

# NATIONAL/INTERNATIONAL REPORTS: ANALYSIS

## 2025 State of the Corporate Law Department Report: GCs seek to redefine Value and enable Organizational Success

Organisation: **Thomson Reuters Institute**

Year: **March, 2025**

Source: <https://www.thomsonreuters.com/en-us/posts/corporates/state-of-the-corporate-law-department-2025/>

(Please refer the link for complete report)

### INTRODUCTION

Corporate General Counsel (GCs) today place 'Value' of their law departments as one of the topmost priority. The report postulates how GCs with their multifaceted role can work in most effective and efficient ways possible to serve the rapidly evolving needs of the business.

GCs should be able to identify the meaning of 'Value' for their Corporate Law Department. This will give better understanding between the internal stakeholders, legal team and external service providers of what the legal department is hoping to contribute towards the overall interest of the business. Apart from giving impetus on the value for various stakeholders, the report also focusses on Value for Money through efficiency in operations. Many GCs are making efforts to improve departmental efficiency in order to change the perception of various stakeholders who have labelled the in-house counsels as *cost centers*. The attention is also given on ways to capture optimum value from the legal department's expenditures on outside counsel.

The below framework, adopted by the Thomson Reuters Institute, illustrates the various key areas of strategic focus for today's corporate law department.

### Methodology

Research for this report was compiled from a variety of primary research projects conducted by the Thomson Reuters Institute throughout 2024. Research consisted of telephone interviews with 2,485 GCs across more than 50 countries globally, and online surveys of 217 corporate C-Suite officers, 415 corporate legal professionals, and 424 law firm lawyers globally.

### OBJECTIVES OF THE STUDY

To describe the factors contributing to the value driven growth and stability of Corporate Law Departments.

### ANALYSIS & INTERPRETATION

In this report 'Value' is expressed in context with a) Strategy, b) Efficiency, c) Effectiveness, and d) Protection. This section captures qualitative analysis of the responses received from telephone interviews and online surveys in the above contexts.

FIGURE 1:

### Four spinning plates



Source: Thomson Reuters 2025

a) **Strategy:**

- **Generating greater Value for the business – enabling business growth**

Finding the best path to contribute value to the business within the framework presented in this study depends largely on the ability to imagine ways for the law department to help increase customer satisfaction by proactively devising solutions, and to improve employee satisfaction by, *inter alia*, changing the perception of the legal department as the *Department of No* that stands in the way of accomplishing goals to the *Department of How* that helps to find ways around potential pitfalls. To accomplish this, it is helpful to understand where company leaders see potential risks and the opportunities for transformational changes.

- **Corporate Macro Influences**

There are concerns raised regarding the rise of generative AI (GenAI) or the risks posed by the explosion of data in today's businesses. However, it is not enough to simply understand that these concerns exist. Rather, GCs and by extension the entire in-house legal team must also understand *how* these concerns could potentially influence the broader strategic and commercial directions of the business.

For legal advice to be effective and valuable, it must be offered in service of the broader goals of the business. Crafting a deeper understanding of the macro-level influences on the business and proactively offering solutions that meet those challenges in the context of the broader strategic goals of the business will enable GCs to move their departments into a realm of offering more strategic advice.

- **Engaging in Strategic Conversations**

Before the corporate law department can engage in true strategic advice, however, it must first ensure that it is

building upon a solid foundation. The foundational element is to ensure that the law department is built on high-quality expertise that addresses the broad needs of the business. In this respect, the overlap with another key departmental focus — effectiveness — becomes clear. Likewise, moving up the pyramid toward truly strategic advice relies on a deep knowledge of the business, and it is this knowledge that empowers the GC's office to contribute to the growth of the business.

However, to move into truly strategic advice requires more, such as:

- ♦ an ability to offer operational advice aligned with the business,
- ♦ strong working relationships with key business leaders,
- ♦ an ability to communicate effectively across business units, and
- ♦ an alignment of advice with both practice-area-specific considerations as well as attenuation to sector- or industry-specific knowledge.

