2025 State of the Corporate Law Department Report

GCs seek to redefine value, enable organizational success

Thomson Reuters Institute

Executive summary

The quest for *value*

The word *value* is discussed so often it runs the risk of becoming more of a buzzword than an actual, defined term. And this, perhaps, sums up the position in which corporate general counsel find themselves in 2025.

"Value" was mentioned by corporate GCs three-times as often compared to 12 months ago.

Drawn directly from more than 2,400 interviews with corporate general counsel (GCs),[1] the Thomson Reuters Institute's *2025 State of the Corporate Law Department Report* has tried to distill the trends and patterns from what GCs are telling us. And one of the first patterns that became clear was the prevalence in GCs' minds of the concept of *value*. Given that these were open-ended questions being asked in the interview, it was noteworthy that the word *value* was mentioned three-times as often as 12 months ago and across a variety of contexts.

GCs today are considering the value of their law departments across a wide spectrum of applications given the multi-faceted role today's in-house legal team plays in corporate life, taking into account how departments must work in the most efficient and effective ways possible to serve the rapidly evolving needs of the business.

The Thomson Reuters Institute has adopted the framework below, which is now familiar to many, to illustrate the various key areas of strategic focus for today's corporate law department. Whatever shifts might happen in the commercial focus of the business, the in-house legal team must remain focused on these key areas: effectively advising the business; efficiently managing budget and resources; protecting the business from risks, both well-established and emerging; and enabling the growth of the business.

FIGURE 1:
Four spinning plates

Source: Thomson Reuters 2025

1 For the purposes of this report, GC or general counsel is intended to be inclusive as well of roles such as chief legal officers or any other senior leader of a corporate legal function.

For the purposes of this report, and given the focus on value being demonstrated by today's GCs, it is helpful to overlay a value-focused structure onto this familiar nomenclature to better reflect current attitudes. Indeed, it's not that the areas of focus themselves have shifted, but rather that the focus *within* these areas has been refined in more specific directions, at least temporarily.

With this more refined focus, it is helpful to think of these areas in the following framework:

- **Effectiveness** — *Creating operational value*
  - How do GCs ensure they are adding value through the quality of their legal advice and interactions with their stakeholders, while ensuring their team has the expertise to be ready for the challenge?
- **Efficiency** — *Capturing greater value for the money*
  - How do GCs serve the needs of the business in a way that gets the best value for their investment?
- **Protection** — *Protecting the value the business is generating*
  - How do GCs best protect the value of their company, its assets, and its source of competitive advantage?
- **Enable** — *Generating greater value for the business*
  - How can GCs use the legal function to enhance and enable the value that this company is trying to generate?

While the word *value* was used frequently in interview responses, it is important to note that it was used in a wide variety of other contexts as well.

FIGURE 2:

Putting value in context

Align to organizational values *"The current strategy of the legal function is to align with the company's vision and values"*	**Creating value** *"Efficiency, digitization, quality and creating value."*	**Delivering value** *"Delivering value to our clients—to our business units."*
Strategic value *"Continuing to add strategic value to our sales and revenue generating functions."*	**Value–added advice** *"We need to make sure that we are aligned to the business in order to increase value-add and positively impact bottom line."*	**Focus on high-value activity/ high-value matters** *"We need to get better at delivering value-added advice rather than getting stuck with non-value-added advice such as admin or small ticket issues."*
Value-based service *"Our strategy is to become the go-to partner to the business to provide value-based service to the business cost-effectively."*	**Value for money (ROI) on external spending** *"Getting the best legal services for the least amount of money because some law firms are super expensive, and I'm not convinced that they add enough value to justify that excess expense."*	**Getting value out of AI** *"Trying to see how to get good value out Generative AI."* *"Trying to determine AI cases that would be the best value for the company."*
Value-based billing *"Value-based pricing is definitely one of our top priorities for 2025"*	**Value-added services from law firms** *"Strengthen our relationships with law firms and take advantage of value-added services they offer."*	**Relationship value with law firms** *"Continue to deepen certain relationships in effort to increase relationship value to the firms."*

Source: Thomson Reuters 2025

The TR Institute's View:

As we acknowledged at the outset, overuse of the word *value* runs the risk of the term itself turning into more of a buzzword than an actionable concept. Without a solid definition of the term, discussion of the idea of value may lead to little in the way of action. A major area of focus for GCs in 2025 will be settling on their definition of value.

It should be a goal for each law department to determine what value means to them and to promulgate that definition to their key stakeholders. By doing so, GCs will accomplish several important tasks. First, they will give internal stakeholders in the business a better understanding of exactly what the legal function is hoping to contribute to the business's broader interests. Second, it will clarify for those within the in-house legal team itself what goals and objectives they should be working to meet. Third, it will communicate to outside counsel and other service providers what those vendors should be working to deliver to the in-house legal team as the direct client.[2]

2 For examples of how to define value and important matter outcomes, see *Secrets to Successful Matters*, available at: https://www.thomsonreuters.com/en-us/posts/legal/successful-matters-report-2024/.

The ever-present need to focus on value for money

As perhaps can be derived from the general tilt of the various topics covered above (if not from the length of a few of the quotes), capturing optimum value for the amount of money spent on outside counsel is a prime focus for GCs. This is perhaps not surprising, as budgetary constraints and concerns over the rising cost of outside counsel have been a major focus of GCs for years.[3] Much the same trend holds true this year as we see a demonstration of the increasing prevalence of how often GCs mention their focus on the efficient operation of their law departments.

FIGURE 3:

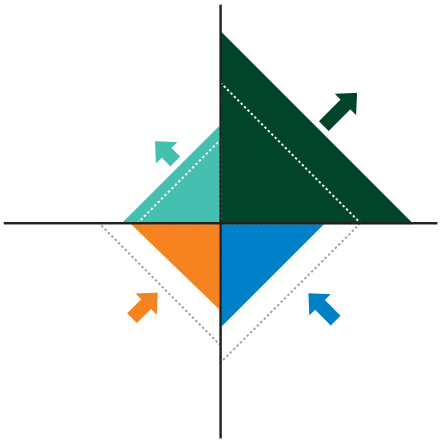
Shifting focus toward efficiency

Effective (Delivering Value)

- Somewhat increased focus on quality of advice, law firm instruction and training/development

Enable (Value Generation)

- Focus on enablement of strategic goals less commonly mentioned



Efficient (Value for Money)

- Increasing focus on cost control
- Also slight increased focus on efficiency & technology (particularly AI)

Protect (Value Protection)

- Regulatory, compliance and risk management still on the radar, but less of a focus than 12 months ago

Source: Thomson Reuters 2025

As an important note, this graphic should not be read to conclude that enabling or protecting the business are decreasing in their importance to the business. The trend arrows in the graphic only reflect the frequency with which topics within these broad focal areas are mentioned. Less frequent mentions can be reflective of several different possible explanations: GCs feel certain areas are being effectively managed at the moment and therefore require less top-of-mind presence; certain areas of focus are predominantly top-of-mind and consume the lion's share of primary consideration anyway; or any number of other potential reasons why one area would occupy more space for primary thought than another. For example, we have frequently cautioned against an overreaching focus on spending and spend metrics.[4]

As our report stated last year: "Efficiency is an area of department focus that can more readily reflect a perception of the department as a *cost center*."[5] This is the very label many GCs are working to shed. The same word of caution rings just as true today, even in the face of an increasing focus on capturing optimum value from the legal department's expenditures on outside counsel.

We should also point out that it is almost impossible to overstate the importance of maintaining a focus on how the corporate law department enables and protects the business. Indeed, these are perhaps the most core functions of the in-house legal team. Efficiency in spend and effectiveness of advice do not exist for their own sake; they must be sought in the context of the broader goals of creating the potential for growth of the business and ensuring the security of the business.

As such, as we continue the analysis of the current state of corporate law departments in 2025, we will turn first to these two key areas of focus.

3 See, e.g., *2024 State of the Corporate Law Department Report* at 6 (showing wide concern over cost control and increasing concern over efficiency) and figure 9 at 16 (showing prevalence of various cost control strategies). Available at: https://www.thomsonreuters.com/en-us/posts/legal/state-of-the-corporate-law-department-2024/.

4 See, e.g., *id.* at 15.

5 *Id.*

Generating greater value for the business – enabling business growth

Last year's report noted that the ability of the GC's office to enable the growth of the business is frequently underappreciated by the corporate C-Suite and represents an area in which GCs have an opportunity to pull C-level leaders into a new understanding of how the in-house legal team can contribute value to the business.

> **"We need to align with our company's global expansion strategy."**
>
> – In-house Counsel, Taiwan, Technology Industry

Crucial to enabling growth of the business is developing an understanding of the core principles of the business and its overall strategy for growth.

