



VIEW FROM THE TOP

GCs' 2024 Outlook on Legal Budgets, Talent, and Innovation

Axiom's third-annual research report dives into the mind of today's GCs and reveals an urgency for in-house legal leaders to innovate new models to help their organizations thrive.

IN THIS REPORT:

Current budgetary, operational, and resourcing challenges for legal departments

The dilemma of balancing values and budget

Solutions for legal leaders to manage costs while mitigating new risk

Capitalizing on the evolution of legal service providers

CONTENTS

What We Cover

A national research study conducted by Wakefield Research and commissioned by Axiom

The Mind of Today's GC **03**

Key Findings **05**

Budget Cuts Constraining In-House Resources **06**

Law Firms Aren't a Panacea **08**

GCs Want Innovation, Modern Solutions **11**

The Road Ahead: A Journey to Value **14**

**81%**

of GCs report that their teams lack the necessary staffing to effectively accomplish their required legal and administrative tasks.

EXECUTIVE SUMMARY

The Mind of Today's GC

It's no secret that General Counsels (GCs) work in a risk-averse industry that's historically been slow to embrace change.

But if there's one major take-away from this year's national study of 300 U.S. GCs—conducted by Wakefield Research and commissioned by Axiom—it's that today's General Counsel has no choice but to flip that script. They and their in-house legal teams must adapt, evolve, and innovate and achieve a higher level of agility needed to succeed in light of ever-tighter budgets, increasing legal and regulatory complexity, and rapidly rising law firm rates and other costs.

GCs overwhelmingly report their teams lack resources across the board—the necessary budget, staffing, technology, expertise, and team structure—

to accomplish their required tasks. As they continue struggling to do more with less, GCs face a succession of roadblocks, including an average 11% reduction in their legal department budgets. A full 63% of GCs have a high level of concern that their legal departments won't be able to invest in the talent and resources they need this year. They need to flip that script, too, by looking to innovative methods, solutions, and services that can help them achieve the flexibility, productivity, and efficiency "mission accomplished" demands.

In-house resources are lacking, but turning to law firms to handle everyday tasks isn't an ideal solution either, GCs said. Even as 81% of GCs report that their teams lack the necessary staffing to effectively accomplish their required legal and administrative tasks, 80% anticipate a likely headcount freeze this year, making it clear that adding more in-house resources isn't

likely. Yet while nearly all (97%) engaged the support of a law firm last year, all who did so (100%) found reasons to regret the alliance. The vast majority (89%) maintain law firms are not a completely effective solution to their resourcing challenges.

So, what's a shrewd GC to do?

Like all industries, the legal industry is evolving, and GCs can no longer count on or afford to stick with the business strategies that worked in the past.

Addressing outdated resourcing strategies requires adopting solutions such as new technologies, building out operations professionals within their legal departments, and rethinking how and when to partner with modern legal service providers.

Confronting the face of change, is it possible to work within tight budgets, tackle novel legal matters, and still mitigate risk?

Our research indicates “yes,” given the right resourcing matrix. Insights into the state of the in-house landscape are crucial to help GCs understand this matrix, the business and operational climate nationally, and innovations and other options now at their disposal to help them make informed, sound decisions for their teams and the organizations they serve.

Axiom commissioned Wakefield Research to engage 300 General Counsels at U.S. companies ranging from small and mid-sized businesses to large enterprises. Half of respondents were SMBs, and half were large enterprises. The 15-minute online study was conducted in January and February.

