

2020

ACC CHIEF LEGAL OFFICERS SURVEY

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Introduction

The Association of Corporate Counsel (ACC) is pleased to share the results of our *2020 ACC Chief Legal Officers Survey*. For more than 20 years, our flagship study of insights from chief legal officers (CLOs) and general counsel (GC) has contributed decisively to ACC's core purpose of advancing the interests of the in-house legal profession by providing crucial, high-quality data on the state of the corporate legal department.

This in-depth study builds on responses from 1,007 CLOs and GC at organizations spanning 20 industries and 47 countries, making it one of the largest and most comprehensive surveys of its kind.

The survey offers a number of rare insights into the effect of legal on business. The data give new perspectives on organizational structure and the responsibilities of the legal department; the depth of the CLO's interactions with, and influence on, business executives and the board of directors; the most pressing business concerns for in-house counsel; and the trends that will affect the profession in the near future.

And while this report includes insights on the legal department from the perspective of CLOs, all in-house counsel will benefit from the data. It will also be of interest to company executives, board members, and other key business stakeholders. These stakeholders will appreciate the views, concerns, and priorities of the legal professionals who oversee critical business functions, such as compliance, risk management, and cybersecurity.

The report contains four main sections. First, we present data on the role and reach of CLOs, including reporting structure, responsibilities, and the scope of the legal department. Second, we take a deeper look at the legal department's value to the business by mapping the influence of the CLO on business strategy and decision-making. Third, we offer insights on CLOs' experience with political and regulatory changes. Finally, we consider the future of the legal department, specifically the effect that enterprise digital transformation is already having on the in-house profession, and what other new challenges lie ahead.

The *2020 ACC Chief Legal Officers Survey* is yet another step in ACC's continuing contribution to the global in-house counsel community's success, and law departments' value to business, through data-driven resources. We hope that you find the report useful and informative.

Finally, we would like to extend our gratitude to all the CLOs and GC who dedicated a few minutes of their valuable time to participate in this survey. Without the continuous support of legal department leaders throughout the numerous editions of the *Chief Legal Officers Survey*, this report, and the lessons that we can learn from it, would not be possible. Your expertise and insight benefit the global in-house counsel community and exemplify the motto of our organization: *"By in-house counsel, for in-house counsel."*

Sincerely,

Veta T. Richardson
President & CEO
Association of Corporate Counsel

Blake E. Garcia, Ph.D.
Director of Research
Association of Corporate Counsel

Section 1

THE CHIEF LEGAL OFFICER'S ROLE AND REACH

“

The CLO is a business leader in the organization who happens to have a law degree. Knowing the law is essential, but knowing the industry and the company is critical.”

The position of the CLO in the organization determines the influence capability of the legal department on key strategic decisions.

It is crucial for CLOs to have a seat at the executive table. With insights and views from more than 1,000 CLOs and GC, this section presents an overview of the role and reach of the CLO and the legal department.

We look in depth at the organizational structure of the legal department in relation to the business. Most significantly, whether the CLO has a direct reporting line to the chief executive officer (CEO) and the board of directors, what corporate functions are overseen by the legal department, and how the responsibility for managing risk is shared.

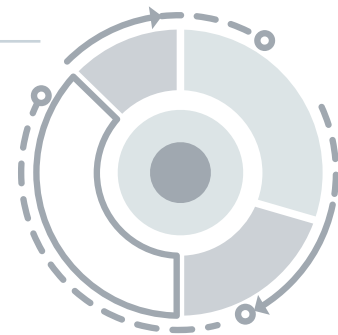
Furthermore, we also provide a general outlook into the legal department's current state of affairs, with CLOs' expectations on forthcoming staff changes and whether they expect the amount of work that they outsource to law firms and other legal service providers to change.



“The CLO is a practical business problem solver who can communicate in clear and easy language.”

KEY FINDINGS

THE CHIEF LEGAL OFFICER'S ROLE AND REACH



FOUR IN FIVE CLOs SURVEYED REPORT DIRECTLY TO THE CEO.

This is the highest value in the last five years, which reflects the growing importance for CLOs to have a seat at the executive table. Eighty-five percent of US respondents report directly to the CEO, followed by 78 percent of CLOs in Asia and Europe.



COMPLIANCE AND RISK ARE THE TOP TWO CORPORATE FUNCTIONS THAT REPORT TO THE CLO.

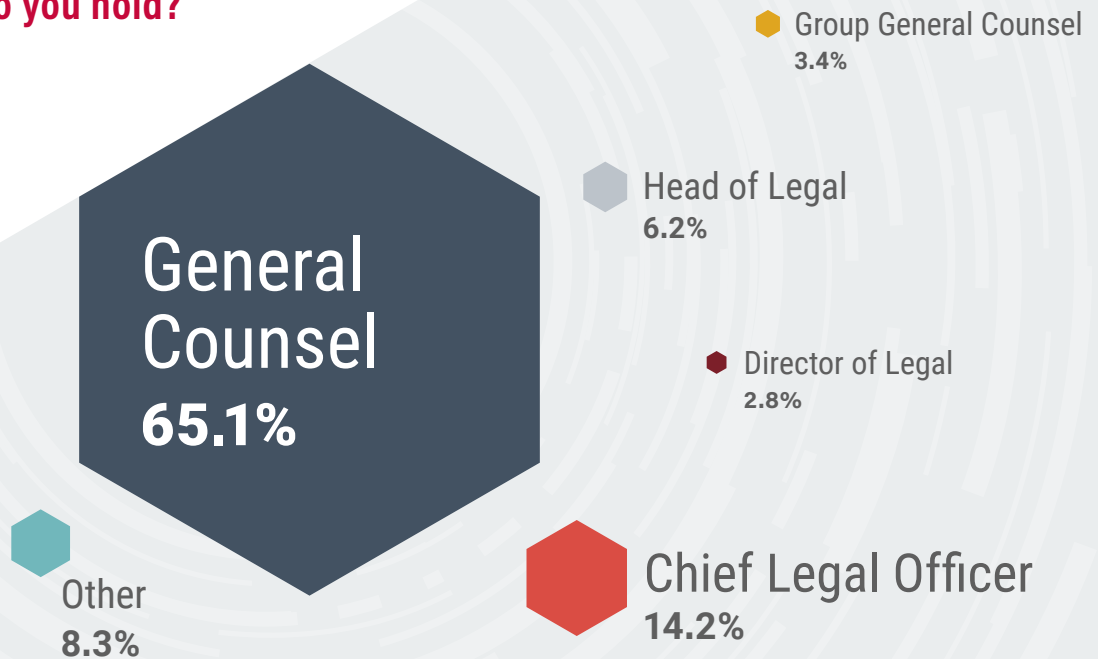
Over three-quarters of CLOs surveyed oversee compliance, while more than a third are in charge of risk management. Government affairs, human resources, and administration complete the top five functions overseen by the CLO.



ONE-THIRD ANTICIPATE OUTSOURCING MORE WORK TO LAW FIRMS NEXT YEAR.

Although legal departments keep facing growing pressure to do more with less and insource work, the percentage of departments that expect to send more work to law firms remains stable — down only two points from last year. CLOs in private companies expect to send more work to law firms compared with those in public entities — 36 percent to 30. Twenty percent of all respondents also indicate that they will send more work to alternative legal service providers.

**As the highest-ranking lawyer
in your organization, what
title do you hold?**

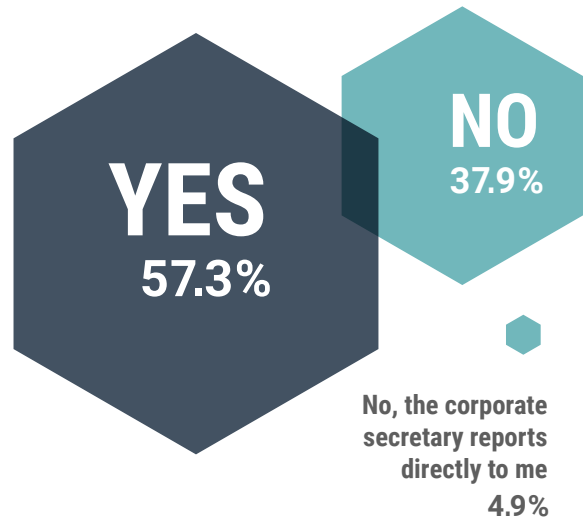


All participants are the highest-ranked lawyer in their respective legal departments, but they hold different titles, with GC the most common with 65 percent of respondents serving in this position. The second most common title is CLO, with 14 percent of respondents, which represents a moderate increase from 10 percent since 2019. Head of legal, group GC, and director of legal complete the field. Eight percent of respondents indicated other titles, such as chief counsel; general manager, legal; or vice president, legal. Globally, titles vary widely, with Head of Legal being the most common in Asia. CLO is more widely used in Canada and Europe than in the US.

“CLOs cannot afford to think only as lawyers. They are the bridge between the commercial side of the business and the regulatory, compliance and risk management sides.”

Do you also hold the title of or assume the role of corporate/ company secretary?

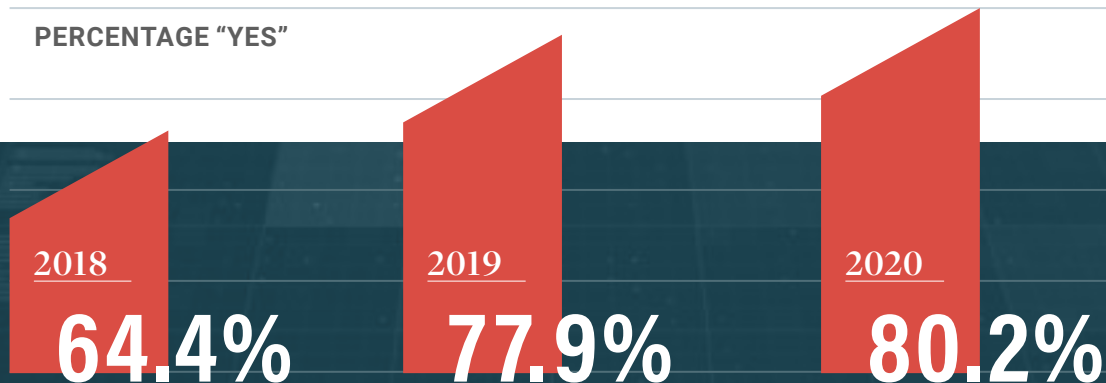
Apart from being the top lawyer in the organization, 57 percent of respondents concurrently serve as the company secretary while 38 percent do not. This is up six percent from 2019 (51 percent). Another five percent of respondents indicate that although they do not serve as the company secretary, that individual reports directly to them.



KEY TREND

Do you report directly to the Chief Executive Officer (CEO) or highest-ranking executive officer?

PERCENTAGE "YES"



Eighty percent of respondents indicated that they report directly to the organization's top executive officer. This is the highest percentage recorded in the past five years and represents a moderate increase from last year's survey. The positive trend in this indicator is quite clear over time — a 16-point increase since 2018. The strength of these results shows the enhanced position of the CLO within the organization and how important it is for the business to give legal a seat at the table.

To whom do you directly report in your organization?

Among those who do not report to the CEO

**ONE
OUT
OF
FIVE**

chief legal officers and general counsel surveyed indicated that they do not report to the top executive in their organization.

CHIEF FINANCIAL OFFICER

49.5%

CHIEF OPERATING OFFICER

17.5%

CHIEF LEGAL OFFICER OF THE HOLDING OR PARENT COMPANY

11.5%

CHIEF ADMINISTRATIVE OFFICER

10.5%

BOARD OF DIRECTORS

4%

We asked participants who did not report to the CEO to whom they reported instead, and almost half indicated that they report to the chief financial officer. CLOs also report, in descending order, to the chief operating officer, to the top lawyer in a holding or parent company, to the chief administrative officer, or directly to the board of directors. Alternative reporting lines link the CLO to other C-suite individuals, such as the chief risk officer, the chief investment officer, or the chief corporate affairs officer.

Do you have a reporting line to the board of directors?

NO

— 46.8%

YES

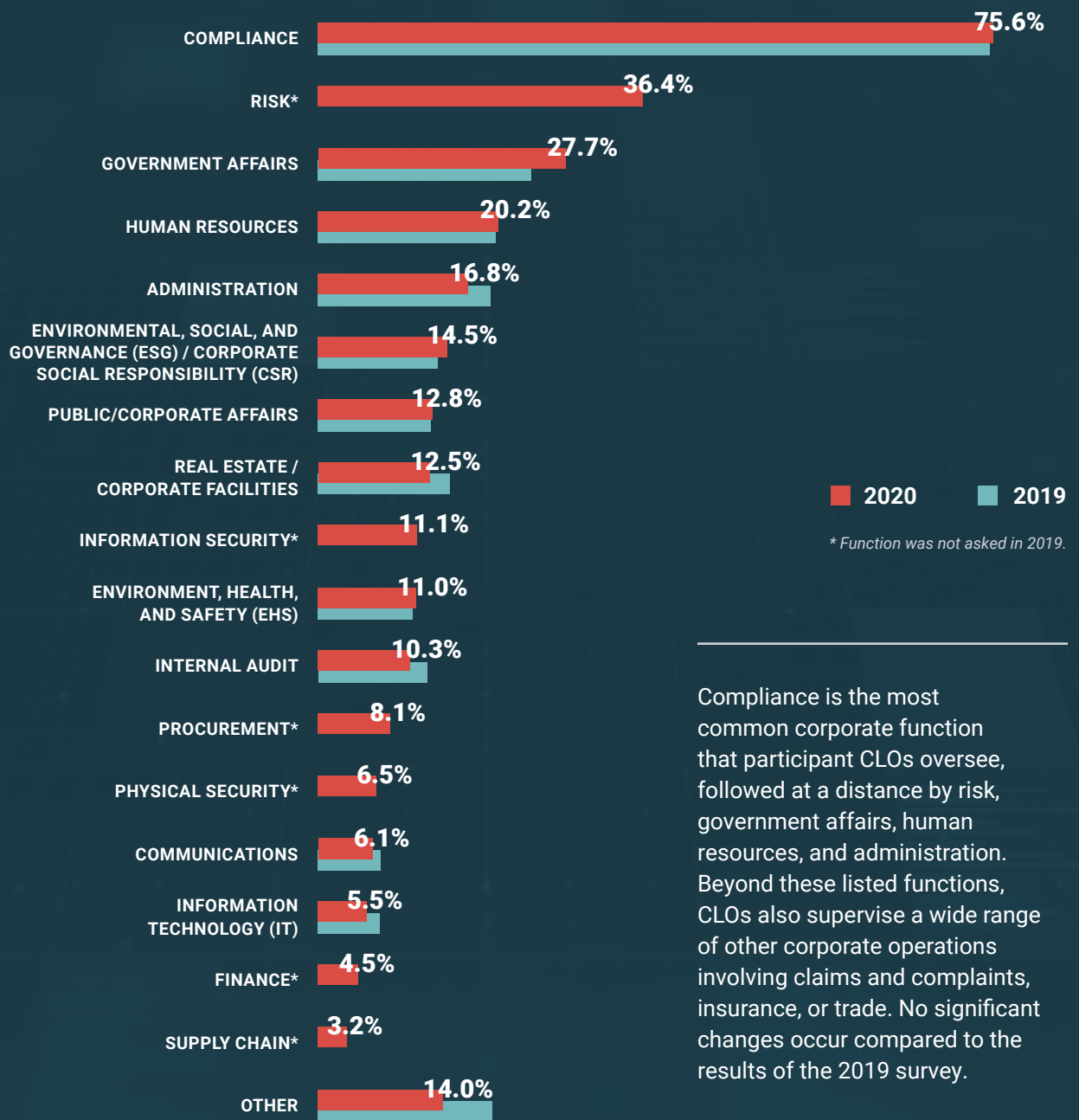
— 53.2%

Respondents are almost evenly divided on whether they also have a reporting line to the company's board of directors. Fifty-three percent do report to the board while 47 percent do not.



