeah. No, that's funny. I hear that too in in the GCs that I speak with and figuring out, I mean, I guess that also I think it also underscores how important a.) the technology pieces and b.) having a legal operations team if you can do that. If budget from a budgetary standpoint, you can employ that it would, its cost saving in and of itself to be able to have a project manager, have someone working on that, have someone following the technology following those invoices. Yeah, absolutely I think that makes sense. What about, this is always an issue that comes up, but you know the relationship between corporate counsel and outside law firms, and you know, I think the whole theme is that, you know, elevating that experience and delivering stronger, more effective working relationships is truly a goal for both parties involved. From what I saw in the report, the report presented the need for strengthening that relationship and partnering between corporate law departments and law firms specifically, such partnering should concentrate on pricing, project scope and management, and one of the trends that stuck out for me was that in the Stellar Performance research, the panel cited significant changes in the scope of work, you know, like in approximately 30% of work matters, reflecting a better need for collaboration between outside firms and corporate law departments. So, with that in mind, what advice do you give to law firms, to corporate law departments and how to work more efficiently, better strengthen that relationship with outside firms?

Jen Dezso: Yeah, so much advice. How much time do we have? This is an area I spend so much time really getting under the surface with both corporate law departments and law firms in terms of how do we really get our arms around this? Now what's interesting and what you said, and I just really want to reiterate it, so everybody really truly understands, when we're referencing the Stellar Performance data now that's interviews that we do with law firm lawyers, and so you're actually hearing law firm lawyers themselves talk about this thing where the scope is creeping up, and it's actually going significantly over scope. And so, and I think that's a perspective that may surprise some people. When, you know, most people are sitting there going, oh, the law firm lawyer doesn't care because they're going to build the hours, but they're actually sitting there going no, we do care we don't like this when it happens either. So, one of the things that I really try to stress to folks is at the end of the day, scope is all about communication and really setting some clear expectations up at the start of a matter. It doesn't have to

be every single matter that's going to cross the path of an organization, but those more significant ones that you know really do have the potential to barrel a little bit as you start getting into some litigations of course, always a great example of this. You know, you start off with one set of expectations. Maybe you do some depositions, you realize suddenly, oh, there's actually a really aggressive opposing team. I've got to do a lot more depositions, you know, you have to start bulking up a little bit differently. Lawyers at their heart are extreme. They want to get the best result possible. They want to do it fast, but they then sacrifice going back and checking in with the client and the corporate law department before just running with a new set of assumptions. And so, one of the things that I'm always stressing is if you start to see a pretty significant change in what your approach is going to have to be for a matter, you have to stop. You have to bring everyone back together because there always is a cost benefit ratio that general counselor making, it may suddenly get to the point where the cost is not necessarily worth the approach that you were taking and they may want to consider a different approach, so you have to always give the corporate law department the opportunity to have that discussion. On the corporate law department side, and I will say this is I do put this on both sides of the equation, which is, I think, the corporate law department also needs to be more effective at communicating and stopping at the start of these major matters and say, hey, I need you to walk through what this approach looks like. Let's make sure we're aligned because if your law firm lawyers not going to do it, and if that at the end of the day is going to be a big concern it's something you need to start asking for your firms to do. Now, many firms are starting to bring in people like pricing experts and project managers and folks who really do understand this. So, I think we are starting to see the shift happen, but there needs to be a recognition that there is a lot of scope creep for those bigger matters, we just need to be a lot more intentional about how we're approaching them.

Gina Jurva: Yeah, the communication is it really a two way street and that is, I mean, there's so much we could do a whole episode on this I feel like and maybe we should in the future, but also to for anyone listening if they have questions, they could always reach out to you. And you have expertise here. They could read the report, which I highly recommend everyone does.

Jen Dezso: Great first step.

Gina Jurva: Great first step, read the report. Why didn't I - I'd like to the thing I like to spend a little bit of time on this, and this is around the legal technology. It's very top of mind in today's legal ecosystem, as we spoke about a few moments ago. So, how are you and your team talking to law departments about driving technological transformation within the legal department, I mean there's a number of statistics in the report that talk about, you know, the positive change, the possibility of positive change, and transformative change by using legal technology, but what are some of the things that you do talk about with them and what advice could you offer the our audience?

