



The Compass Report

Legal Department Benchmarking



winmark



Foreword

Every department head faces pressure to carefully control budgets and to provide evidence that their function is contributing to the organisation efficiently and cost-effectively.

The current social, economic and geopolitical environment has, arguably, increased these pressures to their most intense levels for decades. High inflation driven by energy and commodity price increases, coupled with supply chain disruptions have created an uncertain and volatile business environment. And this is on top of an already challenging situation where organisations have been grappling with a rapid acceleration in technological innovation and having to respond to the pandemic's seismic impact on employee and consumer relationships.

Legal departments have their own unique pressures – the legal function is increasingly expected to work collaboratively across all departments and drive innovation and value within the organisation, while at the same time pro-actively mitigating the potential impact of a legal and regulatory environment that is more fast-changing and volatile than ever. As a result, department heads are increasingly focused on resource optimisation by assessing staffing levels, reviewing and renegotiating supplier costs and identifying opportunities for automation, outsourcing and external knowledge that will make them more agile and efficient.

This report aims to help Legal department heads in this process by providing a benchmark of their own headcount and spend relative to their peers and other key functional departments. It also provides a benchmark of the perceived maturity of departments and the split of staff according to seniority.

While every department will have its own distinct demands and characteristics, the data will help provide important context and a useful yardstick for leaders embarking on their cost savings initiatives.



John Jeffcock,
Chief Executive Officer, Winmark

Winmark greatly appreciates the time of all respondents who have shared their experiences and insights; and would particularly like to thank [Cyan Partners](#) for their valuable support throughout the project.

This report is based on research with 166 organisations. The study measured staff headcount, running costs and stage of maturity for the following departments: Legal, Finance, HR, IT, Marketing, Operations, Procurement and Sustainability. Differences are highlighted between the Legal department and other departments where there is a sufficiently large sample to make comparisons.

To find out how your department's headcount compares, refer to *Section 1 - Department headcount and growth trend*. To find out how your department's running costs compare see *Section 3 - Department running costs and growth trend*. *Section 2* provides a comparison of the seniority of department teams, and *Section 4* enables you to compare the maturity of your department.

Introduction

We are delighted to be partnering with Winmark’s CLO network this year and very pleased to support its benchmarking survey.

The legal sector continues to go through dynamic, sometimes dramatic change, which is impacting how legal services are delivered by in-house teams and the law firms who support them. The social, economic and geo-political pressures are more intense than ever and have added to the ongoing demand placed on Legal departments to manage legal risk effectively, while demonstrating an understanding of the business, its commercial imperatives and that they are consistently adding value.

On top of all that, the CLOs and General Counsel leading Legal departments play the role of trusted adviser, sometimes conscience of the business, and – increasingly - are being asked to take responsibility for ESG and sustainability strategy and implementation within their business.

In short, a lot is expected of the legal team in most businesses and the resources needed to meet those demands are an ongoing issue, particularly in a market in which legal talent is generally in high demand.

The results of the survey point to a corporate function which is established, mature and confident, but which also recognises the necessity for constant improvement and innovation to meet the challenges of the increasingly important role it plays. The recruitment and retention of the talented people needed to drive that innovation forward is more important than ever.



Michelle Corneby & Chris Cayley, Directors – Cyan Partners

About Cyan Partners

Cyan Partners is a partnership of highly experienced legal recruiters who have gained a thorough understanding of the issues facing lawyers in a dynamic market from many years working in the sector.



Everything we do as a business is with a view to advancing peoples’ careers and strengthening the firms and businesses we work with by finding the best available talent. We believe that market knowledge, understanding the specifics of a requirement and delivering straightforward advice are essential to a successful relationship and recruitment process. We strive to build long term relationships and want our clients and candidates to see us as their trusted partner.

Cyan Partners works with a diverse range of law firms and companies and our breadth of experience means we can give sound advice whether you are looking for a new role or to recruit. We provide recruitment services across all elements of the legal market with a focus on in-house, private practice, risk & compliance, alternative legal service providers and legal ESG and sustainability.