RESOURCING CHALLENGES AROUND**Key Findings**

<p>THE BELT KEEPS TIGHTENING</p>	<p>87%</p> <p>of GCs are concerned their legal department won't be able to invest in the necessary talent and resources due to economic volatility in 2024.</p>	<p>11%</p> <p>was the average legal department budget cuts as a result of current and anticipated economic conditions.</p>
<p>IN-HOUSE TEAMS ARE STRETCHED TO THE LIMIT</p>	<p>81%</p> <p>of legal departments don't have the necessary staffing resources in-house to do their jobs effectively.</p>	<p>100%</p> <p>of GCs said it's difficult for their legal department to hire the right attorneys to address their needs.</p>
<p>GCs' LOSS IS LAW FIRMS' GAIN</p>	<p>97%</p> <p>of GCs engaged a law firm to support their company's legal matters last year, sending them an average of 26% of their work.</p>	<p>56%</p> <p>of GCs turned to law firms due to a lack of in-house capacity or specialist expertise.</p>
<p>LAW FIRMS FALL SHORT</p>	<p>100%</p> <p>of GCs who engaged a law firm last year experienced challenges that caused them to regret engaging the law firm.</p>	<p>89%</p> <p>of GCs don't view law firms as a completely effective solution for addressing their departments' resourcing challenges.</p>
<p>BUDGET SAVINGS, OPTIMIZATION ARE IN REACH</p>	<p>100%</p> <p>of GCs agreed that some of the work they sent to law firms could have been done in-house if time and staffing bandwidth allowed.</p>	<p>39%</p> <p>was the average portion of work GCs outsourced to law firms last year that could have been addressed by their in-house team if time and staffing had allowed.</p>
<p>GCs WANT INNOVATIVE OPTIONS</p>	<p>85%</p> <p>of GCs who engaged a law firm last year would outsource some legal matters to a flexible legal talent provider rather than a traditional firm if they could do so at a lower cost while maintaining a high level of quality, oversight, and accountability.</p>	<p>80%</p> <p>of GCs said hiring additional full-time lawyers isn't an appropriate solution for their departments' resourcing challenges because (A) it's difficult to hire or (B) there's potential for turnover/hiring freezes.</p>

THE HARSH REALITY

Budget Cuts Constraining Resources

Budget cuts GCs face are increasing concern about their ability to invest in the talent and resources their departments require to achieve their 2024 objectives. Nearly all GCs (96%) have seen their legal department budgets cut, leaving most “very” or “extremely” concerned their department won’t be able to invest in the talent and resources they desperately need.



96%
of GCs had their
budgets cut

These cuts aren’t slight reductions either, as GCs report budget cuts averaging a whopping 11%. Larger companies with annual revenue greater than \$1B report even greater budget cuts compared to their smaller company colleagues. Amid these painful cutbacks, **81% of GCs concede a harsh reality: their departments are already critically understaffed and these additional cuts will crush their capacity and thus their ability to perform effectively.**

average budget cut to their legal department

13%
ENTERPRISE GCs

vs

10%
SMB GCs

Legal departments aren’t just under-resourced. They’re also facing a revolving door of talent. Almost all of the departments surveyed report an uptick in turnover in the last year. And with 80% of GCs foreseeing a likely freeze on hiring, it appears this talent turmoil isn’t going to subside this year or in the foreseeable future.

There’s also a snowball effect. As more people leave, there’s more work to do, causing more people to leave. It’s a potentially vicious cycle that can, ultimately, spin out of control.

The top seven concerns GCs fear could lead their legal department to see additional turnover in the next 12 months:

- 1 REPETITIVE AND UNENGAGING TASKS
- 2 COMPLICATED WORK OUTSIDE OF SKILLSETS
- 3 FEELING OVERWHELMED BY THE ONSET OF AI IN LEGAL WORK
- 4 LACK OF PROFESSIONAL DEVELOPMENT OPPORTUNITIES
- 5 HIGH VOLUME OF WORK
- 6 INSUFFICIENT TECHNOLOGICAL RESOURCES
- 7 POOR WORK/LIFE BALANCE

