

**axiom** | SURVEY REPORT

# The 2025 In-House Legal Budgeting Report

*How In-House Legal Teams are Evolving Budgeting Strategies for the Future*

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## EXECUTIVE SUMMARY

*As 2025 approaches, legal departments are gearing up for significant shifts in their financial strategies, driven by emerging challenges and opportunities in technology and compliance.*

### **Breaking Free from Tradition: Embracing Agile Legal Budgeting**

The traditional zero-based budgeting (ZBB) model, long a staple of legal departments, is being reconsidered by most GCs. The unpredictability of recent years—marked by economic fluctuations, political instability, and rapid technological advancements—has exposed the limitations of rigid budgeting frameworks. Consequently, 61% of GCs are either planning to shift or have already shifted to more dynamic models, such as the rolling/continuous budgeting model, which allows legal leaders to continually evaluate and adjust the legal team's budget throughout the year based on the present performance and economic environment. This shift is motivated by a need for greater agility in responding to regulatory and compliance demands and the evolving role of legal operations.

### **Increasing Focus on Legal Tech and External Resources**

Once considered leaders of the department least likely to embrace change, legal leaders now indicate a growing emphasis on technology within legal departments. In 2024, 44% of GCs prioritized technology in their budget allocations, with a significant focus on legal operations (38%) and in-house staff salaries (36%).

This trend is expected to continue into 2025, with 96% of GCs acknowledging the need to update their budgeting buckets to address AI and other emerging risks. Technology investments, particularly in AI-powered tools like virtual legal assistants, predictive analytics, and contract review, are anticipated to drive meaningful returns on investment (ROI) in the coming year.

To complement these legal tech tools, GCs are also increasing their reliance on external legal talent. Previous studies have shown legal teams have been under-resourced and overwhelmed with legal work on top of daily administrative burdens. In 2025, 41% of legal department leaders plan to boost their spending on flexible legal talent providers, virtual law firms, and alternative service providers. This strategy reflects a broader trend of legal departments seeking cost-effective solutions that offer high-caliber expertise without the administrative hassle and rising rates associated with traditional law firms.

### **Strategic Spending for Maximum Impact = 2025 Budget Increases**

At last, it appears legal budgets are growing. Despite the challenges of recent years, more than half of the GCs surveyed reported budget increases in 2024, with an average increase of 4%. Looking ahead, 61% of GCs expect further budget increases in 2025. The primary areas of investment will be in technology and external legal resources, with a particular focus on AI-driven tools that can enhance efficiency and mitigate risks.

Interestingly, GCs from larger enterprises (companies with revenues exceeding \$1 billion) are more likely to allocate significant portions of their budgets to

## EXECUTIVE SUMMARY

technology, whereas legal departments within small and midsize businesses (SMBs) are spreading their investments more evenly across technology, legal operations, in-house staff, and administrative costs. Law firms, traditionally a sizable expenditure for legal departments, are now among the lowest priorities for both SMB and enterprise-level legal leaders.

### Quarterly Forecasting for the Win

Dynamic forecasting has emerged as a critical tool for legal departments navigating shifting economic conditions. The report reveals all legal leaders engage in some form of forecasting, with most doing so at least quarterly. Those who practice frequent forecasting are better positioned to secure budget increases, with 94% of those forecasting at least quarterly reporting budget growth in 2024.

Forecasting allows legal departments to pivot quickly in response to changing circumstances, ensuring resources are allocated to the areas of greatest need. This approach is particularly beneficial for legal leaders of SMBs, who often face resource constraints and must rely heavily on external support. By forecasting more frequently, these GCs can address unexpected budget changes, allowing them to more easily reduce unnecessary spending and better manage when and where they lean on external resources.

### Navigating Tensions Between Legal and Finance

One of the most crucial aspects of the budgeting process is cultivating the relationship between GCs and CFOs. While nearly half of the GCs surveyed reported having a strong relationship with their CFOs, unfortunately, 77% of all respondents said they've experienced tension, primarily over cost-cutting versus risk management priorities. To navigate these challenges, GCs and CFOs must foster a collaborative partnership by seeking innovative solutions that balance risk management with financial efficiency.

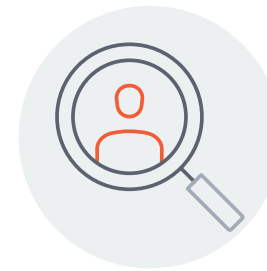
### Charting the Course Ahead

The 2025 budgeting season presents both challenges and opportunities for legal departments. As they adapt to the demands of a rapidly changing business environment, GCs must embrace more agile budgeting models, invest strategically in technology and external resources, and leverage dynamic forecasting to stay ahead of emerging risks.

By reallocating resources toward high-caliber, cost-effective legal talent—including talent with legal AI skills and tech experience to support their increased investments—legal leaders can better navigate this complicated, risky, yet increasingly essential arena. By doing so, they can ensure that their departments are well-prepared to navigate the complexities of the year ahead, driving both efficiency and compliance in an increasingly unpredictable world.

# RESEARCH METHODOLOGY

The 2025 In-House Legal Budgeting Report, conducted by Wakefield Research and commissioned by Axiom, unveils key insights from 200 U.S. General Counsel (GCs) at companies with a minimum of \$250 million in annual revenue, highlighting the evolving trajectory of legal budgeting.



