

Legal Departments See Higher Matter Volumes but Flat or Declining Budgets: Thomson Reuters 2023 Legal Department Operations Index

Legal departments are increasingly under pressure to do more with less: 70% report higher matter volumes, yet 66% say that their budgets are flat or declining. While new technologies, including AI, could help improve efficiencies, legal departments say they are facing what the report terms a “technology conundrum.”

Increasing use of technology is a high priority for legal departments with a majority of general counsel (57%) saying that leveraging technology automation is one of their top cost-control strategies. As a result, using technology to improve workflow efficiency is their second-highest priority, ranking behind controlling outside counsel costs. However, only 32% of legal departments’ budgets for legal technology are increasing.

“Corporate legal departments continue to face challenges in making the up-front investments in technology needed to keep pace with expanding workloads,” said Laura Clayton McDonnell, president of the Corporates segment for Thomson Reuters. “Efficiency is more paramount than ever as the volume of work continues to increase, and many legal departments are seeking to bring more work in-house. Technologies, including AI, can not only improve efficiency, but potentially position legal departments to move from being cost centers to growth enablers by assisting in the development of new products and services.”

As far as which technologies legal departments value, e-billing and spend/matter management software rated as the most valuable, followed by e-signature, litigation hold, and legal research. The Future of Professionals Report found that 60% of legal professionals believe AI will result in corporate legal departments moving more work in-house over the next five years, owing to improved efficiency and reduced costs. However, legal professionals also have concerns about AI, including the accuracy of outputs and the need for regulation to govern the ethics of AI.

Legal departments also are conflicted about return-to-office policies, seeking to balance the benefits of face-to-face interaction with the autonomy and flexibility of remote working. However, the decision may be largely out of their hands, as 54% of legal departments say their policies are set by the broader organization.

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