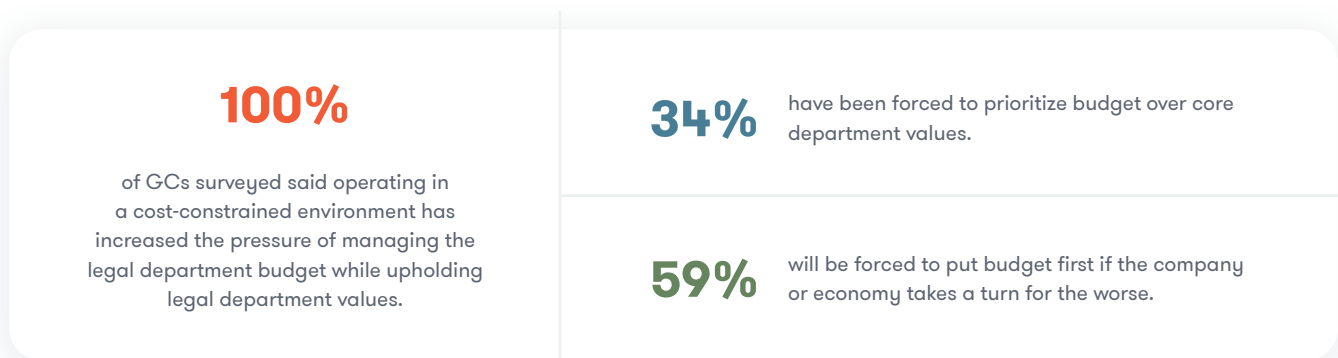
THE TREND CONTINUES

As any legal leader is quick to point out, budget cuts are nothing new for in-house legal departments, as [Axiom’s 2023 General Counsel Survey Report](#) reveals. In this report, 95% had seen legal department budget cuts. As a result, 40% reported their teams were under-resourced, and even more (62%) were concerned their department’s ability to invest in talent and resources would be negatively impacted by economic volatility.

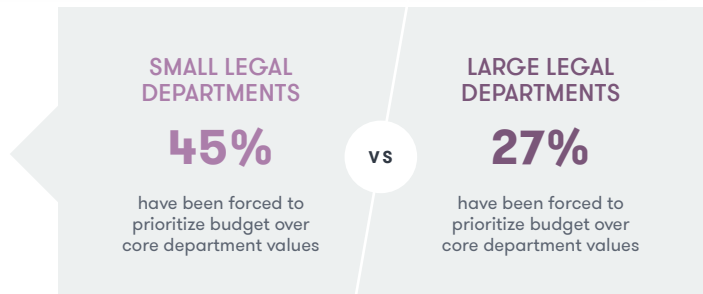
SPOTLIGHT:**A Tug-of-War Between Company Values vs. Budget Constraints**

A sweeping 97% of GCs reported they see themselves as the primary steward of the company's values. Yet every one of them acknowledged an intrinsic conflict in their roles: the balancing act of upholding legal department values while subjected to ever-worsening budget constraints.

And despite their reluctance to do so, more than a third have been forced to prioritize budget over core department values. The future paints an even bleaker picture, with 59% of GCs surveyed reporting they're likely to put budgetary requirements first if the company or economic financial situation deteriorates.



The impact is more pronounced in smaller legal departments. **Nearly half (45%) of GCs with a legal department of 10 employees or less have been forced to prioritize budget over core department values, compared to just 27% of GCs with a larger legal department.** This underscores the harsh reality of budget cuts and their ripple effect on organizational values, not to mention performance.



GCs aren't eager to sacrifice company values for the budget's sake and are looking for ways to mitigate that challenge. In fact, 100% of GCs see their role as steward of the company's values as being more important today than ever. The top reasons cited: needing to ensure compliance with industry regulations and matters related to ESG and DEI. As they weigh values versus budget, the vast majority (88%) have rejected working with a legal provider who didn't share their company's values.

The top five reasons GCs feel their role as the primary steward of the company's values is more important today than in years prior:

- 1.** Ensuring compliance with industry regulations
- 2.** Matters related to environmental, social, and governance (ESG)
- 3.** Matters related to diversity, equity, and inclusion (DEI)
- 4.** Increasing privacy concerns related to artificial intelligence (AI)
- 5.** Economic instability

97%

of GCs engaged a law firm to handle some of their company's legal matters last year—asking them to handle 26% of their company's legal matters, on average.

