

Recruiting In-house Lawyers

A Guide for General Counsel and Legal Directors

By Scott Gibson

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Introduction

This article is aimed at Heads of Legal or in-house counsel working within Commerce & Industry or Financial Services (defined by The Law Society as Commerce & Industry (“C&I”) who have responsibility for recruitment and retention of qualified legal personnel. Its purpose is to give you an overview of the recruitment market and to alert you to some of the pitfalls, both internal and external, inherent in the in-house recruitment process. It also highlights issues pertaining to retention from the perspective of both voluntary departures and in terms of your needing to justify existing headcount internally. In respect of all the above I hope to highlight some tips and strategies to assist you.

The relatively limited impact of the 2008/9 recession on in-house legal departments

At the time of writing (August 2010) the world economy has only recently started to emerge from a severe global recession from which lawyers were no less immune than anyone else, indeed as many as 10,000 (8%) of all practising lawyers in the UK were estimated to have lost their jobs during the downturn¹. For this reason one could be forgiven for thinking that anyone recruiting a lawyer in-house in the UK will be in something of a buyer’s market and, in relation to law firms, they have been.

In 2009 commercial law firms generally reduced lawyer headcount by 10%² as they deleveraged to reduce costs, however, as in previous downturns the dynamic in-house was somewhat more complex for lawyers. It is fair to say that, like virtually all business recruitment, in-house legal recruitment froze in the quarter following the Lehman Brothers’ collapse in September 2008. Nevertheless, by the end of the first quarter of 2009 in-house legal recruitment had recovered to levels approaching pre-recession. Further, whereas hundreds of C&I legal departments in England & Wales did freeze or reduce headcount, hundreds more increased legal numbers in an effort to in-source legal work and save costs by undertaking work in-house (rather than outsourcing to law firms).

At the very nadir of the recession I was speaking at an industry event to senior legal counsel and the group surprised themselves to find that, of the departmental heads responsible for recruitment, slightly more than 50% were either considering, or had just hired, additional headcount³.

The exponential and sustained growth of lawyers in-house

Putting aside the recent recession, the first thing to say about recruitment of qualified lawyers in-house is that it has grown exponentially over the last 10 years and it will continue to do so. Between 1999 and 2009 the proportion of qualified solicitors with practising certificates employed in-house within C&I grew by 59%⁴.

¹ *The Times*, 15 June 2009.

² PriceWaterhouseCoopers Law Firm Report 2009 puts the reduction in fee earner headcount at Top 50 law firms at between 6.9% and 18% with Top 10 firms reducing by 10%.

³ C&I Group - Managing an In-house Legal Department in a Cost-Effective Way, Herbert Smith 24 April 2009.

⁴ From 6.3% of all solicitors with practising certificates in 1999 to 10% in 2009 - The Law Society: *Trends in the solicitor’s profession Annual statistical reports 1999 and 2009*.

The elevated demand for in-house lawyers will continue for the foreseeable future regardless of what happens with the UK economy or with the number of lawyers in law firms. There are two main reasons for this:

- i. increasing regulation, in particular large set-piece governance legislation such as: The Companies Act (2006), The Bribery Act (2010) or, in the United States, the Sarbanes-Oxley Act, has demanded that companies review their legal risk;
- ii. in the UK, regulators, who for many years had teeth but were often not using them to bite, are now enforcing legislation and imposing severe sanctions on companies and, crucially, individual directors.

Of the above it is the sanctions, both civil and criminal, imposed on individual directors and officers of the company which has most closely focused the minds of management on the hiring and retention of quality in-house legal personnel.

The traditional rationale for hiring an in-house lawyer

Traditionally the role of the in-house lawyer was primarily to save costs and the equation most Financial Directors would undertake was simply to compare the cost of necessary external legal spend (on law firms) with the projected compensation of an in-house lawyer - if the former was greater than the latter then there was a *prima facie* case for hiring.

Why hiring in-house lawyers does not always save costs

Of course commercial lawyers will always argue that they save costs; depending on the organisation, a well drafted contract can save hundreds of millions of pounds (although the heroic quality of the drafting may never be tested in court if the contract is truly watertight).

Over the past twenty years there has been a move away from the simple cost saving criteria above and it is increasingly recognised by more sophisticated organisations that the real purpose of an in-house lawyer is to:

- i. speed up management decision making processes;
- ii. increase management options; and
- iii. most importantly reduce legal risk.

