

# UNDER PRESSURE

## Finding relief from constant firefighting

A report into the state of in-house legal teams around the world in 2023



# About us

We help in-house legal teams build their ideal legal function — one that is effective, agile, and able to prove its value to the business.

With the combination of our world-class people platform and unparalleled tech capability, we support legal leaders with the design and implementation of people-focused, tech-enabled legal services.



# Foreword

## We didn't light the fire

In the engineering world, the problem of *firefighting* is well understood. Roger Bohn, the professor emeritus of management at the University of California, clearly described the issue in 2000.

In his research, firefighting is an observed behaviour where problem-solving degenerates into quick-and-dirty patching. It describes a workplace with at least three of the following elements:

- there isn't enough time to solve all the problems
- solutions are incomplete
- problems recur and cascade
- urgency supersedes importance
- many problems become crises
- performance drops

While in-house legal teams differ from engineering and manufacturing teams, they are not immune to these operational pitfalls. Indeed, from our research this year we know that **44% of in-house leaders report a “lack of ability to plan (i.e. constant firefighting)”** as an impact of current economic conditions. Apart from economic headwinds, what else might be causing this reactionary footing?

Firefighting isn't always a significant problem. As one Group GC remarked in this year's survey, sometimes it's just part of the job. The real issue is when it's a chronic feature of your legal team. When you and your team spend all day putting out spot fires and never get the time or space to shift from reactionary to proactive. This impacts your performance as a law department and can fray employee engagement. **“Staff morale and retention” is the most widespread emerging issue across the globe.**

A key cause of firefighting noted by Bohn is something called *traffic intensity*. This refers to the number of problems relative to the resources devoted to problem solving. Our 2023 data shows that leaders' number one strategic challenge is **“prioritising large volumes of work”**. We also know that approximately **40% of in-house lawyers are “busier as the legal team has less budget for outside counsel”**. Resources are diminishing and problems are increasing, which can lead to intensity reaching 100% or beyond. This is where the danger of chronic firefighting sets in.

What are some relief valves for in-house legal teams? As Bohn noted, there are tactical and strategic responses. At a tactical level, bringing in interim support is an easy way to relieve pressure and move your team away from firefighting. If you can smooth the legal demand curve by bringing in extra headcount, you'll not only boost your team's output, but you'll alleviate the intertwined issue of staff morale and retention.

At a strategic level, you can look more deeply at your processes and how you go about problem solving. This is where legal operations, data expertise and tech become crucial. To make a step-change in your legal capability, you need to look at how efficiently you manage your workflows and, for example, how you've built your contract management platforms or legal front door. Our 2023 data shows that **one-third of in-house leaders cite "ensuring operational efficiency" as a key strategic challenge** — it's shifted up the agenda and we expect it to rise even further.

Outsourcing is an important and strategic relief valve. In 2023, we've seen **"outsourcing workstreams" rise from fourth to the second largest investment area by in-house leaders**. General Counsels are seeing the value of lifting whole tranches of work off their team's desk and onto the lap of trusted partners. Outsourcing of this nature truly moves the needle on your legal team's performance and well-being as the freed-up bandwidth scales across the whole team.

With the rapid sophistication of generative AI applications in the legal tech space, in-house leaders are paying close attention. Our survey shows that **61% of leaders are "focused on teams learning about the possibilities but no definitive action"**. As clearer and more pragmatic AI solutions are rolled out over the next twelve months, we expect to see leaders shift from observation to action. The scalability of these applications will be a key tool for both leaders and lawyers to step above the firefighting challenge.

We don't see firefighting disappearing anytime soon. In the words of Billy Joel, 'it was always burning since the world's been turning'. But we're confident that in-house legal teams who work thoughtfully with partners who understand their needs will be better equipped to perform without falling into the chronic firefighting trap.

**SIMON HARPER, CO-FOUNDER**

**MARK DODD, HEAD OF MARKET INSIGHTS**

**LOD GROUP**

**OCTOBER 2023**

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# Executive summary

This annual report provides a global snapshot of the state of in-house legal teams. This year, it reveals an intensifying battle for in-house counsel to balance proactivity and strategic work with constant firefighting. Toughening economic conditions, shrinking budgets, and regulatory pain are reducing some in-house legal teams to the role of first responders.