Website: <https://www.cyan.partners/>

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





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Key findings

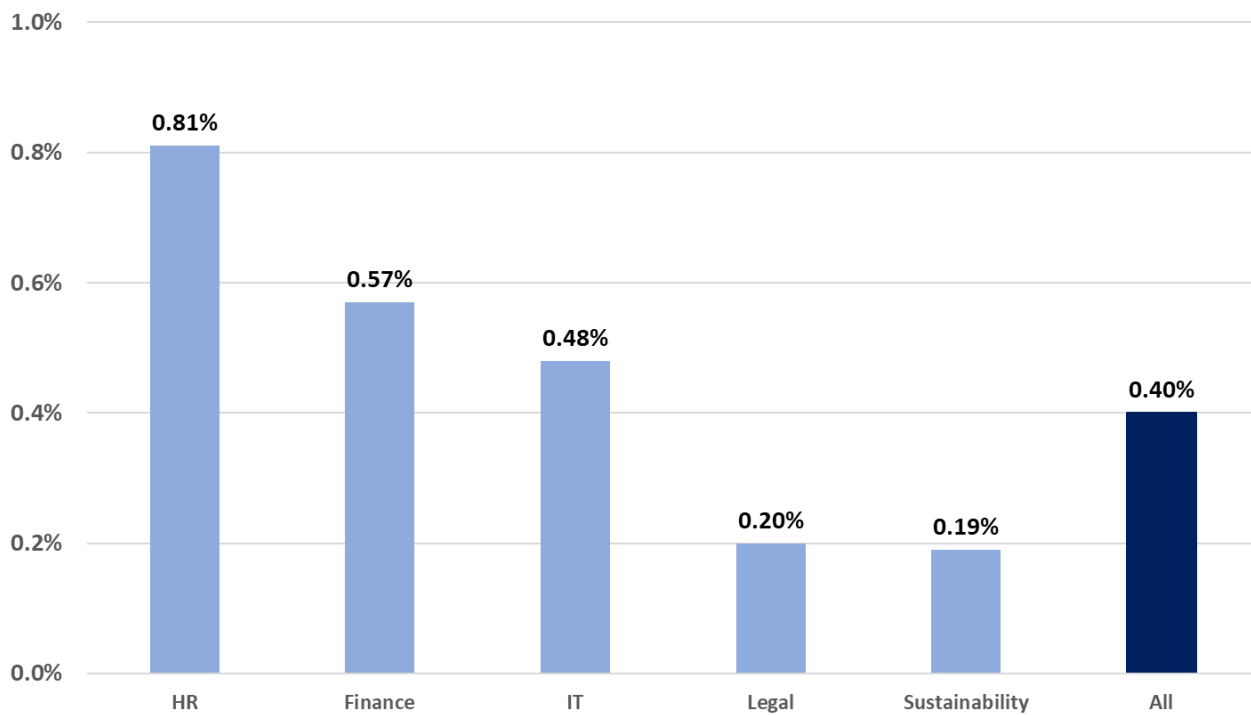
 <p>Headcount</p>	<ul style="list-style-type: none"> The average Legal department accounts for 0.2% of all staff within the company – half the ‘all-department’ average of 0.4%. Legal departments are expecting a small (2%) increase in headcount next year (down from the 6% headcount growth experienced last year) – the same as HR, and behind the Sustainability (6%) and Finance (8%) departments. All departments are expecting headcount growth in the coming year, but (with the exception of Finance and Sustainability) are expecting the rate of growth to be less than the year before – and expectations may have been further dampened by the ongoing economic and geopolitical instability since the research was conducted.
 <p>Seniority</p>	<ul style="list-style-type: none"> The Legal department has the highest proportion of staff occupying ‘<i>Chiefs, Directors or Head</i>’ roles (24%). Mid-tier Legal ‘<i>Manager</i>’ positions split roughly into two thirds who are ‘<i>Technical Experts and Managers</i>’ and one third who are ‘<i>Operations, Information and Project managers</i>’ – overall, 13% of all ‘<i>Managers</i>’ are now ‘<i>Operations, Information and Project managers</i>’
 <p>Running costs</p>	<ul style="list-style-type: none"> The Legal department has relatively low running costs as a proportion of revenue (0.26%) – only the Sustainability department is lower, at 0.19%. The Legal department has the highest cost per head (£131,777) with the IT and Finance departments next with approximately £106,000 cost per head. Legal departments are expecting just a 4% increase in running costs, the second lowest anticipated increase behind HR with 2%.
 <p>External spend</p>	<ul style="list-style-type: none"> Legal departments spend 35% of their budgets externally. Finance and IT departments spend the highest proportion of their budgets externally (41% and 39% respectively). HR departments have significantly lower external spend than other departments – just 10% compared to the ‘all-department’ average of 31%.
 <p>Maturity</p>	<ul style="list-style-type: none"> More than a third of Legal departments (36%) identify themselves as ‘<i>Mature</i>’. 29% say they are ‘<i>Mature and performing</i>’ and 7% are ‘<i>Mature and in need of transformation</i>’. The most commonly reported stage of maturity amongst all departments is ‘<i>Mid transition or mid-change process</i>’. Approximately one third to two fifths of all departments identify themselves being at this transitional stage in their development.
 <p>Performance</p>	<ul style="list-style-type: none"> A larger proportion of Legal department heads perceive themselves as ‘<i>Performing</i>’ (44%) than in other functions (33%). Between a half and two thirds of departments define themselves as ‘<i>In change</i>’. This is by some distance the largest category, underlining the fact that many departments and organisations are in a transitional stage of development.

1 Department headcount and growth trend

1.1 Department headcount as a proportion of total: key departments

The average Legal department accounts for 0.2% of all staff within the company – half the ‘all-department’ average of 0.4%.

Amongst individual departments, the fundamental administrative functions - HR (0.81%) and Finance (0.57%) – have the highest proportional employee headcount. Sustainability departments have the lowest proportional headcount - 0.19% overall.