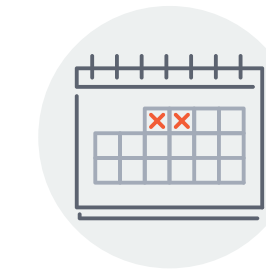
## PARTICIPANTS

General Counsel and Chief Legal Officers



## SAMPLE SIZE

200 legal leaders from in-house legal departments



## FIELDWORK

Between July 9th and July 21st, 2024



## RESPONDENTS

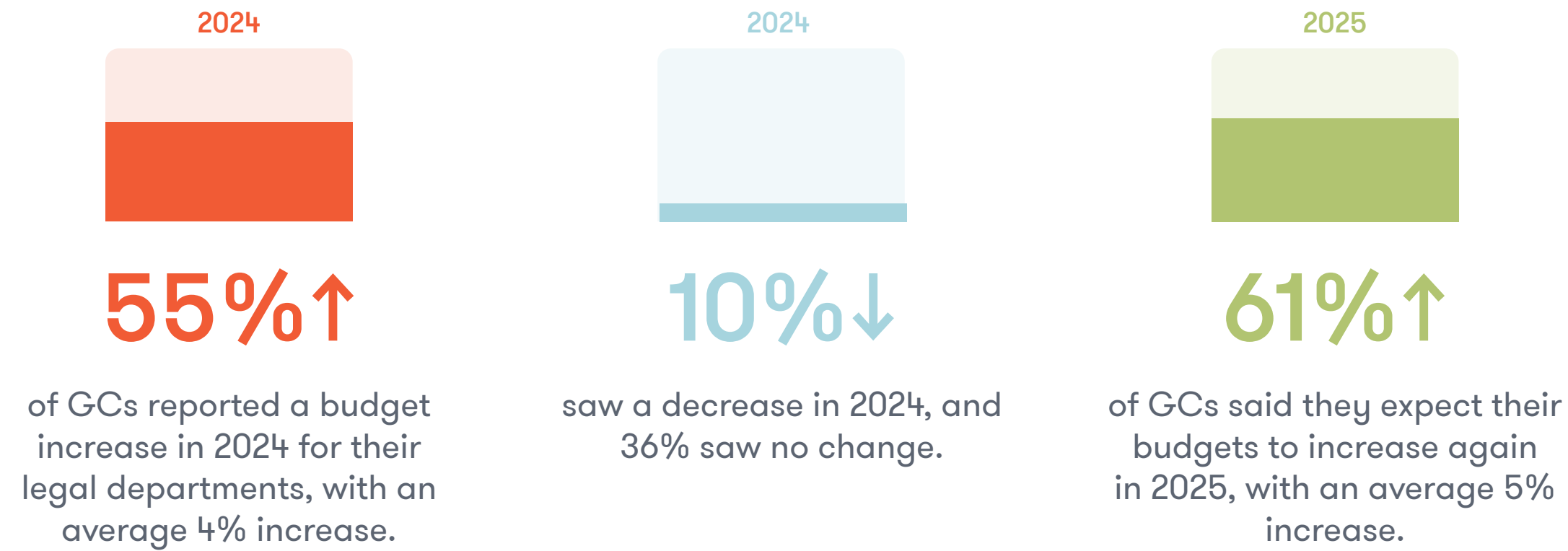
50% of respondents were from organizations with revenue between \$250 million and \$1 billion, and 50% of respondents were from organizations with revenue above 1\$ billion

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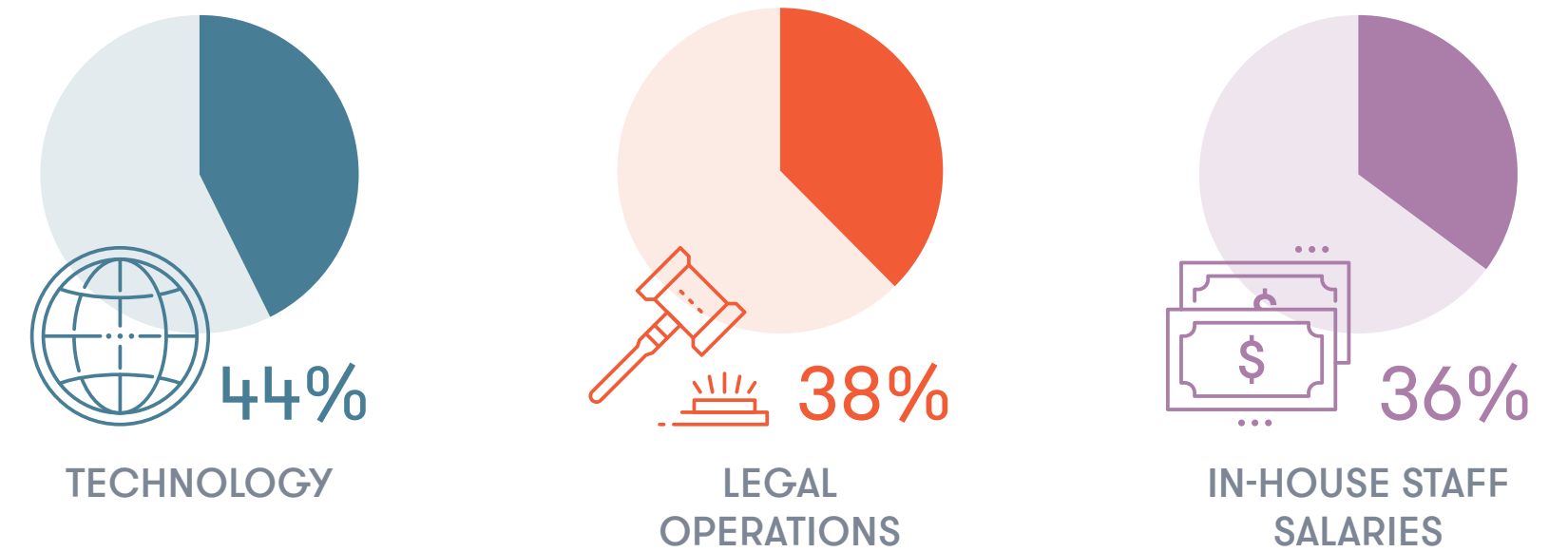
# KEY FINDINGS

## Legal Department Budgets: Going Up!



## 2024's Top 3 Legal Department Budgeting Buckets

The top three budgeting buckets getting most of the legal department's allocation:



## Anticipating Meaningful ROI from Legal AI and Tech Investments in 2025

GCs' TOP 3 LEGAL TECH INVESTMENT TARGETS:

1. Virtual legal assistants, such as AI-powered chatbots (35%)
2. AI-driven predictive analytics tools (27%)
3. AI-powered contract review (26%)

**96%** of GCs said they anticipate **AI will meaningfully reduce costs** within their legal departments.

## What's in Store for 2025's Budgeting Buckets

**96%**

of GCs said they'll need to update their budgeting buckets for legal resources and expertise to account for AI or other emerging risks.

For 2025, GCs anticipate increased spending in:

**44%** TECHNOLOGY

**41%** FLEXIBLE LEGAL TALENT PROVIDERS, VIRTUAL LAW FIRMS, OR ALTERNATIVE SERVICES ↑

**36%** IN-HOUSE STAFF SALARIES

## Zero-Based Budgeting Led 2024 Legal Department Budgeting Models ...

### → Zero-Based Budgeting (44%)

This model builds the budget from zero each year, requiring justification for each expenditure.

### → Rolling/Continuous Budgeting (29%)

The rolling model uses continual evaluation and adjustment of the budget throughout the year based on the present performance and economic environment.

### → Precedent-Based Budgeting (27%)

The precedent-based model uses last year's budget as the base and makes incremental changes as needed.

