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AXIOM'S 2023

Deputy General Counsel Survey Report:

Navigating Bigger Burdens with Smaller Budgets
while Climbing Higher Ladders

INTRODUCTION

The Role of the Deputy General Counsel

Three hundred and ninety-two – that's how many surveys were conducted last year on the role of the General Counsel (GC). If you're counting, you'll note that's at least one such survey every day. The fact that the role gets so much attention should not come as a surprise, nor is it a mistake.

In fact, in Axiom's just-released survey on the role of the GC, we found the position to be more taxing than ever before – owing, but not limited to, the fact that GCs are wrestling with the inherent tension between being good guardians of corporate values while being effective stewards of legal budgets during a downturn.

As chief risk mitigators, their role is certainly worthy of study in an environment of increasing and emerging new risks. In fact, we've seen an explosion of surveys on the legal department in full as a response to the recognition of its function's criticality to an organization's success. What's bewildering is not the focus on legal, or its chief executive, but the absence of attention on other essential leaders in the department.

And when we say absence, we mean total absence. To the best of our knowledge and research, there has not been any report on the responsibility or career progression of a role that is fundamental to the ongoing management of the legal function: the Deputy General Counsel (DGC).

While it varies based on the size of the enterprise, sector, and structure of the department, **the role of the DGC remains a universally important one.** At many enterprises, DGCs operate with considerable latitude in consulting, advising, and representing the company on a variety of highly complex legal, transactional, and regulatory matters, as well as projects related to corporate governance. In addition to providing **strategic advice to management and the board**, he or she will also help **set the course and strategy for the legal function in general**, while leading a team of legal professionals and overseeing a vast network of outside providers. In some companies, DGCs also liaise with the CFO and assume budgetary autonomy. And, in almost all environments, the DGC will be closer to the resourcing nuances of the legal department and its day-to-day operational challenges than the GC. For all these reasons, the DGC role merits more study, and because its current occupants represent the next generation of legal leadership, the path to GC is also worthy of focus.

This report intends to fill the vacuum on DGC studies and benchmarking. In so doing, it addresses the DGC perspective on legal department resourcing, budgetary constraints, anticipated cuts, and how best to leverage internal and external support networks. The Axiom survey was conducted by Wakefield Research among 200 DGCs at companies with \$5B+ in annual revenue across a wide range of industries.

Given the importance of the role, it also **examines the career satisfaction of those currently in-seat and provides more visibility into the skills and expertise required to ascend to the GC role.** Finally, it reveals the challenges and obstacles that prevent DGCs from climbing the last rung of the in-house legal ladder.

ECONOMIC PRESSURES:

- **98%** of DGCs have seen budget cuts as the result of economic uncertainty, including **56%** who say some or a great deal was cut.
- **94%** predict a potential hiring freeze is likely due to economic circumstances; **41%** report it's very likely or already happening.

RESOURCING ISSUES:

- **82%** of DGCs feel more in-touch with departmental resourcing needs than their GC.
- **99%** report increasing volume and complexity of legal matters.
- **92%** say the legal department is under-resourced relative to those legal matters – the department does NOT have the right aggregate resources to do its job effectively.
- **99%** say they have a shortage of specific expertise in their departments.
- **98%** report an increase in departmental attrition.
- All DGCs (**100%**) say it is very difficult to hire the right attorneys to meet their needs, with more than a third (**37%**) reporting it very or extremely difficult.

EXTERNAL NETWORKS:

- **80%** are interested in maintaining or increasing the involvement of external support, including **49%** who would ideally work with more external resources to address their workload.
- In terms of what type of resource would make for a mostly/completely effective solution to address legal department resourcing needs:
 - **65%** of DGCs say flexible talent providers
 - **49%** of DGCs say hiring additional permanent in-house lawyers
 - **47%** of DGCs say law firms
- **100%** of DGCs cite some level of advantage to working with flexible talent providers, most notably their practical advice (**48%**), their prioritization of their business (**48%**), and their easy administrative management (**42%**).

CAREER PROGRESSION:

- Over a quarter (**27%**) of all DGCs are not satisfied in their current position.
- All (**100%**) of DGCs surveyed report feeling stressed or burned out in their current role.
- **79%** are open to new positions outside their current employer/role, with **22%** actively searching.
- Of those who are dissatisfied and open to finding a new role, **41%** cite limited professional development opportunities.
- **94%** say their current employer does not offer them the opportunity to develop all the skills required to ascend to the GC role, which likely contributes to why **73%** say they will need to change employers to advance their careers.
- Of those looking to leave, most (**54%**) are interested in finding a DGC position in another in-house environment.
- Interestingly, about half (**51%**) of DGCs would also consider joining flexible talent providers, virtual law firms, or alternative legal service providers.