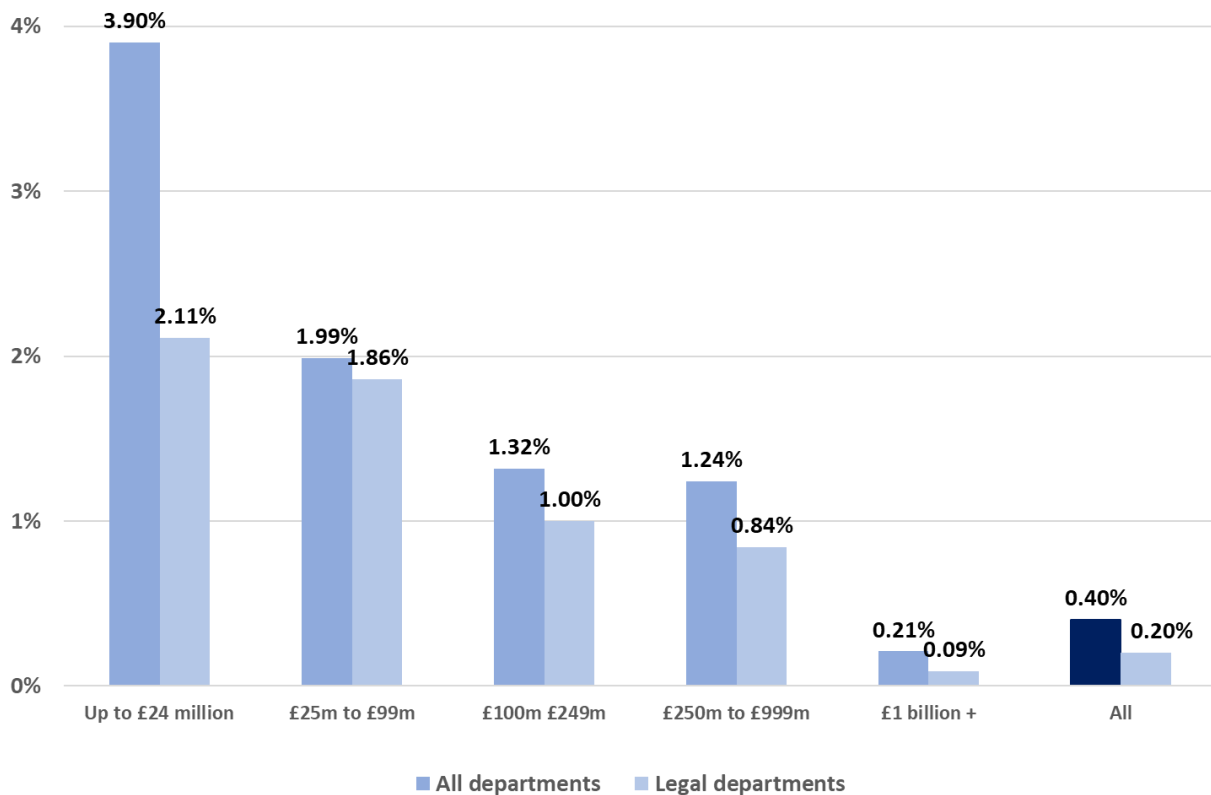
1.2 Department headcount as a proportion of total: by turnover

The chart below summarises Legal department staff headcount as a proportion of total company headcount, split by turnover band. Data for ‘all-departments’ is also included as a comparison.

Unsurprisingly, overall department headcount as a proportion of the total decreases in higher revenue companies.

The average department headcount is 20 for Legal departments (compared to 29 employees across all departments).

In companies with turnover below £24 million, the Legal department headcount is 3 (the overall average department headcount is 4 employees per department).



All companies: turnover	All department headcount	Legal department headcount
Up to £24 million	4	3
£25 million to £99 million	11	15
£100 million to £249 million	26	20
£250 million to £999 million	44	29
£1 billion +	52	32
All	29	20