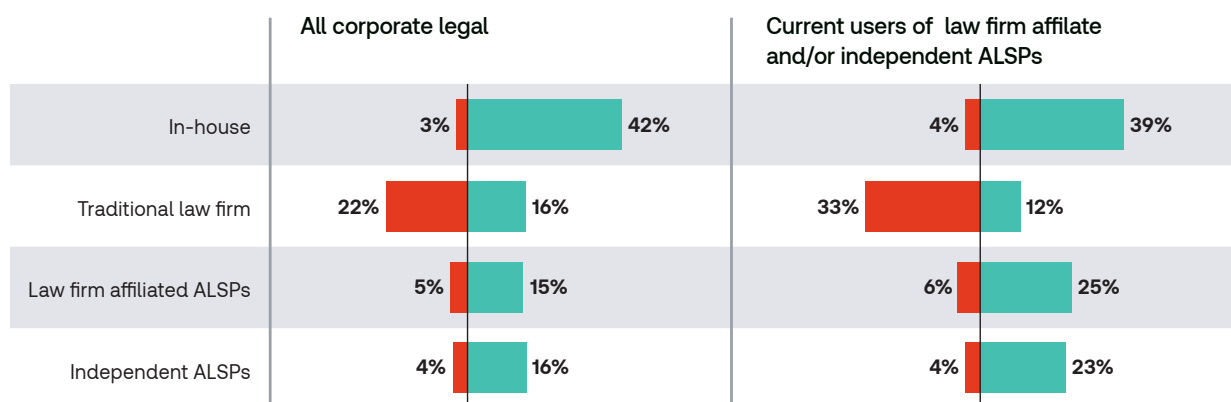
b) **Efficiency:**

- **Capturing greater value for money**

GCs and their teams should exercise caution to avoid the temptation to focus too heavily on cost and spend related metrics without additional qualitative or quantitative context; too great a focus on how much money the department spends, without broader context, only serves to reinforce the perception of the law department as a *cost center* rather than a *value driver*.

## Strategies for reallocating work

■ Predicting a DECREASE in allocation/spending    ■ Predicting an INCREASE in allocation/spending



Source: Thomson Reuters 2025

Controlling costs is a perpetual yet somewhat elusive goal for GCs. It's not that GCs lack ideas on how to better control costs; rather, it is more a reflection of the reality that legal services are an inherently expensive portion of the cost of doing business and only are growing more so. The recent *2025 Report on the State of the US Legal Market* is illustrative.<sup>1</sup> The average worked rate<sup>2</sup> charged by a law firm grew by 6.5%, marking the third consecutive year of increasingly aggressive hikes in law firm billing rates.

- **Technology as a driver of greater efficiency**

While many GCs clearly want to pursue the goal of bringing more work in-house, the reality is that many law departments will quickly run into capacity issues due to the current demands on their workforce. As a result, many GCs are turning to technology to drive greater efficiency from their departments and their outside legal services providers.

c) **Effectiveness:**

- **Creating operational value**

While GCs work to enable business growth, protect business value, and steward the business's expenditures, they must also work to do so through a framework of offering quality, commercially attuned legal advice that optimally leverages the resources available, both internally and externally. There are clear use cases and reasons for GCs' preference to use their in-house legal teams, of course; and unsurprisingly, the most common are day-to-day tasks and the desire to control costs, respectively. However, GCs have also provided some insights into when they will look to outside resources.

There is a clear indication that law firms are preferred for their deep expertise as well as their ability to add capacity to the in-house team's own capabilities. Notably, law firms also enjoy a slight edge over other options when it comes to their track record for producing results.