## ... But Most GCs are Planning a Shift for 2025 Budgeting

19% are considering

A SHIFT TO THEIR LEGAL BUDGETING MODEL

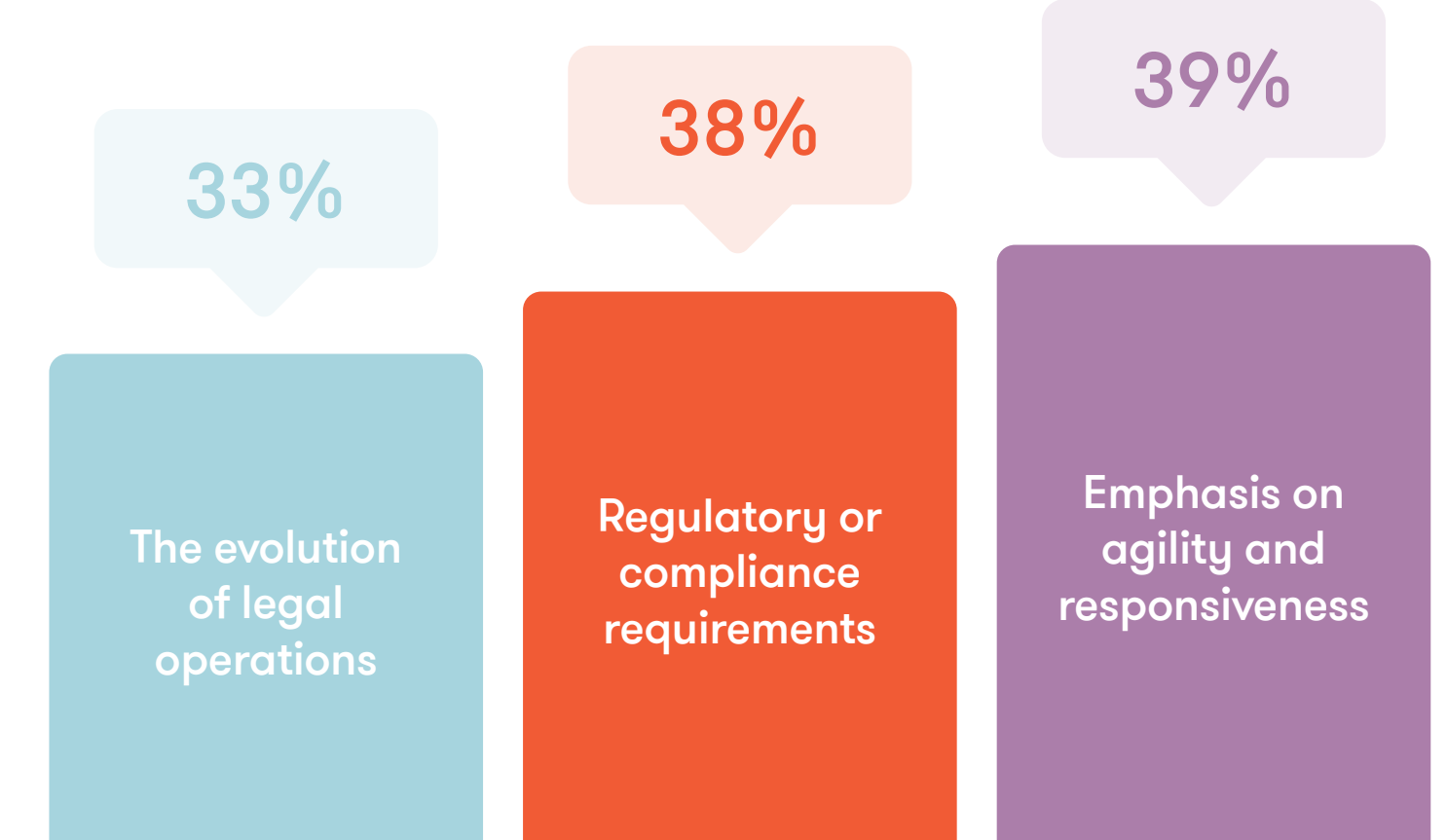
42% are planning

SUCH A SHIFT FOR 2025

35% have already

SHIFTED THEIR MODEL

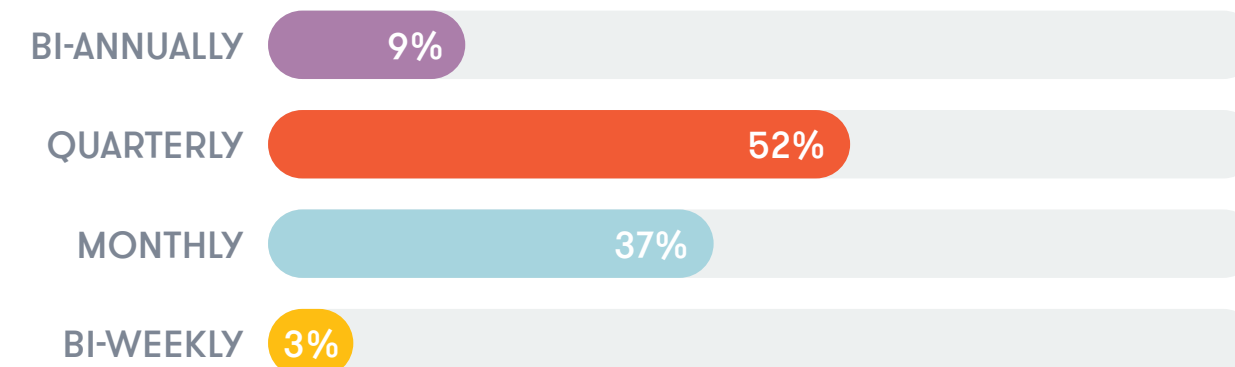
The top three reasons GCs are considering or have shifted their budgeting model:



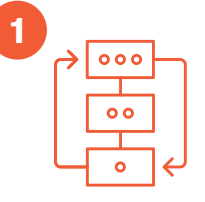
## Quarterly Forecasting Leads the Way


100%


of legal leaders reported forecasting their legal department budget.




## TOP 4 WAYS FORECASTING IMPROVES PERFORMANCE:

- 

Better use of employing external resources (43%)
- 

Ability to pivot priorities based on in-the-moment needs (40%)
- 

Can plan for contingencies (39%)
- 

Reduces unnecessary spend (38%)



# RESEARCH FINDINGS

# 01

## Legal Department Budgets: Finally Trending Up!

### Breaking It Down

During a year of inflationary pains, global crises, and economic pressures, 96% of GCs suffered budget slashes in 2023 by an average of 11%. But the latest findings show hope: legal departments are now reporting a moderate, yet positive, shift in 2024, as more than half of GCs reported a budget increase this year, albeit only by an average of 4%. Even better, only 10% saw a decrease, while a little more than a third (36%) saw no change at all.