Ironically a good in-house lawyer will often significantly increase law firm legal spend because, by fully understanding the business, they discover ticking time bombs (in the form of illegal practices) which require outside legal assistance to remedy.

Lawyers in England & Wales – a statistical update

Solicitors

There are 145,000 solicitors on the Roll, 115,000 with practising certificates (i.e. fully qualified) and of these 11,600 (10%) work in-house in C&I. Of the remaining 30,000 solicitors who do not hold

practising certificates, The Law Society states that disproportionately high numbers of these may be working in-house in a legal capacity because, providing they are not giving legal advice to third parties or undertaking litigation on behalf of their employer, they do not have to inform the Society of their presence⁵.

Barristers

There are approximately 19,000 barristers, of which just over 3,000 are “employed” (i.e. working in-house or local government, law firms etc.). A further 3,500 are non-practising⁶, although many of these may be working in-house in a legal capacity but not providing legal advice or litigation advice to parties other than their employer.

As you know, in addition to the above, the other potentially relevant lawyers for in-house are foreign qualified from common law jurisdictions.

An overview of in-house legal departments within C&I

Overwhelmingly the lawyers most commonly hired by in-house organisations in the UK are solicitors. Nearly 90% of all solicitors working in-house will have spent some time working in a law firm⁷ and it is still very unusual for solicitors to be trained in-house – indeed even today less than 3% of trainees are within C&I.

In-house legal departments vary in size considerably and, although some large organisations will have upwards of 50 qualified lawyers, more typically departments remain small with just under a quarter consisting of one individual lawyer and nearly 70% having five or fewer legal personnel⁸.

Compensation

Lawyers are expensive. They are almost the definition of high value human capital so for many companies the legal department is amongst the most expensive per head cost⁹ which in some organisations can cause you no end of political difficulties. Because in-house legal departments are generally small (see above) and legal hires relatively infrequent, one of the greatest difficulties is accurately benchmarking salaries for your existing and new legal personnel.

At this point I would caution you and your HR department not to overly rely on industry salary surveys such as are produced by the larger recruiters or benchmarking companies. Unlike with law firms, the range of factors affecting in-house legal compensation is so varied as to make drawing a line of “best fit” on a graph almost impossible.

The result is that surveys of in-house salaries tend to be less accurate than those for law firms. The reason for this is that law firms will generally make salary information public or will have the information to hand to accurately respond in detail to surveys; the same is generally not the case for

⁵ The Law Society, *Trends in the solicitor's profession Annual statistical report, 2009, page 14.*

⁶ Bar Council Annual Statistics – December 2009.

⁷ Corporate counsel – a profile (The Law Society, June 2008).

⁸ Ibid.

⁹ Ibid – medium compensation within C&I regardless of position and inclusive of performance bonus was found to be £80,000 in 2008.

in-house legal departments unless they are highly localised and “of a type”, such as investment banking, whose legal departments tend to be large and comprised of capital markets lawyers based in central London.

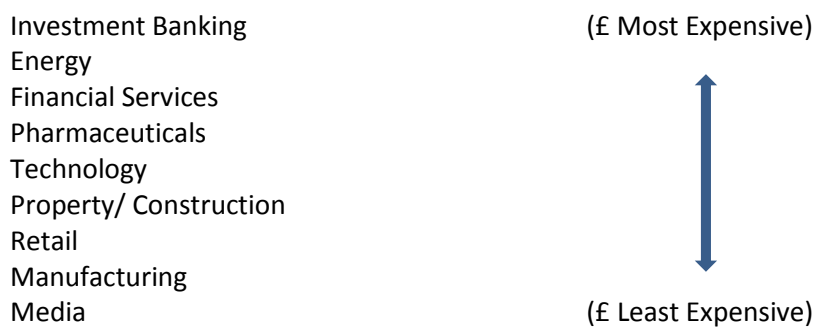
That being said, salary surveys and other benchmarking services do form a useful start point to assist with calibration. For truly accurate figures, in addition to the level of qualification, you will need to consider:

- i. Industry sector
- ii. Size of organisation
- iii. Geography
- iv. Size of role
- v. Specialisation

Taking each in turn:

i. Industry sector

Generally over the last five years compensation within each industry sector has varied as below:



The list above is of course a simplification and is in no way exhaustive. As always there are exceptions and the positioning will vary according to the market. It is interesting to note that, although investment banking as a business sector suffered exceptionally badly in 2008 and early 2009, it remained the best compensated in-house sector throughout the downturn. Indeed 2010 saw total lawyer compensation levels within investment banking approaching those of 2007 (a record year). Further, due to a political desire to reduce a short-term bonus culture at these institutions, some even saw significant base salary increases of 15-30% in 2009/10.