KEY TREND

Which of the following corporate functions report to you?



Compliance is the most common corporate function that participant CLOs oversee, followed at a distance by risk, government affairs, human resources, and administration. Beyond these listed functions, CLOs also supervise a wide range of other corporate operations involving claims and complaints, insurance, or trade. No significant changes occur compared to the results of the 2019 survey.

In your organization, which function(s) is/are responsible for managing legal risk?

Almost all respondents indicated that the legal department is responsible for managing legal risk. This task, however, may be shared with other corporate functions or departments, so respondents could select any relevant options to provide a comprehensive understanding about how responsibility for managing legal risk is distributed. Forty-one percent of respondents indicated that the compliance function is also responsible, followed by a specific risk management function, the finance or treasury department, and other relevant business units.

“CLOs cannot control or oversee everything. They should build a team of strong performers and empower them to handle the details of the work.”



LEGAL
98.0%



COMPLIANCE
40.9%



RISK MANAGEMENT
26.6%



FINANCE/TREASURY
23.4%



BUSINESS UNITS
18.3%



OTHER
3.0%

What is the number of legal operations staff employed in your legal department in all locations?

DESCRIPTIVE STATISTIC	NUMBER OF LEGAL OPERATIONS PROFESSIONALS
25th percentile	0.0
Mean	5.9
Median	1.0
75th percentile	2.0

NO LEGAL OPERATIONS PROFESSIONALS

46.2%

1 LEGAL OPERATIONS PROFESSIONAL

24.4%

2 LEGAL OPERATIONS PROFESSIONALS

10.3%

3 LEGAL OPERATIONS PROFESSIONALS

5.1%

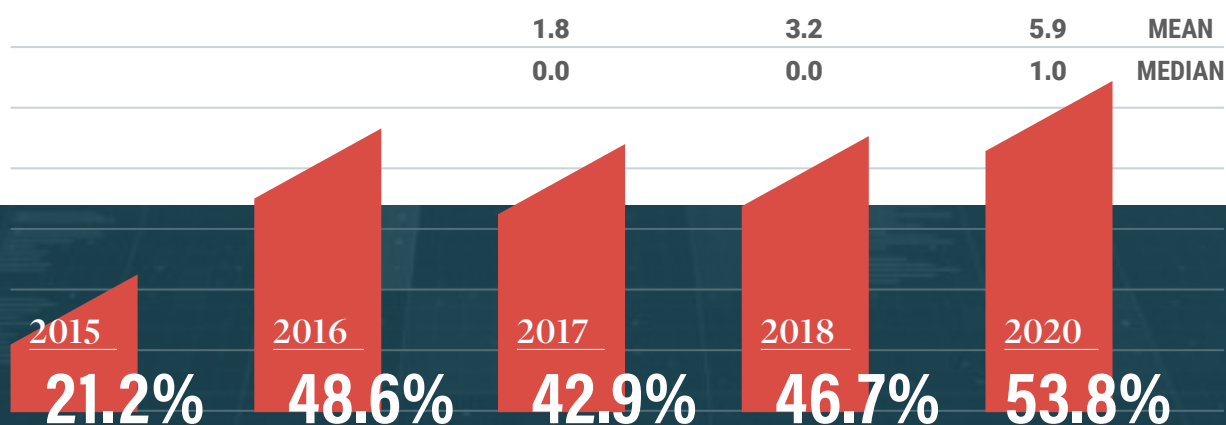
4 OR MORE LEGAL OPERATIONS PROFESSIONALS

14.0%



KEY TREND

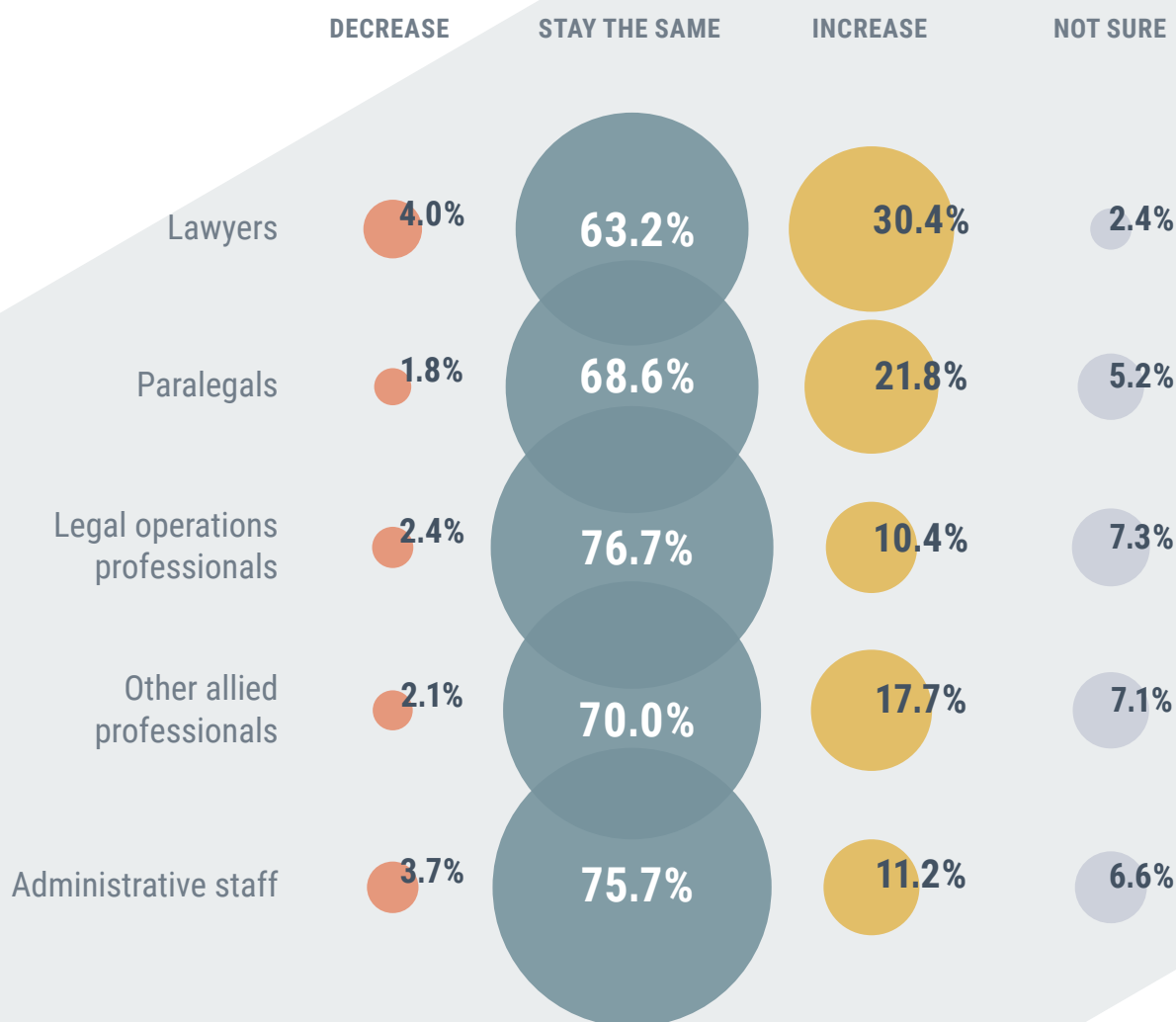
Percentage of departments with at least one legal operations professional



More than half of surveyed CLOs report that their legal department employs at least one legal operations professional. This is the highest percentage that we have observed since 2015 and the first time that the 50 percent mark is surpassed. The trend clearly points toward a higher presence of legal operations professionals in the legal department, with a 30-point increase in the number of departments that have at least one legal operations professional. Also, the average number of professionals has more than trebled since 2017 – from 1.8 to 5.9. This year a quarter of surveyed CLOs reported employing one legal operations professional while almost 30 percent of respondents reported employing two or more.

** Question was not asked in 2019.*

Do you anticipate your department's staffing levels will decrease, stay the same, or increase in the next 12 months?



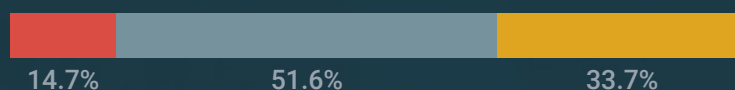
A clear majority of respondents anticipate no changes in the number of staff across all positions for the coming 12 months. While the number of departments that foresee a reduction of staff is minimal, there is some variation among the expected staffing increases by position. Almost one-third of departments are likely to add lawyers in 2020, and 22 percent expect to hire more paralegals. One in ten CLOs surveyed also intends to bring in more legal operations professionals.



KEY COMPARISON

Do you anticipate the amount of work you send to law firms and other legal service providers will decrease, stay the same, or increase in the next 12 months?

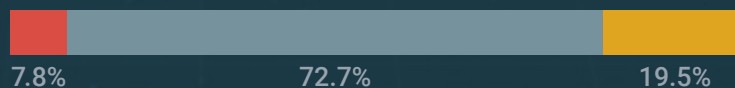
LAW FIRMS



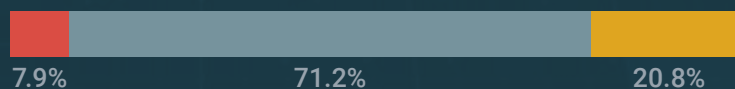
Among those who expect to add lawyers in 2020



OTHER LEGAL SERVICE PROVIDERS



Among those who employ at least one legal operations professional



■ DECREASE ■ STAY THE SAME ■ INCREASE

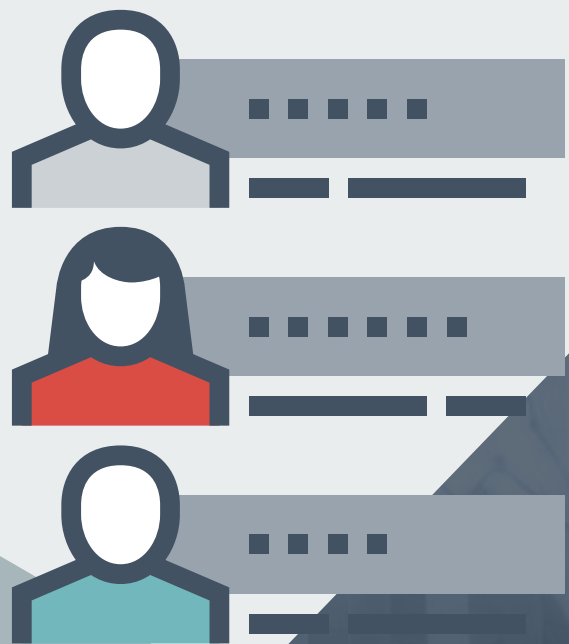
A slim majority of CLOs — 52 percent — believes that the amount of work that the legal department will outsource to law firms will stay the same, while one-third believes that the amount of outsourced work will increase. Among those CLOs who expect to add lawyers to their staff, however, 45 percent also anticipate an increase in the amount of work that they will outsource. In other words, departments that plan on adding more lawyers to their staff also plan on sending more work to law firms. We typically expect there to be a trade-off between insourcing and outsourcing work but in this case, we are observing an overall increase in both. Furthermore, a larger percentage — 73 percent — of all CLOs indicated that they expect the amount of work they will send to other legal service providers to stay the same. No significant differences can be appreciated in this regard among the legal departments that employ at least one legal operations professional.

How do your supervisors evaluate your performance as CLO?

Participants were asked how their supervisors evaluate their performance in an open-ended format. We received 354 responses containing several types of information regarding CLOs' performance evaluations. Since participants were able to emphasize any aspect of their performance evaluation process, we developed a concept map to illustrate which aspects were most heavily emphasized with specific examples.

The following concept map structures the responses in categories. The four main bubbles represent groupings of the responses that we received based on who evaluates the CLO's performance; what CLOs are evaluated on; when evaluations occur; and how the evaluations are carried out.

The additional bubbles show the subcategories raised by respondents. A count of the responses that fit in each sub-category is also provided. The diagram illustrates the wide range of features that are part of the CLOs' performance evaluation process.



“Legal skills must be top notch, but excellent management and people skills are also a must.”

WHO?

102 RESPONSES

CEO (75)

BOARD (18)

OTHER EXECUTIVES (6)

- C-Suite (4)
- Chief operating officer (1)
- President (1)

COMPENSATION COMMITTEE (3)

WHAT?