### The Takeaway

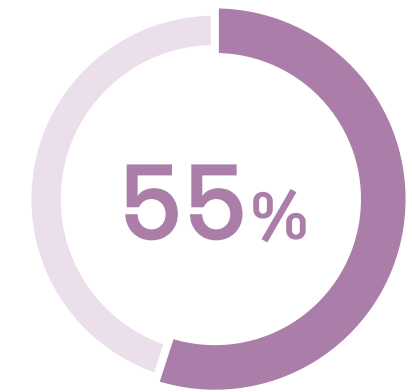
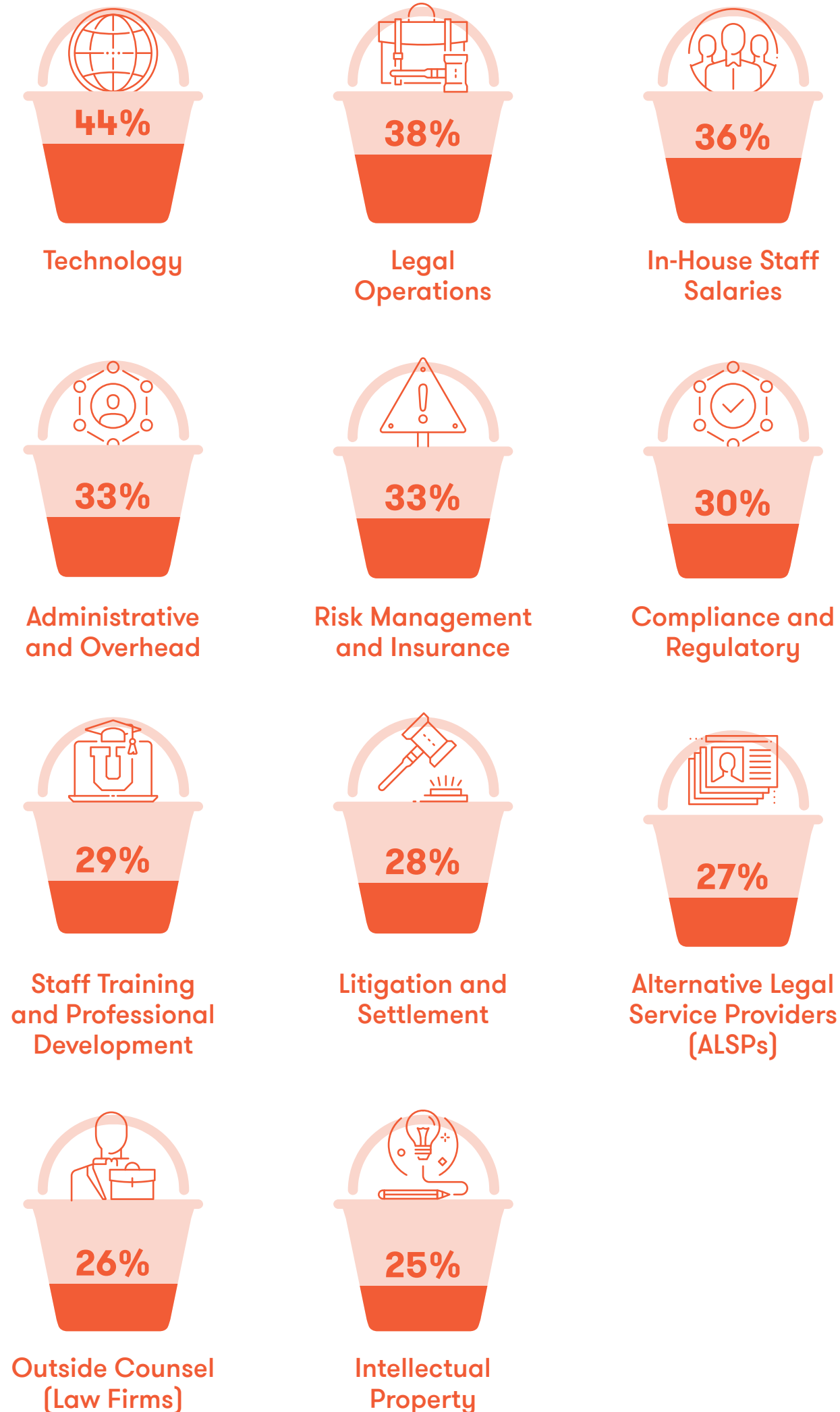
➔ Technology and legal ops received the **highest priority in 2024 budgeting allocation.**

**41%**

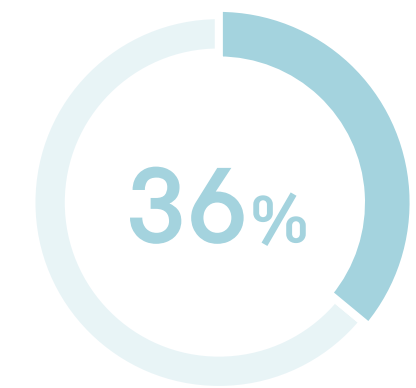
of those who selected legal operations as an area they focused their budget on for 2024 **saw a budget increase this year.**

### 2024 Budgeting Buckets

(in order of how much budget is allocated to each)



reported an **increase** in their legal department budget in the past year.



reported a **no change** in their legal department budget in the past year.



reported a **decrease** in their legal department budget in the past year.

# 02

## Larger Organizations Spend More Heavily on Technology

### Breaking It Down

GCs from larger-revenue legal departments (companies with revenues \$1B or more) focused heavily on technology for their budget spend, while their SMB counterparts (companies with revenues \$250M to less than \$1B) prioritized legal operations. However, the companies at SMB organizations more evenly distributed their budget allocations between legal ops, technology, in-house staff salaries, and administrative and overhead costs.

### The Takeaway

→ While all respondents reported technology as a large line item of spend for their legal departments, **GCs from SMB companies focused slightly more on growing legal operations.**