DIVING DEEPER

Struggling to Do More with Less

While high on the org chart, DGCs believe they are, nevertheless, quite familiar with the day-to-day challenges of the legal department. In fact, most (82%) report feeling more in-touch with departmental resourcing needs than their GC.

What are these front-line DGCs seeing and experiencing? A parallel crisis of budget cuts and increasingly complex workloads. Nearly all DGCs (98%) say their legal department budget has been cut as a result of economic conditions and ongoing volatility—including more than half (56%) who say the budget has been cut a great deal. But even as budgets shrink, workloads rise; virtually all DGCs (99%) report their department is seeing an increase in both the volume and complexity of legal matters.

These compounding issues create a perfect storm for DGCs struggling to maintain a staff capable of doing more with less. The vast majority of DGCs (92%) say their department does not have the necessary staffing resources in-house to do its job effectively. Indeed, nearly all DGCs (98%) have seen an increase in attrition in their legal department in the past year, with 41% describing this as a moderate to significant increase.

As headcount shrinks, 37% of the DGCs with an under-resourced department say they don't have the appropriate staffing bandwidth for their team to do the job effectively, and 30% report they don't have an effective team structure. Perhaps more alarming, it's not just that legal departments are generally understaffed, requiring team members to pick up more work. Instead, it's that many DGCs don't feel their team is capable of being successful with what they have available to them.

Nearly two in five DGCs (39%) say not having the right legal expertise on the team is preventing them from effectively getting their work done.

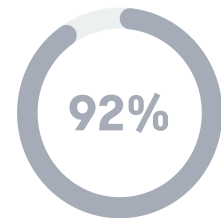
If budgets continue to shrink, and workloads continue to rise, more and more DGCs may find themselves in this bind, and they will need to rethink how they source legal expertise to avoid falling even further behind.



of DGCs say their budget has been cut because of economic volatility



report their department is seeing an increase in volume and complexity of legal matters



say their department does not have the necessary staffing resources



have seen an increase in attrition in their legal department in the past year



SPOTLIGHT

The Focus Areas of the Future

As DGCs struggle to find the right support, they most commonly report a deficit of in-house experience in new or emerging areas (36%), data privacy and cyber security (35%), commercial and contract law (35%), banking and finance (34%), labor and employment (32%), and intellectual property (32%). And these shortfalls aren't going away any time soon: DGCs anticipate some of their greatest deficits over the next one to two years will be commercial and contract law (36%), data privacy and cyber security (33%), and intellectual property (30%). Some anticipate shortages will develop in other areas as well, like regulatory and compliance (34%), litigation (31%), and real estate (30%), further emphasizing the growing complexity of the legal function's workload, as well as the widening dearth of expertise.

Current in-house expertise deficits

1. New or Emerging Areas
2. Data privacy and cyber security
3. Commercial and Contract Law
4. Banking and Finance
5. Labor and Employment
6. Intellectual Property

Future in-house expertise deficits

1. Commercial and Contract Law
2. Data privacy and cyber security
3. Intellectual Property
4. Regulatory and Compliance
5. Litigation
6. Real Estate

EXAMINING RESOURCES

Building Your External Network

For DGCs, it's not just about hiring their way out of trouble. Almost all DGCs (97%) say hiring additional full-time lawyers is not an ideal solution for addressing their department's resourcing challenges. First, you'll remember that 94% of DGCs anticipate a mandated hiring freeze this year, making hiring a nonstarter. But even if it were a budgetary option, **every DGC surveyed reported difficulty finding and hiring the right attorneys to meet their needs, with more than a third (37%) reporting it very or extremely difficult.**

What are some of the other issues with hiring permanent headcount? More than two in five DGCs (43%) report they need expertise in a variety of specialties/focus areas, something that hiring additional full-time staff wouldn't provide, at least not efficiently. In addition, nearly half (46%) say their team only needs part-time help, and nearly four in five (79%) harbor concerns about turnover and/or a shortage of talent.

For overextended DGCs, that means some form of "external" support becomes more critical. The question is, what *kind* of external support?

While law firms may have once been the go-to resource for legal departments needing extra help, fewer than half of DGCs (47%) say they are an effective solution for the problems they're currently facing. Why? Law firms lack commercial acumen and insight into the nitty-gritty work DGCs need to get done. Nearly two in five (42%) say law firms provide conceptual advice rather than the practical advice their departments need.