162 RESPONSES

INDIVIDUAL PERFORMANCE (140)

- Goals and objectives (63)
- Key performance indicators (57)
- Specific areas: risk, litigation ... (20)

COMPANY PERFORMANCE (16)

NO METRICS-BASED EVALUATION (6)

WHEN?

152 RESPONSES

PERFORMANCE REVIEW (135)

- Annually (118)
- Semiannually (8)
- Quarterly (9)

CONTINUOUS EVALUATION (10)

- Monthly (3)
- Biweekly (1)
- Weekly (3)

HOW?

196 RESPONSES

FORMAL REVIEW (153)

- Performance review (123)
 - » 360° review (14)
 - » Peer input (9)
 - » Self-review (6)
 - » Pass/fail review (1)

INFORMAL REVIEW (28)

NO REVIEW/UNCLEAR PROCESS (12)

* Number of responses noted in parentheses.

Section 2

THE LEGAL DEPARTMENT'S VALUE TO THE BUSINESS

“

CLOs should know the business inside and out and align their priorities with the company's strategic priorities to maximize value.”

CLOs not only provide legal advice to other business leaders but also are key figures who offer guidance on a wider range of matters, such as strategy, operations, and risk management.

This section explores the value that the CLO and the legal department provide to the business by measuring the nature and diligence of the CLO's interactions with company executives and board members.

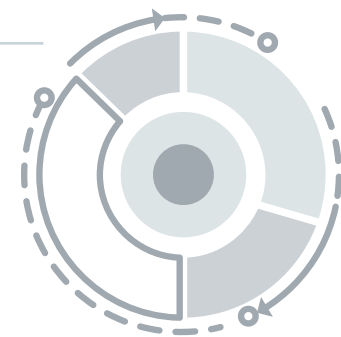
We also explore what tasks CLOs spend time on while at work and present data on several aspects of the legal department aimed at delivering additional value to the organization, such as the strategic initiatives taken to improve efficiency, the level of investment in professional development for lawyers in the department, and the top nonlegal skills that CLOs expect in-house counsel to master.



“Legal must align priorities to best meet the needs of the business.”

KEY FINDINGS

THE LEGAL DEPARTMENT'S VALUE TO THE BUSINESS



BUSINESS LEADERS CONSULT WITH THE CLO, BUT THERE IS STILL ROOM TO ADVANCE.

Around 75 percent of CLOs report that company executives almost always look to them for input on strategic decisions and risk areas. The same proportion regularly attends board meetings. However, less than half are always a part of board executive sessions, and only 30 percent report having routine individual business meetings with board members.



COMPLIANCE, DATA PRIVACY, AND SECURITY ARE THE MOST IMPORTANT ISSUES FOR BUSINESSES.

Exponential change in technological solutions and information flows raises new ongoing compliance and security risks. These three topics continue to top the list of most relevant issues with no change from 2019.



THE CLO'S MULTIFACETED PROFILE: LAWYER AND BUSINESS LEADER.

CLOs report that they spend on average around one-third of their time providing legal advice. The remaining two-thirds is split almost evenly among four other tasks: managing the law department, attending to board matters and corporate governance, contributing to strategy development, and advising executives on nonlegal issues. As one CLO put it: "Being a good lawyer is a given; it's the other skills that matter."



LEADERSHIP AND BUSINESS APTITUDES ARE THE MOST DESIRED NONLEGAL SKILLS FOR IN-HOUSE COUNSEL.

CLOs appreciate business-savvy staff with skills that go beyond a solid practice of the law. Sixty-two percent of respondents indicated that they look for in-house counsel who can demonstrate leadership capabilities, while at least 40 percent of respondents believe business management, executive presence, communication, and emotional intelligence should be part of a corporate lawyer's skill set.

How often are you involved in the following situations?

When your organization holds a board meeting, how often do you attend?



How often do you meet with business leaders at your organization to discuss operational issues and risk areas?



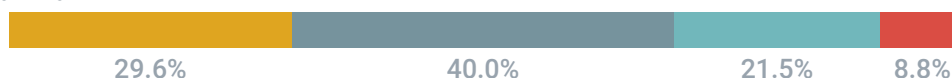
How often does the executive leadership team seek your input on business decisions?



How frequently do you meet in executive sessions with the board or any of its committees?



Outside of executive sessions with the board or board committees, how frequently do you have business meetings or calls with board members?



■ ALMOST ALWAYS
 ■ SOMETIMES
 ■ SELDOM
 ■ NEVER

Business executives and board members rely on the CLO when it comes to weighing in on relevant business decisions. Around three-quarters of participants indicate that they almost always attend board meetings and meet with company executives to discuss operational and risk issues and to hear the CLO's input on key business decisions. The number of respondents that are seldom or never consulted is minimal.

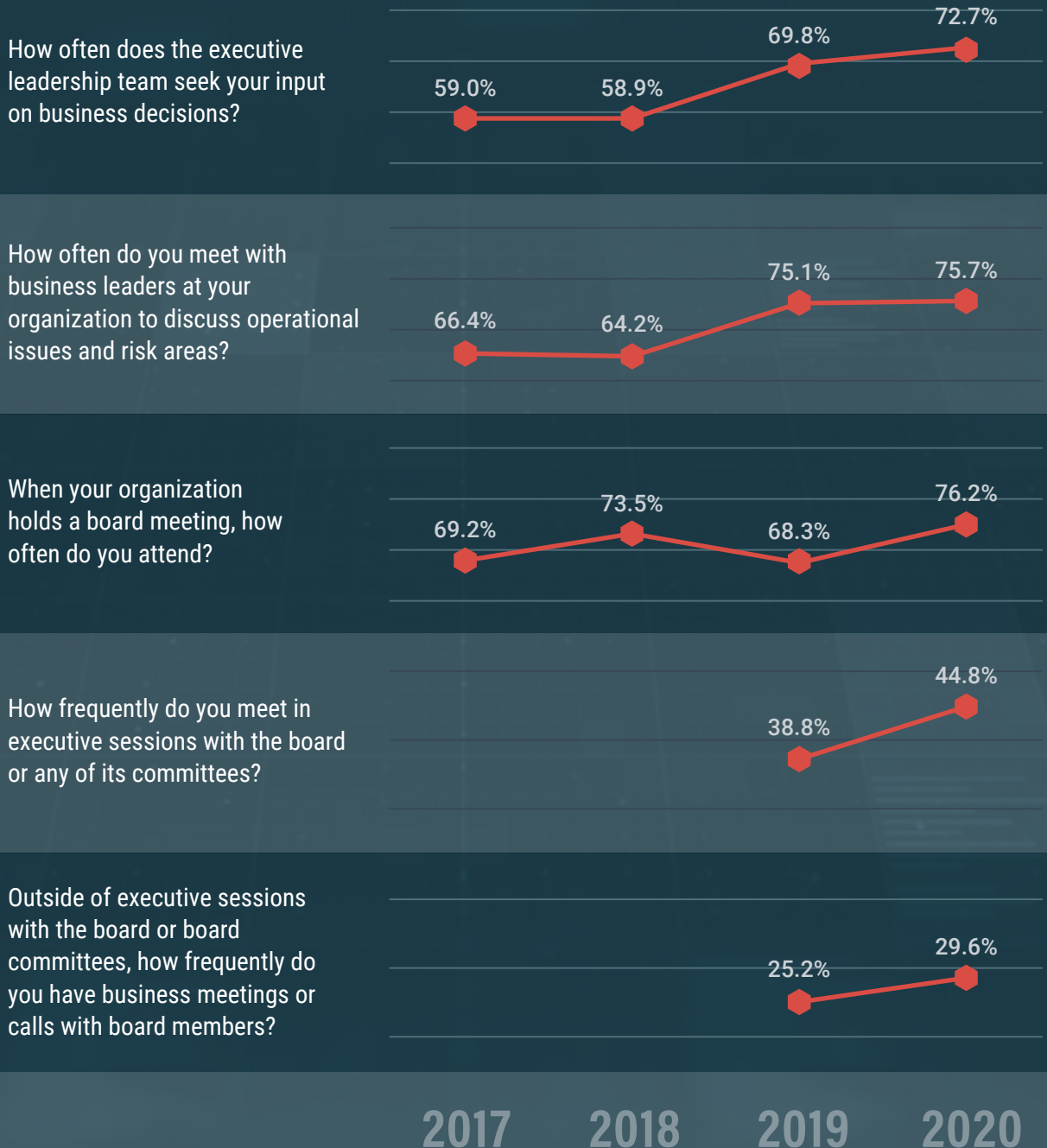
The CLOs' involvement with the board — either in executive or committee sessions or in business meetings or calls with board members — is more moderate, although a clear majority of participating CLOs report that these interactions with board members occur at least sometimes.

As shown in the next page, the trend over time is positive, with respondents in this edition of the CLO Survey reporting the highest value of diligence in being involved in the five different scenarios that we asked about.



KEY TREND

CLOs' input and influence based on the percentage of respondents who "almost always" are involved in the following ...





KEY COMPARISON

CLO input and influence based on direct reporting line to the CEO



■ CLO DIRECTLY REPORTS TO THE CEO ■ CLO DOES NOT REPORT TO THE CEO

Participants' average score based on the following scale: 1=Never; 2=Seldom; 3=Sometimes; 4=Almost always.

CLOs who report directly to the CEO tend to be more involved in consultations and meetings with company executives and board members. On a four-point scale where one means "never" involved and four means "almost always" involved, CLOs who directly report to the CEO score higher on average than those who do not report to the company's top executive across all five scenarios that we inquired about. The largest difference between the two groups relates to board meeting attendance, while the smallest difference occurs regarding CLOs meeting with business executives to discuss operational issues and risk areas.

Which category of risk receives the most management resources in your organization?

CLOs were asked to indicate which risk category received the most management resources in the organization. A clear majority of 63 percent indicated that business risks were the priority, followed by 21 percent who selected financial risks, and the remaining 15 percent indicated that legal risks received the most management resources.

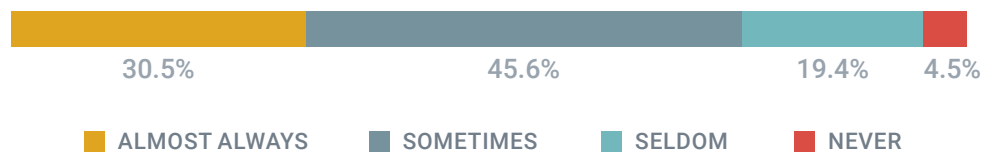


How often are you consulted regarding these types of risks?

How often are you consulted regarding business risk?



How often are you consulted regarding financial risk?



The results show that most CLOs' having a seat at the table results in their views on business risks being sought after by company executives. Sixty-two percent report being consulted often, and a further 31 percent, sometimes. The percentage of CLOs that are consulted regarding financial risk is a bit lower, but 76 percent indicated that they are consulted on this matter at least sometimes. The proportion of CLOs that admitted never being consulted about matters involving business and financial risks is very low.

Rate the following types of issues in terms of their importance to your overall business with “1” being “Very low importance” and “10” being “Very high importance.”

On average, CLOs ranked regulation and compliance as the most important issue for their organization with a score of 8.12 in a 1-to-10-point scale. Data privacy and cybersecurity follow close behind, averaging 8.0 and 7.99, respectively, while other issues such as intellectual property, tax, and enforcement and investigations follow suit but between one and two points behind. On the other end, whistleblower issues, sanctions and export controls, and money laundering are considered the least important issues among those that we inquired about, with all three of them scoring below the five-point mark.

“Lawyers tend to be risk averse and want to shut risks down. Look to manage them instead and understand the business so you can do that.”

REGULATION/COMPLIANCE

8.12

DATA PRIVACY

8.00

CYBERSECURITY

7.99

INTELLECTUAL PROPERTY

6.69

TAX

6.14

ENFORCEMENT/INVESTIGATIONS

6.03

CORPORATE SOCIAL RESPONSIBILITY/ SUPPLY CHAIN MANAGEMENT

5.34

CORRUPTION/BRIBERY

5.10

CORPORATE GOVERNANCE/ SHAREHOLDER ACTIVISM

5.08

COMPETITION/ANTITRUST

5.04

WHISTLEBLOWER ISSUES

4.66

SANCTIONS/EXPORT CONTROLS

4.25

MONEY LAUNDERING

4.00



KEY COMPARISON

Please estimate the percentage of time you allocated over the past 12 months for each of the following:

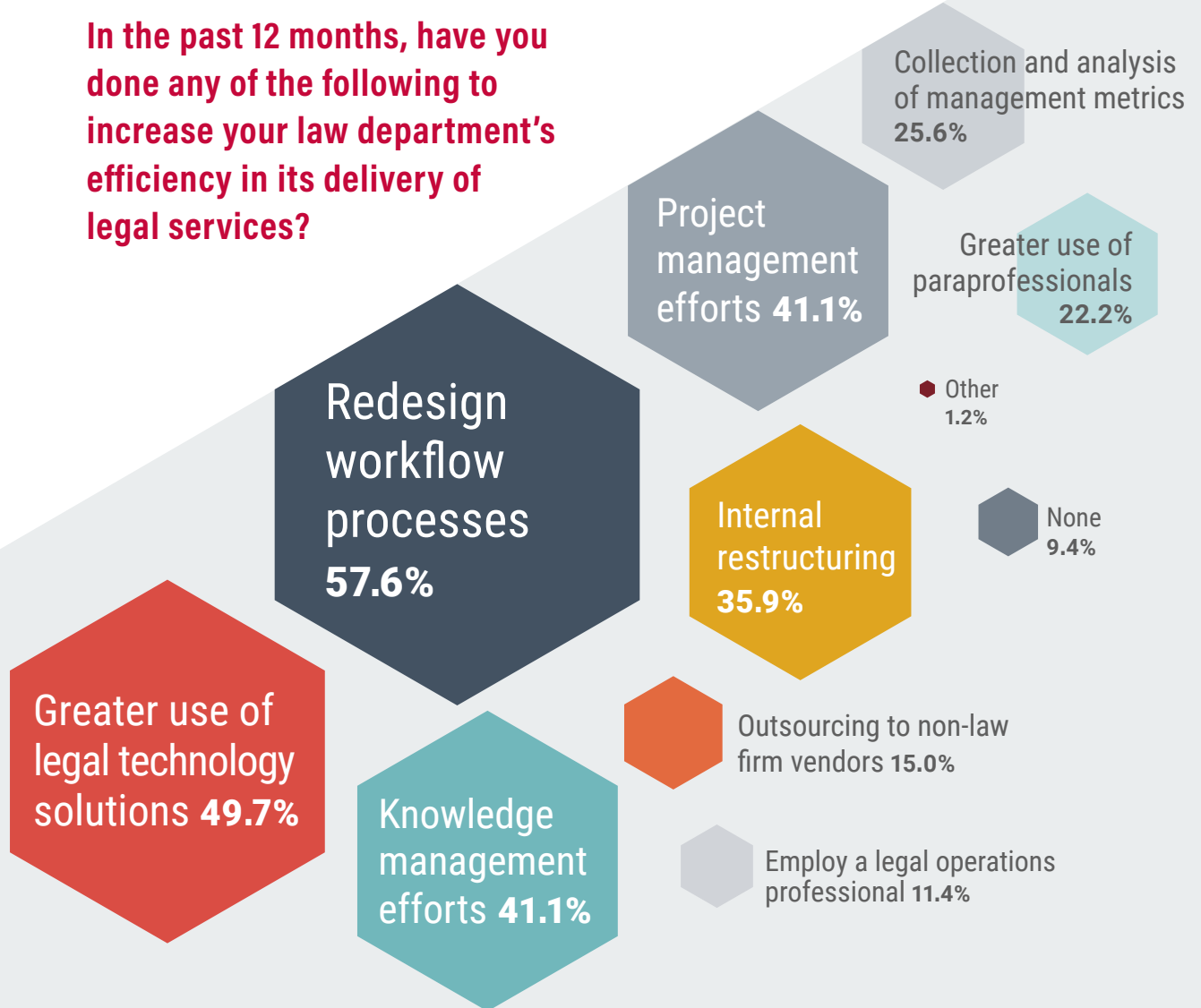


CLOs spend slightly more than one-third of their time providing legal advice. As business leaders, however, they also perform other tasks related to strategy and management. On average, CLOs spend the rest of their time quite evenly across four other types of work: managing the law department, contributing to strategy development, advising executives on nonlegal issues, and attending to board matters and governance.

A noticeable shift emerges when we look at time allocation among CLOs who directly report to the CEO compared to those who do not. Those who report to the CEO spend less time providing legal advice and managing the legal department and take on a more strategic role by spending more time contributing to strategy development, advising executives on nonlegal issues, and handling board matters. This pattern also occurs when comparing legal department size. CLOs in departments with more employees spend less time providing legal advice and more time contributing to overall strategy.

“Increase work efficiency by prioritizing legal tasks based on business strategic objectives.”

In the past 12 months, have you done any of the following to increase your law department's efficiency in its delivery of legal services?

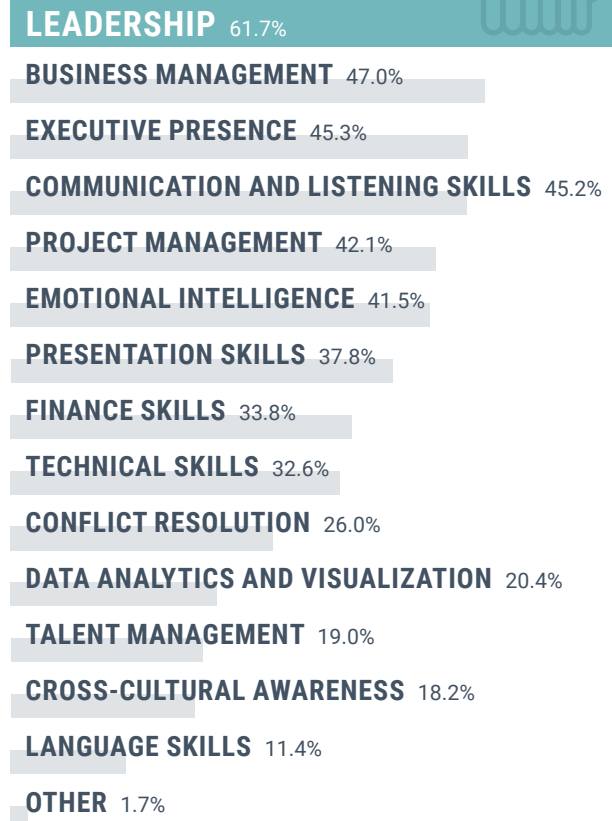


CLOs have undertaken several initiatives in the past year to increase the legal department's efficiency. The results of this multiple-choice question show that the top initiative to improve efficiencies – adopted by 58 percent of the CLOs surveyed – was the redesign of workflow processes. Almost half indicate that they encouraged a greater use of technology solutions, and at least 40 percent led efforts to improve knowledge and project management initiatives. Only 11 percent hired a new legal operations professional, and 9 percent of respondents did not take any initiatives aimed at improving efficiencies in the delivery of legal services.

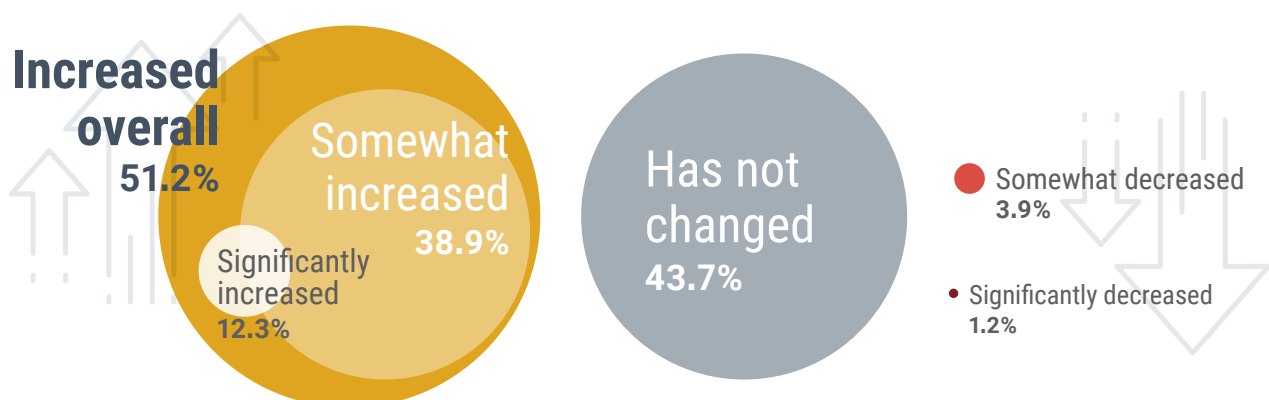


Which of the following nonlegal skills are you seeking to develop for the lawyers in your law department?

Leadership is the top nonlegal skill that CLOs seek to develop for the lawyers in the legal department. Sixty-two percent of participants selected it, making it the only nonlegal skill desired by a majority of respondents. The other skills, which follow at a considerable distance, are business management, executive presence, communication skills, project management, and emotional intelligence, with at least 40 percent of respondents signaling that these are important components of a corporate lawyer's skill set. At the bottom of the list, talent management, cross-cultural awareness, and language skills are valued by up to 20 percent of CLOs.



How has the investment in your legal staff's professional development changed over the past two years?



The professional development of legal staff is important to participant CLOs. More than half reported that in the past year the investment in professional development had increased, while 44 percent stated that there had been no changes in this area. Only five percent of respondents admitted to having decreased the resources invested in professional development for their legal staff.

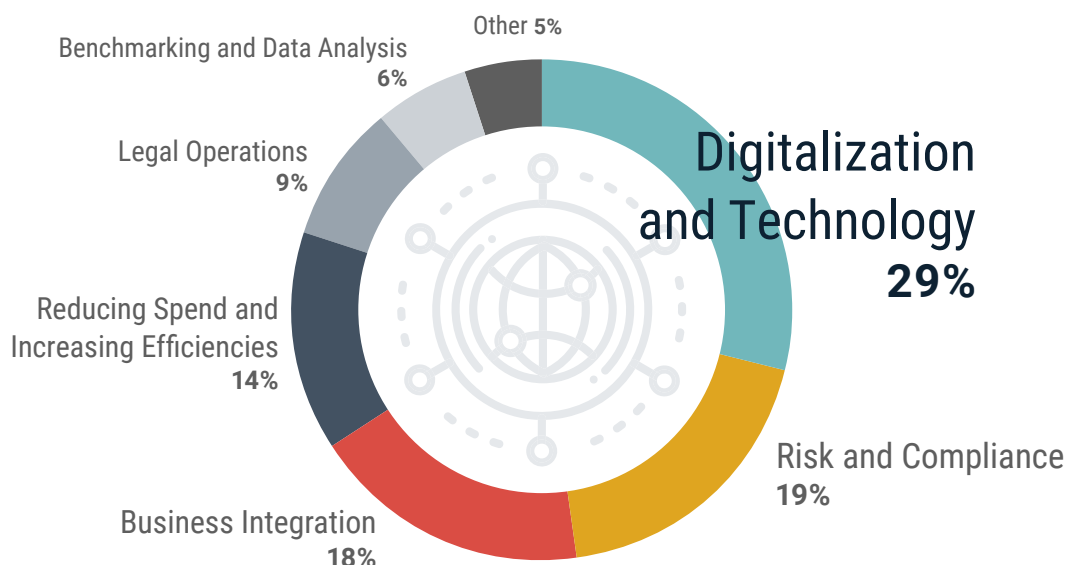
What is the most vital strategic initiative underway in your legal department?

A total of 383 respondents commented on the most vital strategic initiative underway in the legal department. The responses were grouped into seven categories, depending on the nature of the strategic initiatives described.

Twenty-nine percent of all open-ended responses received referred to initiatives concerning digitalization and use of technology, the largest category identified. Other initiatives relate to risk and compliance, 19 percent, and business integration, 18 percent. We provide a short list of CLOs' responses to illustrate each category with specific strategic initiatives that legal departments are implementing worldwide.



“Efficiencies: instead of doing more with less, the mission is to stop doing things that we really do not need to do.”



DIGITALIZATION AND TECHNOLOGY

- Developing an online web-based application for data management related to litigation, contracts, and licenses
- Implementing document management software
- Redesigning workflow into a ticketing system so that all requests for legal services come in through the same path

RISK AND COMPLIANCE

- Compliance with privacy laws
- Data privacy and data security compliance initiatives
- Developing training materials to raise awareness at all levels of risk issues

BUSINESS INTEGRATION

- Aligning with operational business needs and practices
- Completing a major acquisition and integration of the merging businesses and legal teams
- Educating the business on the role of the legal department

REDUCING SPEND AND INCREASING EFFICIENCIES

- Controlling outside counsel spend
- Ensuring that most legal resources are directed to the highest-impact areas in the organization
- Streamlining all legal processes to ensure we are consistently delivering the highest-quality service in the most cost-effective manner

LEGAL OPERATIONS

- Creating a legal operations function
- Optimizing legal department operations
- Redesigning workflows

BENCHMARKING AND DATA ANALYSIS

- Becoming a data-driven department
- Capturing data so we can demonstrate our value to the business
- Defining and measuring success for the legal department

OTHER

- Litigation
- Implementing intellectual property strategy
- Managing new legal trends

Section 3

THE POLITICAL AND REGULATORY LANDSCAPE

“

(We must) prepare for the new jurisdictions in which the business operates.”

“Deal with the risks of geographic expansion into certain regions.”

“Support global business expansion.”

Both the company and the legal department must be ready to face unexpected events or swift changes in the social, political, and economic environment in which the business operates.

In this section, we present the CLOs' views on the effect that geopolitical events and new regulations have caused in the past year and the expectations that such events will have in the near future on certain aspects of the business.

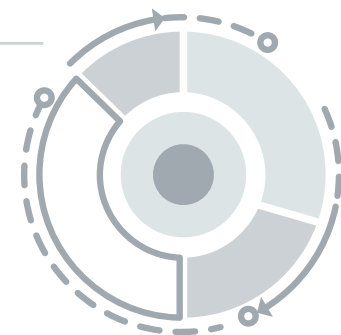
CLOs weighed in on whether organizational decisions were affected by external events, what issues are most likely to pose the biggest legal challenges, and to what extent they believe their organizations are prepared to successfully face upcoming risks and regulatory changes. We also inquired about whether they believe the regulatory environment in their specific industry will change, and what are the new, upcoming topics that board members are asking them about.



“(The business must) manage the challenge of information security and data privacy compliance on a global level.”

KEY FINDINGS

THE POLITICAL AND REGULATORY LANDSCAPE



NEW REGULATIONS AND DATA PROTECTION ISSUES EXPECTED TO POSE THE BIGGEST LEGAL CHALLENGES.

More than half of CLOs surveyed believe that new industry-specific regulations (61 percent) and data protection and privacy rules (59 percent) are likely to be the cause for future legal concerns, followed at a considerable distance by mergers and acquisitions (36 percent). By industry, 84 percent of CLOs in insurance believe that new regulations will cause the biggest challenge, while 86 percent of those in IT companies believe that data privacy will be the main issue.

COMPANIES ARE READY TO FACE NEW REGULATIONS AND MITIGATE EMERGING RISKS.

Most respondents are very or moderately confident that their organization can keep track of changing regulations (60 percent) and tackle new risk threats (54 percent). Large companies (with more than US\$3 billion in annual revenue) are substantially more confident, with 72 percent and 68 percent of CLOs reporting high confidence levels in being ready to address new regulations and emerging risks, respectively.

REGULATORY COMPLIANCE SPEND IS UP.

Fifty-eight percent of CLOs indicated that their department's expenditure on regulatory compliance increased in the last year. By company revenue, larger organizations were more likely to have increased their compliance expenditure than smaller companies. CLOs in accommodation and food services, wholesale trade, and finance and banking reported the highest percentages of increased compliance spending across all industries.