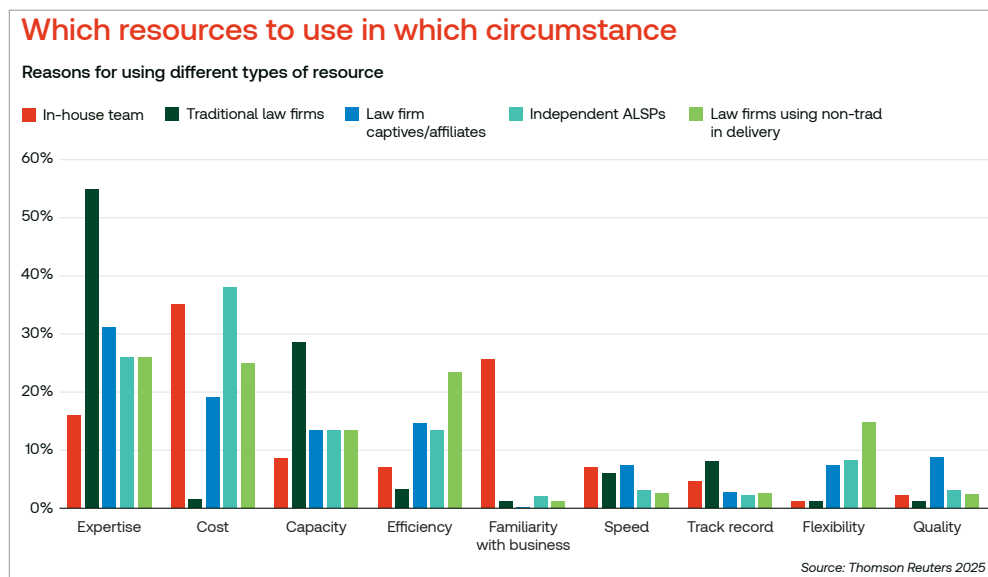
However, these findings are also insightful with regard to Alternative Legal Services Providers (ALSPs), both independent and those wholly owned by law firm. These providers also rank high for preference due to the expertise they can provide, especially regarding niche areas. Most remarkable is the preference for ALSPs due to their potential cost advantages, which demonstrates a clear connection between GCs' desire for cost *efficiency* in operations, alongside their need to focus on operational *effectiveness*.

GCs are also well aware that ALSPs plan to double down on these existing advantages and expand them into new services lines.

ALSPs are being quite clear about their desire to expand the level of legal and consulting advice they can provide and continuing their ascent up the legal value chain. At the same time, they are planning to expand already popular business lines such as matter-specific legal services, legal managed services, and process management. This dual-pronged growth strategy will give GCs even more levers to pull toward making cost-conscious improvements in their departments' overall effectiveness.

d) **Protection:**

- **Protecting the business's value**



As much as the corporate law department must strive to enable the growth of the business, its core function remains protecting the enterprise's value, assets, reputation, and competitive advantage from risks, both clear and emerging. Regulatory compliance has, for years, been among the top strategic priorities for many GCs, and that is perhaps even more the case today given the rise in new regulations, the shifting regulatory landscape,

and the increasing possibility of interjurisdictional regulatory conflicts. Among the top global regulatory and compliance concerns are:

1. See the Thomson Reuters Institute 2025 Report on the State of the US Legal Market, available here: <https://www.thomsonreuters.com/en-us/posts/legal/state-of-the-us-legal-market-2025>.

2. Worked rates are the average rates that clients agree to pay to a law firm to engage a new matter. They are also commonly referred to as agreed rates.

- ♦ Artificial intelligence
  - ♦ Cryptocurrency
  - ♦ Environment, Social & Governance
  - ♦ Cybercrime
  - ♦ Geopolitics & macroeconomics
  - ♦ Sanctions
  - ♦ Fraud, scams & other financial crimes
  - ♦ Risk management
  - ♦ Beneficial ownership
  - ♦ Leadership
- **Avoiding the risks that come from the courtroom and elsewhere**

GCs tend to follow *Avoid-Defend-Resolve* approach while handling litigation disputes for variety of reasons not the least of which are the costs involved and the inherent risks to the business and its reputation.