94%

of DGCs are anticipating a mandated hiring freeze this year

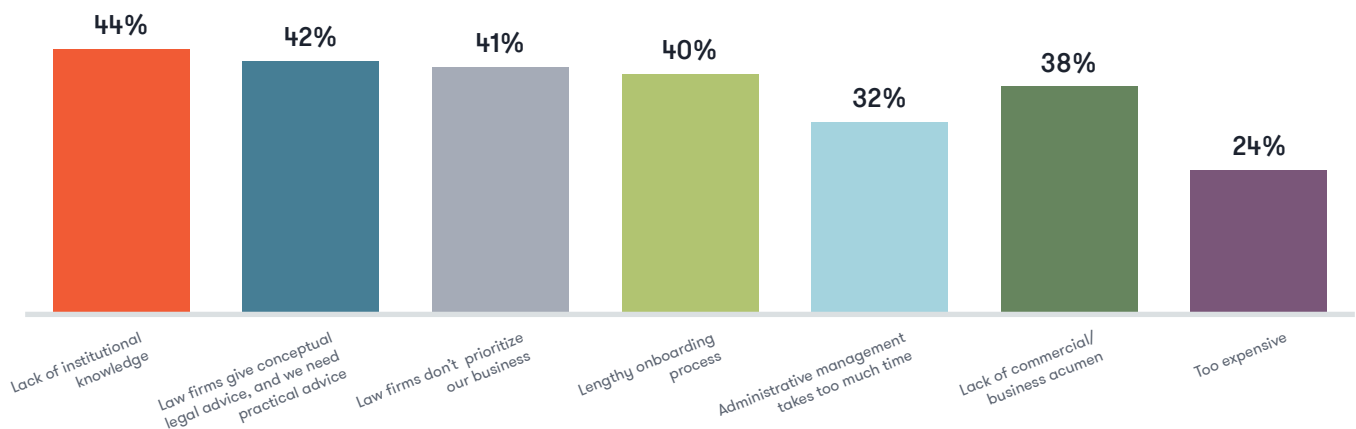
100%

of DGCs are having difficulty finding and hiring the right attorneys for their needs

79%

of DGCs are concerned about turnover and/or shortage of talent

WHY DON'T LAW FIRMS WORK FOR DGCs?



Furthermore, this conceptual advice is prohibitively costly. Nearly a quarter (24%) say law firms are too expensive to be an effective solution to their department's resourcing challenges. And that's a percentage that is likely to increase as law firms roll out historic rate hikes (between 7-8%) over the next year — something that seems particularly out of step with a recession and client cost-cutting mandates.

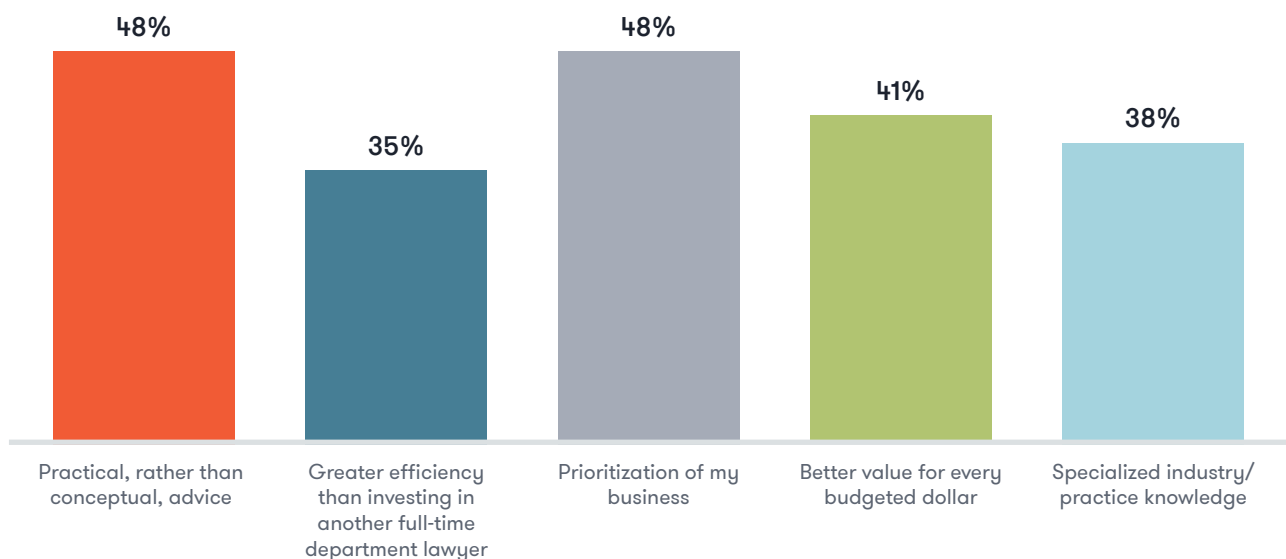
Conversely, nearly two-thirds of DGCs (65%) see flexible talent providers as a particularly effective solution to their department's resourcing challenges. **In an era of shrinking budgets and rising law firm rates, almost half of all DGCs (41%) say flexible talent providers offer better value for every budgeted dollar.**