ii. Size of organisation

The correlation between the size of the organisation (as defined by market capitalisation) and total compensation is evident for senior level lawyers, however, it does not seem to have significant impact at levels below team or departmental head.

iii. Geographical location

This is a fairly obvious point but one often insufficiently accounted for in legal industry salary surveys. A lawyer undertaking exactly the same role in a different location can be compensated

significantly differently. For example a Law Society survey found salaries for in-house counsel in Wales and the Midlands to be more than a third less than those for similarly qualified lawyers in London¹⁰.

iv. *Size of role*

The size of the role undertaken by the lawyer is again obvious and it stands to reason a Head of Legal is likely to earn more than a more junior member of their team. However, here again industry salary surveys often bunch “Heads of Legal” (which could be a sole counsel in a small company) with “Group Heads of Legal” of major plcs leading to erroneous “average” figures. Other complicating factors which need to be considered can include whether or not the individual is also responsible for compliance as well as legal.


v. *Specialisation of the lawyer*

This is not an area which The Law Society surveyed in its consideration of in-house compensation, but for legal recruiters (and most Heads of Legal) it has probably become the single most important factor.

Twenty years ago the in-house lawyer was nearly always hired to undertake and oversee commercial contracts. Whilst this is still overwhelmingly the bulk of what most of you do, it has become more common than not for C&I departments to hire specialist lawyers. The reason for this change is largely the same as that driving the expansion of all in-house legal teams - increased and sustained governance legislation and enforcement by regulators. However, this is combined in many instances with the increasing complexity of the products and services being offered by corporations which itself elevates legal risk.

Over the last five years specialist compensation has varied as below:

Debt/Equity Capital Markets/ Derivatives	(£ Most Expensive)
Corporate/ M&A	
Energy Trading	
Regulatory – Financial Services/ Pharmaceuticals/Telecoms	
Investment Funds	
Banking/ consumer finance	
IT/IP/Outsourcing	
Competition/ Anti-trust	
Real Estate/Construction	
Employment	
Litigation	(£ Least Expensive)



Above is a simplistic breakdown of common specialisms, and as always, there are many exceptions. Overall the relative cost of a specialist is determined by two main factors:

i. supply and demand; and

¹⁰ Ibid.

- ii. the compensation paid to the specialist in private practice law firms.

Of the above, as in any economic equilibrium, supply and demand is dominant. A good example of this dominance can be seen by examining litigation. In-house organisations rarely hire litigators usually preferring to outsource such work to law firms. As a result litigators in law firms wishing to move in-house rarely find roles suitable for them and are more likely to compromise on compensation - hence why litigation always comes bottom on the table above. In 2009/10 the demand for litigators increased significantly in both law firms and in-house organisations¹¹. However, even though the number of in-house litigation roles was probably quadruple what it had been prior to the recession, the overall proportion was still minute and the pool of quality litigators wishing to move in-house for any given role remained high. The corollary was that compensation for these specialists remained low in spite of their relative demand in private practice.

Exceptions aside, the main problem for in-house in hiring legal specialists is that they tend to be found in law firms which typically pay at least 10% more than in-house for virtually all industry sectors except investment banking and certain niche financial services.

An update on law firm compensation

Because the number and proportion of legal specialists within C&I is set to increase, and because the vast majority of specialists hired by C&I are found in law firms, it is useful for you to retain some familiarity with developments in law firm compensation. This is because salaries in law firms, however obliquely, set the benchmark for in-house legal compensation.

Regardless of what you may have read in the legal press, most UK commercial firms still largely retain a “lockstep model” for assistant (non-partner) level compensation. What this means is that on the anniversary of a solicitor’s qualification year they automatically move up a level of qualification into a higher pay band. For example a lawyer with two years post-qualification experience (“PQE”) becomes a three years’ PQE. This highly unusual (and some consider ageist) system can seem archaic in a meritocracy, however, in spite of many law firms announcing their intent to change the system, it is still very much intact for lawyers up to about 5 PQE.

In most years, in addition to a lawyer increasing their compensation upon moving up a band in PQE, they have also benefited from increases in the level of the band. At the height of the market between in 2006 and 2007 this resulted in many commercial lawyers seeing actual base salary increases of 20% or more per annum – not surprisingly this caused considerable frustration for in-house teams trying to pitch offers of employment. It was at this time that the differential between in-house and law firm compensation reached its peak and, as many of you will remember, the relative attractiveness of in-house roles over those in law firms narrowed.