While winning disputes is important, GCs tend to be highly selective regarding which matters they choose to fully litigate; often, deciding only after carefully applying materiality thresholds and frameworks to mitigate costs and risks.

## KEY FINDINGS AND FUTURE IMPLICATIONS

### • Understanding current benchmarks

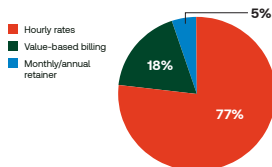
The Institute continues to closely watch industry benchmarks on key figures such as legal spend as a proportion of revenue, average law department size, and the balance of spend between internal and external sources.

### • The push to revamp legal billing and who should lead

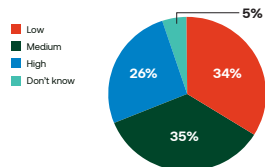
Another key consideration to bending the legal cost curve relates to how legal work is billed. Despite more than a decade's worth of discussion of alternative fee arrangements (AFAs) or value-based billing, the majority of legal work continues to be done on the basis of the billable hour.

#### The push to value-based billing

What proportion of your total annual spend with law firms in the last 12 months was charged through the following three ways?



How high a priority is it for you to shift towards a more value-based billing system?



Source: Thomson Reuters 2025

Fully three-quarters (77%) of legal matters are still handled on a billable-hour basis, but 61% of GCs say that increasing their use of value-based billing or AFAs is a medium or high priority. Yet even with that being the case, it does not necessarily follow that GCs want to be in the position of having to take the lead on implementing or creating new billing arrangements.

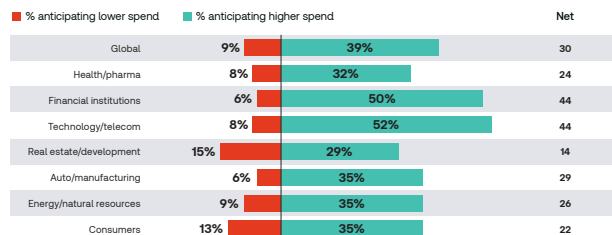
### • The scope for future growth

Not only is regulatory work an area of continued and increasing focus for GCs, it's also an area in which they expect to be dedicating an increasing share of their budget. Among the key practices tracked in the report, regulatory has the strongest and widest positive anticipated spend outlook (ASO) increase figures across nearly every industry.

In anticipation of an increasingly AI-driven future, GCs are identifying new skills and roles that their team members will need to meet the changing reality of legal work and business in general.

Not surprisingly, there is increasing demand for a wide array of skills. Unfortunately, some of the most often-cited — such as adaptability to change and enthusiasm for new technologies — are not skills for which lawyers are traditionally known.

#### Regulatory anticipated spend outlook (ASO)



Source: Thomson Reuters 2025

This means that in-house legal teams will have to look for either lawyers with non-traditional background or interests, or begin looking for new types of roles altogether.

Indeed, GCs are identifying a growing need for new roles such as AI-specialist legal professionals, cybersecurity experts, and even AI developers — roles not typically associated with the average GC's current team or even the practice of law. Further, GCs' concerns about talent are not limited to recruiting the *right* talent, but also retaining their current talent and what future roles will look like.

Key among considerations for effective outside counsel relationships are proactivity, good client management skills, effective communication, and knowledge sharing. Historically, we've compiled these various traits under the broader rubric of collaboration; however, breaking down the component parts is illustrative to help identify specific areas in which outside counsel might be excelling or falling behind.

## CONCLUSION

The year 2025 will be a year of transition and change for many corporate law departments and their businesses. It will be crucial that GCs have the ability to help the business move at pace, determine the right decisions, and make good investments, all while keeping legal risk to a tolerable level. To that end, there are some steps GCs should be taking now, including:

- Define value goals.
- Take care of resourcing strategy now.
- Don't overlook the importance of talent in making technology work.
- Bring the value story to life.

All of this underscored the key theme of 2025 for many GCs echoed in this report: *How to define and deliver value*.