Now in its fourth year of publication, our report gives insight into how legal teams are managing with comparisons between geographies and previous years. We surveyed more people and asked more questions than ever before, looking to understand the on-the-ground reality facing law departments.

While the data paints a familiar background, 2023 brings fresh elements and shifting priorities to present a contemporary picture of in-house life. Despite the pressurised and reactionary environments facing many in-house teams, we've also seen a growth in data fluency and boosted strategy around legal tech. Operational efficiency and workstream outsourcing has risen on the GC's agenda, and while the impact of generative AI is yet to crystallise, it has everyone's attention.

Apart from the prevalence and challenge of firefighting, this report also reveals:

- **top emerging issues across the globe:** the most widespread being staff morale & retention.
- **popular approaches to AI adoption:** caution, education, and consensus building dominate current thinking.
- **real-world priorities of in-house counsel:** preparing for regulatory change and a focus on contract management.
- **the impact of economic conditions on legal teams:** growing internal workloads as outside spend is reduced.
- **what's happening to legal team budgets:** a quarter of law departments have less budget this financial year.
- **where in-house leaders are investing:** lawyers remain the top area of spend, followed by outsourcing workstreams.
- **use of data and tech strategy:** large increases in teams using data to boost value and leaders adopting a tech strategy.

In the final two sections of this report, we distil four key tips from the advice of our global cohort. Then we cast our eyes forward and consider what the in-house legal team of the future will look like. Read on to explore the latest trends, insight and top tips!



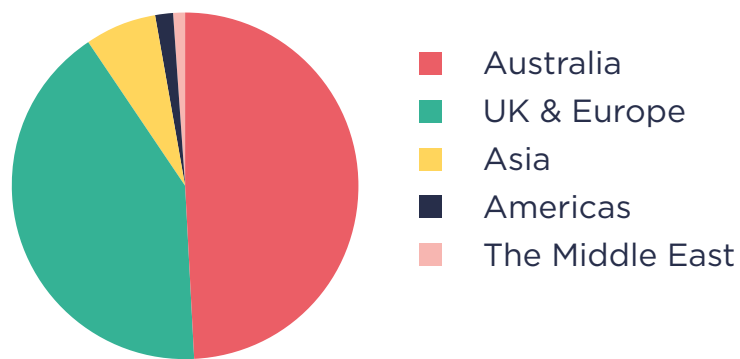
# Demographics & methodology

For this report, LOD surveyed **332** legal, risk and compliance professionals from around the world. **193** of these were in-house legal leaders (**In-house Leaders**) and **139** were LOD lawyers and compliance professionals (**In-house Professionals**).

## Top 10 sectors for **All Respondents**:

- |                       |                          |
|-----------------------|--------------------------|
| 1. IT & Tech          | 6. Healthcare            |
| 2. Financial Services | 7. Public Sector         |
| 3. Law Firm           | 8. Not-for-profit        |
| 4. FMCG & Retail      | 9. Transport & Logistics |
| 5. Energy / Oil & Gas | 10. Telecoms             |