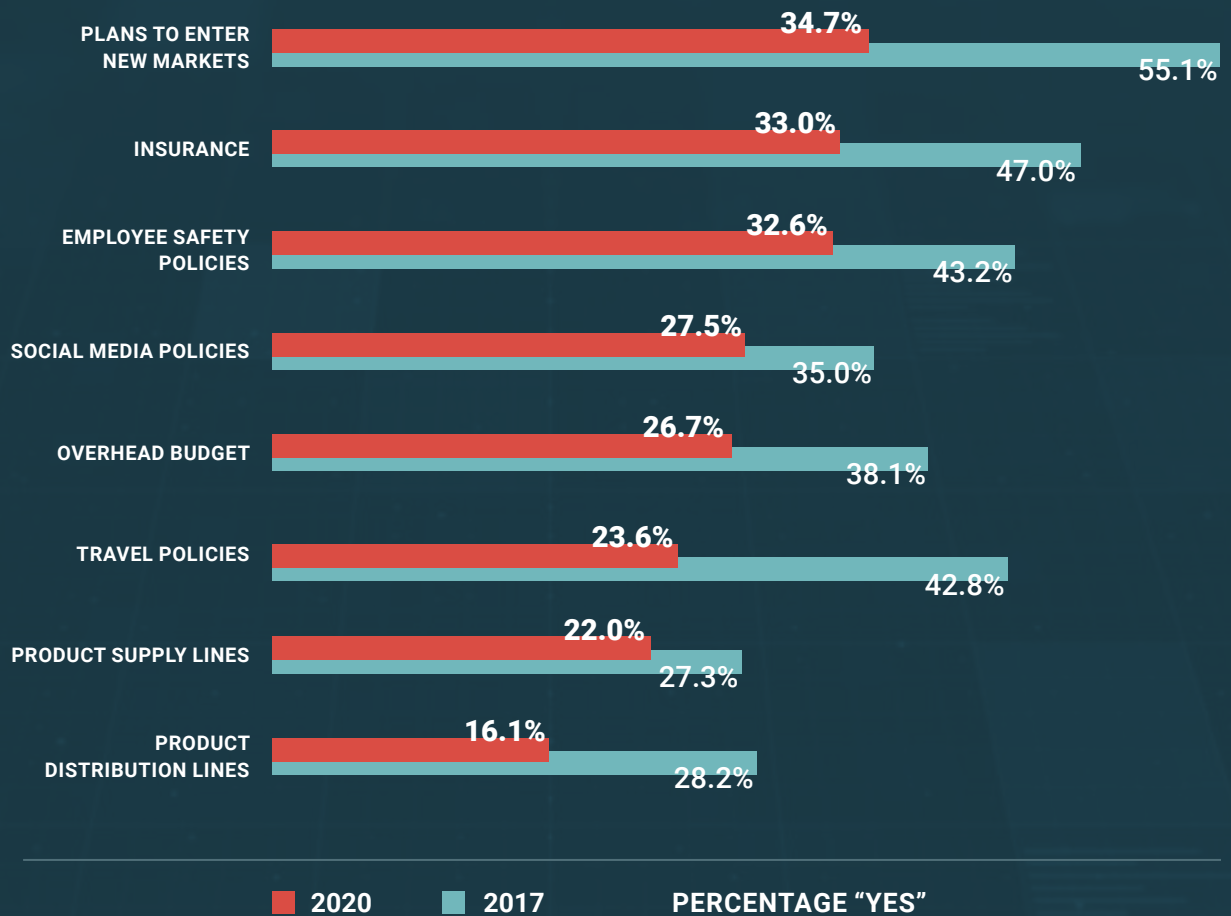
GEOPOLITICAL EVENTS HAVE LIMITED EFFECT ON ORGANIZATIONAL DECISIONS.

Up to one-third of CLOs indicated that geopolitics triggered changes in their enterprise across eight different strategic areas — a set of considerably lower values compared with 2017. The results are consistent across companies from different sizes, yet some differences appear by region. A larger percentage of companies in Asia and Latin America reported making strategic changes due to the evolving political and regulatory landscape.



KEY TREND

In the past year, has your organization made any changes to the following as a result of geopolitical events?



Geopolitical events and regulatory changes seem to have had a lesser effect on strategic business decisions than in 2017. The percentage of CLOs that indicated that organizational, policy, or strategic changes had taken place following certain geopolitical events is lower across the eight areas that we asked them about. The top three areas that CLOs indicated that their company had acted on based on a changing geopolitical environment were plans to enter new markets, insurance-related issues, and employee safety policies.

Which of the following issues are most likely to cause the biggest legal challenges for your organization?

A substantial majority of CLOs expect industry-specific regulations and data protection privacy rules to cause the biggest legal challenge to the business in the near future. Mergers and acquisitions, political changes, and taxation are the three other issues that at least a quarter of participants mentioned among the list of suggested topics. Climate and environmental changes, Brexit, and changes in foreign investment rules were the bottom three issues that CLOs considered would pose a big legal challenge to their organization.

“Evaluate the impacts of tariffs and other challenges that may have an effect upon the company’s plans to increase the sales and margins of the international business units.”

INDUSTRY-SPECIFIC REGULATIONS

60.7%

DATA PROTECTION PRIVACY RULES

59.3%

MERGERS AND ACQUISITIONS

35.9%

POLITICAL CHANGES

30.9%

TAXATION

26.3%

TARIFFS AND OTHER TRADE-RELATED ISSUES

23.6%

ANTITRUST AND COMPETITION ENFORCEMENT

15.8%

CLIMATE/ENVIRONMENTAL CHANGES

12.3%

BREXIT

11.5%

CHANGES TO FOREIGN DIRECT INVESTMENT RULES

7.5%

OTHER

2.7%

How confident are you in your organization's ability to face the following events?

How confident are you in your organization's ability to mitigate against emerging risks?



How confident are you in your organization's ability to keep track of changing regulations?



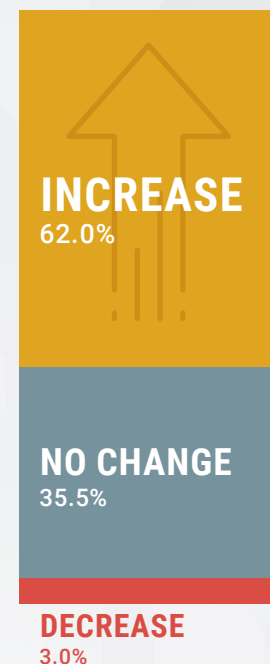
■ VERY CONFIDENT
 ■ MODERATELY CONFIDENT
 ■ SOMEWHAT CONFIDENT
 ■ ONLY SLIGHTLY CONFIDENT
 ■ NOT AT ALL CONFIDENT

CLOs look at the future with caution, with just over half of respondents saying that they are moderately or very confident that their organization will be able to mitigate against any emerging risks, while 60 percent are certain that the business will keep track of changing regulations.

How do you anticipate the regulatory environment in your industry changing in the next 12 months?

Among all surveyed CLOs, 62 percent expect the regulatory environment to increase, while only 3 percent believe that their industry-specific regulations will be more flexible in the next few months. There are, however, significant differences by industry.

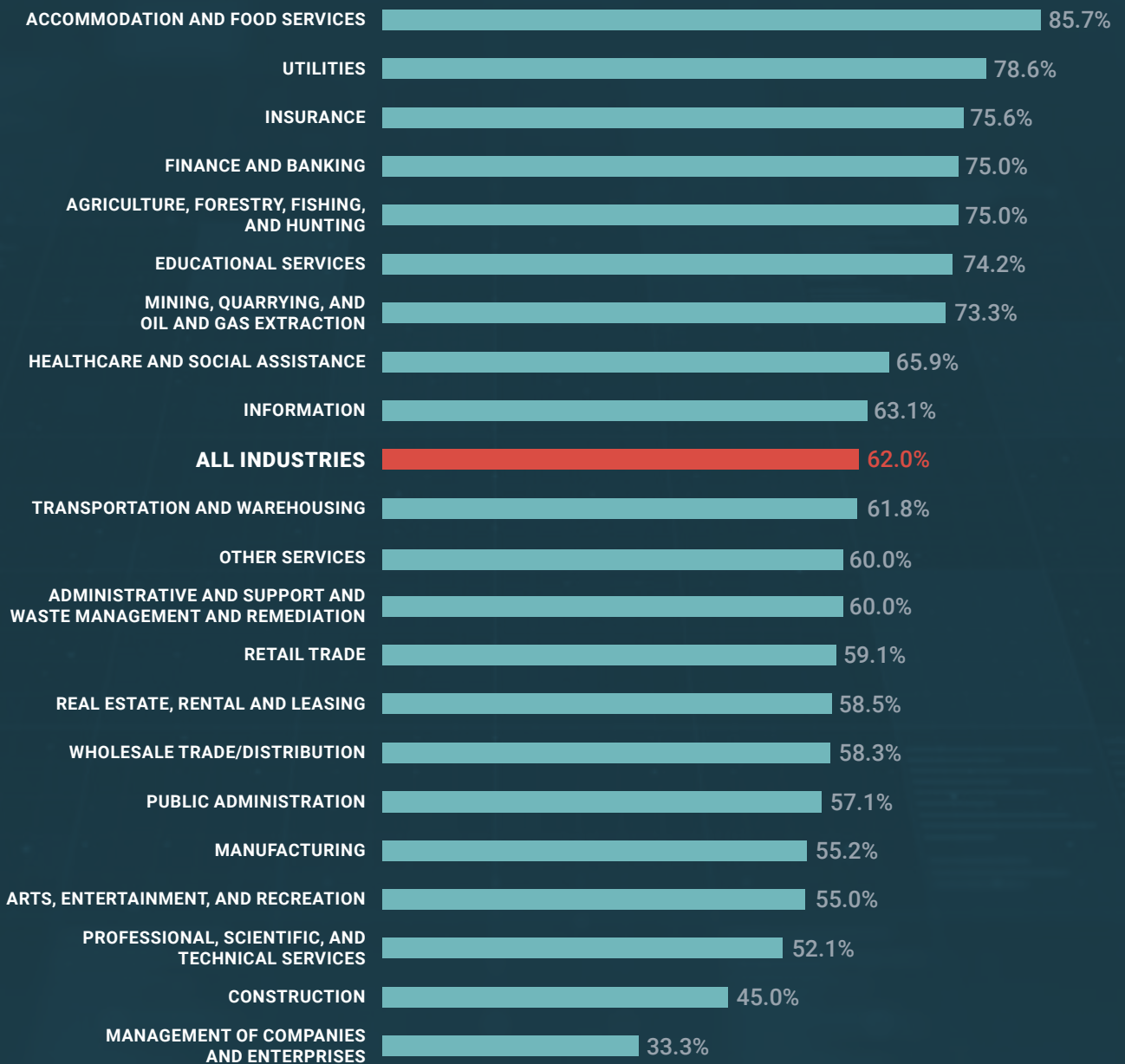
The table on the following page shows that CLOs in accommodation and food services top the list with 86 percent expecting an increased regulatory environment, followed by utilities; insurance; finance and banking; agriculture, forestry, fishing, and hunting; educational services; and mining, respectively, with about three-quarters of the CLOs in these industries expecting increased regulations. Only CLOs in construction – 45 percent – and management of companies – 33 percent – fall below the 50-percent mark among those who expect an increased regulatory environment.



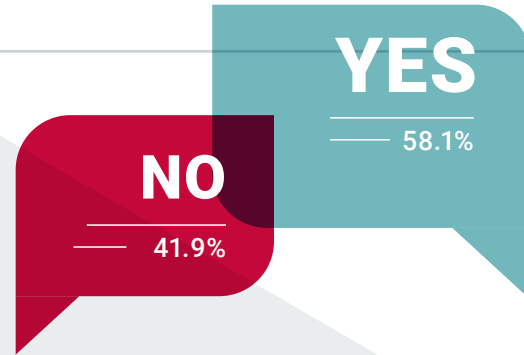


KEY COMPARISON

Percentage of respondents who expect an increased regulatory environment by industry



Over the past 12 months, did your department's expenditures increase for regulatory compliance?



The expectations of tougher regulations in the months to come across most industry sectors resonate with the indication of 58 percent of CLOs surveyed that their department had already increased their expenses for regulatory compliance in the past year.



What new issue has your board of directors been asking you about?

CLOs were asked about any new issues that the board of directors has been asking them about, and 411 respondents offered dozens of topics in an open-ended question format. This word cloud includes most topics that CLOs brought up, with the word size indicating how often respondents mentioned each topic – the larger the word size, the more respondents discussed a topic. Cybersecurity, risk, and compliance were the top three issues that board members asked the participants about.



Section 4

THE OUTLOOK FOR THE LEGAL DEPARTMENT

“

Implement technology solutions to improve matter management, record metrics and report capability.”

“Educate the business on the role of the legal department.”

“Increase the visibility of legal.”

In this last section, we present data on the CLOs' views and expectations on what is next for the legal department.

The results show interesting insights on the topics that in-house counsel should keep an eye on, with a particular emphasis on digital transformation and the related data privacy and protection needs that derive from it.

We asked CLOs about which matters will require additional investment in the next year and about their perception of what business priorities will be in the midterm. CLOs also weighed in on predicting whether current trends affecting the legal department, such as artificial intelligence and the focus on diversity and environmental, social, and governance issues, will accelerate or fade away. Finally, we present both quantitative and qualitative data on the adoption of new legal technology solutions in the legal department.

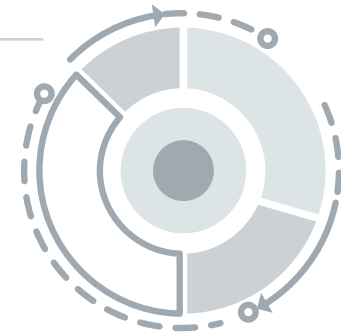
Reflecting on what lies ahead for CLOs and the in-house legal profession, the section concludes with a list of tips on how to succeed as a business and legal department leader based on the advice provided by our survey respondents, with a strong focus on leadership skills, the development of strong relationships, and superior knowledge of the business and industry in which CLOs operate.



“(We must) implement legal process management and technology solutions to drive greater efficiency across the legal department.”