1.3 Department headcount growth: key departments

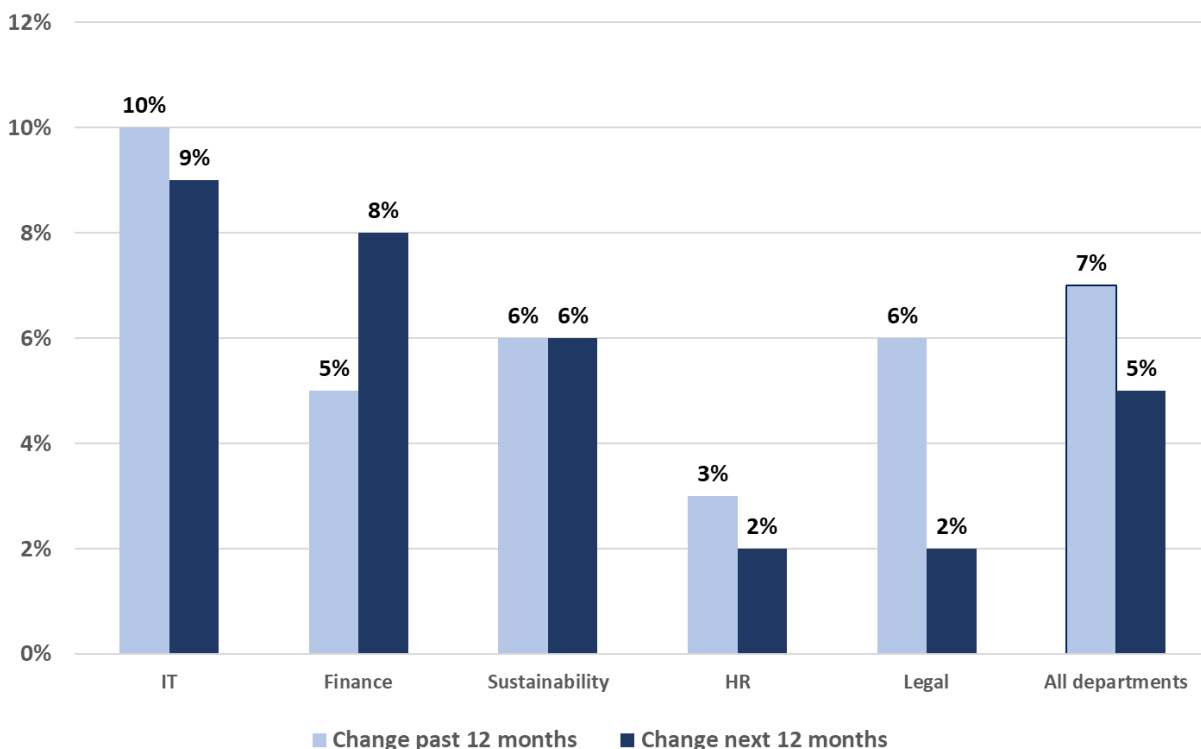
All departments reported growth in employee numbers over the previous 12-month period – a 7% increase overall. However, they are anticipating less growth in the year ahead – just 5% on average.

This decrease is roughly in line with projected reductions in overall global growth over a similar time period. For example, the [World Economic Outlook](#) predicts that growth will fall from its recent high of 6% in 2021 down to 2.7% by 2023.

Legal departments are expecting just a 2% increase in headcount – the same as HR, and behind the Sustainability (6%) and Finance (8%) departments.

As companies continue to invest in technology to support digital transformation of processes and business models, IT departments are increasing staff numbers the most. Heads of IT are predicting 9% employee growth in the year ahead.

All departments are expecting headcount growth in the coming year, but (with the exception of Finance and Sustainability) are expecting the rate of growth to be less than the year before. Since the research was conducted, expectations may have been further dampened by continued economic and geopolitical instability.

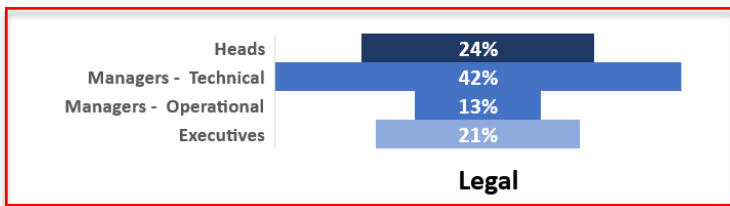


2 Seniority of departmental teams

2.1 Seniority by department



All



Legal



Sustainability



Finance



IT



HR

Across all individual departments, roughly a fifth of staff are 'Chiefs, Directors or Heads', two fifths are 'Technical Experts and Managers', a fifth are 'Operations, Information and Project managers' and a fifth are 'Executives, PAs and other Administrative staff'.

The Legal (24%) and Sustainability (20%) departments have the highest proportion of staff occupying 'Chiefs, Directors or Head' roles.

HR is the least 'top heavy' department with 12% occupying 'Chiefs, Directors or Head' roles.

Mid-tier 'Manager' positions split roughly into two thirds who are 'Technical Experts and Managers' and one third who are 'Operations, Information and Project managers' – overall, 28% of all 'Managers' are now 'Operations, Information and Project managers'

3 Department running costs and growth trend

3.1 Department running costs as a proportion of total: key departments

The running costs of the different department functions as a proportion of company revenue varies considerably – for example, IT is twice the size of Finance and HR is twice the size of Legal.

The Legal department has relatively low running costs as a proportion of revenue (0.26%) – this is smaller than Finance (0.31%).

The IT department has the highest running costs (0.61%).

The Sustainability department has the lowest running costs at 0.19%, but this is a reasonable size given that the function is relatively new in most organisations.

	<i>Department headcount as a proportion of total</i>	<i>Department cost as a proportion of revenue</i>	<i>Cost to headcount ratio</i>
IT	0.48%	0.61%	1.3
HR	0.81%	0.47%	0.6
Finance	0.57%	0.31%	0.5
Legal	0.20%	0.26%	1.3
Sustainability	0.19%	0.18%	0.9
All departments	0.40%	0.37%	0.6

The Legal Department has the highest cost per head (£131,777) with the IT and Finance Departments next with approximately £106,000 cost per head.