FIGURE 4:

C-Suite striving for financial, customer, and employee success

Source: Thomson Reuters 2025

Very little in the C-Suite definition of success should come as a surprise. Businesses exist to make money, and they need satisfied customers and employees to do that. Generating revenue and profit because of satisfied customers who buy products or services produced by satisfied employees leads to solid share prices for shareholders — a relatively basic formula.

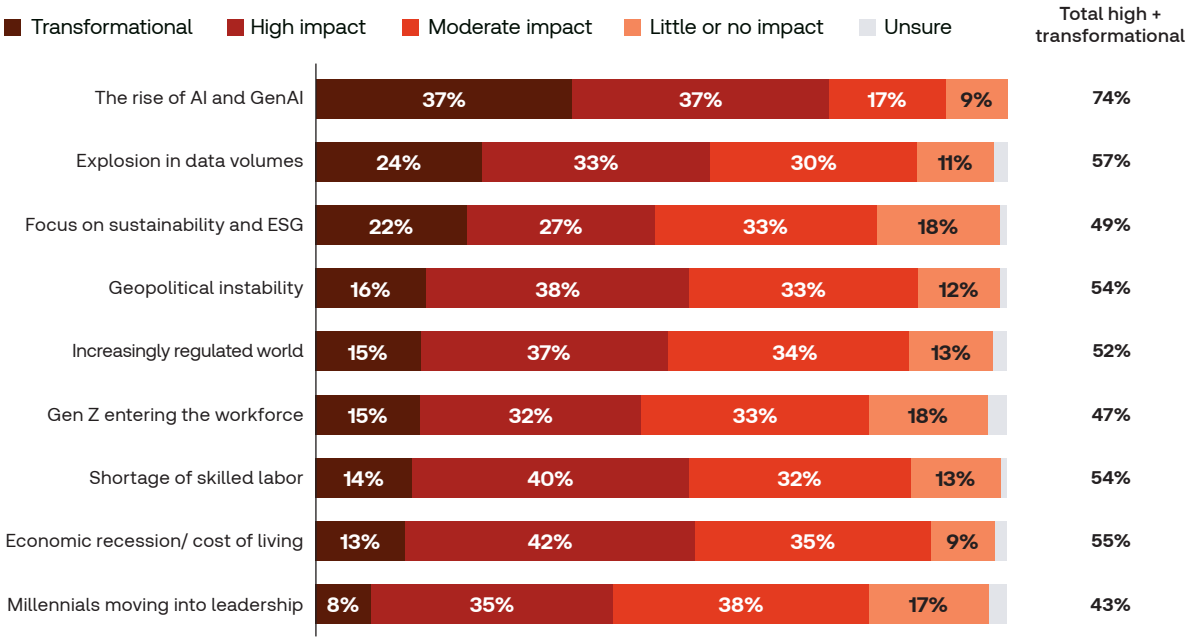
The challenge for the in-house legal team arises from determining how best to plug into this formula. Finding the best path to contribute value to the business within this framework depends largely on

the ability to imagine ways for the law department to help increase customer satisfaction by making it easier for customers to do business with the enterprise, to increase the speed of new products to market by anticipating potential roadblocks and proactively devising solutions, and to improve employee satisfaction by, *inter alia*, changing the perception of the legal department as the *Department of No* that stands in the way of accomplishing goals to the *Department of How* that helps to find ways around potential pitfalls.

To accomplish this, it is helpful to understand where company leaders see potential risks and the opportunities for transformational changes.

FIGURE 5:

Corporate macro influences



Source: Thomson Reuters 2025

Here again, there should be little surprise at the concerns raised regarding the rise of generative AI (GenAI) or the risks posed by the explosion of data in today's businesses. However, it is not enough to simply understand that these concerns exist. Rather, GCs and by extension the entire in-house legal team must also understand *how* these concerns could potentially influence the broader strategic and commercial directions of the business.

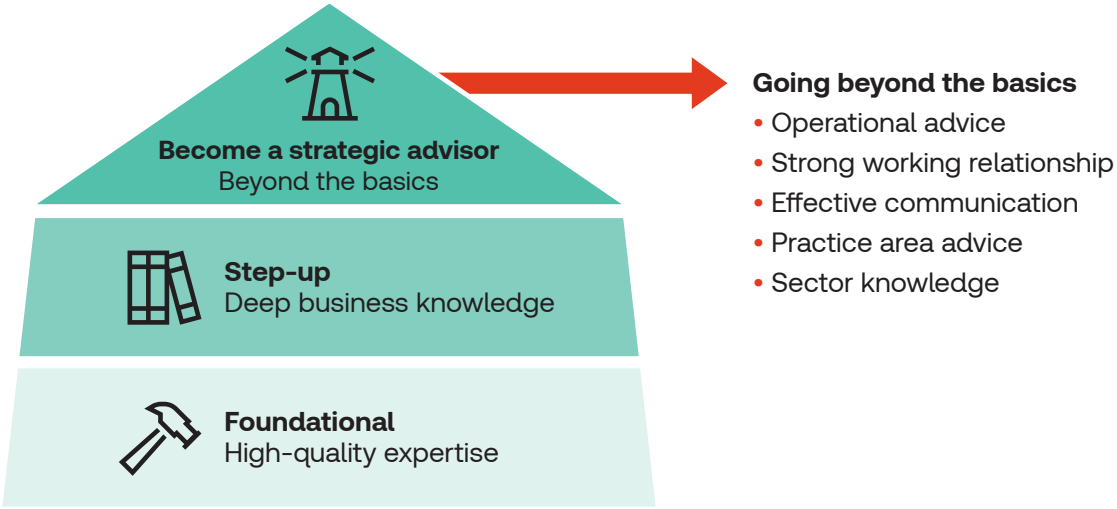
The TR Institute's View:

As previously mentioned, legal advice cannot be effective for its own sake. In order to be effective and valuable, it must be offered in service of the broader goals of the business. Crafting a deeper understanding of the macro-level influences on the business and proactively offering solutions that meet those challenges in the context of the broader strategic goals of the business will enable GCs to move their departments into a realm of offering more strategic advice.

Engaging in strategic conversations

Before the corporate law department can engage in true strategic advice, however, it must first ensure that it is building upon a solid foundation.

FIGURE 6:
Building to strategic conversations



Engaging business leaders in strategic conversations

Source: Thomson Reuters 2025

The foundational element is to ensure that the law department is built on high-quality expertise that addresses the broad needs of the business. In this respect, the overlap with another key departmental focus — effectiveness — becomes clear. Likewise, moving up the pyramid toward truly strategic advice relies on a deep knowledge of the business, and it is this knowledge that empowers the GC's office to contribute to the growth of the business.

However, to move into truly strategic advice requires more, such as:

- an ability to offer operational advice aligned with the business
- strong working relationships with key business leaders
- an ability to communicate effectively across business units, and
- an alignment of advice with both practice-area-specific considerations as well as attenuation to sector- or industry-specific knowledge.

GCs in their own words: How law firms help support in-house departments in conversations

*"Trying to get in front of our executives, demonstrating their capabilities, **asking for constructive feedback**, all these things have been very important to build that personal relationship."*

– Energy/Utilities GC in Canada

*"We discussed improvements to legal operations recently, and they have helped us **formulate a strategy for our legal operations improvement plan**."*

– Food/Farming/Fisheries GC in the US

*"They've attended several strategy meetings with our senior teams to give us advice. They have advised us on how to put objectives forward for quick decisions with **relatively low financial cost but high reputational value**."*

– Hospitality/Leisure GC in the UK

*"By helping to **formulate a communication strategy** for our employees and director."*

– Pharmaceutical/Bioscience GC in the US

*"**[The lawyer] makes sure that there is an awareness of future trends**: where things are going and where the law is going in various jurisdictions where we operate. Being able to anticipate and not reacting but being more proactive."*

– Manufacturing GC in Canada

*"I think the most important thing is to try to **understand the complexities and the internal problems** and look for effective ways to add value. Being **very proactive in bringing talent to the table**, depending on the specialization of the services. Then, if a partner can **bring some of his/her partners or some other lawyers who bring the necessary expertise** to deal with very specific matters, I think that is important."*

– Not-For-Profit GC in Latin America

*"Internally, they provide lots of assistance and making sure that **we look successful to our internal leadership**."*

– Technology/Media/Telecoms GC in the US

*"[Take] the time and effort to really **understand both our internal legal team and the needs of our clients. [...] identify the business drivers behind our clients' needs** and deliver far more effective and efficient advice that is more tailored in a more informed manner to our clients."*

– Government/Public Sector GC in the UK

"***Understand the personalities and leadership dynamics of the company***. [...] incorporate that into the legal advice and ***go beyond legal advice***, which becomes effective strategic advice."