## Regional breakdown of **All Respondents**:



## Job title breakdown for **In-House Leaders**:





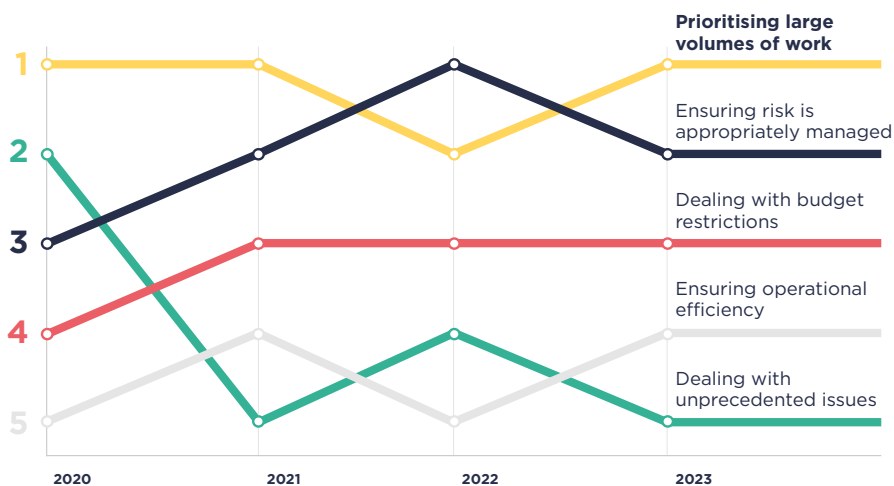


# Challenges in 2023

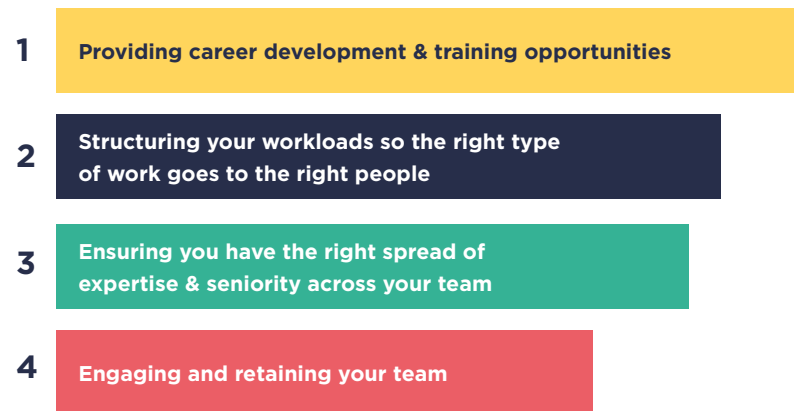
## In-house Leaders

We asked **In-house Leaders** what their biggest strategic and team management challenges were in 2023.

Top strategic challenges over the past four years



Top team management challenges in 2023

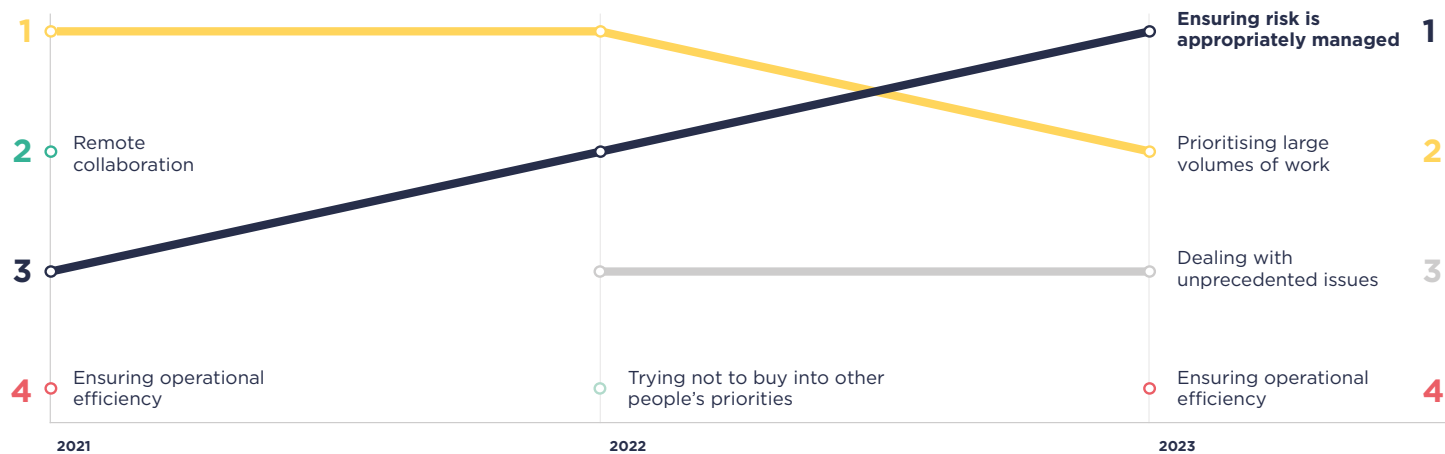


# Challenges in 2023

## In-house Professionals

We asked **In-house Professionals** what their biggest strategic challenges were in 2023.

The shifting strategic challenges for In-house Professionals over the past three years



# Emerging issues for leaders

We asked **In-house Leaders** for their top three emerging issues over the next 12 months.

## INSIGHT

The most widespread emerging issue is staff morale and retention, driven by push and pull factors. On the pull side, we see buoyant labour markets and attractive compensation packages. On the push side, we see pressurised working environments arising from firefighting and a lack of career development and training opportunities for in-house counsel.