The last two years have seen a significant cooling in law firm compensation with virtually all firms failing to matriculate their assistants up to the next level and freezing or reducing bands in 2009. The net effect was that assistants of a given PQE were being paid less than 2007. Although 2010 has seen a return to assistants climbing the lockstep, the bands have generally remained frozen.

¹¹ Traditionally there has been an inverse relationship between the state of the economy and the level of litigation; put simply, people tend to sue more in an economic downturn.

In contrast to 10 years ago nearly all commercial law firms now offer retention and/or performance bonuses to their lawyers which, depending on the firm, range from about 2% of base salary to (a largely theoretical) 40%, with an average in 2009 of 10% in Top 10 firms¹². Interestingly although 2009 saw widespread salary freezes, or depending on how you measure it, 8% reductions in compensation, for most assistants overall bonus payments in law firms increased¹³.

From a retention and benchmarking perspective, it is as well that you remember that the concept of assistant level lockstep in law firms is still largely intact and that, in most years, this results in compensation increases at law firms far greater than those at even very high performing corporations. Generally even if specialist lawyers moving in-house are initially paid the same as they are in private practice, after two or three years their compensation inevitably starts to trail that of their law firm contemporaries – a situation which if unchecked can lead to morale issues and elevated attrition rates.

The need for “A-grade” specialists

The very real danger for you in failing to secure sufficient budget for an A-grade specialist is that you will get a second rate lawyer who, although initially less expensive, will eventually need their work corrected by others within the department or an outside law firm. Worse still, they may fail to undertake their primary role - reduction of legal risk - for which you will ultimately be held responsible. Strangely, in my experience this hiring of sub-standard lawyers is often colluded in by junior heads of legal who, anxious to gain people management experience, confuse empire building with providing quality legal services; hence they often store up no end of trouble in the future for themselves, their successor and the company.

Amongst more experienced company officers and Heads of Legal the need for “A-grade” specialists is increasingly acknowledged - so much so that it is now not unheard of to find a specialist within a legal department earning more than the General Counsel or Head of Legal!

Before discussing the benefits of in-house roles, there is one more negative about in-house which you must remember plays on the minds of some private practice lawyers and which merits your appreciation of its psychology. In law firms, lawyers are the business; they are the engine room which drives the firm's profits. Once in-house, even though lawyers can often more than pay for themselves (see above), they are always perceived as a cost. If your company has found a potentially suitable candidate, and you wish to secure them, the question of how the legal department is valued by the business is often the crucial factor in determining their choice.

The sell for in-house C&I

As we have seen, with the exception of investment banking and one or two (usually financial) industry sectors, even blue-chip C&I companies generally pay their assistant level lawyers at least 10% less than private practice law firms. At senior levels the disparity is even greater; whereas a total compensation package of £180,000 is considered well remunerated for a General Counsel in a

¹² PriceWaterhouseCoopers Law Firm Report 2009, page 38

¹³ Ibid.

medium sized legal department, an equity partner in a Top 50 law firm of equivalent qualification and quality will average more than £500,000¹⁴.

With such huge disparities in pay between law firms and C&I it is a reasonable question to ask why lawyers ever move in-house? Yet, as you know, they do in increasing numbers. Indeed, the proportion of C&I lawyers has increased by nearly two thirds over the past ten years so it is clear that in most areas there has been no sustained shortage of supply¹⁵. What is more the quality of in-house lawyers has changed markedly over the past two decades. Twenty years ago, in-house roles were generally looked on as second rate yet today many are considered plum jobs which attract the very brightest and best within the profession. Most of you will have worked in a law firm and will be fully aware of why you made the move in-house and why you would be unlikely to ever consider returning to private practice. In the event you did not work in private practice in a commercial law firm, the main reasons for this seeming paradox are:

i. Lifestyle

By far the single most frequently cited reason for moving in-house is lifestyle¹⁶. Over the last 10 years it has become increasingly common to find transactional lawyers in City law firms billing upwards of 1,800 hours per annum. But remember this is just “client billing time” and takes no account of lunch breaks or a host of other necessary requirements such as: mandatory training, client pitches, marketing or even *pro bono* work. In addition, client demands regularly result in transactional lawyers in top firms having to cancel holiday plans at short notice and work overnight or at weekends – against this backdrop it is no accident that some law firms now provide beds for their fee earners.