CONSIDERING SOLUTIONS

Law Firms Aren't a Panacea

The traditional model of outsourcing to law firms when the in-house legal team needs support has become outdated in this evolved industry. While outsourcing to the law firms might be necessary for exceptional “bet the company” legal matters, over-reliance on law firms can be a double-edged sword, particularly for routine matters such as overflow work, the need for specific expertise, or the need to quickly assemble a project team.

Today these everyday legal table stakes can be addressed in modern, faster, less costly ways. But GCs appear largely unaware of these contemporary options for flipping the script from doing more with less to doing more for less. Nearly all GCs surveyed (97%) engaged a law firm to handle a portion of their company's legal matters last year.

And **departments that experienced the largest budget cuts reported being even more reliant on law firms last year**, engaging firms to handle an average of 30% of their legal matters compared to the 21% average among GCs with less severe budget restrictions.

The average percentage of legal matters GCs **engaged firms to handle**

21%
AMONG
DEPARTMENT
BUDGET CUTS <10%

vs

30%
AMONG
DEPARTMENTS
BUDGET CUT >10%

Alarming, **100% of GCs who engaged a law firm last year said there were aspects of the outsourcing experience that caused them to regret it**—especially when it came to the time consumed by administrative management of the law firm.

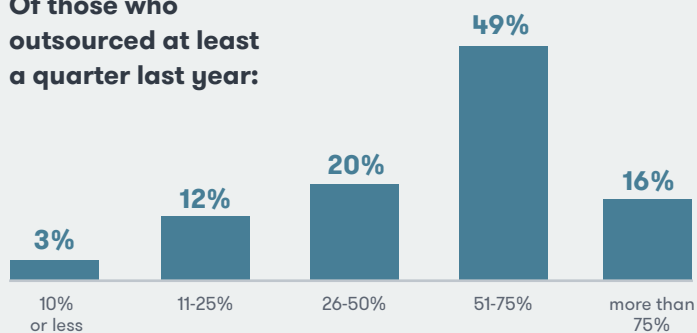
As in-house legal leaders watched sky-high law firm rates continue to rise, 97% of GCs continued to dip into their depleted law firm budget, to their ongoing regret. Making matters worse, of the GCs who engaged a law firm last year, every one indicated that some of the work they outsourced could have been handled by their in-house team if timing and staffing bandwidth allowed. But it didn't.

That goes double for GCs who outsourced at least a quarter of their matters to law firms last year: these GCs reported more than half of their outsourced work—56% on average—could have been addressed in-house.

The top six reasons why GCs regretted hiring firms last year were:

1. Administrative management took too much time
2. Gave conceptual legal advice when we needed practical advice
3. Lack of commercial/business acumen
4. Lack of institutional knowledge
5. Lengthy onboarding process
6. Didn't prioritize our business

Of those who outsourced at least a quarter last year:



SAID IT COULD HAVE BEEN DONE IN-HOUSE

100%

of GCs surveyed said operating in a cost-constrained environment has increased the pressure of managing the legal department budget while upholding legal department values.

When GCs acknowledge outsourcing to costly law firms was regrettable in some way and their own legal department could have handled more work internally if resources allowed, why, then, did they engage law firms?

56%

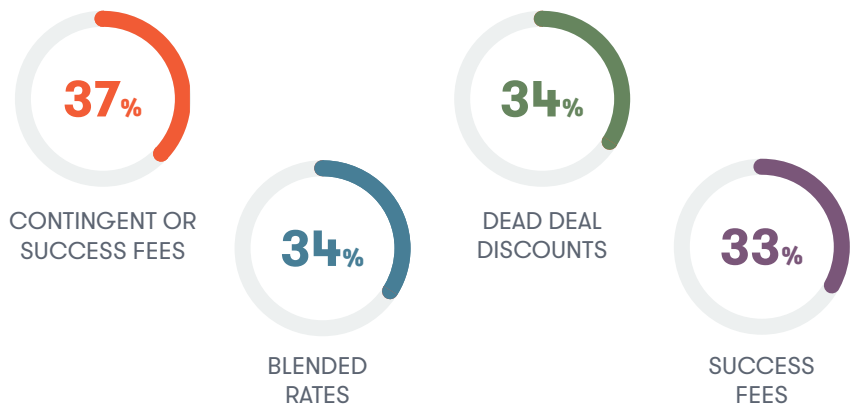
engaged a law firm due to a lack of in-house capacity or specialist expertise.