KEY FINDINGS

THE OUTLOOK FOR THE LEGAL DEPARTMENT



CLOS ARE IMPLEMENTING NEW TECHNOLOGIES TO IMPROVE EFFICIENCY.

More than half of respondents either plan to adopt a new technological solution (42 percent) or have already done so recently (10 percent). Larger companies are more tech-focused, with 70 percent of CLOs in companies with more than US\$3 billion in annual revenue keen on adding technological tools or having already done so, compared to just 44 percent of CLOs in smaller companies. There is also a small generational difference, with 48 percent of baby boomers planning to adopt new technology solutions, compared with 56 percent of millennial CLOs.



USE OF ARTIFICIAL INTELLIGENCE EXPECTED TO ACCELERATE.

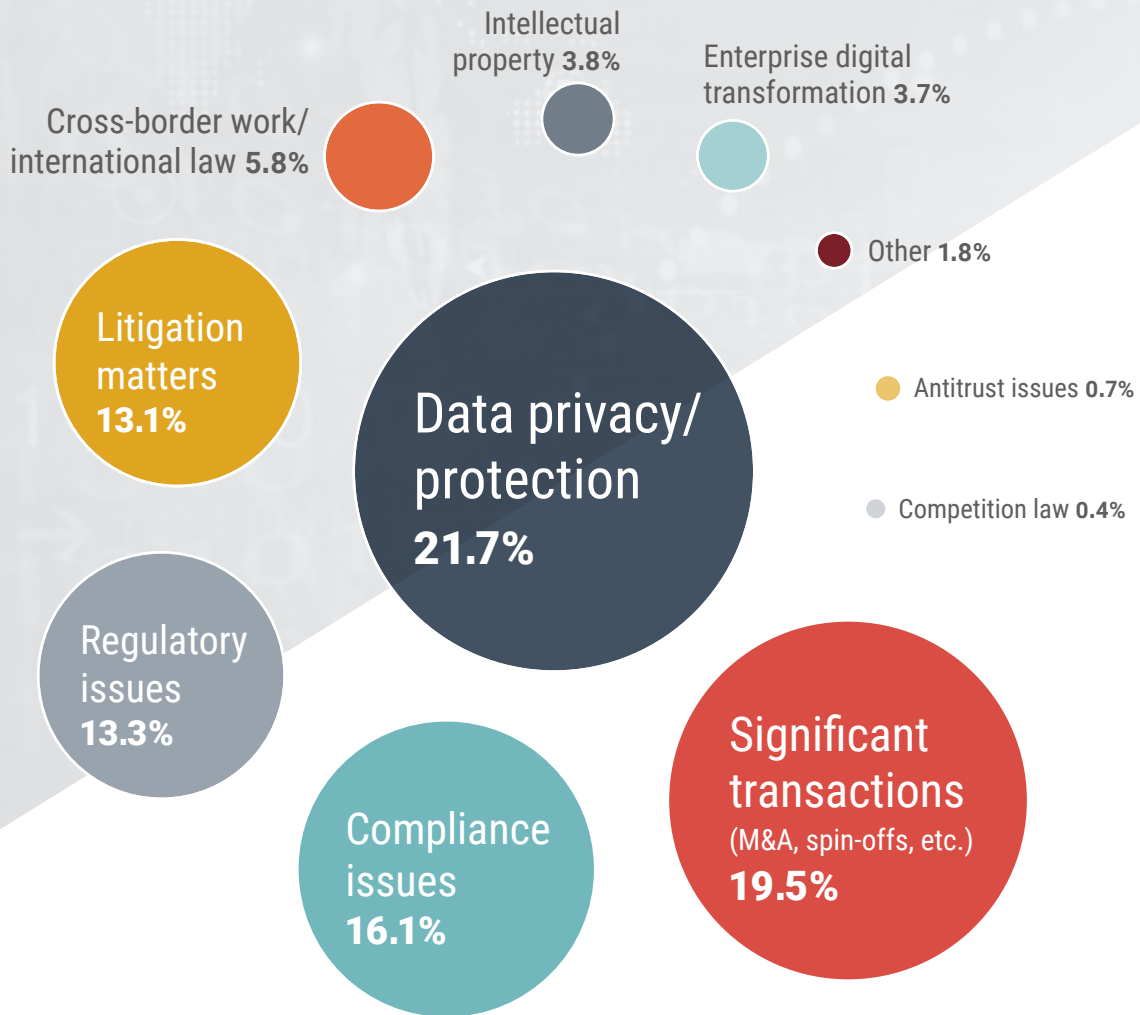
Sixty-nine percent of CLOs expect the use of artificial intelligence in legal technology applications to accelerate, while just seven percent believe it is a temporary trend. There is also a high degree of uncertainty, with 24 percent saying it is “too difficult to tell” what the trajectory will be.



DELIVERING VALUE TO CUSTOMERS IS NOW A PRIORITY OVER MAXIMIZING PROFITS.

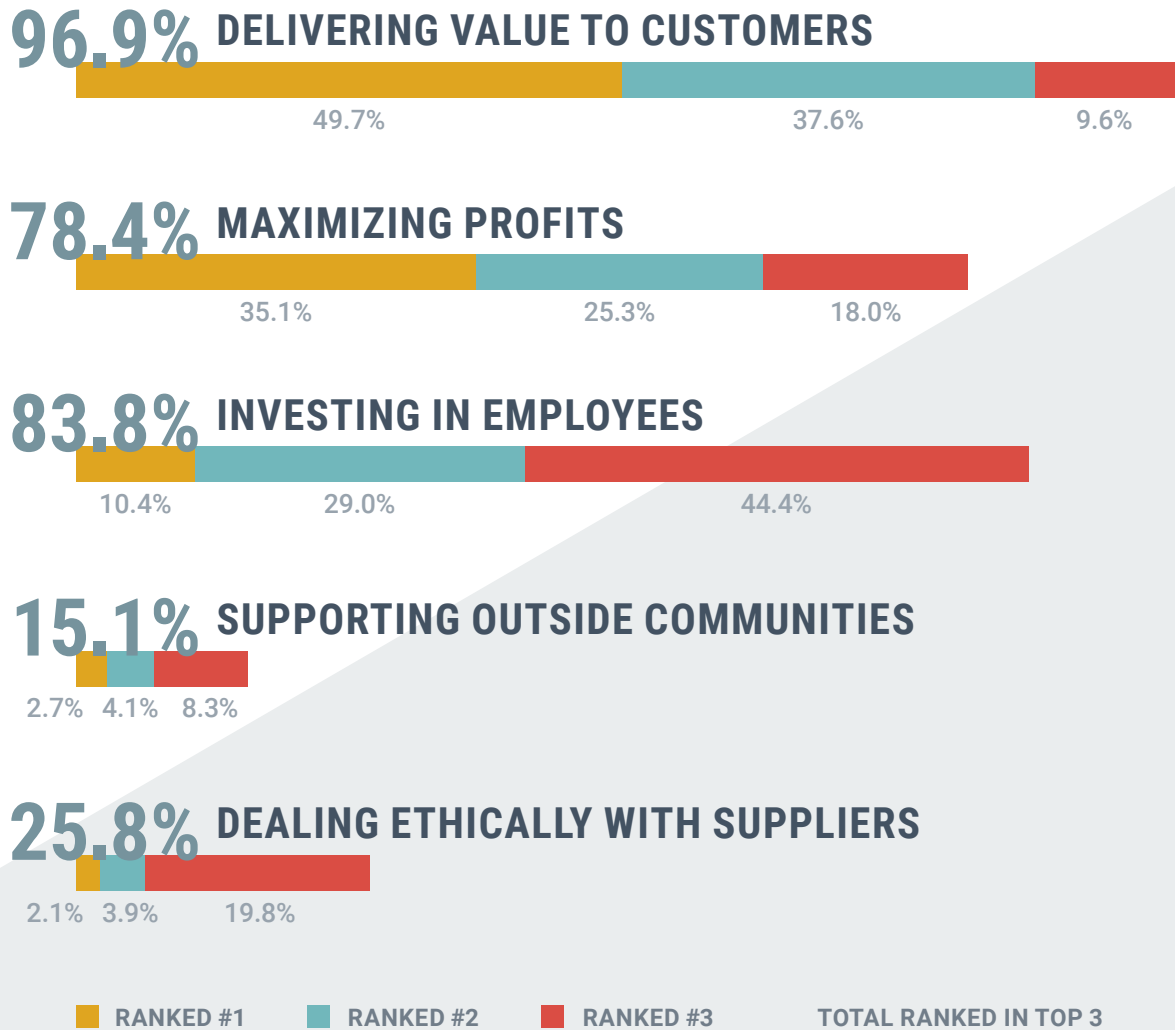
When asked to rank what their organization plans to prioritize over the next five years, “delivering value to customers” topped the list of items, with 50 percent of CLOs ranking it number one, ahead of “maximizing profits,” with 35 percent ranking it number one. This aligns with recent industry developments regarding the move away from shareholder value as the primary objective of organizations.

Please select one matter that you think will require the most additional resources for your department in the next 12 months.



Data privacy and protection was the top matter that CLOs believe will require the most additional resources from the legal department to address, with 22 percent selecting it among 10 available options. Only one response was permitted, and the second topic on the list was significant transactions, such as mergers, acquisitions, and spin-offs, with 20 percent, followed by compliance issues with 16 percent, and regulatory issues and litigation matters, both selected by 13 percent of respondents. Under 2 percent of respondents indicated that other matters will require the most resources, including harassment investigations, immigration visas, or legal operations, among other issues.

Please rank the following items you foresee your organization prioritizing over the next five years:



Respondents were asked to rank the top three items from a list of five that they perceived would be their organization's priorities in the next five years. Almost half of the CLOs surveyed ranked delivering value to customers as the first priority, followed by 35 percent who selected maximizing profits, and 10 percent who indicated that investing in employees would be their organization's foremost concern. Delivering value to customers also received wide consideration as the second priority for organizations, followed by investing in employees and maximizing profits. Overall, 97 percent of respondents chose delivering value to customers in the top three, followed by investing in employees — 84 percent — and maximizing profits — 78 percent. Around one quarter included dealing ethically with suppliers as one of the top three corporate priorities for the next five years, and just 15 percent did the same for supporting outside communities.

What do you think the trajectory will be for the trends listed below?

With technological innovation advancing at high speed, and with new social issues being present in business and public forums, we asked CLOs about their views on several current trends that may affect the legal department. More than two-thirds of CLOs believe that the use of artificial intelligence in legal technology applications, the focus on diversity, and the use of alternative fee arrangements are trends that will accelerate. At some distance, a majority of respondents also perceive legal outsourcing and the focus on environmental, social, and governance as accelerating trends. The field is more cautious regarding the application of blockchain in legal technology, with 29 percent believing it will accelerate but a majority of 54 percent treading lightly and considering that it still is too soon to tell.

ARTIFICIAL INTELLIGENCE IN LEGAL TECHNOLOGY APPLICATIONS



FOCUS ON DIVERSITY



USE OF ALTERNATIVE FEE ARRANGEMENTS



LEGAL OUTSOURCING



FOCUS ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)



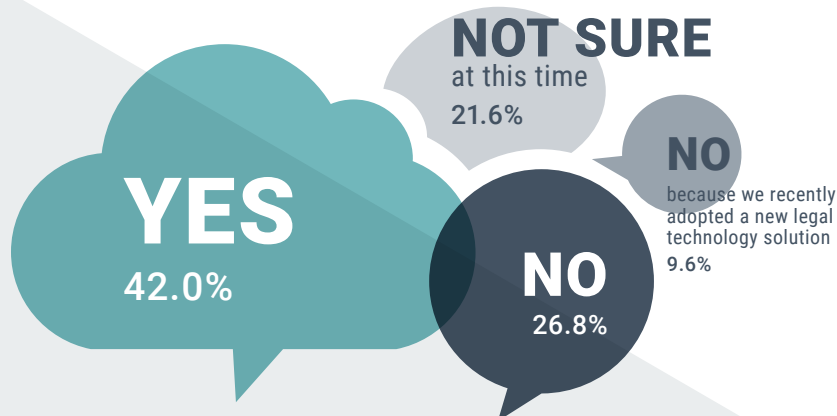
USE OF ALTERNATIVE LEGAL SERVICE PROVIDERS



BLOCKCHAIN IN LEGAL TECHNOLOGY APPLICATIONS



■ WILL ACCELERATE ■ TOO DIFFICULT TO TELL ■ TEMPORARY TREND



Are you planning on adopting any new legal technology solutions in your department to improve efficiency in the next 12 months?

The availability of countless technology solutions to assist legal work in many areas makes it relevant to ask CLOs whether they see the implementation of new technology solutions as the way forward for the in-house profession. Forty-two percent of participants indicated that they plan on adopting a new technology solution in the next 12 months, and a further 10 percent indicated that they will not because they had already done so recently. Those who are not sure represented 22 percent of participants, and a further 27 percent indicated that they do not have any plans to expand their department's legal technology portfolio in the next year.

What are the implications of enterprise digital transformation on your legal department or legal departments overall?

We asked CLOs about the implications of digital transformation for the legal department, and 271 participants shared their views in an open-ended question format. We grouped the responses into four categories, namely positives and concerns, and solutions and challenges that technological transformation may drive.

Each of the four categories includes a subset of themes that respondents brought up, and each theme is illustrated by one specific response from a participant CLO. The concept map provides a broad summary of the wide range of topics that arise from the effect of digital transformation in the legal department, highlighting the positive aspects of implementing new technology and the challenges that CLOs need to be aware of when deciding on whether to incorporate new technology tools into the legal department.



“Capture data to demonstrate our value to the business and provide evidence for funding the growth of the team.”