– Energy/Utilities GC in the UK

For your consideration:

- Do you know what your company's strategy is for 2025 and how well your team can articulate it?
- Have you set goals and success metrics for your legal department in 2025 and how do those goals align with the overall company strategy?
- Which forces — both external and internal — will transform your business in next five years?

Protecting the business's value

As much as the corporate law department must strive to enable the growth of the business, its core function remains protecting the enterprise's value, assets, reputation, and competitive advantage from risks, both clear and emerging. Regulatory compliance has, for years, been among the top strategic priorities for many GCs, and that is perhaps even more the case today given the rise in new regulations, the shifting regulatory landscape, and the increasing possibility of interjurisdictional regulatory conflicts.

> **"We just came out of a turbulent two to three years in the regulatory environment in our space. So, what I'm doing a lot of right now is teaching to our business folks what the regulatory landscape is today and to make sure we don't have repeat mistakes."**
>
> – General Counsel, US, Finance Industry

Among the top global regulatory and compliance concerns:[6]

- **Artificial intelligence**
  - Businesses continue to process the impact of the G7's principles for design, production, and implementation of AI systems, as well as the implementation of the European Union's AI Act and the progeny it may spawn
- **Cryptocurrency**
  - The United Kingdom, the EU, and the United States are all taking slightly different steps regarding cryptocurrency, which has resulted in some new barriers being erected while others come down; the continued integration of cryptocurrency with traditional finance will create new compliance challenges
- **Environment, Social & Governance**
  - Regulators are accelerating climate rulemaking with a particular focus on anti-greenwashing initiatives; however, recent global political shifts have created new layers of uncertainty as countries pull in different directions
- **Cybercrime**
  - Instances of cybercrime have been on the rise, driven by increasing customer vulnerability and the use of AI applications; meanwhile, threats such as ransomware and social engineering attacks are predicted to rise as well

6 For greater analysis of global compliance concerns, see the Thomson Reuters Institute's *10 Global Compliance Concerns for 2024*. Available at https://www.thomsonreuters.com/en/reports/10-global-compliance-concerns-for-2024-advances-in-technology-escalate-fraud-concerns.

- **Geopolitics & macroeconomics**
  - Elections across the globe have resulted in some dramatic shifts in administrative priorities and potentially greater polarization, while macroeconomic factors — such as a softening commercial real estate market — may place pressure on pension funds and private equity
- **Sanctions**
  - Newer sanctions schemes are more far-reaching and encompassing of traditional business interests and financial institutions, but now impact cryptocurrencies as well, leading to new challenges to ensure against sanctions avoidance
- **Fraud, scams & other financial crimes**
  - Global regulators have increasingly focused on anti-money-laundering efforts but the rise in infiltration reports and other instances has created a backlog, making it difficult for government officials to stay ahead of new threats
- **Risk management**
  - The spectrum of new and increasing risks has caused many enterprises globally to shift their focus to fostering a greater culture of risk awareness in their organizational culture
- **Beneficial ownership**
  - As is the case in many other regulatory arenas, different countries are taking differing approaches to the collection of beneficial ownership information, leading to increased uncertainty and complexity for businesses as these regulatory requirements evolve
- **Leadership**
  - Compliance concerns regarding leadership are now focused more around finding leaders who are able to achieve compliance goals, particularly as nations consider regulatory regimes that increasingly seek to deter ethical lapses and prioritize accountability and transparency

The TR Institute's View:

Regulatory compliance concerns appear particularly acute in the EU, Asia, and Australia, although the recent administration change in the US and some of the rapid changes that have come with it have drawn scrutiny in the US and abroad.

That said, there appears to be a sentiment shift from high-risk to business-as-usual attitudes, as corporate legal departments have, for the most part, come through the difficult work of navigating many new and changing regulations and feel they now have a better process in place for navigating shifting regulatory landscapes. Now, the focus is shifting to educating and enabling the wider enterprise as a whole to be better at identifying, avoiding, and mitigating risk. This enterprise-wide compliance focus will require collaboration with other key corporate functions such as strategy, finance, and HR to better identify and manage risk. This increased need for interdepartmental alignment provides GCs with an opportunity to take a strategic lead while fulfilling one of their core areas of focus.

Avoiding the risks that come from the courtroom and elsewhere

GCs tend to not be particularly fond of litigation for a variety of reasons, not the least of which are the costs involved and the inherent risks to the business and its reputation. For many GCs, their approach to litigation disputes is perhaps best summed up as: *Avoid-Defend-Resolve*.

This is not to suggest that winning disputes is unimportant. Rather, GCs tend to be highly selective regarding which matters they choose to fully litigate; often, deciding only after carefully applying materiality thresholds and frameworks to mitigate costs and risks.

This approach to litigation ties in closely to the manner in which many enterprises are approaching their broader risk management framework:

- **Identify** — Implement processes to identify emerging risks
- **Prioritize** — Analyze risks in light of the organization's risk appetite
- **Mitigate** — Educate the business on risks to avoid and resolve issues quickly

"We need to do more training for our operation in order to attempt to avoid disputes."

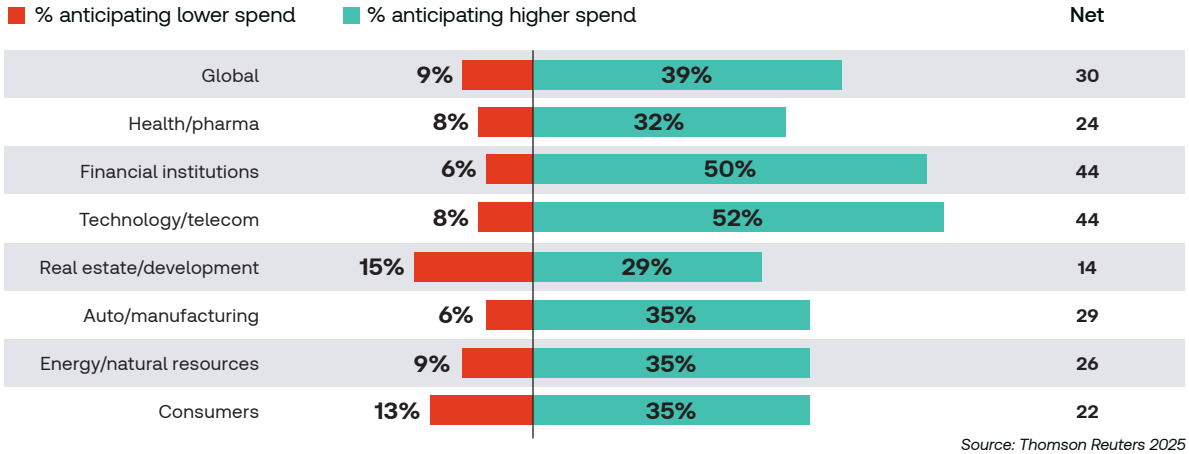
"With risk management, it is educating the company in order to deal with problems that arise effectively and mitigate the risk. And also, to just not to get into that situation, so risk-prodding as well."

The potential future landscape

Not only is regulatory work an area of continued and increasing focus for GCs, it's also an area in which they expect to be dedicating an increasing share of their budget. Among the key practices we track, *regulatory* has the strongest and widest positive anticipated spend outlook (ASO)[7] increase figures across nearly every industry.

FIGURE 7:

Regulatory anticipated spend outlook (ASO)



Source: Thomson Reuters 2025

The TR Institute's View:

For GCs, their spending anticipation clearly demonstrates just how much investment they feel will be necessary to keep up with the changing regulatory landscape in the near future. For law firms, this may seem like a prime opportunity to increase their share of their clients' legal spend; however, recent research from the Thomson Reuters Institute found that regulatory and compliance work is frequently handled by alternative legal services providers (ALSPs).[8]

This is actually a continuation of a long-term trend in which ALSPs have proven to be very popular among GCs for help in monitoring and complying with regulatory requirements. Current spend prediction figures indicate that there will likely be plenty of work in the future for law firms and ALSPs that are well-positioned to capture it, and that GCs will have myriad choices for how to most effectively source that work.

For your consideration:

- What is the regulatory monitoring and intake process for your business?
- Do you have a roadmap or best practices for converting new regulations to *business as usual*?
- Given the expectation of increasing regulations regarding the use of AI, do you have a plan for how your business can get ahead of these regulatory changes?

7 Anticipated spend outlook is calculated as the percentage of GCs who anticipate a decreasing total legal spend subtracted from GCs who anticipate an increasing total legal spend.

8 See *2025 Alternative Legal Service Providers Report*, available at https://www.thomsonreuters.com/en/press-releases/2025/january/alternative-legal-services-providers-2025-report-shows-segment-comprises-28-billion-of-the-legal-market.