Departments	<i>Average cost per head - total spend</i>	<i>Average cost per head -internal spend only</i>
Legal	£202,734	£131,777
IT	£175,359	£106,969
Finance	£179,864	£106,120
HR	£88,364	£79,528
Sustainability	£111,018	£76,603
All	£151,468	£100,199

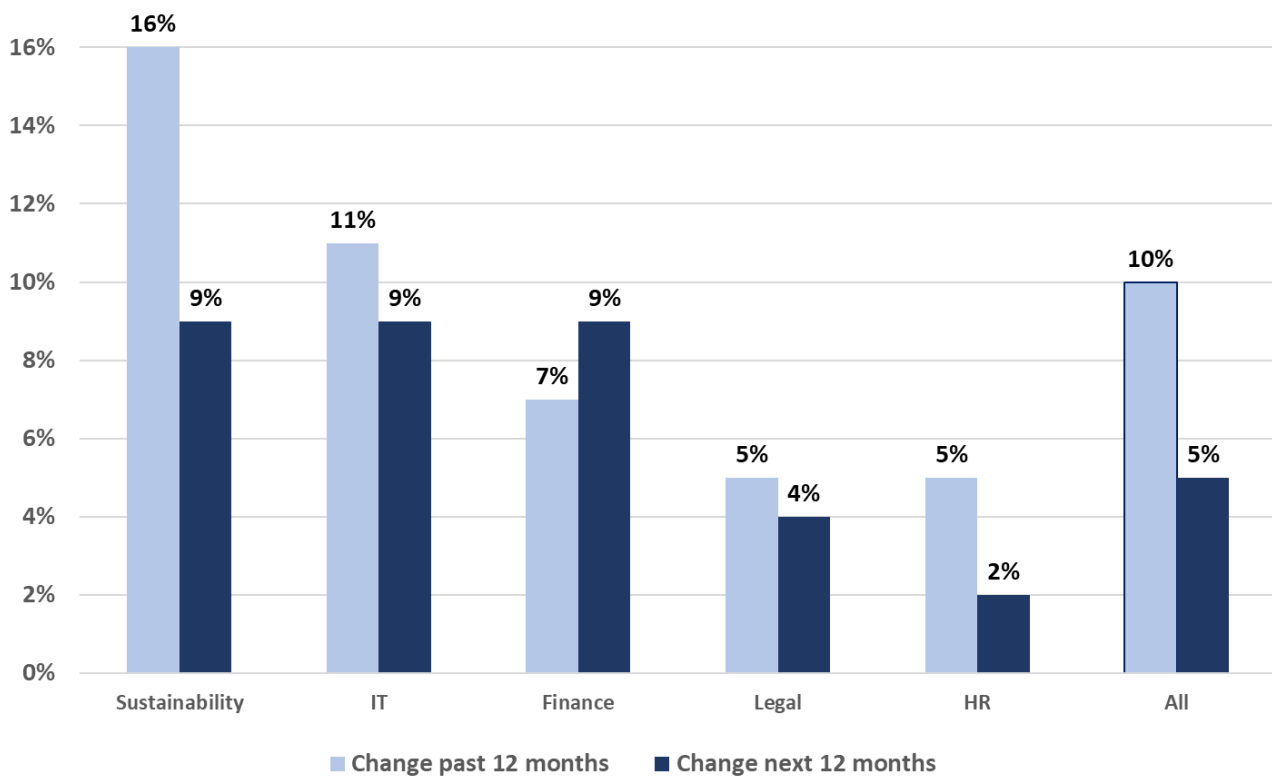
3.2 Department running cost growth: key departments

All departments reported an increase in department running costs in the previous 12-month period – with a 10% increase overall. However, they are anticipating less cost growth in the year ahead - 5% on average.

Legal departments are expecting just a 4% increase in running costs, the second lowest anticipated increase behind HR with 2%.

All departments (with the exception of Finance) are expecting reduced cost growth in the coming year when compared to last year.

IT, Sustainability and Finance departments are expecting the largest cost increases – all predicting 9% higher costs.



3.3 Department external spend as a proportion of budget

Legal departments spend 35% of their budgets externally.

Finance and IT departments spend the highest proportion externally (41% and 39% respectively) - and these are also the only departments expecting a significant increase in external spend as a proportion of budgets in the coming year - 7% for Finance and 5% for IT.