### Asia & The Middle East

- 1 Budget for internal spend
- 2 Staff morale & retention
- 3 Implementing legal technology (including AI)



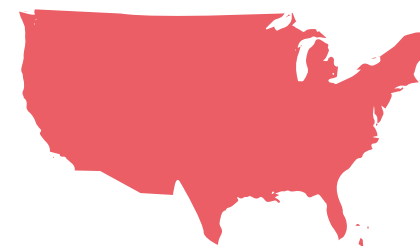
### Australia

- 1 Cybersecurity
- 2 Data privacy
- 3 Staff morale & retention



### UK & Europe

- 1 Staff morale & retention
- 2 Budget for internal spend
- 3 Talent attraction & retention



### United States

- 1 Budget for outside spend
- 2 Cybersecurity
- 3 Staff morale & retention

# AI adoption

## INSIGHT

There is no doubt that generative AI has been front of mind for legal and business leaders, but the precise ramifications are still yet to be seen. As the data shows, a strong majority of In-house Leaders are playing the “wait-and-see” game — but this isn’t a passive task. It’s about actively engaging with developments and staying abreast of the direct business and legal team impacts.

As we enter the next stage of the hype cycle, progressive leaders are focused on practical applications. While the excitement and noise may dim, the actual uses of AI for in-house legal teams will grow. The key here is to ensure you have trusted experts to guide you on the AI journey.

We asked our **In-house Leaders:**  
“What are your plans for AI adoption over the next 12 months?”

**Focused on learning about the possibilities but no definitive action**

61%

**Educating the legal team and the wider business on its efficacy and benefits**

23%

**Not planning on using it at all/until risk levels are lower**

21%

**Setting our strategy and getting buy in from key stakeholders**

13%

# Priorities for in-house counsel

**“Our number one priority is regulatory readiness.”**

**In-house Counsel, IT & Tech, UK**

**“We’re focused on aligning to the CEO’s strategy, as well as improving compliance and governance.”**

**In-house Counsel, Agriculture, The Middle East**

**“The legal departments top priorities are implementing an upgraded CLM system, standardising templates and integrating technology tools.”**

**In-house Counsel, IT & Tech, United States**

**“Building a library of legal templates, getting involved with the business priority setting and speeding up response times for legal matters.”**

**In-house Counsel, Healthcare, Asia**

**“Quantifying risk, unblocking products and pushing back on risky product.”**

**In-house Counsel, IT & Tech, Europe**

**“We’re concentrating on dealing with the day-to-day business issues, keeping up with changing legislation and managing the priorities of the business.”**

**In-house Counsel, Energy, Australia**



# Perception of value

In this year’s survey, we asked **In-house Leaders** and **In-house Professionals** whether the in-house legal function is valued in their organisation.

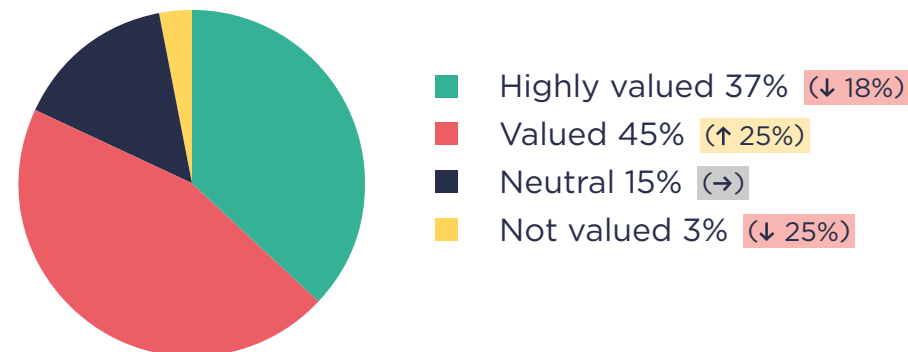
## INSIGHT

Compared to 2022, we saw that **In-house Leaders** are broadly feeling like their team is more valued, albeit not as strongly. For our **In-house Professionals**, there was a hollowing out of those feeling valued as they were pushed into stronger convictions of value or a neutral position.