Capturing greater value for money — Efficiency

We have frequently cautioned in the past that GCs and their teams should exercise caution to avoid the temptation to focus too heavily on cost- and spend-related metrics without additional qualitative or quantitative context; too great a focus on how much money the department spends, without broader context, only serves to reinforce the perception of the law department as a *cost center* rather than a *value driver*.

That said, discussion of the fiscal realities of the law department are an unavoidable part of managing the function. In 2025, GCs indicated that they are clear on one thing: efficiency is in sharp focus. Improving operational efficiency and reducing costs are among the top priorities for corporate C-Suite leaders and, therefore, for GCs as well.

One-third of corporate C-Suite leaders say improving operational efficiency is a key strategy, and 20% pointed to the need for cost reduction.

One-third of corporate C-Suite leaders say improving operational efficiency is a key strategy, and 20% pointed to the need for cost reduction.

> "Being as lean and efficient as possible in the way we use outside counsel. Doing more in-house to reduce costs."
>
> – General Counsel, UK, Automotive Industry

Controlling costs is a perpetual yet somewhat elusive goal for GCs. It's not that GCs lack ideas on how to better control costs; rather, it is more a reflection of the reality that legal services are an inherently expensive portion of the cost of doing business and only are growing more so.

The recent *2025 Report on the State of the US Legal Market* is illustrative.[9] The average worked rate[10] charged by a law firm grew by 6.5%, marking the third consecutive year of increasingly aggressive hikes in law firm billing rates.

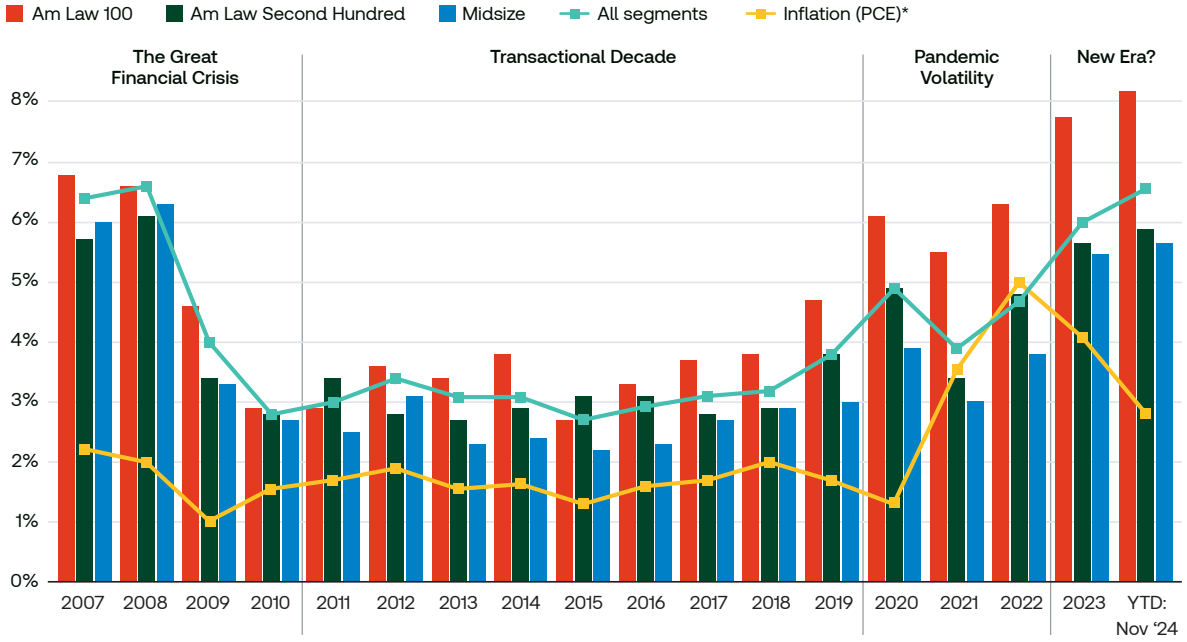
9 See the Thomson Reuters Institute *2025 Report on the State of the US Legal Market*, available here: https://www.thomsonreuters.com/en-us/posts/legal/state-of-the-us-legal-market-2025.

10 Worked rates are the average rates that clients agree to pay to a law firm to engage a new matter. They are also commonly referred to as *agreed rates*.

FIGURE 8:

Worked rate growth vs. inflation

Year-over-year percent change



PCE Inflation measure (as of October 2024) = Personal Consumption Expenditures Excluding Food and Energy.

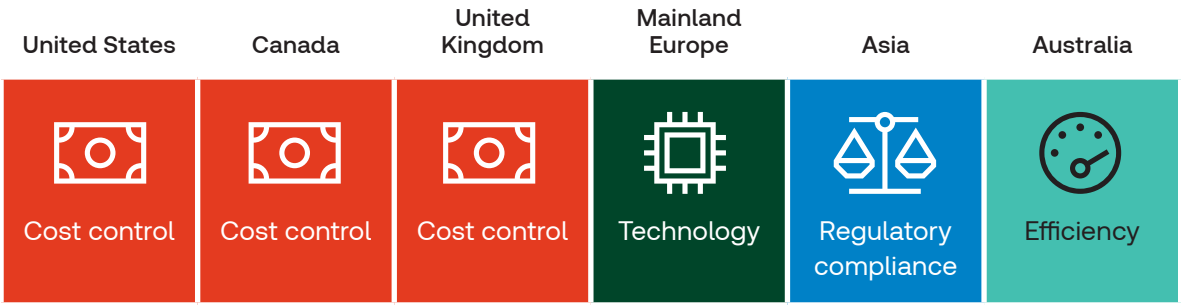
Source: Thomson Reuters 2025

Despite this increasingly aggressive rate schedule being introduced by law firms, we should not overlook the fact that these rates are, by definition, *agreed to* by GCs as the clients. It's also important to note that this 6.5% increase does not translate directly to the rates clients are *actually paying* as GCs have become quite adept at triaging and consolidating work in pursuit of more favorable rate structures, resulting in some very beneficial results for many clients.

However, the focus of the C-Suite — and by extension the GCs — remains largely fixed on the importance of further controlling costs.

FIGURE 9:

Top strategic priorities for GCs by geography and industry

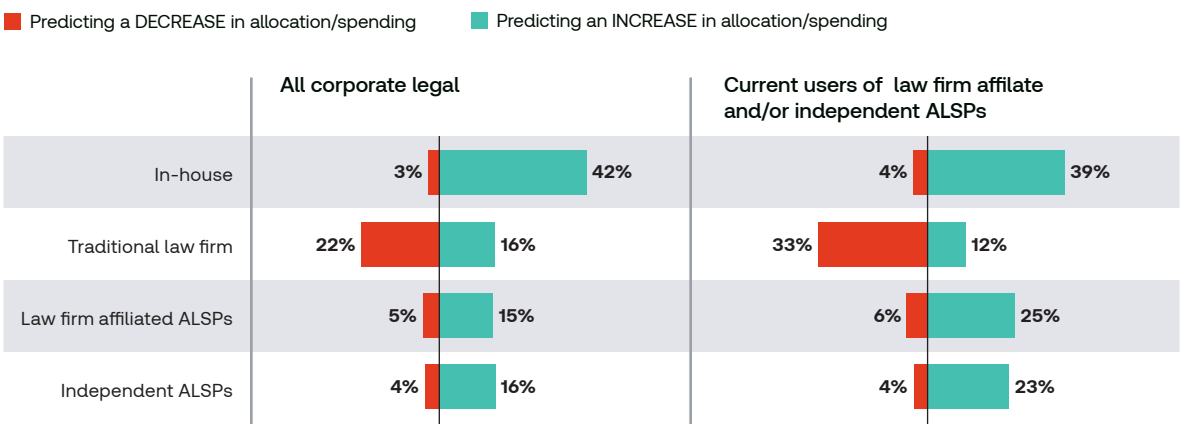


Source: Thomson Reuters 2025

Given the increasing expense associated with working with outside law firms, it is unsurprising that many GCs intend to increase the proportion of their legal work done by their in-house legal team. However, there are many other approaches and strategic shifts that GCs are considering as they re-allocate their volume of legal work in order to seek greater value from their total legal spend.

FIGURE 10:

Strategies for reallocating work



Source: Thomson Reuters 2025

Interestingly, among the in-house legal team respondents surveyed, 22% said they intend to *decrease* the amount of work allocated to traditional law firms. However, among in-house legal teams that currently use an ALSP for some portion of their legal work, we see noticeably larger shares of respondents who said they intend to decrease the proportion of legal spend allocated to traditional law firms and who intend to increase the proportion of their legal spend allocated to either law-firm-affiliated or independent ALSPs.