Top five reasons GCs engaged a law firm last year:

1. Lack of in-house capacity
2. Large-scale legal matters
3. Time/speed
4. Additional independent perspective required
5. Wish of internal client

SPOTLIGHT:**Alternative Pricing Structures: Not a Great Alternative**

Alternative pricing options from law firms have become the norm, but that doesn't mean they're meeting GCs' needs. All GCs whose company engaged a law firm last year for support (100%) were offered some type of an alternative fee arrangement (AFA) or alternative pricing structure, with the most common options (when asked to select all that apply) being:



Yet the results aren't always good. All who were offered an AFA (100%) faced challenges in taking advantage of them. As an example, 38% reported AFAs or alternative pricing structures led to uncertainty and risk of overpaying if the fee didn't align with the work involved.

34% of GCs devoted excessive time to negotiating a fair and mutually beneficial AFA.

GCs also encountered difficulty benchmarking the cost of legal services under AFAs (34%), firms that cut corners or reduced the level of service to maintain profitability (34%), or the scope of work changing significantly during the course of the legal engagement (34%).



96%

of those who engaged a law firm last year said law firms are not a completely effective solution.

OPTIMAL RESOURCING

GCs Want Innovation, Modern Solutions

GCs know the legal industry is rapidly evolving and that they need to evolve with it—and quickly—if they are to keep pace. How do innovative legal leaders embrace change, and how do they know where to turn?

One answer can be found in optimizing their legal solutions by incorporating new resourcing models. As this research highlights, the traditional approach of staffing up (hiring internally) or sending out (engaging with law firms) is inefficient and insufficient at best.

Today, more than ever before in the industry's history, there are new and exceptional resources GCs can consider and capitalize on when determining how best to allocate limited internal and external resources cost-effectively.

Overwhelmingly, GCs express dissatisfaction with law firms as a comprehensive solution to their department's resourcing challenges, especially among those who sought assistance from a law firm last year due to limited in-house capacity.



89%

of GCs indicate law firms are not a completely effective solution to their department's resourcing challenges.

The dual challenge of lagging in-house resources and experiences with outside law firms that are often high-cost yet unsatisfactory has many GCs looking for an alternative. The tide is shifting as most GCs who sought support from a law firm last year express their willingness to outsource certain legal matters to a flexible legal talent provider instead of a traditional firm. Their driving force? The promise of lower costs coupled with unparalleled quality and oversight.

Given how the industry is evolving, is it time to do away with the term alternative legal service provider (ALSP) altogether? No. Most talent providers will continue to operate using the old ALSP model. **But innovative GCs are starting to turn to a new generation of what we'll call "full spectrum" legal services and solution providers that can meet a much wider variety of in-house legal department requirements,** from secondments to full-service legal support across myriad practice areas and industries.

These innovative vendors and the GCs who retain them are revolutionizing the way legal services are delivered, leveraging a wide range of flexible options that bring previously unobtainable value and cost-efficiency to their business. Visionary GCs are recognizing the transformative potential these outlier providers bring to the table. By tapping into an expanded range of flexible offerings, GCs can unlock a new way of working that optimizes their budget and team capacity, measurably maximizes value and ROI, ensures high-quality work that rivals or exceeds that of law firms, and mitigates risk.

Having the right legal expertise at the right time for the right project at their fingertips is a fundamental requirement for a significant portion of GCs, impacting their ability to efficiently carry out their responsibilities. Today, a majority of GCs face significant challenges when it comes to recruiting the appropriate attorneys to cater to their department's specific needs.