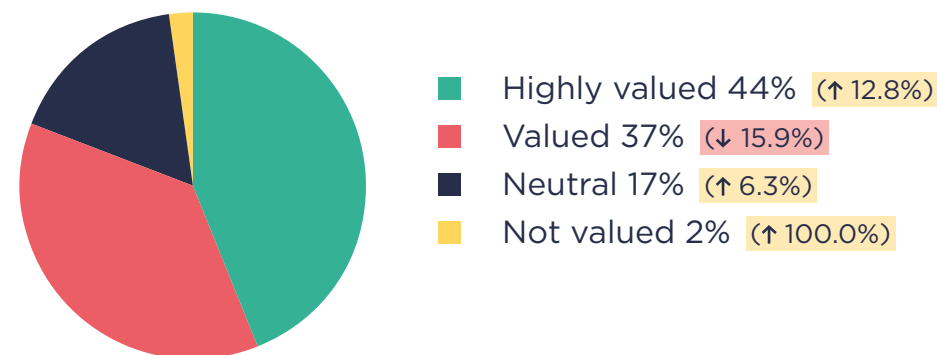
### Hallmarks of Highly Valued Teams

Similar to 2022, those **In-house Leaders** who felt their team was highly valued, were more likely to agree that they were using data to boost value and were far more likely to have a technology strategy (see Section 11). Once again, data fluency and clear strategy are good indicators of a positive perception of value.

**In-house Leaders in 2023 (% change from ‘22):**



**In-house Professionals:**





# Why do you think this?

## In-house Leaders:

**“Valued, but not always utilised. Valued most for unblocking projects.”**

General Counsel, Education, Australia

**“We tailor our service to the business’ needs, both in speed and the way we deliver our message. We know the legal boundaries and stick to them so people respect it when we ask them to do something differently / not do something... and we talk the language of the business.”**

In-house Counsel, Healthcare, Asia

## In-house Professionals:

**“We’re highly valued because of the way our team is completely embedded within the client.”**

In-house Counsel, IT & Tech, UK

**“The legal team plays a critical risk control function.”**

In-house Counsel, IT & Tech, Asia

**“Our commercial approach, combined with our high level of trust within the business, means that the legal function is highly valued.”**

In-house Counsel, Pharmaceutical, Australia

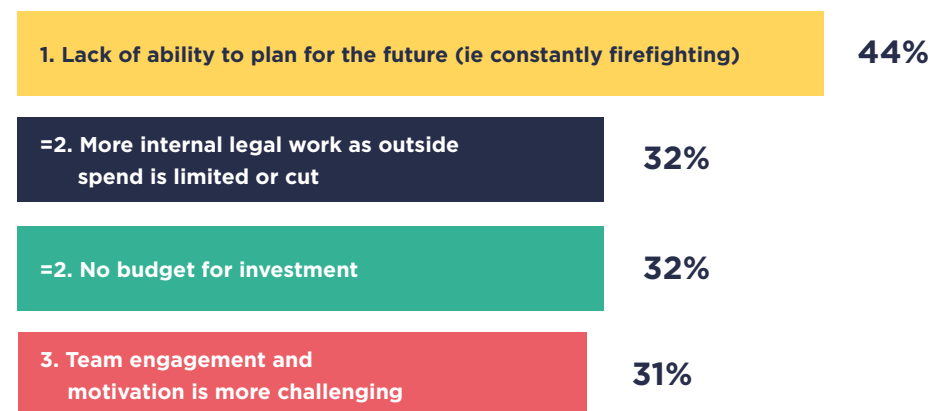
# Impact of economic conditions

We asked our **In-house Leaders** and our **In-house Professionals** how they have been impacted by the prevailing economic conditions over the past 12 months. Economically, the period across most regions was marked by high inflation, higher cost of living and a tightening of corporate spend, particularly in sectors such as technology.

**INSIGHT**

Economic uncertainty has brought more work across the in-trays of legal departments around the world, so they are feeling the pressure to take on more tasks internally. This helps explain the firefighting sentiment. The increasing pressure is also impacting team engagement and motivation — it’s hard to have a happy team when you’re always in crisis mode.

**In-house Leaders**



## INSIGHT

Similar to their leaders, In-house Professionals are busier due to lower budgets for outside spend. Interestingly, there seems to be a dichotomy in experiences for In-house Professionals, while many feel the pinch of economic challenges, a sizable portion feels largely unaffected. Looking more closely at this segment which feel limited or no impact, **over 75% of them come from a legal team that is valued or highly valued.** Being valued by the business affords some insulation to the slings and arrows of economic fortune.