Technology as a driver of greater efficiency

While many GCs clearly want to pursue the goal of bringing more work in-house, the reality is that many law departments will quickly run into capacity issues due to the current demands on their workforce. As a result, many GCs are turning to technology to drive greater efficiency from their departments and their outside legal services providers.

FIGURE 11:

Technology spend

One-third of large organizations are increasing spend on technology.

Average spend on technology	% planning to increase spend in the next year	% planning to decrease spend in the next year
$1B+ cos. average	33%	7%
$50M-$1B cos.	26%	4%
$1B-$6B cos.	30%	9%
Over $6B cos.	36%	5%

Source: Thomson Reuters 2025

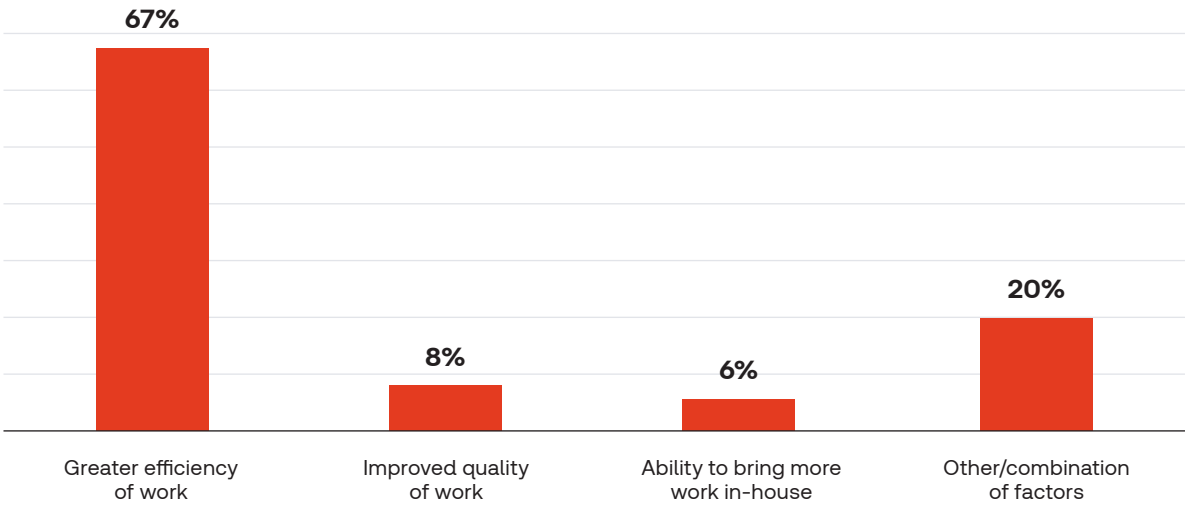
While actual investment figures can vary widely by business, and baseline averages are hard to determine, the pattern trending toward increasing investment in technology is clear.

And GCs also are clear regarding *why* they are looking to improve their technology stack.

FIGURE 12:

Efficiency as driver of tech spend

Increased technology spend objectives



Source: Thomson Reuters 2025

The TR Institute's View:

The need for GCs to invest in technology as a means of increasing departmental efficiency, and not coincidentally *capacity*, is well documented. The Thomson Reuters Institute produces another annual report geared toward an examination of in-house legal department operations; and one of the common findings of that report is that matter volumes for legal departments are increasing faster than, if not in inverse proportion to, legal department attorney staffing. That means that as matter volumes continually increase, most in-house legal teams are working with the same number of or fewer in-house lawyers.

Increasing the ability of the in-house legal team to take on new work through improving the capacity of the team members without necessarily growing the number of hours they work will pay dividends. Investments in technology that may carry relatively steep short-term costs will ultimately result in long-term efficiency gains, so long as in-house legal departments drive effective implementation and adoption of the new technology.

Understanding current benchmarks

We also continue to closely watch industry benchmarks on key figures such as legal spend as a proportion of revenue, average law department size, and the balance of spend between internal and external sources.

FIGURE 13:

Legal department spend as a proportion of revenue

Spend as proportion of revenue (median)	Size of business			Spend as proportion of revenue (median)	
Region	**$50M-$1B**	**$1B-$6B**	**6B+**	**Industry**	
Overall	0.82%	0.18%	0.05%	Overall	0.25%
Latin America	—	0.04%	0.01%	Consumer	0.12%
Asia Pacific	0.46%	0.05%	0.03%	Manufacturing	0.17%
Mainland Europe	—	0.14%	0.03%	Energy & Natural resources	0.22%
United Kingdom	0.75%	0.19%	0.05%	Healthcare/Pharma	0.48%
Canada	0.81%	0.17%	0.09%	Financial Institutions	0.42%
United States	1.00%	0.28%	0.12%	Technology/Media/Telecoms	0.50%

Source: Thomson Reuters 2025

FIGURE 14:

Median number of in-house lawyers

	Size of business				
Region	**$50M-$1B**	**$1B-$6B**	**6B+**	**Industry**	
Overall	3	8	20	Overall	7
Latin America	—	10	6	Consumer	5
Asia Pacific	4	10	10	Manufacturing	5
Mainland Europe	—	8	22	Energy & Natural resources	8
United Kingdom	3	10	37	Healthcare/Pharma	6
Canada	4	6	30	Financial Institutions	10
United States	3	8	30	Technology/Media/Telecoms	7

Source: Thomson Reuters 2025

FIGURE 15:

Proportion of internal legal spend

Proportion of internal legal spend (median)	Size of business			Proportion of internal legal spend (median)	
Region	**$50M-$1B**	**$1B-$6B**	**6B+**	**Industry**	
Overall	44.52%	46.28%	44.33%	Overall	45.02%
Latin America	—	51.79%	44.75%	Consumer	46.76%
Asia Pacific	48.17%	58.53%	48.57%	Manufacturing	45.85%
Mainland Europe	—	46.65%	43.84%	Energy & Natural resources	36.78%
United Kingdom	40.80%	45.50%	45.79%	Healthcare/Pharma	41.88%
Canada	42.30%	37.70%	45.15%	Financial Institutions	44.95%
United States	45.66%	43.07%	41.81%	Technology/Media/Telecoms	47.66%

Source: Thomson Reuters 2025

The TR Institute's View:

Those who have followed this report for several years will be well familiar with these benchmark figures. For GCs to effectively lead their legal departments toward the future, they should first strive to understand their current place in the market as fully as possible. These broad averages can provide a starting point for benchmarking, but each GC should take care to leverage them as a starting point for deeper investigation rather than goals to be achieved for their own sake.

Similarly, while many of the actual figures show little year-over-year movement compared to 2024, we would caution that this does not mean that GCs are not undertaking considerable strategic work. Many of the strategic priorities GCs are pursuing will not necessarily be reflected in such broad average figures. Again, these averages should serve to set some degree of baseline benchmarking for GCs and, hopefully, serve as a springboard to a wider range of metrics with more granular understanding.

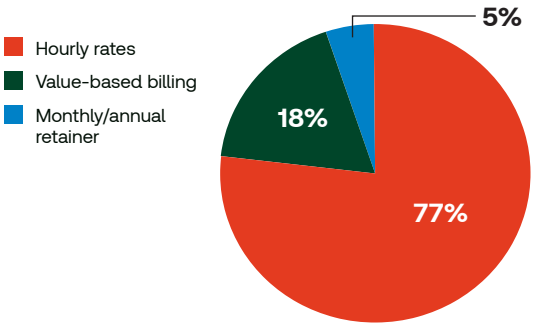
The push to revamp legal billing and who should lead

Another key consideration to bending the legal cost curve relates to how legal work is billed. Despite more than a decade's worth of discussion of alternative fee arrangements (AFAs) or value-based billing, the majority of legal work continues to be done on the basis of the billable hour.

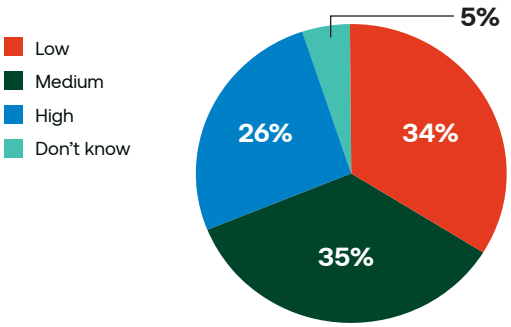
FIGURE 16:

The push to value-based billing

What proportion of your total annual spend with law firms in the last 12 months was charged through the following three ways?



How high a priority is it for you to shift towards a more value-based billing system?