Further, if there was ever a time when lawyers in law firms could expect to sit back when they became partners, this is no longer the case. Indeed most partners are under equal pressure to perform under pain of demotion or “de-equitisation”. By contrast in-house lawyers often state that, although they work hard, and often more intensely, they generally work less hours¹⁷ and it is rare to find them being required to work weekends on a regular basis.

ii. Difficulty of obtaining law firm partnership

In the past if a very bright lawyer worked hard, kept their clients happy and didn’t upset any of their colleagues, they had a reasonable expectation of making partner at their firm. Over the past 10 years it has become exponentially more difficult to achieve partnership as, in order to increase profitability, commercial firms have significantly reduced the proportion of equity partners to assistants¹⁸.

¹⁴ Legal Week: 30 July 2009 – the average profit per equity partner in Top 50 law firms was £501,800 (down from £616,000 in 2008).

¹⁵ The 2009 Legal Week Employee Satisfaction Report found that the main career aim of nearly one in four assistants was to leave private practice.

¹⁶ Cited by 77% of C&I lawyers - Corporate counsel – a profile (The Law Society, June 2008).

¹⁷ The median number of hours per week worked by C&I lawyers was found to be 48 - Corporate counsel – a profile (The Law Society, June 2008).

¹⁸ Statistically only 10% of trainees commencing a training contract can expect to become a partner at their law firm – Legal Week, 27 September 2007.

Whether it is because partnership has become so unobtainable, or whether it is because the work/life balance of commercial law firm partners has become so undesirable, an increasing number of excellent lawyers state that they no longer wish to become partners at their firm¹⁹.

iii. Proximity to business, promotion and breadth of work

The other factors most commonly cited by lawyers wishing to move in-house are: a desire to move closer to the business, opportunities for early promotion and a chance to broaden their workload (which is mildly ironic considering the increasing demand from C&I for specialists).

Whatever the reason for wishing to move in-house it is fair to say that most C&I lawyers are happy in-house and a move back to private practice was either not very, or not at all likely for 77% of lawyers in a Law Society survey²⁰. Moreover, even if you want to, it is not usually that easy for you to return to law firms at a level commensurate with your experience because, over time, the more generalist workload typically found in-house dulls the specialist edge and client connections demanded by private practice.

In the event that you wish to source a candidate from another in-house department, the law firm “push factors” will be absent and you will have to fall back on traditional sell points such as: the merit of the organisation, the role itself and relative compensation.

Some tactics to help secure sufficient budget

As we have seen, the good news is that, not only is there a rebuttable presumption that any role you may recruit for is desirable to a good proportion of law firm lawyers, but once you have secured them, they are unlikely to return to private practice. However, against this is the fact that most lawyers moving in-house will be aware that over time they are likely to see a comparative reduction in compensation against law firms. Because of this they are often keen to push entry level compensation as high as possible. Whilst a 10-15% reduction on law firm compensation is common, and properly presented can usually be sold, your HR department will often provide you with an initial budget far lower than this.

The reason unguided HR departments often provide insufficient initial budget arises from the benchmarking issues highlighted above and the political difficulties of fitting the legal department (as we have seen, often the most expensive per head department in the company) into the overall corporate compensation structure.

The result for you will often be a time consuming recruitment process followed by the withdrawal of the headcount, or the politically clumsy need to apply for additional budget.

The above can often be avoided by early intervention on your part. In this respect I would recommend that, after reading generic salary surveys, you then speak to a knowledgeable legal recruiter who will be able to give you a realistic idea of the compensation, taking account of all the

¹⁹ In a survey of more than 2,000 law firm assistants 75% stated a desire for an alternative to partnership (Legal Business, Issue 169, November 2006). The 2009 Legal Week Employee Satisfaction Report found that only 45% of solicitors saw partnership at their firm as their primary career goal.

²⁰ Corporate counsel – a profile (The Law Society, June 2008).

benchmarking factors discussed above. Recruitment is a long game and a good recruiter should be keen on forming a long term relationship with you even if you are unable to instruct them on this particular role. I also suggest that you speak to other senior in-house lawyers in your geographical and practice area to re-affirm the benchmarking for yourself, obtaining some specific examples, ideally from direct competitors.

After you have done this your next step is to present your edited findings. Ideally you should try and get another company officer (such as the Financial Director) onside before presenting your findings to HR; moreover, it's best to do this before the budget is set because it is nearly always more difficult to increase budget once it has been approved.