SOLUTIONS

Leveraging data

"We are leveraging data and analytics and developing dashboards to better understand the work we do"

Facilitates integration

"Easier to work together and connect with global legal teams"

Do more in-house

"Total transformation. We are preparing ourselves to assign to artificial intelligence work that is currently handled by some external firms"

Additional value to the business

"The ability to produce better analytics, which enables the demonstration of the value of the legal team"

Downsizing

"Department should decrease in size"

Upfront costs

"It will enable us to do more for less. High upfront costs are sometimes difficult to get through the budgeting process"

Lagging in legal

"Often the transformation is focused to bring initial impact to HR, finance, ISC, and other areas with a higher volume of transactions. Legal is left behind for the 'later' integration"

ENTERPRISE DIGITAL TRANSFORMATION

Change management

"Opportunity for the legal department to accelerate change management in a pro-active manner and leverage new technologies to do more with less"

Efficiency and effectiveness

"Incorporating technology in the legal department prevents human error, supports day-to-day operational tasks that impact times of response, leaving more time to dedicate to strategy and thinking about the business"

More risks

"The legal department wants to be a driver of digital transformation and incorporate it into our day-to-day work. It will add complexities to the challenges we must address and risks to be mitigated"

Continuous investment

"Requires investment and training but leads to more efficient practices over time"

Requires new skills

"Greater efficiencies but greater training needs"
"Lawyers, even progressive young lawyers, like paper and traditional ways of providing legal services"

CONCERNS

POSITIVES

CHALLENGES

What advice do you have for aspiring CLOs?



BE A LEADER

“Being a good lawyer is a given. It’s the other skills that matter, such as business acumen, executive presence, big picture and strategic thinking.”



DEVELOP RELATIONSHIPS

“Develop relationships with all leaders in the organization. They need to trust you and know you, or you won’t be brought into conversations where you can provide value to the company.”



HAVE A SEAT AT THE TABLE

“Don’t be afraid to ask for the CLO title. The role sends a clear message internally that you are a C-suite executive and signals that your organization takes legal and governance matters seriously.”



LEARN THE BUSINESS

“Learn to think with your ‘business hat’ as much as you think with your ‘legal hat.’ ... Learning how to assess risks and work with your business team members is critical for success as a CLO.”



BALANCE RISK AND COMPANY GOALS

“You must have a good business-driven mindset and focus on the company goals rather than complying blindly on following regulations.”



NETWORK AND JOIN ACC!

“Join ACC and utilize its benefits.”

“Network, and keep attending ACC events!”

We asked participant CLOs to provide a few words of advice for new CLOs and GC. We received tips from 317 participants, which we analyzed and categorized in six main topics: being a business leader, develop key relationships, have a seat at the table, learn the business, balance risk and company goals, and the importance of networking. Quotes from respondents are provided to make up a list of the best tips to be a successful CLO.

CONCLUSIONS

“

CLOs develop strong relationships throughout the company to become the trusted advisors for key business people.”



THE INFLUENCE OF THE CLO IS GROWING

Overall, the survey results indicate an increased influence of the CLO on the business across several indicators. Compared with 2019, a higher percentage of CLOs reports that executives and board members almost always seek its input based on five different measures. This positive trend is echoed by the highest number of respondents in five years that reports directly to the CEO — 80 percent. Additionally, more respondents than last year also serve as the corporate secretary, and the percentage of participants who hold the title of CLO has also increased by four points.



THE LEGAL DEPARTMENT IS CRUCIAL TO THE BUSINESS

The legal department has a central position in the business with input, influence, and direct oversight of corporate functions that go well beyond legal matters, such as compliance, risk, and government affairs. Risk management is one such key area, with practically all surveyed legal departments being responsible for addressing legal risk. Furthermore, 62 percent of CLOs are often consulted on business risks, and about one-third weigh in on financial risks.



KNOWING THE BUSINESS IS CRITICAL FOR CLOs

CLOs spend only one-third of their time on average providing legal advice while the rest of their work involves other business duties, such as contributing to strategy development, advising executives on nonlegal issues, and managing the legal department. CLOs need to “know the business inside and out,” and respondents ranked clear-cut business skills — leadership, business management, and executive presence — as the top three nonlegal skills that they seek to develop for in-house lawyers.



THE IMPORTANCE OF CYBERSECURITY AND DATA PRIVACY IS GROWING

The results stress that cybersecurity and data privacy are two highly critical areas for both the legal department and the business overall. Almost 60 percent of CLOs surveyed believe that data privacy will pose the biggest legal challenges to organizations, and CLOs also consider it to be the issue that will require the most additional resources to address. Cybersecurity and data protection also topped the list of topics that board members asked CLOs about.



THE IMPLEMENTATION OF NEW TECHNOLOGY: BALANCING INNOVATION AND CHALLENGES

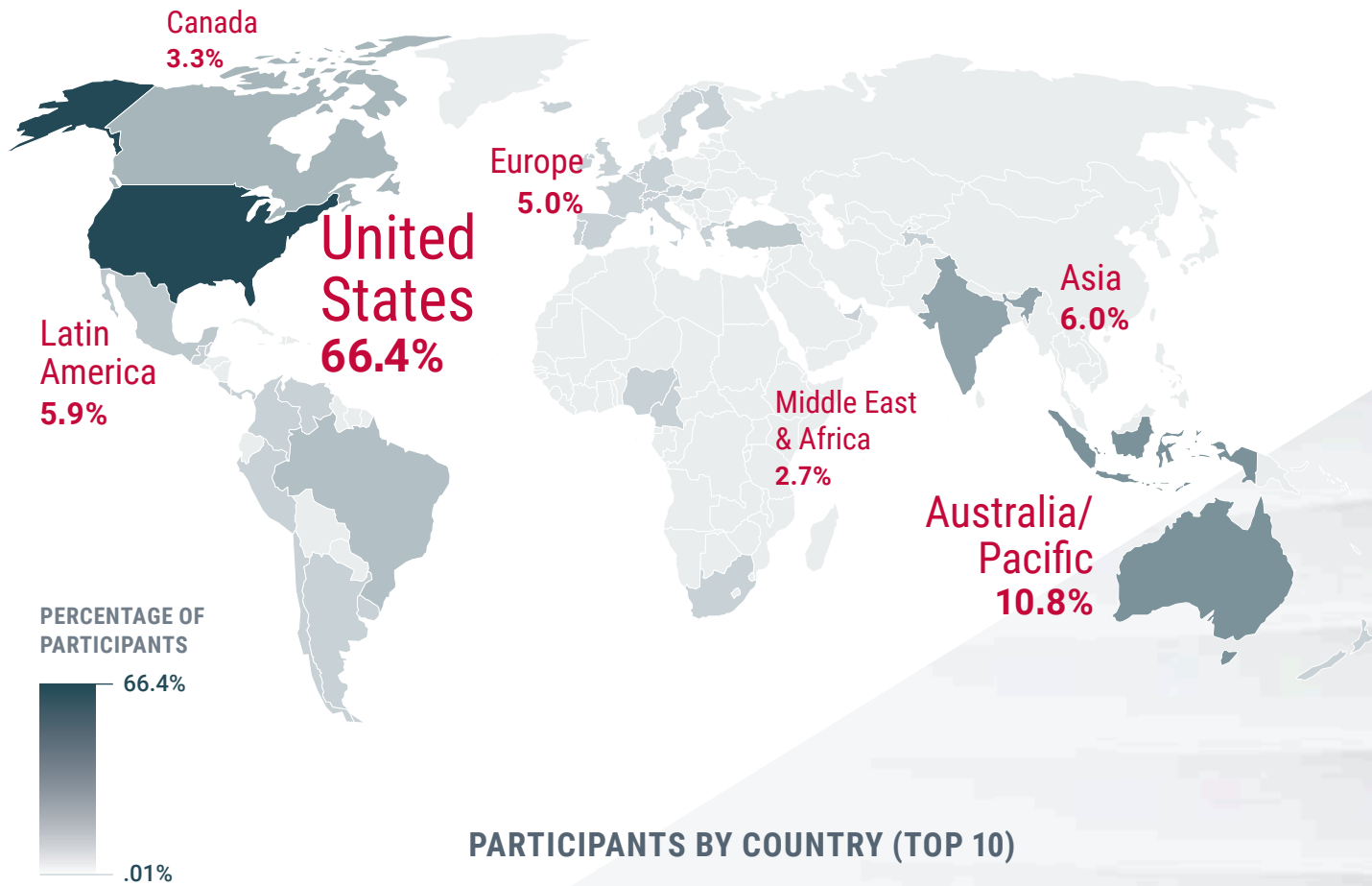
CLOs show interest in advancing the legal department’s work by adding new technology solutions to improve efficiencies but are also concerned about the trade-offs that technology adoption may involve. More than half are planning on adopting a new legal technology or have recently done so, and almost 70 percent think that the trend to use artificial intelligence in the legal department will accelerate. The concerns, however, are numerous and include facing upfront costs, new training needs for staff, and managing the added risks that digital transformation will entail.

PARTICIPANT PROFILE

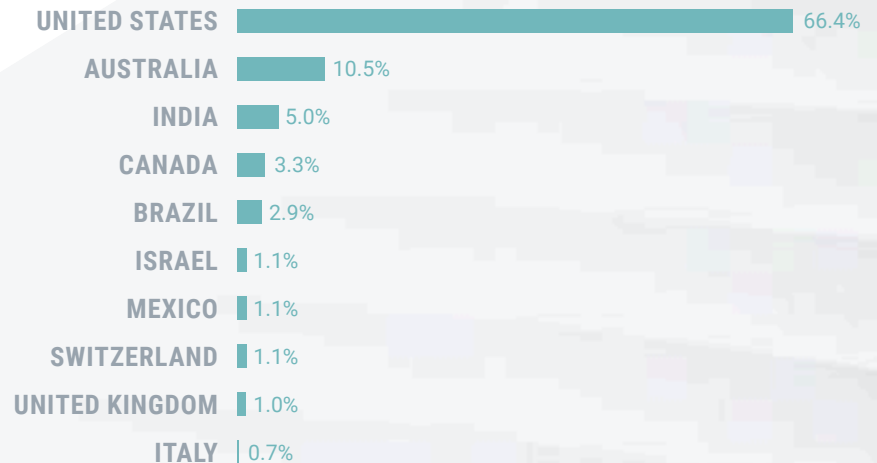
**More than 1,000 CLOs
and GC participated
in the survey.**

This section provides the key demographics of the survey's population, including geographical distribution of respondents, industry sector, company type, size of the legal department, company revenue, and legal department spend.

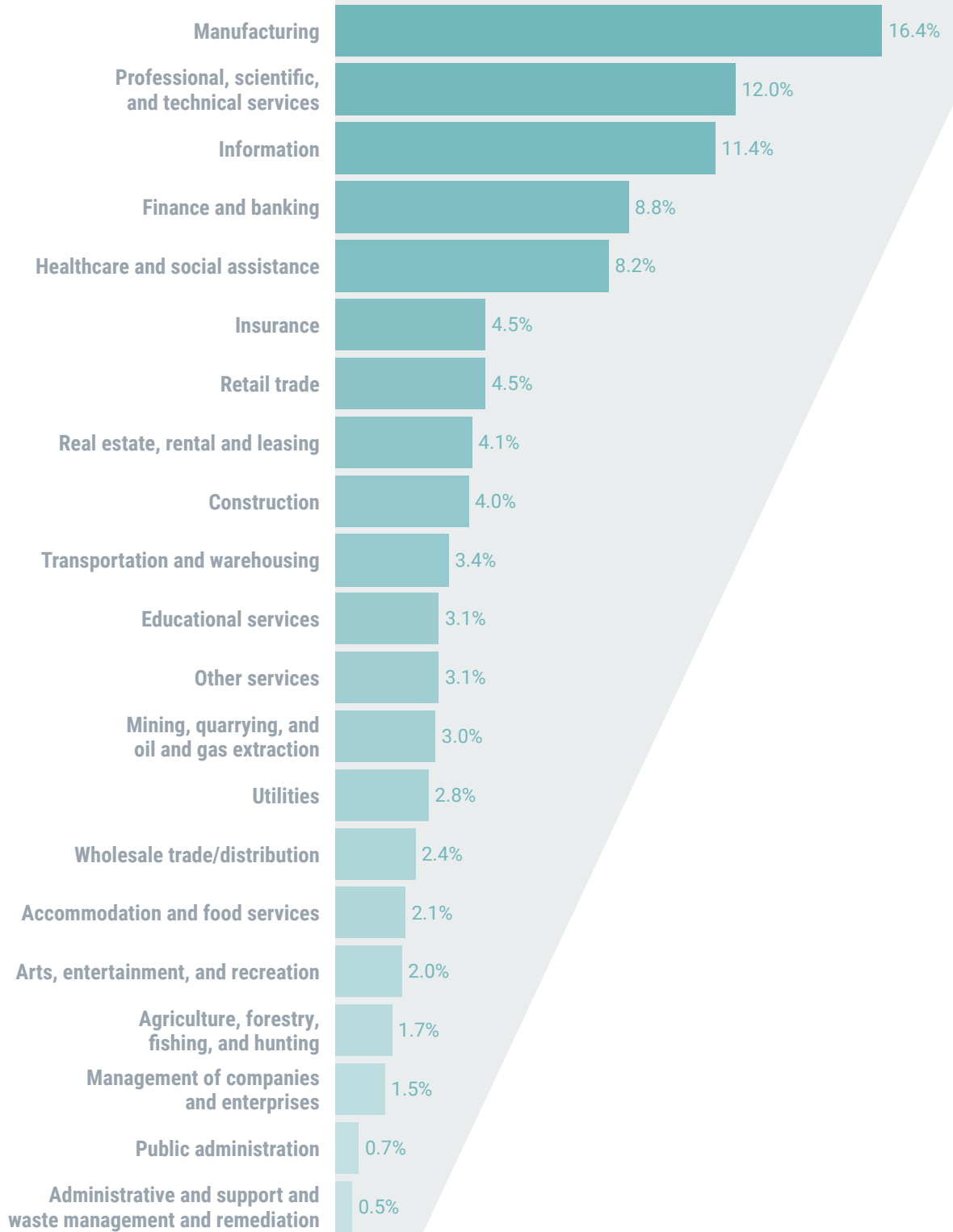
GEOGRAPHIC LOCATION OF PARTICIPANTS



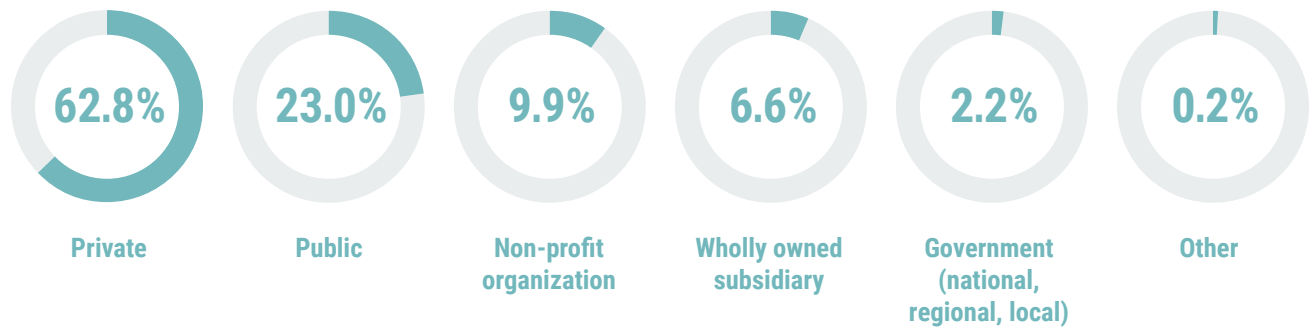
PARTICIPANTS BY COUNTRY (TOP 10)