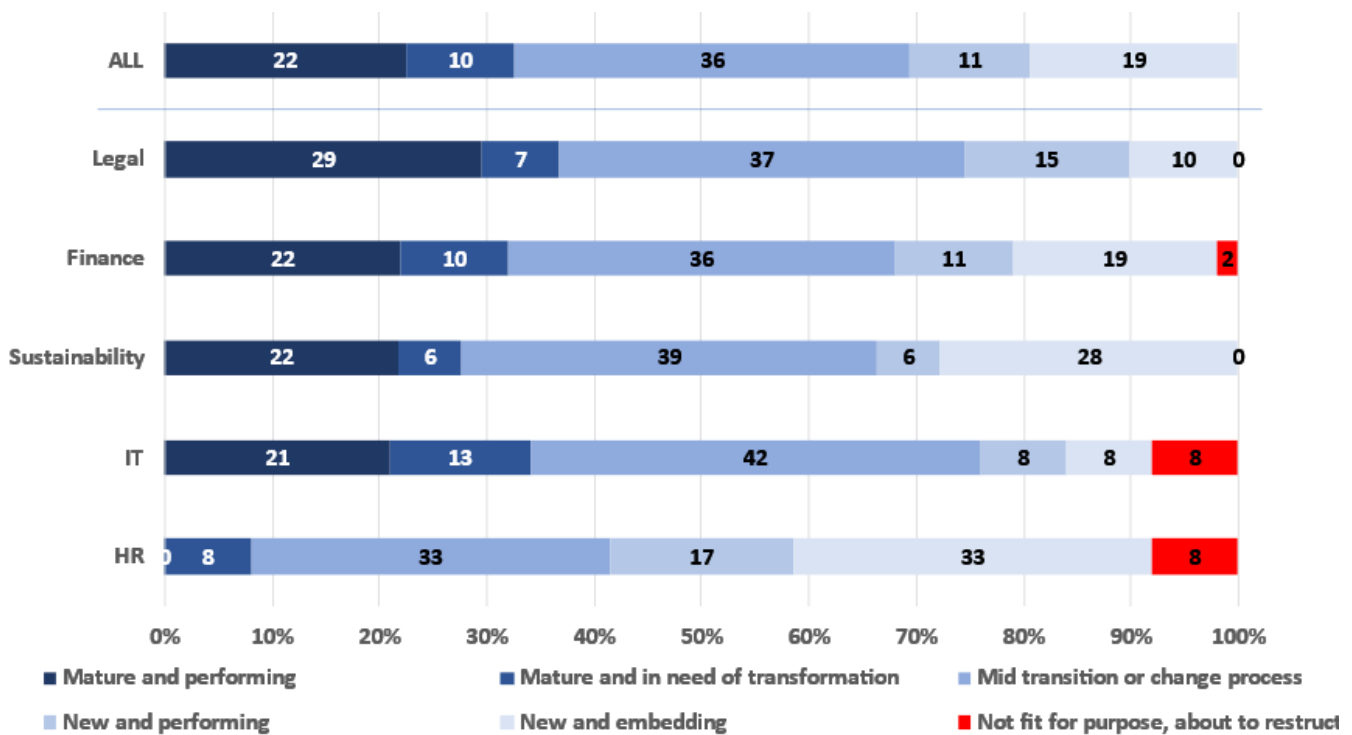
All of the other departments expect the proportion of external spend to remain relatively static.

HR departments have significantly lower external spend than other departments – 10% compared to the ‘all-department’ average of 31%.

Departments	<i>External spend as % of department spend past 12 months</i>	<i>Expected external spend change as % of budget</i>
Finance	41%	7%
IT	39%	5%
Legal	35%	-1%
Sustainability	31%	-1%
HR	10%	1%
All	31%	2%

4 Stage of maturity and performance

4.1 Stage of maturity by department



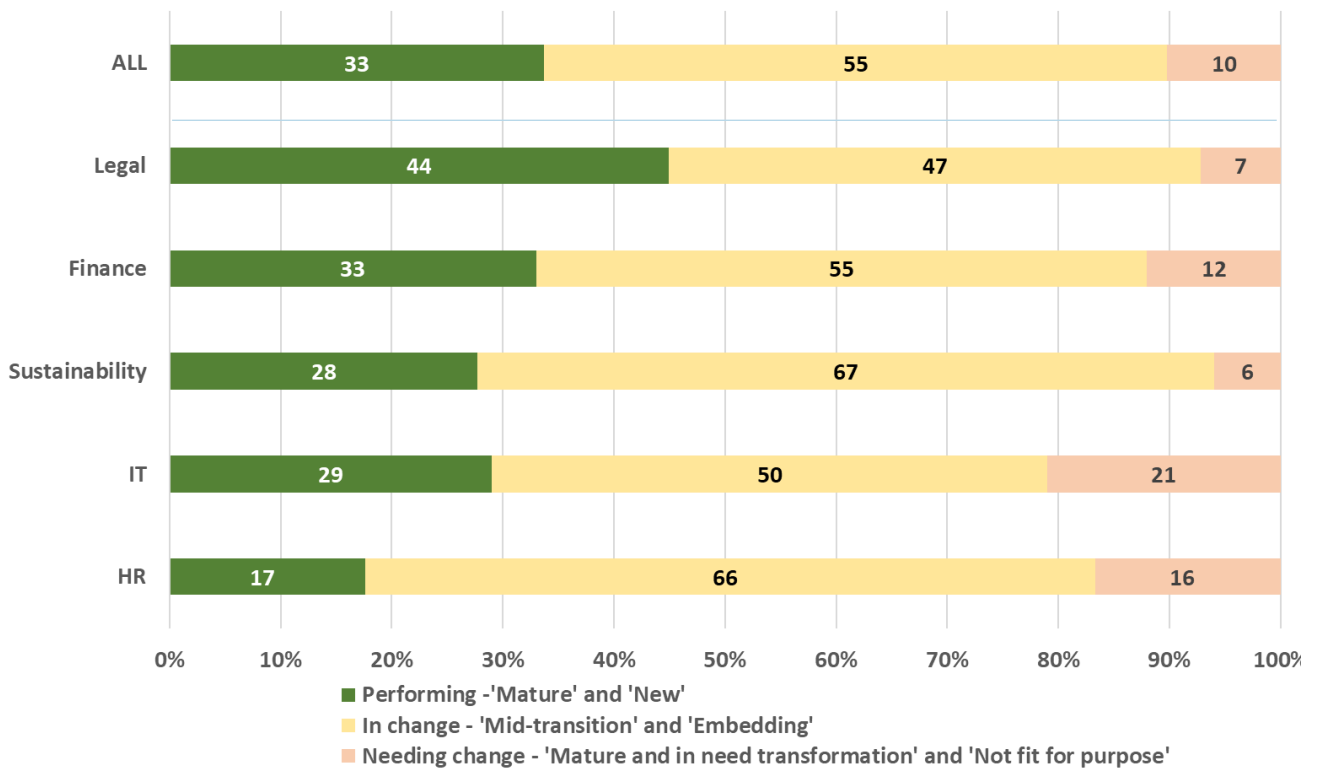
More than a third of Legal departments - 36% - identify themselves as 'Mature'. 29% say they are 'Mature and performing' and 7% are 'Mature and in need of transformation'.