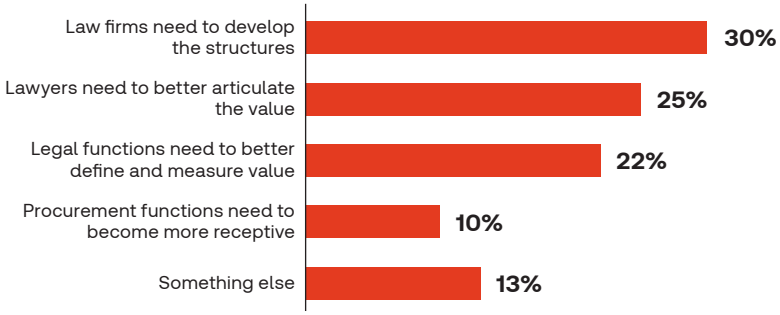
Source: Thomson Reuters 2025

Fully three-quarters (77%) of legal matters are still handled on a billable-hour basis, but 61% of GCs say that increasing their use of value-based billing or AFAs is a medium or high priority. Yet even with that being the case, it does not necessarily follow that GCs want to be in the position of having to take the lead on implementing or creating new billing arrangements.

FIGURE 17:

Value-based billing

Who is responsible for guiding the change in billing practices?



- Corporate law departments put more onus on firms and their lawyers to drive the adoption of value-based billing
- But the reality is that it needs to be a three-way conversation that includes the corporate procurement team.
- Procurement is not the main barrier for most.

Source: Thomson Reuters 2025

More GCs say that it is incumbent on their outside law firms to develop new pricing structures and articulate the value of those arrangements.

The TR Institute's View:

It seems almost inevitable that increased reliance on value-based billing or AFAs will become more common as AI continues to play a larger role in the legal market.[11] The idea that law firms need to take the lead on developing new pricing structures and then selling clients on them is not new or unfair. As we reported in the *2024 Legal Department Operations Index*, one respondent to a pricing survey stated:

> ***We need more analytics to review, assess, and present to decision-makers. In the past, final decision-makers have been reluctant to initiate or move to AFAs or flat-based fees without more compelling data from similar industries and companies that have used AFAs, [especially around] what types of matters they are using these fees and the success rate of contracting with firms.***

These are not unreasonable expectations. At the same time, GCs must be *willing to be sold* to when it comes to these new arrangements. Law firm pricing teams frequently report frustration that even after they put extensive work into developing value-based pricing options and justifying the change, clients often revert to asking for billable hours — typically with a larger discount applied — because they are more familiar with it. Or, they agree to the new arrangement on the condition that the matter also be tracked on the basis of billable hours, a practice known as shadow billing.

To truly innovate legal billing, a three-way meeting of the minds will be necessary: Law firms will need to develop viable and sound alternatives, then clients and their procurement teams will need to be willing to accept those options, when appropriate, rather than reverting instinctively to the comfort of billable hours.

GCs' thoughts on capturing greater value for their spend, in their own words

"Engagement of the appropriate law firms for the reasonable rates depending on the legal issues"

"Finding the most cost-effective but competent lawyer to pair with the transaction."

"Going to see the same firms just outside of the major centers where the costs and the billings are lower on certain matters."

"Stretching our dollars when we do spend and getting value-based results."

"Strategic outsourcing which means when we do outsource relying more on or trying to find more work that can go to alternative legal service providers. Maybe, some smaller firms with lower bill rates. Moving some of our work to fixed fee and then consolidation of work, consolidation of law firms."

11 For ongoing coverage of questions relating to how legal work might be performed and priced in an AI-driven future, follow the Thomson Reuters Institute's work at https://www.thomsonreuters.com/en-us/posts/topic/pricing-ai-driven-legal-services/.

For your consideration:

- How efficient is your sourcing strategy?
- How do you decide which work to keep in-house or send to outside law firms?
- Have you consulted with peers to seek the most cost-effective alternatives?
- Are you leveraging ALSPs and unbundling matters or continuing to rely primarily on traditional law firms?
- How open are you to alternative pricing models and what information might make you more comfortable?

Creating operational value — Effectiveness

While GC work to enable business growth, protect business value, and steward the business's expenditures, they must also work to do so through a framework of offering quality, commercially attuned legal advice that optimally leverages the resources available, both internally and externally.

> "[We are prioritizing] maintaining our effectiveness and keeping our internal legal team highly engaged and developing our internal capability."
>
> – General Counsel, Australia, Technology industry

FIGURE 18:

Effectiveness equation

In-house talent
+
External providers
(including law firms)

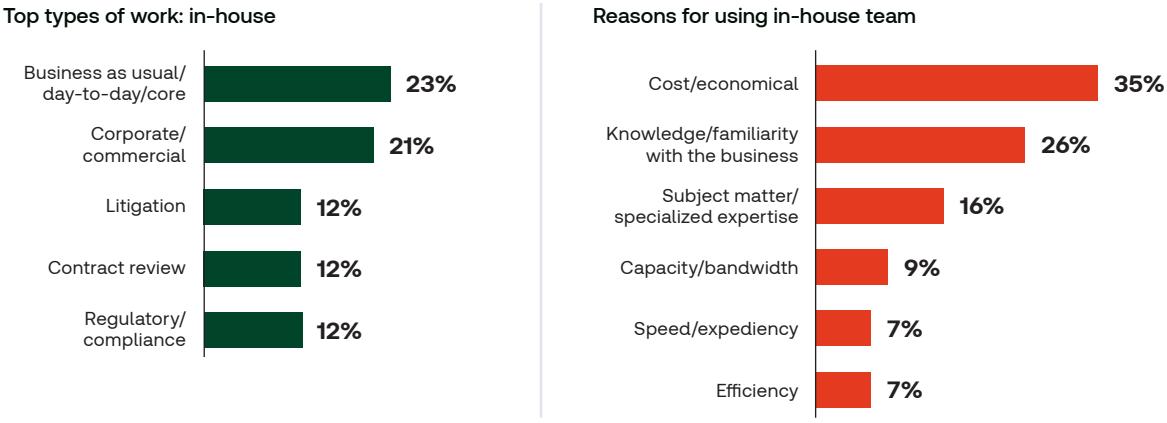
- Practical/commercial
- Responsive/fast
- Easy to work with

Source: Thomson Reuters 2025

This simple distillation clarifies what is, in reality, a complex set of consideration with which GCs must contend. And chief among these is the balance between when to use the in-house legal team to meet the business's needs and when to engage outside legal help.

FIGURE 19:

When does it make sense to use the in-house team

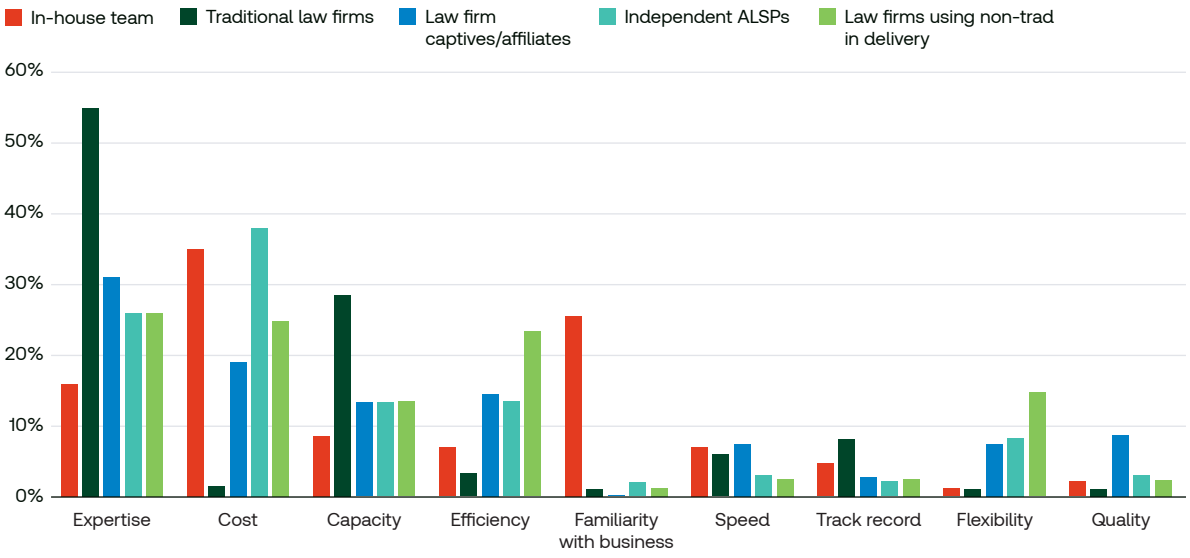


Source: Thomson Reuters 2025

There are clear use cases and reasons for GCs' preference to use their in-house legal teams, of course; and unsurprisingly, the most common are day-to-day tasks and the desire to control costs, respectively. However, GCs have also provided some insights into when they will look to outside resources.