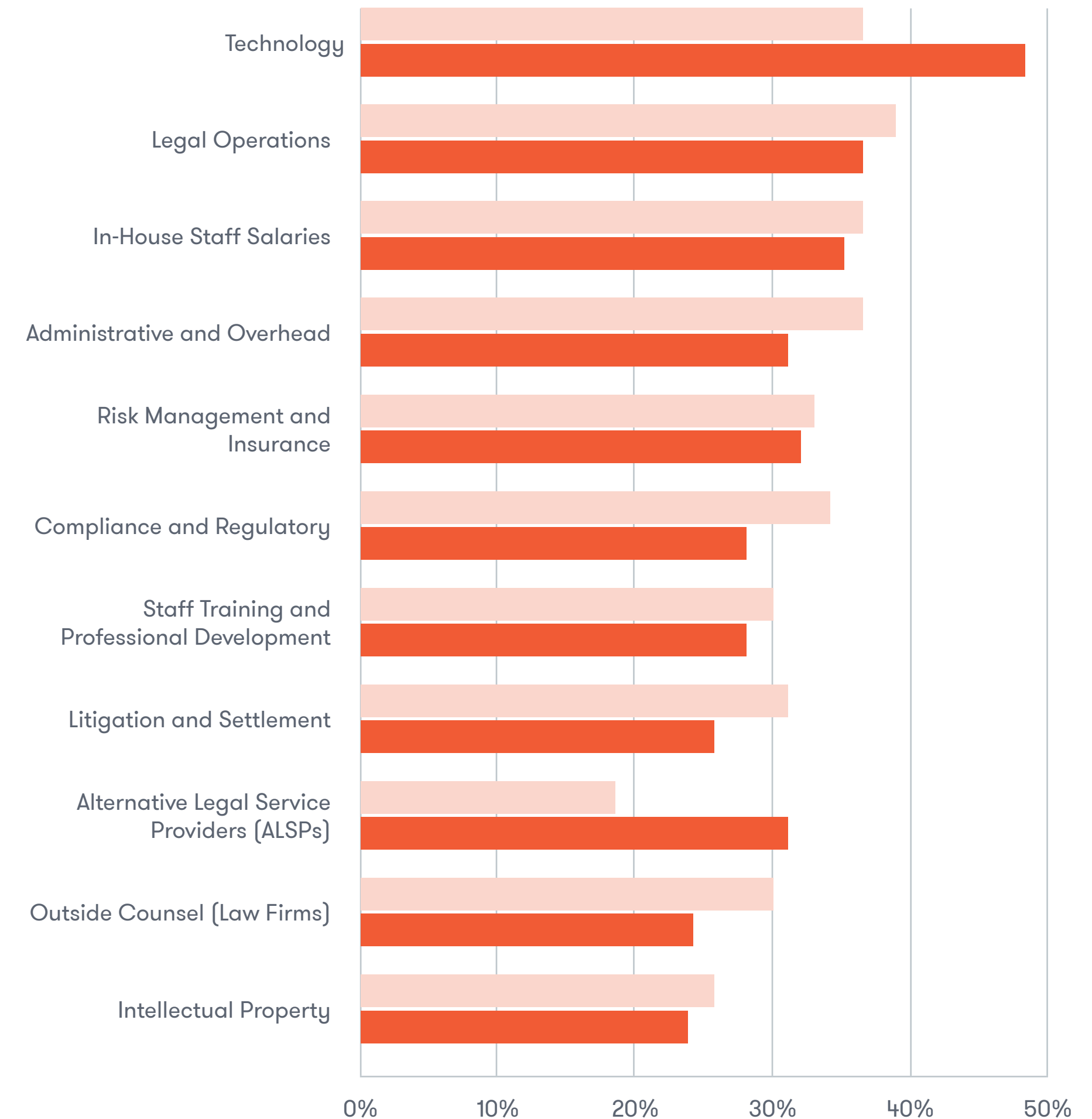
**48%**

of enterprise legal departments prioritized budget on technology.

**37%**

of those at small-to-mid-market departments said the same.

**2024 Budgeting Buckets**  
(in order of how much budget is allocated to each)



● GCs from **SMB** Companies ● GCs from **Enterprise** Companies

# 03

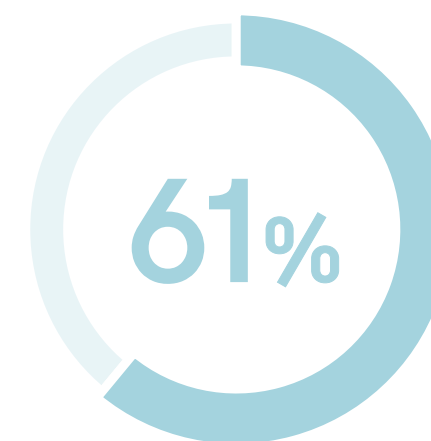
## Budgets to Increase Again to Address Technology and Emerging Risks

### Breaking It Down

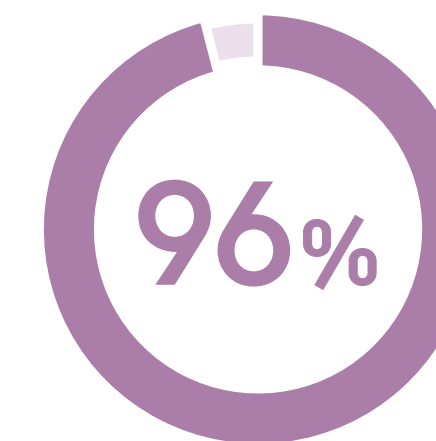
Most legal leaders (96%) reported that they'll need to update their current budgeting buckets for legal resources and expertise to account for AI or other emerging risks. This could account for why, in addition to technology, they plan on increasing their investments in external resourcing options like flexible legal providers or virtual law firms. Fortunately, the majority (61%) also anticipate another increase in legal department budgets for 2025.

### The Takeaway

➔ With legal operations already receiving investment given the 2024 focus on technology implementation and management, **legal leaders are now turning their attention to external resources.** They seek to address the need for tech-savvy and AI-proficient legal talent and/or for legal professionals who can help their companies mitigate technology-related risks.

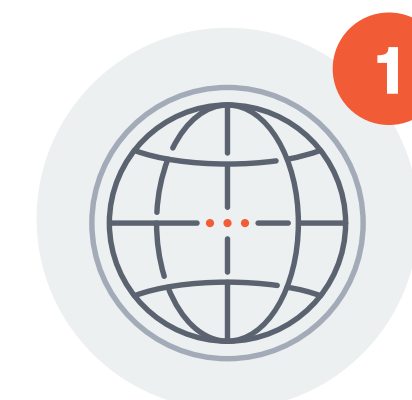


of GCs said they expect their budgets to increase again in 2025, **with an average 5% increase.**



reported that they'll need to update their current budgeting buckets for legal resources and expertise so they can account for AI or other emerging risks; **67% agree completely or strongly.**

**GCs anticipate their top two spend increases in 2025 to be:**



Technology



Flexible legal talent providers, virtual law firms, or ASLPs



# SMB Legal Departments Bumping Up Spend Everywhere but Law Firms

## Breaking It Down

Smaller-revenue SMB legal departments are still expecting to spread the wealth across their budgeting buckets next year (as they did in 2024) but are bumping up each of those investments more significantly for 2025. Interestingly, 43% of SMB legal leaders reported that they expect to increase their spending on flexible legal talent providers. This shift is noteworthy as this category increased in priority compared to budget allocations in 2024.

## The Takeaway

➔ Law firms are still the **lowest priority of spend for both SMB and enterprise legal leaders for 2025**, signifying GCs could be finding more value in allocating funds toward more cost-effective outside legal support.