## In-house Professionals



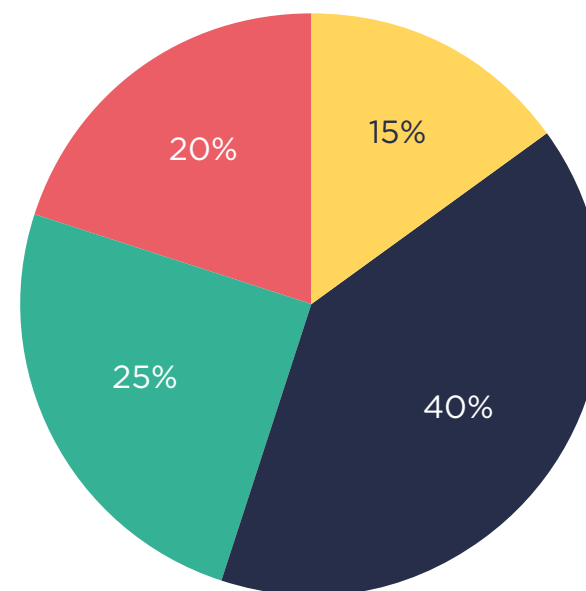
# Legal team budgets for this financial year

## INSIGHT

While the plurality of In-house Leaders are receiving a similar budget this financial year to last year, one quarter received less budget. This shows the challenging environment that many leaders face — with less budget it's more difficult to dedicate resources to operational efficiency and harder to keep staff happy. Firefighting is more prevalent in teams with tighter budgets.

It gets more interesting once we segment the data and take a sectoral view. For those leaders in the **IT & Tech** sector, approximately two thirds are getting less budget than last year. In the **Financial Services** sector, over half expect to receive the same or more budget this year.

We asked our **In-house Leaders**: “How would you describe your legal team’s budget this financial year?”



- More than last year
- Same as last year
- Less than last year
- Not applicable / rather not say

# Areas of investment

We asked our **In-house Leaders:**  
 “What are your main areas of investment in 2023?”

**INSIGHT**

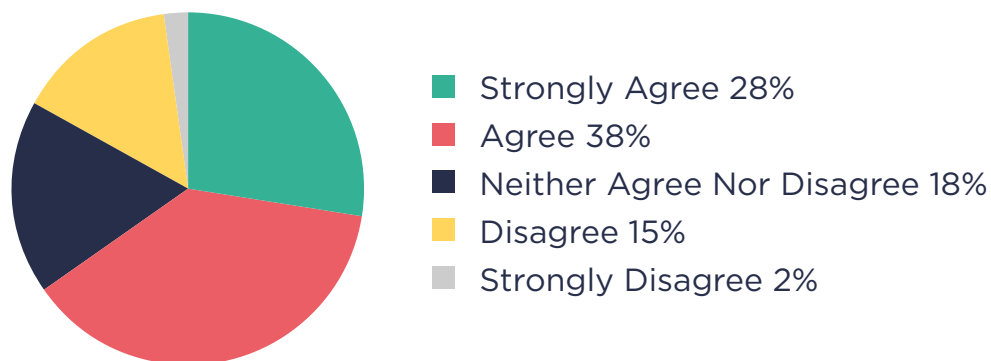
While lawyers remain the top area of focus in 2023, there has been interesting movement in other investments, with the outsourcing of workstreams leaping up to second place. As we’ve seen the rise of firefighting, the boosted investment in outsourcing makes sense as leaders look to find relief for their team. The drop in risk and compliance expertise tracks with the lowering focus in that area, as compared with last year. The emergence of investment in new technologies (including AI) is no surprise, and we expect that to continue to rise as leaders become more comfortable with the risks involved.