FIGURE 20:

Which resources to use in which circumstance



Source: Thomson Reuters 2025

There is a clear indication that law firms are preferred for their deep expertise as well as their ability to add capacity to the in-house team's own capabilities. Notably, law firms also enjoy a slight edge over other options when it comes to their track record for producing results.

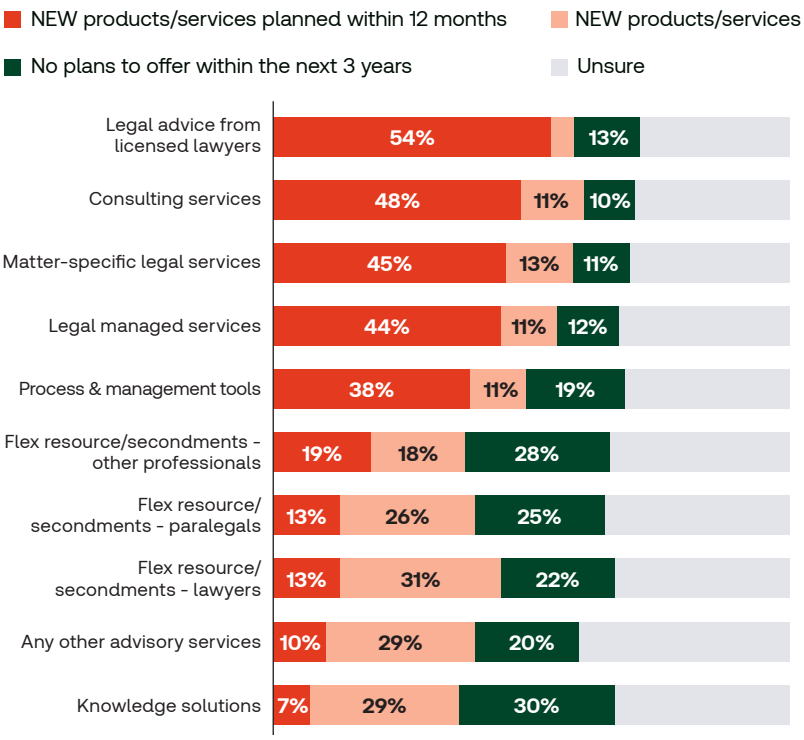
However, these findings are also insightful with regard to ALSPs, both independent and those wholly owned by law firm. These providers also rank high for preference due to the expertise they can provide, especially regarding niche areas. Most remarkable is the preference for ALSPs due to their potential cost advantages, which demonstrates a clear connection between GCs' desire for cost *efficiency* in operations, alongside their need to focus on operational *effectiveness*.

GCs are also well aware that ALSPs plan to double down on these existing advantages and expand them into new services lines.

FIGURE 21:

ALSPs creating new offerings

Law firm affiliate new product & services planned*



Example new products & services:

- Technology tools – self-serve, automation
- Predictive & forecasting tools/ services
- Consulting on data management, digital transformation, cybersecurity etc.
- Consulting on external spend management
- ESG services
- Mediation/ADR
- New/strengthened practice areas
- Legal managed services: contracts
- Training

*Respondents at firms which have, or plan to create, non-traditional division.

Source: Thomson Reuters 2025

ALSPs are being quite clear about their desire to expand the level of legal and consulting advice they can provide and continuing their ascent up the legal value chain. At the same time, they are planning to expand already popular business lines such as matter-specific legal services, legal managed services, and process management. This dual-pronged growth strategy will give GCs even more levers to pull toward making cost-conscious improvements in their departments' overall effectiveness.

The TR Institute's View:

ALSPs have played an increasingly important role in the overall legal landscape for more than a decade. In fact, the compound annual growth rate of the ALSP segment far outpaces that of traditional law firms. Since the Global Financial Crisis of the late-2000s, the legal market has been perceived by many observers to be a *buyers' market*. Indeed, the increased service offerings coming from ALSPs seem to align with GCs' increasing choice to engage ALSPs directly, rather than using law firms as intermediaries to manage these relationships — which holds the potential for great advantages for GCs looking to deliver greater operational value.

First, ALSPs can help bring new and deeper levels of expertise to the business thanks to their tendency to focus on a few core areas of excellence. Second, the inherent cost advantages that typically come with engaging ALSPs allows for greater discretion in GCs' budgets, creating opportunities for the in-house legal team to do more for the business. Third, ALSPs are favored for their efficiency, even more so than the in-house team itself in many respects, enabling GCs to do more to meet the increasing speed of the business cycle.

Of course, there is by no means any ALSP to fit *all* a GC's potential needs. Engagement of outside law firms remains, and will remain, a critical component to GCs' ability to provide effective service to their businesses. However, the growing influence of ALSPs in the legal marketplace will likely give GCs a wider variety of options for how they service those businesses.

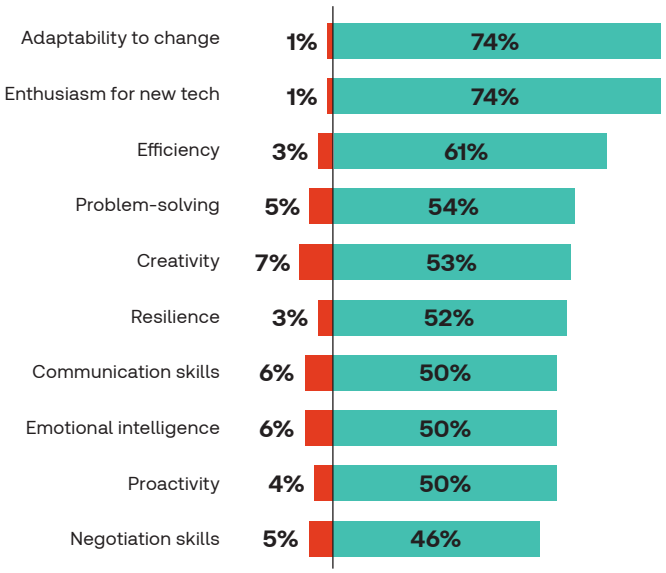
Building the talent for future effectiveness

In anticipation of an increasingly AI-driven future, GCs are identifying new skills and roles that their team members will need to meet the changing reality of legal work and business in general.

FIGURE 22:

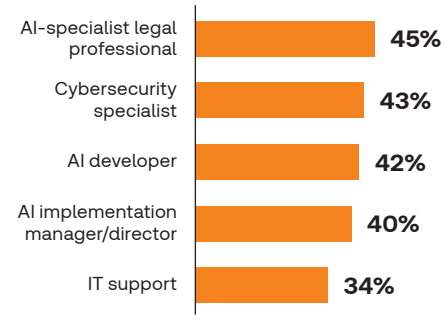
Recruiting new roles and skills

Human skills rising in demand



93% believe new/additional roles will be created within corporate legal departments

New roles required (top 5)



Source: Thomson Reuters 2025

Not surprisingly, there is increasing demand for a wide array of skills. Unfortunately, some of the most often-cited — such as adaptability to change and enthusiasm for new technologies — are not skills for which lawyers are traditionally known. This means that in-house legal teams will have to look for either lawyers with non-traditional background or interests, or begin looking for new types of roles altogether.

Indeed, GCs are identifying a growing need for new roles such as AI-specialist legal professionals, cybersecurity experts, and even AI developers — roles not typically associated with the average GC's current team or even the practice of law. Further, GCs' concerns about talent are not limited to recruiting the *right* talent, but also retaining their current talent and what future roles will look like.

FIGURE 23:

AI-related hopes and worries for talent development and retention

Biggest hopes associated with AI adoption

Corporate lawyers work an average 49-hour week, but 62% don't feel they have enough time to do everything they would like to.

Top desired changes in industry:

- Work-life balance (55%) → 49% predict improvement (mostly moderate)
- More time spent on engaging, judgement-based or expertise-driven work (44%) → 65% predict improvement
- Greater opportunity for continual skill-building (36%) → 49% predict improvement

Corporate lawyers predicted that they could each free up 13 hours per week within 5 years, but 35% felt their department was moving too slowly with AI adoption.

Biggest worries about AI to address with talent (top 5)

Source: Thomson Reuters 2025

Top of the list for GC worries related to AI is the potential for overreliance on technology at the expense of developing new skills. This concern is not unique to in-house legal teams; law firms are struggling with similar challenges, and even law schools are actively pondering how to best integrate necessary education around the use of AI in legal work in a way that won't interfere with critical phases of skills development for attorneys. There is also concern over the potential for widespread job loss. Indeed, it seems inevitable that the continual evolution of AI, while unavoidable, will impact the type and number of jobs needed, not only among legal professionals but across a wider scope of professional services.