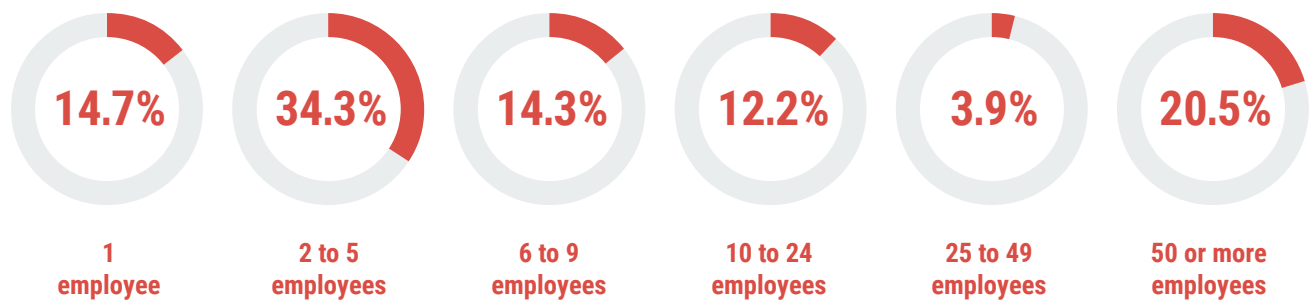
INDUSTRY REPRESENTATION



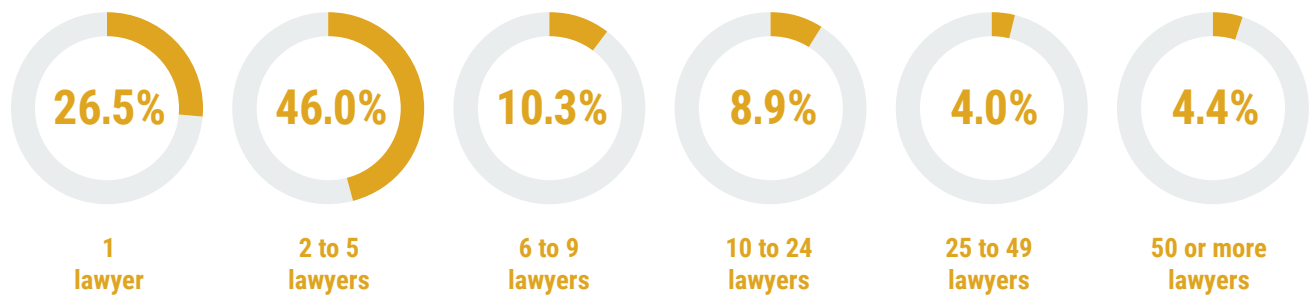
COMPANY TYPE



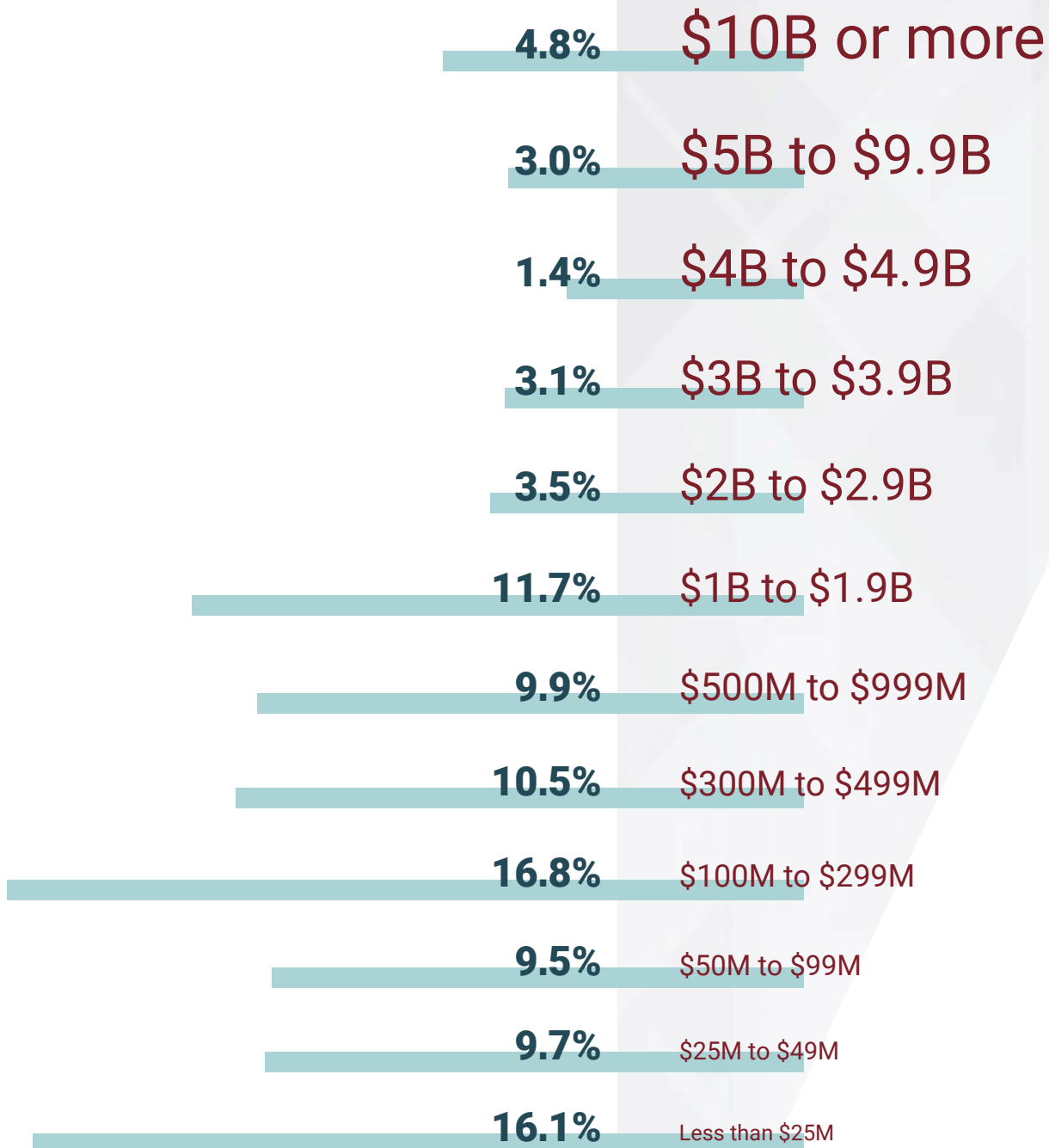
NUMBER OF LAW DEPARTMENT EMPLOYEES



NUMBER OF LAW DEPARTMENT LAWYERS

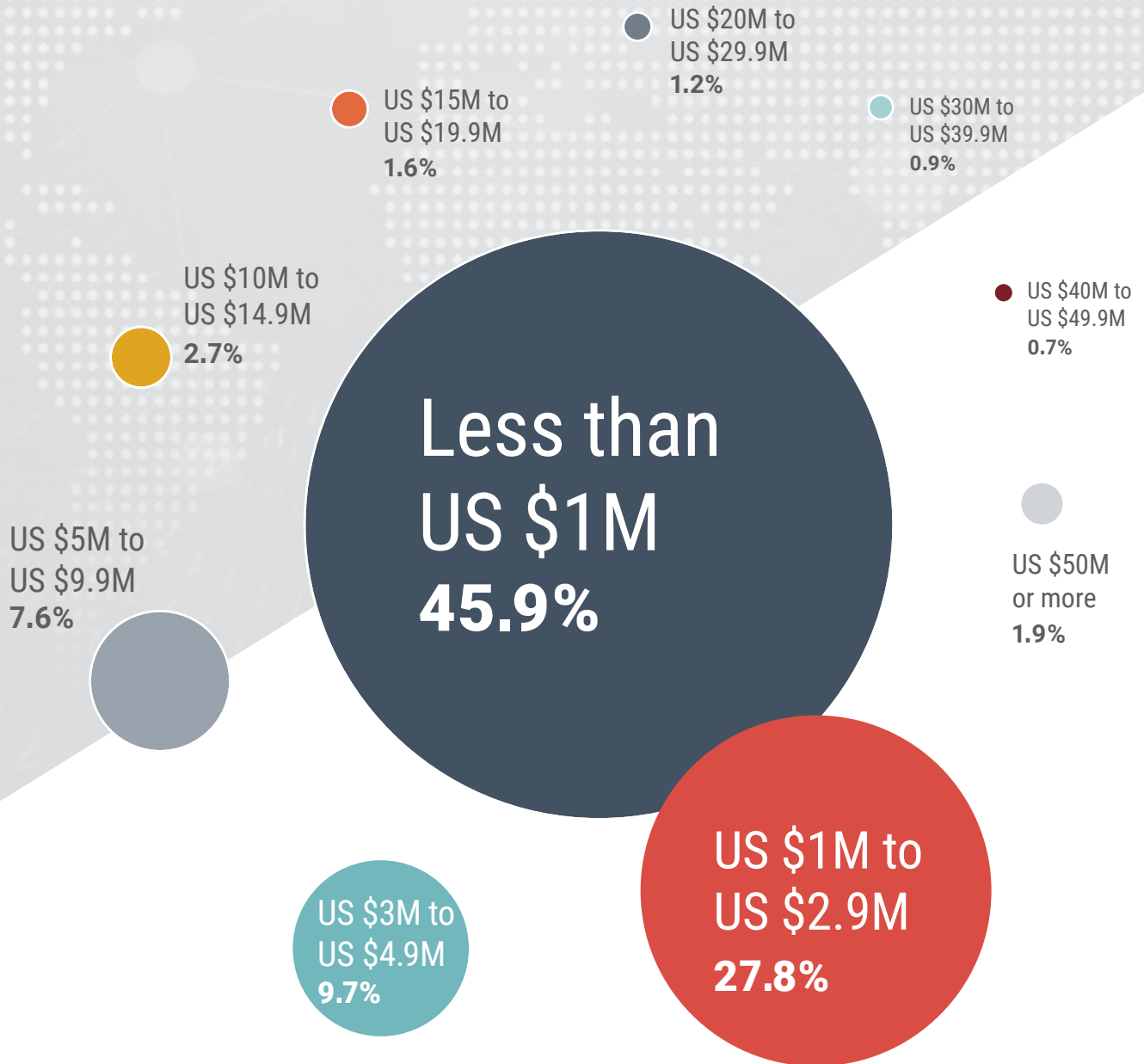


ORGANIZATION'S 2018 WORLDWIDE TOTAL GROSS REVENUE



* Dollar amounts are US.

LEGAL DEPARTMENT'S 2018 TOTAL ACTUAL LEGAL SPEND



RESEARCH METHODOLOGY

SURVEY INSTRUMENT

The survey questionnaire was offered through an online survey platform. Personalized survey links were sent by email to the target population, which allowed participants to save their responses and fill out the questionnaire in more than one sitting, if needed.

FIELDING PERIOD

The survey opened on September 17, 2019, and closed on November 5, 2019. Reminder emails were sent weekly.

TARGET POPULATION

We targeted ACC members worldwide who are the highest-ranked legal officers in their respective legal departments. A screener question was asked to help determine the most relevant population. To further expand our reach, we also sent participation invites through other ACC partner organizations, namely the Corporate Counsel Association of South Africa and the Latin American Corporate Counsel Association.

PARTICIPATION

A total of 1,007 GC and CLOs participated. Apart from targeted email messages, opportunities to participate were also sent through LinkedIn campaigns.

ANONYMITY

Survey responses were completely anonymous. No information is linked in any way to an individual respondent. The results are provided only at the aggregate level, and respondents' quotes from open-ended responses were carefully reviewed and edited, if appropriate, to remove any identifiable information related to respondents or their organizations.

DATA ACCURACY

Not all respondents answered all questions. The percentages provided are based on the number of valid responses received for each individual question. Many survey questions offered the opportunity to select multiple response options. In those cases, percentages may not total to 100 percent.

OPEN-ENDED RESPONSES

Several survey questions required open-ended responses. Many of the quotes and citations from participants that we present throughout the report were shortened or edited due to space or style needs.

STATISTICAL TERMINOLOGY

Mean: The values of each observation are summed together and divided by the total number of observations.

Median: This is the middle value of all observations ordered from low to high (also called the 50th percentile).

Percentile: This is a value that divides a population according to a distribution of observations. It allows us to know the percentage of observations that fall above or below a particular value. For example, if we find that the 25th percentile of the number of lawyers in a department is three, we then know that 25 percent of departments have up to three lawyers, while the other 75 percent of departments have three or more.

n: This indicates the number of observations for a given metric or reported value.

ABOUT ACC

The Association of Corporate Counsel (ACC) is a global legal association that promotes the common professional and business interests of in-house counsel who work for corporations, associations and other organizations through information, education, networking opportunities and advocacy initiatives. With more than 45,000 members employed by over 10,000 organizations in 85 countries, ACC connects its members to the people and resources necessary for both personal and professional growth.

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