**Top four areas of investment:**



# Use of data & tech strategy

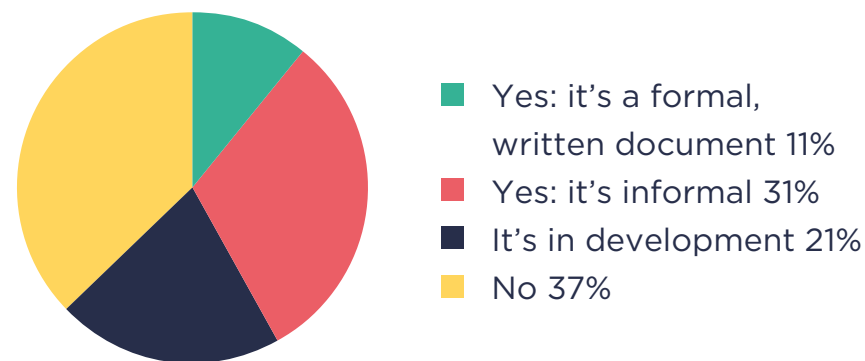
To what extent do you agree that you use data to boost the value of your legal department?



**INSIGHT**

Compared with 2022, this year we've seen a **38% increase** in In-house Leaders who either strongly agree or agree that they use data to boost value — a positive and material shift for legal departments around the world. This strengthening of data fluency is reflected in the boosted perception of value of legal teams as shown in *Section 7*.

Do you / your team have a technology strategy?



**INSIGHT**

Year on year, we've seen a greater than **20% increase** in those who have an informal strategy and those who are developing one. While a minority still lack a strategy, it's rapidly trending downwards as In-house Leaders realise the productivity dividends enabled by technology. This positive development shows that in-house legal teams are finding the time to develop and set strategy — outside of just firefighting.



# Tips for successful leadership

We asked our **In-house Leaders** what their top tips were for managing the prevailing business environment. We distilled the wide-ranging responses into four broad categories of alliterative advice:



## Dynamic decision making

Unlike their private practice counterparts, in-house lawyers often need to make decisions with limited information. Rather than waiting for perfect clarity, develop the skill of discerning and acting on essential data, being prepared to adjust as more information emerges. This flexibility not only speeds up decision making but ensures that the legal team remains agile and relevant, supporting the organisation's immediate needs and objectives.



## Cultivate curiosity

Delve deep into the reasons behind business enquiries to understand the larger context. Engage with multiple units across the company, broadening your perspective — for example sales, finance, and procurement. When in doubt, seek clarity to ensure alignment with broader goals. Understand the 'why' behind a legal request so you can properly address root causes — not just apply plasters.





## Maintain motivation

A supportive and psychologically safe environment boosts morale and productivity. Regularly recognise team achievements, big or small. Cultivate a culture of mutual respect, where every member feels valued and believes that they belong. General Counsels should consider ‘open door’ days so that members of their team feel welcomed to report issues and make recommendations outside of the public eye.



## Examine efficiencies

Schedule annual (or biannual) process audits to pinpoint bottlenecks in your department. Actively explore and trial tech solutions (including AI) that address identified inefficiencies. Consider investing in workshops or partnering with external advisors to gain fresh insights on best practices and workflow optimisation. A quick and cheap win: establish a robust feedback system where team members can easily suggest improvements — and don’t let it gather dust!

# What are your top tips?

**“Engage with the business as much as possible to understand priorities and milestones.”**

Group General Counsel, Sports, Europe

**“Sometimes firefighting is the job and it shouldn’t get you down.”**

Group General Counsel, Not-for-Profit, Australia

**“Do not be pressured into one-size-fits-all technology solutions.”**

General Counsel, Construction, The Middle East

**“Email less, pick up the phone more.”**

In-house Counsel, Telecoms, Australia

**“Focus on building morale and retaining talent.”**

Head of Legal, Hotel & Leisure, UK

**“Get out and meet the business rather than keeping to the head office.”**

General Counsel, Manufacturing, United States

**“Get ahead of the curve, to shift from reactive to proactive.”**

In-house Counsel, Tech & IT, Asia

**“Hire the right personalities — training can be done later.”**

General Counsel, FMCG & Retail, Australia



# Looking ahead

The last four years have shown that predicting the future is a fool's errand. Nevertheless, looking forward to the next twelve months is an instructive thought exercise. By pulling on the thread of trends we've seen this year, we can imagine what it might look like for legal departments over the next twelve months. With that in mind, try reflecting on the four themes below and imagine how they might apply to you and your legal team.



## 1. Budgets will plateau or reduce for most in-house teams — a step backwards for long-term gains

With economic challenges and cost-saving measures becoming ever more prevalent, a significant proportion of in-house leaders have flagged that their budgets will either stay stagnant or face reductions in the coming financial year. However, paradoxically, the demand for technological enhancements in the legal department is rising, which will necessitate an increased spend on legal tech solutions.