On a more optimistic note, AI presents a great opportunity for improvements for in-house legal teams both in how they do their work and how much work they are able to accomplish. Lawyers within corporate legal departments are already stretched, with the average in-house lawyer working a 49-hour work week — yet 62% said they feel they don't have enough time to do all the work they would like to get done. At the same time, in-house lawyers predict that they could repurpose as many as 13 hours of working time *per week* within five years thanks to AI, creating more capacity and breathing room. However, 35% said they feel their own legal department is moving too slowly regarding AI adoption.

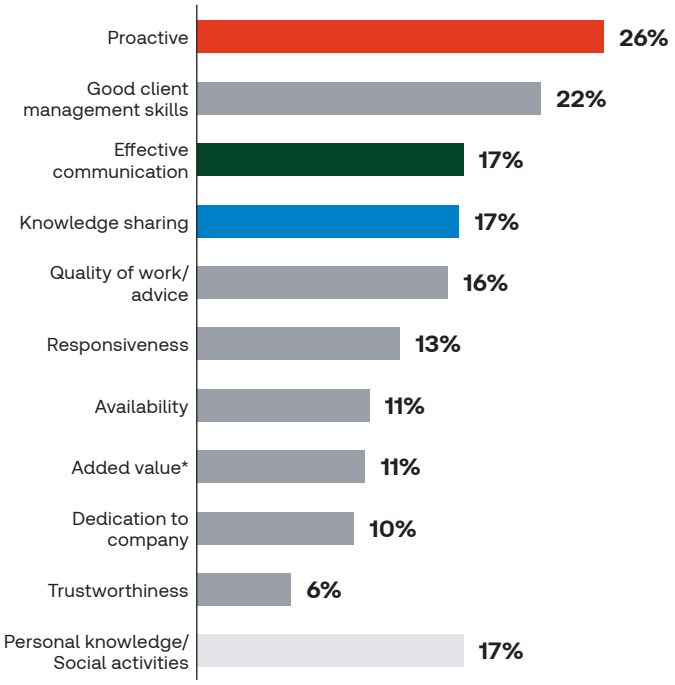
The outside counsel portion of the effectiveness equation

Just as effective utilization of the in-house legal team is vital to the effectiveness of the overall legal department, so too is the department's relationship with outside counsel.

FIGURE 24:

Getting the most out of law firm relationships

Q: Thinking of those lawyers with whom you have strong personal relationships, and considering, and considering the last two years specifically, what has stood out to you in the way they have built or maintained those relationships with you?



"By checking in when they need to. They are turning law firm relationships from purely transactional relationships to personal relationships as they are showing us that wthey want to understand what is going on by contacting us regularly and not just awaiting instruction."

"The information they share, their willingness to elaborate on information either when asked about a topic before we get to the instruction stage, or independently knowing me, knowing my business, putting things in front of me that I should be aware of, or they know would be of value and interest to me."

*"Looking closer to the industry I work in, having insights on the industry, and **keeping me up to date with everything** that is legislation-related to the industry."*

*Includes providing time/insights without always being billed and budget sensitivity/transparency.

Source: Thomson Reuters 2025

Key among considerations for effective outside counsel relationships are proactivity, good client management skills, effective communication, and knowledge sharing. Historically, we've compiled these various traits under the broader rubric of *collaboration*; however, breaking down the component parts is illustrative to help identify specific areas in which outside counsel might be excelling or falling behind.

The TR Institute's View:

Knowing which resources to leverage under which circumstances and for what work types is a key initial consideration to ensure that an in-house legal department is operating effectively. Once that determination is made, however, it is equally vital to ensure that the actual *delivery* of services meets expectations not just for the law department but for the business as a whole.

In today's accelerating business cycle, responsiveness is critical. Likewise, the legal team, whether that means the in-house lawyers handling a matter or the outside counsel that's been retained, must be accessible and easy to work with. Fortunately, both of these attributes can be technologically enabled, and there is little reason to avoid technology that can improve effectiveness in these areas.

Any advice or work provided must be correct, of course; however, it also should be practical and commercially attuned to the business. Remember, a law department must be effective and cost efficient, but those goals do not stand alone. Rather, they are pursued with an eye toward the overarching goal of achieving growth for the business.

For your consideration:

- What steps are you taking to identify the talent you will need in the future?
- How are you recruiting or training that talent?
- What steps have you taken to improve retention of your current team and integrate AI effectively into their ways of working?
- Do you have specific objectives and metrics in place regarding the commerciality of the legal service and advice you are providing the business?

Concluding with a cautionary tale

A GC from a major real estate brokerage firm once related the story of an outside law firm that had been engaged by the firm to provide advice on how to comply with data-retention regulations. The law firm responded with a memo advising that the business tell its realtors to *not communicate* with clients or potential clients either by phone call or text message. That law firm was quickly dismissed.

The speed with which the law firm provided its answer, the soundness of its legal reasoning, or the price it charged for the advice likely could not have mattered less — the advice rendered was completely out of touch with the commercial reality of the client's business. The advice might have been intended to protect the client to the greatest possible extent, but protection and enablement must work hand-in-hand. Clearly, there is no circumstance in which a business would be willing to accept commercially detached advice just because it was fast or affordable.

This year will be a year of transition and change for many corporate law departments and their businesses. It will be crucial that GCs have the ability to help the business move at pace, determine the right decisions, and make good investments, all while keeping legal risk to a tolerable level. To that end, there are some steps GCs should be taking now, including:

Define value goals — GCs need to be clear on how they define *value*, how the law department will enable the business to achieve its strategic ambition, and how GCs want their department viewed by the rest of the business. To achieve this, they should set goals that align the department to the company's strategy, balancing these goals across potentially competing priorities. It is important that every team member can understand how they individually contribute to the overall success of the department and the business, and how they can develop their skills and find engaging work upon which to focus. Clarifying the teams' understanding in this way will connect the high-level strategy to the individual, making it easier for them to find purpose in their work which is crucial in driving engagement and productivity.

Take care of resourcing strategy now — It is vital to balance work allocation appropriately to make the most of finite resources, leverage technology and alternative legal service providers, and invest in relationships that share risk and increase reward. GCs should focus on those relationships in which the values of the business and its providers align.

Don't overlook the importance of talent in making technology work — Technology offers significant opportunity to gain efficiency, free up time for more strategic work, improve the quality of that work, and help solve more complex problems. However, while GenAI is more intuitive than previous standalone tech tools, it is not plug and play. GCs should remember that the right roles, training, and expertise will be crucial to formulating effective technology strategy and adoption.

Bring the value story to life — GCs need to communicate their departments' wins and progress back to their organizations regularly and in a business-friendly way, leveraging concise language and insightful metrics across all areas of departmental responsibility. The aim should be to demonstrate understanding of the business context, a willingness to find solutions, and the expertise and business acumen to get there quickly.

All of this underscored the key theme of 2025 for many GCs echoed in this report: *How to define and deliver value*.

As previously stated, there is no single one-sentence definition for the concept of *value*. However, the nature of that definition lies at the question of whether something either moves the business toward a defined strategic goal or positively impacts the bottom line. We offer these questions as parting considerations to aid you in your attempt to arrive at your own definition of value.

What does this work/task/activity/provider bring to the business?

- *Does it improve the bottom line, minimize litigation payouts, reduce the size or likelihood of regulatory penalties, etc.?*
- *Is it facilitating the growth objectives of the business?*

Is there an opportunity for the law department to improve results or objective attainment for the business?

- *What else can the legal team be doing to achieve company goals beyond the legal work it already does?*

Can we identify what work we do that is driving the greatest benefits to business — and then do more of the same?

- *What work are we doing or which providers are we that is not driving toward the business's goals or bottom line?*
- *If so, is there a reason we need to continue or is it something we simply haven't stopped yet?*

In the legal profession as elsewhere, the pursuit of value will inevitably be an ongoing evolution. Today's definition of value is likely quite different than how value would have been defined even five years ago, and it is highly likely that the definition will continue to change along with business priorities.

The goal for corporate law departments in 2025 should not be to develop a definition of value for its own sake. Rather, GCs and their teams should use 2025 to develop the mechanisms for determining *what* they value in a way that those same mechanisms can be applied as needs and goals evolve. It is also important to refine *how* that definition of value is communicated, both so outside providers understand the expectations toward which they must work and so internal stakeholders can more clearly understand what the law department is contributing to the business.

Refining this *what* and *how* approach to the definition and communication of value will surely benefit corporate law departments not only in 2025 but well beyond.

Methodology

Research for this report was compiled from a variety of primary research projects conducted by the Thomson Reuters Institute throughout 2024. Research consisted of telephone interviews with 2,485 corporate general counsel across more than 50 countries globally, and online surveys of 217 corporate C-Suite officers, 415 corporate legal professionals, and 424 law firm lawyers globally.

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