**71%**

of SMB GCs expect an increase for 2025, compared to 55% of enterprise GCs.

**23%**

of SMB GCs expect no change and 45% of enterprise GCs expect no change.

**6%**

of SMB GCs expect a decrease and only 1% of enterprise GCs expect a decrease.

## GCs anticipate spend increases in the following areas in 2025:

	SMB COMPANIES	vs	ENTERPRISE COMPANIES
TECHNOLOGY	37%		48%
FLEXIBLE LEGAL TALENT PROVIDERS, VIRTUAL LAW FIRMS, OR ASLPs	43%		39%
IN-HOUSE STAFF	46%		31%
LEGAL OPERATIONS	46%		28%
<b>LAW FIRMS</b>	<b>24%</b>		<b>27%</b>

# 05

## GCs Fear Their Companies' Technology Investments May Disrupt Legal Budgeting Plans

### Breaking It Down

GCs said that their legal department's budget might be affected in 2025 by the investment plans of the company's leadership and the larger organization. Unsurprisingly, GCs identified technology as the primary area of company investment most likely to impact the legal budget. Notably, they also anticipate potential legal budget adjustments due to reduced spending on human resources (HR) and mergers and acquisitions (M&A).

### The Takeaway

➔ With fluctuating job reports, market conditions, and overall economic uncertainty in 2024, it seems **most legal leaders anticipate their organizations will be decreasing investment in HR and M&A** in favor of addressing technology and AI advancements.

The top four areas in which business division leaders are planning to **increase investments** that might affect the legal team's budget in 2025:



Technology



Real Estate & Facilities



New Products

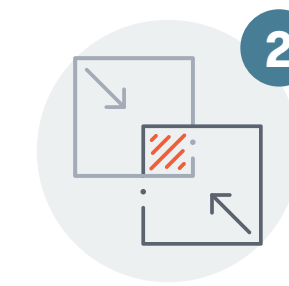


Research & Development

The top four areas in which business division leaders are planning to **decrease investments** that might affect the legal team's budget in 2025:



Human Resources



Mergers & Acquisitions



New Products



Technology

# 06

## GCs Anticipate Meaningful ROI from Legal AI and Tech Investments in 2025

### Breaking It Down

In 2024, e-billing and spend management tools were the primary focus of legal tech for GCs. However, with most GCs anticipating positive outcomes with AI on departmental costs, legal teams have seen a shift to investment in AI tools in 2025. As a result, legal leaders plan to increase their budget spend heavily on virtual legal assistants, specifically AI-powered chatbots, next year. In addition, SMB GCs aim to increase their budget spend on [digital hiring of legal talent](#).

### The Takeaway

→ GCs' focus on technology in 2025 will include **AI resources, automated budgeting management tools, and platforms to optimize digital hiring.**

96%

of GCs said they anticipate AI will meaningfully reduce costs within their legal departments.



SMB GCs are increasing spend on digital hiring tools in 2025.

### Legal Department Technology Usage:

		2024	2025
Virtual legal assistants (e.g., AI-powered chatbots or virtual assistants)		32%	35%
E-billing and spend management tools		34%	31%
Contract lifecycle management (CLM) platforms		28%	30%
Digital hiring tools		27%	28%
Legal research platforms		31%	28%
AI-driven predictive analytics tools		31%	27%
AI-powered contract review		32%	26%
Document management or e-discovery tools		30%	26%
Compliance management platforms		32%	25%
Legal project management tools		30%	25%
Intellectual property (IP) management tools		29%	24%

GCs' top three legal tech investment targets

# 07

## Most GCs Plan to Shift from Current Budgeting Model in 2025

### Breaking It Down

While the majority of legal leaders reported they currently use the zero-based budgeting model (ZBB) for their legal department, most GCs said they're considering or actively planning to shift their budgeting model in 2025, and more than a third already have. The top reasons for the shift are to become more agile and responsive, to meet regulatory and compliance requirements, and because the legal ops function within legal departments has evolved.

### The Takeaway

→ GCs recognize they'll **need to shift** their current budgeting model, if they haven't done so already, to **an agile, flexible model in 2025**.

61%

**are considering** or **actively planning** a shift to their legal budgeting model.

35%

**have already** shifted their model.

### Top three most commonly used legal department budgeting models:

→ **Zero-Based Budgeting** (44%)

This model builds the budget from zero each year, requiring justification for each expenditure.

→ **Rolling/Continuous Budgeting** (29%)

The rolling model uses continual evaluation and adjustment of the budget throughout the year based on the present performance and economic environment.

→ **Precedent-Based Budgeting** (27%)

The precedent-based model uses last year's budget as the base and makes incremental changes as needed.

### Top three reasons GCs are shifting their legal teams' budgeting model:

1 **Emphasis on agility and responsiveness** (39%)

2 **Regulatory or compliance requirements** (38%)

3 **The evolution of legal operations** (33%)



# 08

## The Rolling/Continuous Budgeting Model Least Impacted by Budget Cuts

### Breaking It Down

Even though the zero-based budgeting (ZBB) model took precedence in 2024, most of the GCs who implemented it are planning to, or have already, shifted their model to become more agile. GCs who had already adopted an agile, rolling/continuous legal budgeting strategy saw larger budget increases in 2024 and largely avoided cuts altogether. Among organizations with revenues exceeding \$1 billion, GCs are more likely planning to transition to this model in 2025.

### The Takeaway

➔ GCs who used a rolling/continuous model **experienced greater budgeting success** in 2024.

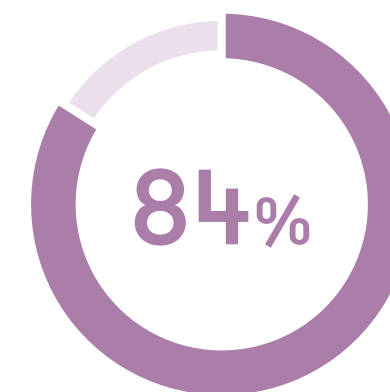
**60%**

of those who used a rolling/continuous budgeting model received a budget increase in 2024.