**Leadership tip:** If you're seeking additional budget, arm yourself with hard data. Tangible metrics, KPIs, and evidence of efficiency gains can be invaluable when negotiating with the executive team. It's crucial to demonstrate the cost-saving and productivity benefits that an increased tech spend can yield in the long term. In spite of your affinity for Word, Excel and PowerPoint are your best tools for this job.

## 2. Teams will flex up and down quicker to better match workload and stay on the front foot

The dynamism of the business environment demands agility. This year's survey highlights that many legal teams still find themselves constantly firefighting. Adopting a more flexible approach to resourcing, ensuring teams can quickly adapt in size to workload demands, will be crucial to staying proactive and reducing reactive workloads. Matching your internal resource with workloads will demand great vigilance from legal leadership.

**Leadership tip:** To transition from constant reactivity, it's vital to anticipate work surges and lulls. Consider employing interim legal staff during busy periods and adopting tools or platforms that allow for rapid scalability in both directions. Larger corporates will need to consider outsourcing entire workstreams to really make an impact on legal demand management.

## 3. Legal departments will grow further in strategic importance

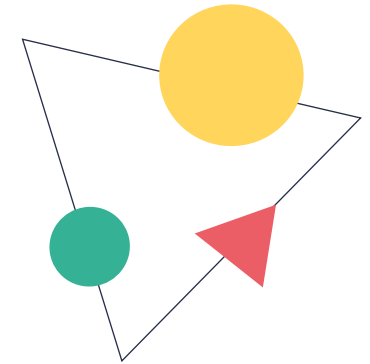
The surge in focus on ESG (Environmental, Social, and Governance) factors, combined with the rising regulatory crackdown on greenwashing, positions legal departments at the forefront of strategic business decisions. Their role will extend beyond mere legal guidance to encompass broader business strategy and ethical considerations. Many General Counsels will become Chief Risk Officers or Chairs of ESG committees (if not already).

**Leadership tip:** Legal leaders must proactively upskill and stay informed about global ESG trends and guidelines. Consider hosting regular training sessions or workshops for your team so they can be abreast of the continually changing requirements. Regulators are moving fast in these areas, so you cannot afford to rest on your laurels.

## 4. Employee engagement will continue to challenge

The constant firefighting in legal teams not only poses operational challenges but also takes a toll on employee well-being. Burnout is becoming increasingly prevalent, with team members often feeling overwhelmed and undervalued due to the relentless pressure and demands of modern in-house life. Legal departments will need to innovate and personalise their engagement strategies to keep morale high and ensure teams remain cohesive.

**Leadership tip:** Foster an environment of open communication, encouraging team members to voice their needs and concerns. Regular check-ins, team-building exercises, and flexible work policies can all contribute to bolstering engagement and ensuring your team feels valued and heard. Resilience and mental health initiatives will play a role — but reducing the volume and pressure of work is the crux of the challenge.



# How we help

LOD, SYKE, and Consilio help you choose the right combination of flexible resource and technology to help you build your ideal legal function. We then design and implement your people focused, tech-enabled legal service.

## PEOPLE

### Secondments and Flexible Retainers

Our legal and compliance professionals on secondment or flexible retainers help you get more done without overloading your team. If you have a short-term gap or need long-term team and cost flexibility, we have the perfect professionals for you.

## SERVICES

### Managed Teams

A natural extension of your team you can trust to 'get it done' with the in-house experience to smoothly take on your projects or BAU. Made up of expert lawyers and paralegals with a custom blend of roles, expertise and seniority.

### Legal Advisory

Get clear, pragmatic legal advice you won't have to translate for your business. Our people have all worked in-house so offer relevant, practical support whatever your needs.

## TECH

### Legal Operations & Technology Consultancy

Our experienced legal consultants design your ideal legal function. We take a holistic approach, looking at your immediate and future operational & technology needs to guide your choice.

### Implementation and Integration

We seamlessly implement and integrate your technology so that your business and users are ready to go from day one. We're independent but work with the majority of the leading technologies including DocuSign, Icertis, Thomson Reuters, SirionLabs, Microsoft, and Google.



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