Even beyond the legal industry, **employers estimate the total cost to hire a new employee can be three to four times the position's salary,** and that it costs a company six to nine months of an employee's salary to replace them, according to a [report by The Society for Human Resources Management](#) (SHRM). And when a bad hire turns over, the total cost—including lost training, lost productivity, and the time managers invest in supporting HR-specific roles of the hiring process—is typically about 40% of the individual's salary.

85% of GCs who engaged a law firm for support last year would outsource some legal matters to a flexible legal talent provider rather than a traditional firm **if** they could do so at a lower cost while maintaining a high level of quality and oversight.



The trend is even higher among GCs whose departments experienced budget cuts greater than 10%.

91% reported they would outsource some legal matters to a flexible legal talent provider rather than a traditional firm.

Top seven reasons GCs said flexible talent providers would be an appropriate and effective solution for resourcing challenges:

- 1.** Specialized industry/practice knowledge
- 2.** Practical, rather than conceptual, advice
- 3.** Greater efficiency than investing in another full-time department lawyer
- 4.** Better value for every budgeted dollar
- 5.** Prioritization of my business
- 6.** Quick onboarding
- 7.** Easy administrative management



said not having the right legal expertise on their team prevents them from effectively completing their work.



said they find it “very” or “extremely” difficult for their departments to hire the right attorneys to address their needs.



see increasing the full-time headcount of their in-house team as a suboptimal solution for their resourcing needs.



who engaged a law firm last year did so because they lacked the specialty legal expertise in-house.

Engaging a next-generation legal services and solutions provider that offers reduced costs, broader flexibility, and top-quality talent and support compared to traditional or national law firms fits the bill for GCs who prefer to do more work in-house—if they have the budget and/or bandwidth. Instead of outsourcing to a far more costly law firm (despite any AFAs) for tasks that, ideally, could be done in-house, turning to today’s innovative, modern options flips the tired maxim of “we have to do more with less” to “we can now do more **for less.**”

SPOTLIGHT:

Most Likely to Be Outsourced

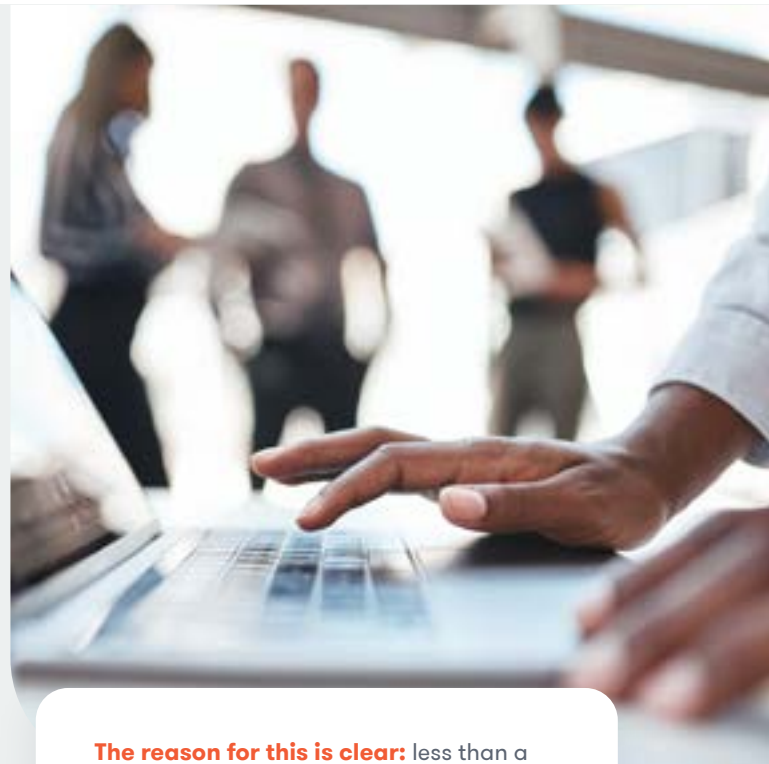
As they look at 2024 and beyond, GCs anticipate three practice areas as being in highest demand for their legal department.