If securing sufficient budget is still proving problematic, a useful trick which I have seen employed successfully on a number of occasions is to borrow a really good secondee from a top law firm. If the secondee manages to do an excellent job and become "indispensable" to the business, you can always offer them the role. Whilst they are unlikely to take the position based on the initial budget, by drawing the business's attention to the disparity in your budget and the much higher compensation of the "ideal candidate" you can often narrow, or even close, the compensation gap.

Retention

There is one axiom of recruitment upon which the entire legal recruitment industry is predicated; the financial loss arising from the departure of an individual is significantly more than the 25% recruitment fee charged by recruitment consultants. I am not aware of specific figures for in-house lawyers, but cost estimates arising from lost productivity in law firms range between one year and 18 months of the departing lawyer's salary²¹. In short retention is *a lot* less expensive than replacement.

Voluntary departures

In most instances you will be concerned with preventing your existing lawyers from moving back into law firms or, more likely, into any of the other 3,500 C&I departments in England & Wales. To this end, most of the above, particularly periodic benchmarking, is applicable. Another challenge arising from the relatively small size of most in-house departments is that it is often very difficult to have anything other than a flat departmental structure which means that it is hard for you to hold out the prospect of any real opportunity for promotion to your lawyers.

In my dozen or so years in recruitment I've observed that lawyers rarely leave their position for money alone. By far the most common reason for voluntary departures is that the lawyer feels in some way undervalued. Because the rebuttable presumption from the business is that C&I departments are generally "a cost" rather than a value add, without real and imaginative management input from you, your lawyers can easily feel undervalued.

Involuntary departures

An equally serious issue for you should be retention of existing headcount. With the economic prognosis for the next few years at best uncertain it is likely that many C&I teams will have to periodically justify existing headcount to the business.

²¹ Legal Business Assistant Survey, November 2008, suggested 15 months; Legal Week, 27 September 2007, suggested "commonly accepted to be in the region of a year's salary".

The importance of proving your department's value to the business for recruitment & retention

The challenges in protecting yourself from both voluntary and involuntary departures of good people are vast and there is of course no simple answer. Nevertheless, one factor which can really mitigate against both is to prove your department's value to the business. Essentially this involves your sitting down with the main company officers and business heads, and agreeing with them what it is they want from their legal department. Once you have this you can agree to formalise these objectives against measurable departmental benchmarks or key performance indicators ("KPIs"). You can then set agreed objectives for each of your legal personnel based on these KPIs and measure them against these criteria.

If properly implemented, the result of the above is hugely energising both for your lawyers and, I would suggest, yourself. In addition to acting like a battery for your department it elevates the prestige and standing of the department - automatically highlighting the all important "value" to the business and your own personnel. Once established, you will find it assists in retention, recruitment, general morale and operational efficacy. A more detailed explanation of this process is beyond the scope of this article (and my expertise), however, there are a number of excellent coaching consultancies, such as Sherwood Consulting, which specialise in this field and are well known in the industry.

Summary

- In-house legal departments within C&I have dramatically expanded over the last 10 years and will continue to do so as increased governance legislation prompts regulators to impose sanctions against corporations and individual company officers. Recruitment and retention issues are therefore likely to form an increasingly important aspect of your role.
- If you are hiring from private practice, strong "push" and "pull" factors work in your favour. However, the increasing need for A-grade specialists in-house means that entry level compensation often needs to be competitive with that of law firms.
- In most companies the legal department is amongst the most expensive per head, which can be a significant political challenge for both recruitment and retention. If you have any concerns about securing sufficient budget to hire, or benchmark existing personnel, you must ensure that you are periodically involved in updating yourself on market rates. In assessing what these are, in-house salary surveys or third party benchmarking is of limited value and will generally need to be supplemented with some your own bespoke research based on the criteria above. Always be cognisant of compensation developments in private practice particularly if you are looking to secure a specialist.
- If your company hires lawyers infrequently, do not leave benchmarking to HR or other company insiders but proactively present your information well ahead of budgeting and compensation reviews.

- Try to prove your department's value to the business by agreeing KPIs with them and regularly formally benchmarking the department and your individual personnel against these. If possible shift these away from purely cost saving measures onto: speeding up management decision making processes, increasing management options and reducing legal risk. The legal department which can convey that its lawyers are valued, over and above simply reducing external legal spend, has a major competitive advantage in both recruitment and retention.