The most commonly reported stage of maturity amongst all departments is 'Mid transition or mid-change process'. Approximately one third to two fifths of all departments identify themselves being at this transitional stage in their development.

Only 8% of HR departments identify themselves as 'Mature' and none say they are 'Mature and performing'. This stands in contrast to the other departments where, on average, 32% believe they are 'Mature' – split between 22% who say they are 'Mature and performing' and 10% who are 'Mature and in need of transformation'.

The results reflect that HR and IT functions are most likely to be going through change and restructuring to support the people challenges (e.g. recruitment, retention, flexible working and wellbeing) and technological imperatives (e.g. hybrid infrastructure, digital innovation and security) that are a priority for many businesses.

4.2 Stage of performance by department



A larger proportion of Legal department heads perceive themselves as *'Performing'* (44%) than in other functions (33%)– that is either *'Mature and performing'* or *'New and performing'*. Typically, around a third of these *'Performing'* companies are *'New and Performing'*.

Between a half and two thirds of all departments define themselves as *'In change'* – that is either *'Mid transition or mid-change process'* or *'New and embedding'*. This is by some distance the largest category, reinforcing the picture that most departments are in a transitional stage of development.

A smaller proportion of Legal departments (7%) define themselves as *'Needing change'*– that is *'Mature and in need of transformation'* or *'Not fit for purpose'* – than any other department except for Sustainability.

A larger proportion of IT and HR departments define as *'Needing change'*– 21% and 16% respectively – again reflecting that HR and IT are on the frontline of addressing high priority people and technology challenges facing many organisations.

Appendix 1: Detailed benchmark data

Please note that sample sizes within individual sub-groups are small, so results the results should be used with caution.

A1 Department headcount as a proportion of total, split by turnover band

Legal department companies	Department Headcount as a proportion of total
Up to £24 million	2.11%
£25 million to £99 million	1.86%
£100 million to £249 million	1.00%
£250 million to £999 million	0.84%
£1 billion +	0.09%
All Legal	0.20%

A2 Department seniority, split by turnover band

Legal department companies	Chiefs, Directors & Heads of Department	Technical Experts & Managers	Operations, Information and Project Managers	Others: executives, PAs, administration, clerks
Up to £24 million	29%	42%	13%	16%
£25 million to £99 million	25%	47%	22%	6%
£100 million to £249 million	18%	33%	20%	29%
£250 million to £999 million	14%	40%	14%	33%
£1 billion +	31%	44%	3%	22%
All	24%	42%	13%	21%

A3 Department maturity, split by turnover band

All companies	<i>Mature and performing</i>	<i>Mature and in need of transformation</i>	<i>Mid transition or change process</i>	<i>New and performing</i>	<i>New and embedding</i>	<i>Not fit for purpose, about to restructure</i>	Grand Total
£ 0 to £24 million	36%	0%	21%	14%	14%	0%	100%
£25 million to £99 million	27%	20%	27%	7%	20%	14%	100%
£100 million to £249 million	25%	13%	44%	6%	13%	0%	100%
£250 million to £999 million	6%	6%	56%	11%	22%	0%	100%
£1 billion +	22%	11%	28%	17%	22%	0%	100%
All	22%	10%	36%	11%	19%	0%	100%