Top Three Areas:

1. Technology and product development
2. Data privacy and cyber security
3. New or emerging areas like AI

Coincidentally, these are also among the areas GCs are most likely to outsource to a law firm, which include:

- Mergers and acquisitions (M&A) (33%)
- Data privacy and cyber security (31%)
- New or emerging areas (29%)
- Technology and product development (28%)



The reason for this is clear: less than a third of in-house teams have lawyers with expertise in M&A (27%) or new or emerging areas like AI (30%), and just over a third have expertise in technology and product development (35%).



CONCLUSION

The Road Ahead: A Journey to Value

General Counsel, in-house legal teams, and the legal services industry overall—they're all at the same tipping point. The dilemma: In-house legal department budgets are shrinking while unrealistic expectations that teams can do more with less are increasing. GCs are acutely aware that their internal staff can't handle all the organization's legal work, and many predict an even greater need for support in the coming year due to turnover, hiring freezes, areas of law where their expertise is limited or non-existent, and increasing regulatory complexity—not to mention their overarching desire to uphold company values.

While engaging a law firm for support will always be appropriate for “bet the company” and other major matters, many GCs are being forced to rely on their outside law firms for an increasing portion of their everyday legal work as well—work that doesn't require the high-priced (and, honestly, often associate-level) talent that law firms provide. Much, if not all, of that work can be done in-house through alternative outsourcing solutions, including secondments of course, but also, today, full-spectrum in-house solutions and law firm services.

Piecemeal outsourcing to law firms for routine legal work such as contracts, patent filings, and human resource issues is costing in-house teams unnecessary time and money, creating an increasingly untenable situation that has GCs asking for a more flexible, broader, cost-effective, and measurable model.

The traditional ALSP model is simply too limited to meet the variable needs GCs have. That's the bad news. The good news: **GCs now have some modern options at their disposal that can enable them to do more for less**, from secondments to on-on-one advisory to large projects and even law firm work, including litigation, for those matters that would be too costly to send to their traditional or national law firm, but too important not to address.

Embracing the next-generation of legal services can go far in reducing or eliminating the challenges GCs reported in this national study. They can make prioritization and scaling easier with a tech-savvy, AI-enhanced method of matching project needs with high-quality lawyers—whether in-house or external—optimizing their annual budget, and reducing the risk of team burnout in the process. Try that with a traditional ALSP. (Hint: You can't.)

How Axiom Can Help

What does this modern solution look like? Axiom invented the ALSP industry 24 years ago, and today, we're inventing [the future of legal services and solutions](#). We've heard your pain points, and we're here to help you transform the future of in-house teams, including legal ops. That's why we're continuing to adapt, innovate, and align our services to what the market is asking us for—and always providing [the industry's measurably highest-quality talent](#).

Axiom's extensive suite of in-house solutions and law firm services are revolutionizing the industry once again, empowering today's overworked, overwhelmed, and under-budgeted legal leaders by helping them shift legal matters and law firm work into a much more cost-effective, low-risk gear. Axiom's AI-powered process streamlines immediate and long-term legal needs for enterprises and SMBs alike.

From filling gaps in the legal team and offering one-on-one counsel to full representation across more than a dozen practice areas and 31 industries, Axiom is once again setting a new standard for giving GCs what they need when they need it, and hopefully, putting the naïve notion of being able to do more with less out to dry.

DO MORE FOR LESS



ABOUT AXIOM

Axiom is where high-caliber legal talent meets full-service law firm work. We invented the alternative legal services industry 23 years ago and now serve more than 1,500 legal departments globally, including 60% of the Fortune 100, with 95% client satisfaction. Axiom gives small, mid-market, and enterprise clients a single trusted provider who can deliver a full spectrum of legal solutions and services across more than a dozen practice areas and all major industries, at rates up to 50% less than traditional law firms. To learn how Axiom can help your legal departments do more for less, visit www.axiomlaw.com.

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