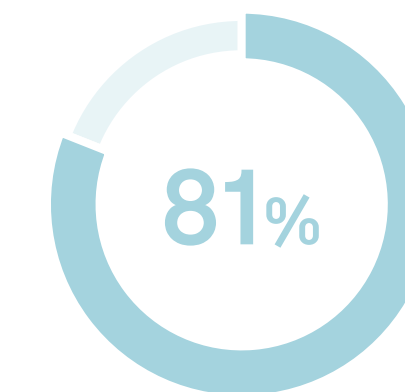
### 2024 legal department budgetary impacts per budgeting model:

	BUDGET INCREASED IN 2024	BUDGET DECREASED IN 2024
ZERO-BASED BUDGETING	53%	15%
ROLLING/CONTINUOUS BUDGETING	60%	2%
PRECEDENT-BASED BUDGETING	50%	9%

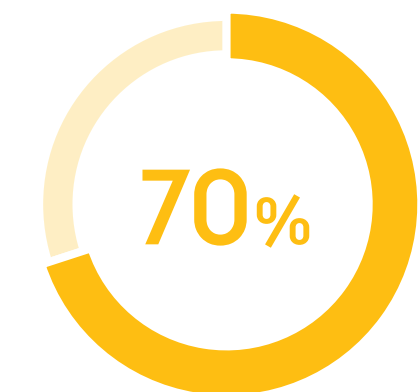
### Of GCs who are planning to or who have already shifted their legal budgeting model:



are currently zero-based budgeting users



are enterprise GCs



are SMB GCs



# Quarterly Budget Forecasting Boosts Legal Departments' Odds for Increased Funding

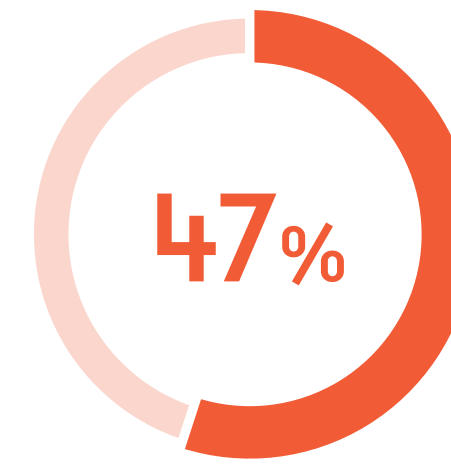
## Breaking It Down

All (100%) legal leaders reported that they practice forecasting with their legal department budget, with **most forecasting at least quarterly** (52%). With budgets for external resources expected to increase in 2025, it makes sense that legal leaders are shifting to budgeting models that improve their ability to predict and plan for the use of these external resources

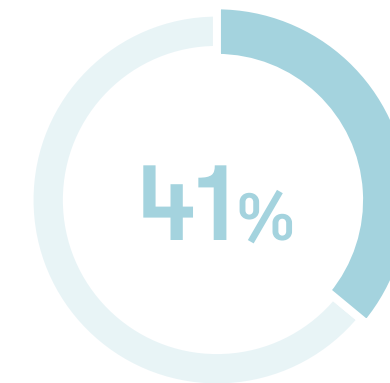
Budget forecasting is especially beneficial for SMB organizations; 49% reported it enhances their utilization of external resources. Given that smaller teams often grapple with staffing constraints, their increased reliance on outsourcing is understandable. This reliance necessitates a cost-effective approach, explaining why reducing unnecessary expenditure (46%) ranks as the second most important reason for their budget forecasting efforts.

## The Takeaway

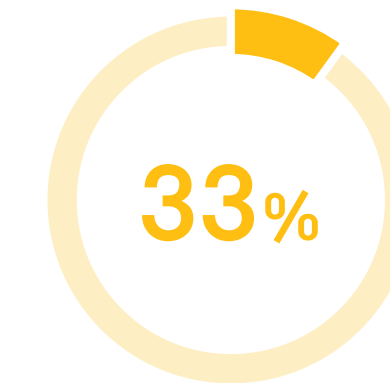
➔ Dynamic budget forecasting enables legal teams to respond swiftly to shifting economic conditions, allowing for rapid adjustments while maintaining overall fiscal discipline. **Forecasting can be used as an ongoing way to capture real-time data and pivot accordingly** by shifting spend toward the practices, specialties, and matters that most demand attention in the moment.



**Rolling/Continuous Budgeting:** Almost half of those who use the rolling budgeting model forecast at least monthly.



**Precedent-Based Budgeting** users forecast at least monthly.



**Zero-Based Budgeting** users forecast at least monthly.

## Top 7 Benefits of Forecasting:

1. Better use of employing external resources (43%)
2. Ability to pivot priorities based on in-the-moment needs (40%)
3. Can plan for contingencies (39%)
4. Reduces unnecessary spend (38%)
5. Captures real-time data (36%)
6. Anticipates the impact of new expenses (35%)
7. Better use of internal resources (35%)

# 94%

of those who forecast at least quarterly received a budget increase in 2024.

# 10

## Important Metrics for Measuring Success Include Managing Outside Counsel

### Breaking It Down

Let's recap. Almost all (96%) of GCs said they'll need to update their budgeting buckets for legal resources and expertise due to emerging risks in 2025, and 41% anticipate they'll receive budget increases to spend on flexible legal talent providers. They also reported the biggest benefit of forecasting their legal department budget is to better employ external resources. This makes sense; many legal leaders find their performance evaluated based on their management of external counsel. As GCs anticipate technology as the primary area for budget increases in 2025, it's crucial to examine how the performance of legal technology investments is being evaluated and measured.