Jen Dezso: Yeah, it such a hard question to even begin to unpick because, so when we're going out and we're talking to general counsel about technology, this is where you do start to see the split between the research that's done with Sharplegal, which is with the general counsel versus that legal department operations index because that is with more of the operations side of the department. The operations side tends to have a little bit more of that granular knowledge in terms of what are the real technologies we have and, you know, what are we using, is it, you know, more than we've done last year? What are we bringing on board? Whereas the general counsel, I think is looking at it from that more strategic perspective of what do we really want technology to do as we bring it into the company? And that's the

area that we are starting to see a lot more pushback in terms of not just the general counsel wanting their own departments to be more efficient, but again, looking to those external providers? How are they leveraging technology to also help make the relationship more efficient? Taking this out of the report for half a second, I actually was just doing a roundtable this week where we got onto the conversation of technology and being able to have, you know, three general counsels talking to a room of folks. We were able to really dig into it a bit, and, you know, they're challenged in the same way that law firms are, which is they don't have just their systems to worry about because they also use multiple law firms, and so now it's what's the right technology for us to implement that's going to talk to all of our law firms, technology, you know it, there just becomes a really big issue of how many solutions are out there. So, how do you get everyone onto a similar platform so that what they want to do ultimately which is better, faster access to information? How do I streamline processes? How do I automate processes? But there's so much that they have to get over just in the implementation side that it's been a very hard nut for them to crack, but it's fascinating, I think they're tackling it far more than they ever had. Like, I'm hearing General Counsel talk about how they automate even pieces of the most, you know, complex litigation, which was an area everybody used to think was, well, that's going to be the unique work that's always just going to have to be, you know, step by step. We can never automate that. That's just not going to be touched and general counsel start to look at it and say, you know there's a lot of routine pieces of even this complex work that we can probably get a lot a lot more efficient at so I'm not sure there's a clear one solution just yet that's coming, but everybody's got it front and center way more than I've ever heard in my time doing any of this research. So, it's fun to watch actually.

Gina Jurva: Yeah it, it seems like there's much more of an appetite for to use legal technology, and you know, that I think law departments in general lawyers, but law departments in general I'm a lawyer myself, so I can say this, they have been resistant to change, I mean I think that's just been our sort of our MO so to speak, and the pandemic kind of upended a lot of that.

Jen Dezsp: I'm going to push back on you.

Gina Jurva: OK, OK.

Jen Dezso: I don't think people are all that resistant to change. I think people along the way learn and unfortunately I think the MO in the past has been here's going to be the solution that's going to solve things, and we're going to bring it in, and it doesn't solve anything because you bought a solution you didn't start with the problem and work backwards and you know, at the end of the day, you're saving time by not just bringing in another solution that ultimately is not going to work, so I've seen when it's thought out really well, and when it's the right solution solving the problem that you're truly trying to solve, you can actually get people on board very quickly, and I've seen corporate law departments do that when they've got the right project management system in place. Suddenly everybody is actually like yes, let's get the information in because it's making my life so much easier and it's collecting the right information and it's not collecting other information that we don't end up ever using. So, they really see the value along the way, so just to be a little contrarian. Sorry, I shouldn't do that.

Gina Jurva: There, contrarians good, no, it's good on this show, right, right? I like it. I like it, and I and I think you're absolutely right in the sense that if, it and I've heard this not just in in the corporate legal space, but I also work across financial institutions and others that if you're buying a solution that's just maybe a shiny object like oh, it's a AI is going to solve all our problems, but then they get it and it's not really solving the problem because it didn't start with the problem. Definitely, definitely agree with that

and I say anything that makes your job easier, much more efficient, and allows you to do the work of law not the work, I mean the work you're paid to do, the work of law, right? I'd say I champion that. So, here's to the future. Any final, any final points you want to leave us with? For our audience, any words of wisdom?

Jen Dezso: Words of wisdom. I'll steal yours first, absolutely read the report. There's so much more in there under the surface of what we're talking about. For me at the end of the day, it does come back to that communication piece, making sure that you are really proactively addressing these issues, I think the only way, especially, you know, when you see efficiency at the top of the list and just being a continual theme over and over again, unless you're actively talking about it within your own department with your service providers with other folks that are just in the industry, what are your peers doing? The more you actively start talking about it and trying to address the problem, the closer we're going to start getting to what those solutions are because again, going back to the people don't like to change, but it's because we don't like seeing failures happen. Everybody's got lessons, learned that they can be sharing with one another, and that's in fact, part of why we do the research in the first place is what can we learn from groups of people that we can now share with other groups and so everybody can elevate their learning a lot faster. So, that would be kind of my biggest take away is really make sure you're just out in the legal community talking about some of these issues at the end of the day, that's what's going to move the needle forward.

Jen Dezso: Well, Jen Dezso, Director of Client Relations at Thomson Reuters Market Insights and Thought Leadership, it is always a pleasure, and you are welcome back on the show anytime. So, please do come back.

Jen Dezso: I'll take you up on it.

Gina Jurva: And for more information, and to download a copy of the report itself, the 2022 State of Corporate Law Departments Benchmark, Optimize and Innovate Law Departments Performance at a Post-Pandemic World visit thomsonreuters.com/institute. Thank you all for listening. Have a great day.

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