Legal department companies	<i>Mature and performing</i>	<i>Mature and in need of transformation</i>	<i>Mid transition or change process</i>	<i>New and performing</i>	<i>New and embedding</i>	<i>Not fit for purpose, about to restructure</i>	Grand Total
£ 0 to £24 million	50%	0%	13%	13%	13%	0%	100%
£25 million to £99 million	50%	13%	38%	0%	0%	13%	100%
£100 million to £249 million	25%	0%	50%	0%	25%	0%	100%
£250 million to £999 million	9%	0%	55%	18%	18%	0%	100%
£1 billion +	20%	20%	30%	30%	0%	0%	100%
All	29%	7%	37%	15%	10%	0%	100%

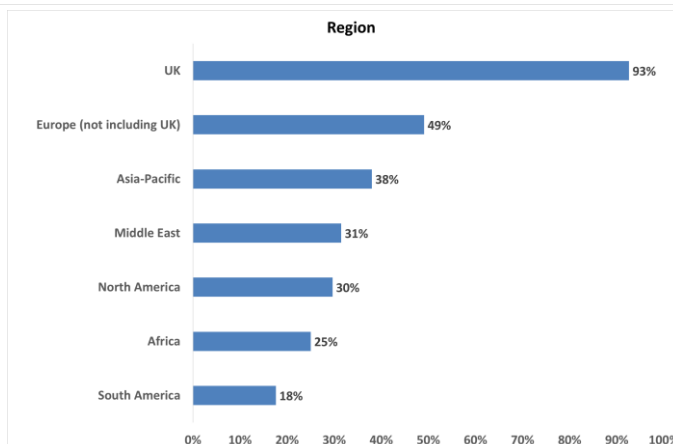
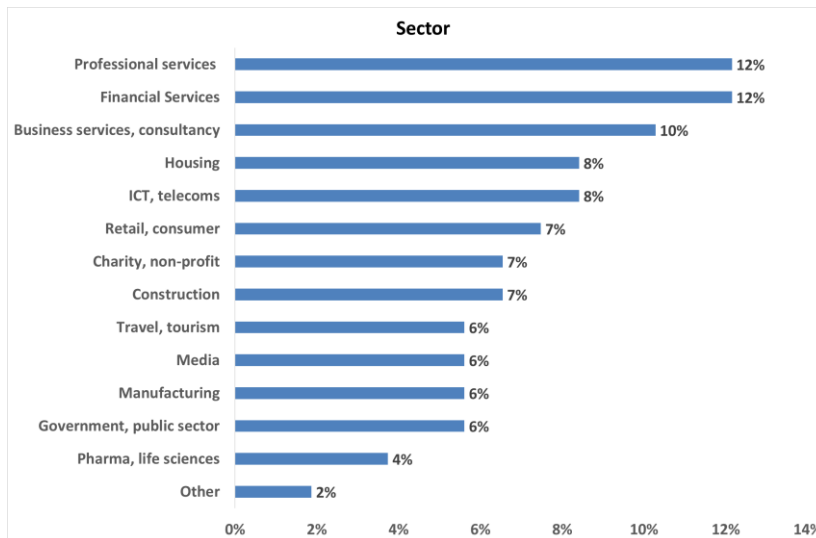
Appendix 2: Sample

We have consulted with over 160 department heads from companies across a wide range of sectors and sizes, and with a truly global footprint.

All companies breakdown

	Finance	HR	IT	Legal	Marketing	Operations	Procurement	Sustainability	Total
Sample size	20	17	28	48	9	12	11	21	166
Turnover									
Up to £24 million	15%	35%	18%	19%	22%	17%	18%	24%	18%
£25 million to £99 million	15%	12%	18%	19%	11%	25%	27%	29%	15%
£100 million to £249 million	20%	18%	29%	10%	33%	33%	36%	14%	19%
£250 million to £999 million	20%	24%	18%	25%	33%	17%	18%	29%	21%
£1 billion +	30%	12%	18%	27%	0%	8%	0%	5%	27%
	100%	100%	100%	100%	100%	100%	100%	100%	100%

Sector and global remit



About Winmark

Winmark inspires the global C-Suite to create value for all:


Research: Winmark’s high quality research helps our partners build business intelligence, showcase their expertise, and engage with senior decision-makers.

- Clients trust us to understand their organisations and apply solutions that will deliver clear **return on investment**.
- Our comprehensive expertise includes **thought leadership, commercial intelligence, market sizing, mystery shopping, client satisfaction** and **concept testing** using a multitude of methods – including **online, round tables, focus groups, telephone (CATI and depth), face to face** and **desk research**.
- Our proposition combines research know-how with access to our professional member Networks, event management and PR support.
- Embedded in the knowledge of our C-Suite Networks and informed by the most up-to-date business conversations, our incisive research provides leaders with the intelligence and perspective they need to achieve greater impact.

Networks: Our C-Suite and Specialist Networks bring together peers to share insights, develop skills and explore best practice.

Academies: Our executive education Academies develop and empower executives across industries and functions to create enhanced value in their role. Our programmes combine proven management methodology with hands-on, real-life experience.

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