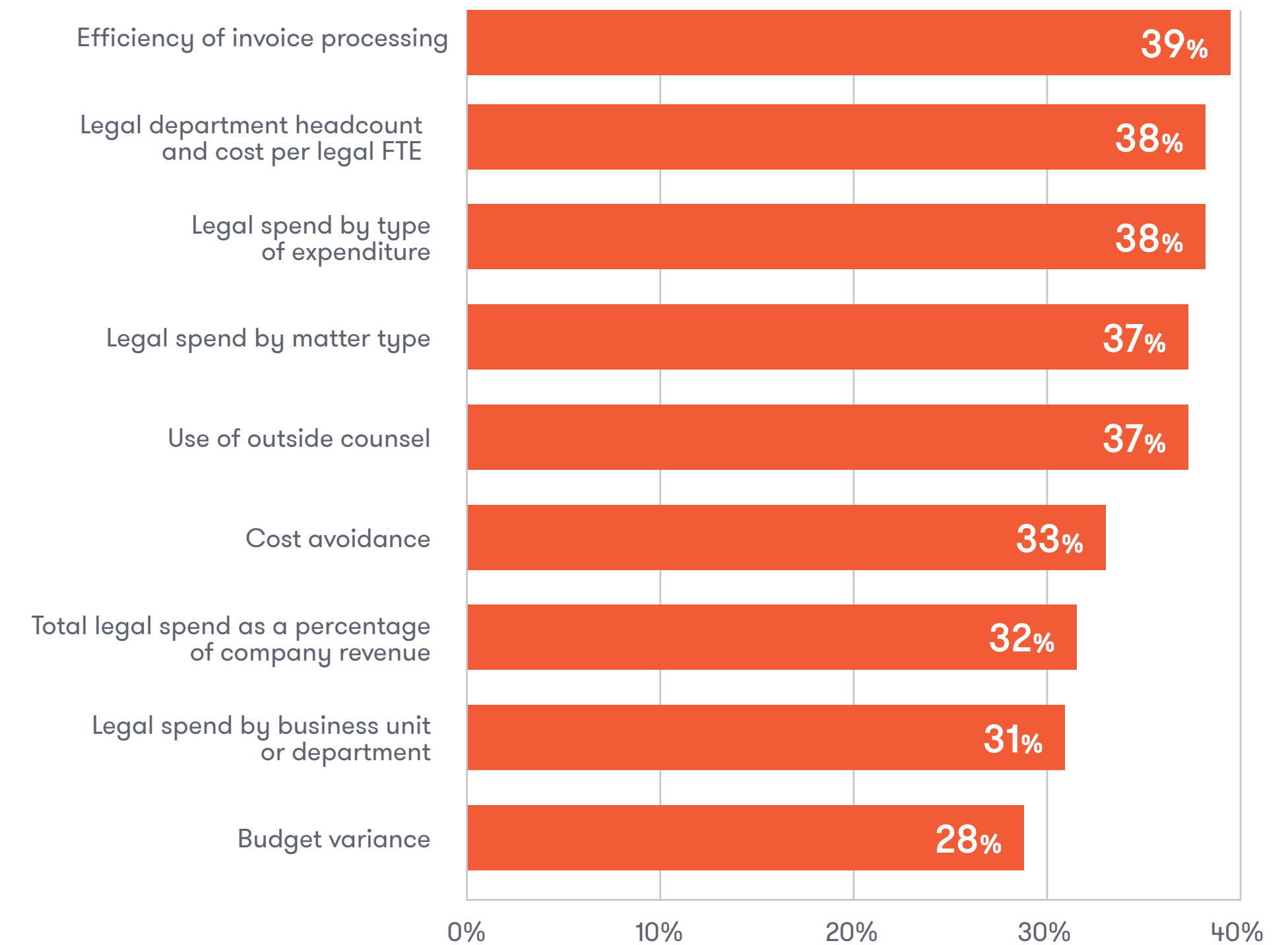
### The Takeaway

➔ Legal teams are **evaluated based on the success of their legal spend**, invoice processing, and use of outside counsel.

# 37%

of GCs said their organization measures the legal team's budget performance based on their use of outside counsel.

### Benchmarking Metrics Organizations Use to Track the Legal Team's Budget Performance



The top three metrics GCs report as most important for measuring the **successful implementation of new technologies** in their departments include:

1

Budget variance

2

Compliance with service level agreements

3

Adoption rates

# 11

## Most GCs Have Experienced Tension with Their CFOs

### Breaking It Down

Despite almost half of GCs reporting they have a good or excellent relationship with their CFO, almost three-quarters reported experiencing tension, with the most commonly reported source involving the prioritization of cost-cutting versus risk management. To ensure mutual success, GCs and CFOs must cultivate a collaborative partnership that balances legal risk management with financial prudence. This includes cross-departmental efforts to source and evaluate innovative approaches, solutions, and services that enhance flexibility, productivity, and efficiency, finding a balance between the needs of Legal and Finance.

### The Takeaway



49%

Almost half said they have a very good or excellent relationship with their CFO.

77%

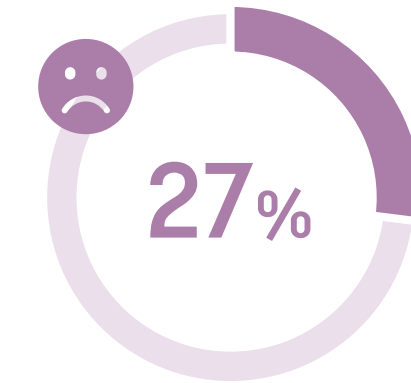
Unfortunately, most have experienced tension with their CFO.

### Reasons GCs have experienced tension with their CFOs:



#### COST-CUTTING

CFO is too focused on cutting costs at the expense of managing risk



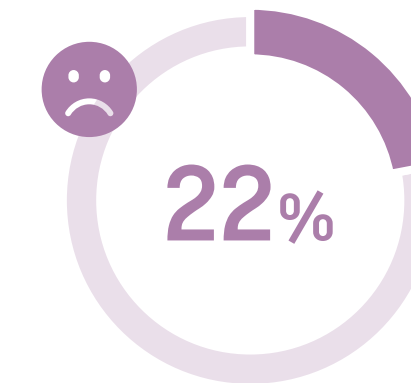
#### MISALIGNED

Legal is left out of key financial decisions or conversations



#### PARTNERSHIP

CFO doesn't see legal as a strategic business partner



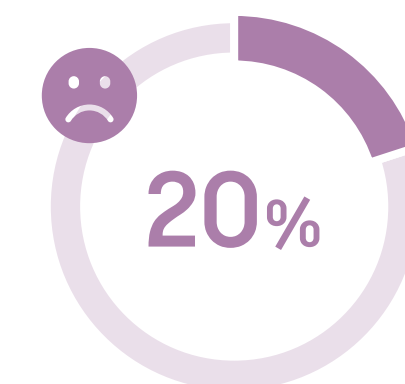
#### DIFFERENCES

Personality differences or interpersonal conflicts



#### RESOURCES

Difficulty getting budget approval or resources from the CFO



#### VALUE

Difficulty demonstrating the value of legal to the CFO



#### UNIQUE NEEDS

CFO doesn't understand the unique needs and risks of the legal department



#### ALIGNED

I have not experienced any tension with my CFO

## CONCLUSION

# What's Next: Legal Leaders Charting the Course Ahead

While many legal leaders anticipate budget increases for their departments next year, nearly all GCs recognize the need to update their budgeting buckets for legal resources and expertise to address AI, emerging risks, and flexible talent requirements.

By reallocating resources toward high-caliber, cost-effective legal talent—including talent with legal AI skills and tech experience to support their increased investments—legal departments can better navigate this tricky and risky but increasingly essential arena.

Consequently, almost half of all GCs report that, besides technology investments, the second-largest anticipated spending area for 2025 is through external partners like flexible legal talent providers, virtual law firms, or alternative service providers.

## HOW **axiom** CAN HELP

This is where modern, tech-savvy partners like Axiom step in. Axiom can ensure a level of collaboration, knowledge, and in-house experience equivalent to that of an actual member of the in-house team and can support your organization's transition to trustworthy, AI-enabled workflows to drive legal team innovation, efficiency, and job 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.

Axiom's large global bench of AI legal talent is helping in-house legal teams design and implement AI data governance, privacy, and compliance programs; conduct AI regulatory assessments and AI bias reviews; evaluate AI's impact on IP protection; and drive AI technology selection decisions, implementation, and usage.

[DO MORE FOR LESS](#)