Agile legal talent can be of special utility to DGCs with under-resourced departments as they look to cut admin time in favor of doing the real work of managing their legal caseload. Nearly half of DGCs with under-resourced departments (47%) say spending too much time managing external resources is preventing their team from getting the work done effectively, and another 39% say their team's effectiveness is hampered by administrative tasks. The time spent on these cumbersome tasks highlights just how appealing flexible talent providers can be. While 64% of DGCs say the lengthy onboarding process and/or time-consuming administrative management needs of law firms are core problems that prevent them from being an effective solution for their department's resourcing challenges, 63% recognize that flexible talent providers offer effective administrative management and/or quick onboarding to help make them an ideal solution.

But flexible talent providers are more than just a convenience: they are also real providers of the legal expertise so many DGCs struggle with and foresee being a burden in the future. More than a third of DGCs (38%) point to the specific industry/practice knowledge of flexible talent providers as a reason for their efficacy. Moreover, nearly half (48%) point to the practical, rather than conceptual, advice that flexible talent providers offer as a core element of what makes them a favorable solution.

WHAT ABOUT FLEXIBLE TALENT PROVIDERS WOULD MAKE THEM AN APPROPRIATE AND EFFECTIVE SOLUTION FOR YOUR RESOURCING CHALLENGES?



SPOTLIGHT

Legal Department Organization

There are three schools of thought in establishing default staffing benchmarks for legal departments:

- The fully staffed legal department to match occasions of peak work: these legal departments only utilize external resources for exceptional matters.
- The Goldilocks approach: these legal departments staff for the trough and rely on external resources to supplement work.
- The departments in between: these legal departments staff based on average periods of work and sometimes supplement with external resources.

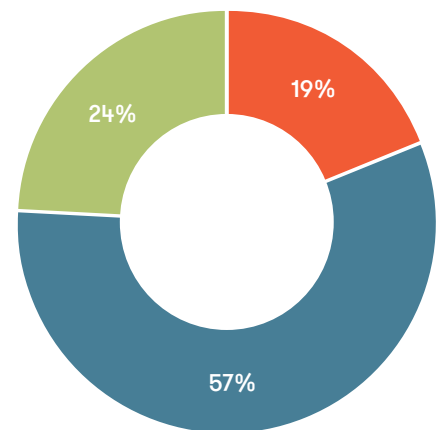
Nearly one in five DGCs (19%) say their department is staffed based on the trough, requiring outside resources as a core part of their model. Another 57% have departments staffed based on average periods and sometimes require external support. That leaves almost a quarter (24%) that staff for peak periods.

Our perspective is that the latter group is particularly inefficient and will face significant problems navigating a downturn. Without exception, these departments pay for many full-time permanent resources who are really only needed in a part-time capacity. And even when they experience the peak for which they are staffed, there are always unanticipated legal matters for which they will need to hire more lawyers or turn to outside expertise.

The right staffing benchmark – especially in a volatile economy – is a leaner core team of in-house counsel which is then supported by a bench of on-demand lawyers with needed expertise. This is a version of the Goldilocks model that we call the Core-Bench-Firm (CBF) approach. CBF enables legal teams to build a virtual bench of “always-on,” flexible talent that combines elite legal expertise with knowledge of in-house issues and trigger points, yet can be used on a completely ad hoc basis.

The CBF model improves risk mitigation by matching legal matters to the right legal talent on an as-needed basis when, for example, the workload balloons suddenly or there’s a time crunch. It extends in-house expertise and availability, thereby limiting what needs to be sent to a law firm and when. It decreases costs by minimizing law firm spend, and it reduces the burden on in-house counsel by providing practical, business-focused oversight to teams who are managing multiple law firms.

HOW DO DGCS STAFF THEIR TEAM?



- We staff based off slow periods, and routinely supplement with external resources
- We staff based on average periods, and sometimes supplement with external resources
- We staff based on peak periods, and rarely or never supplement with external resources

FROM DGC TO GC:

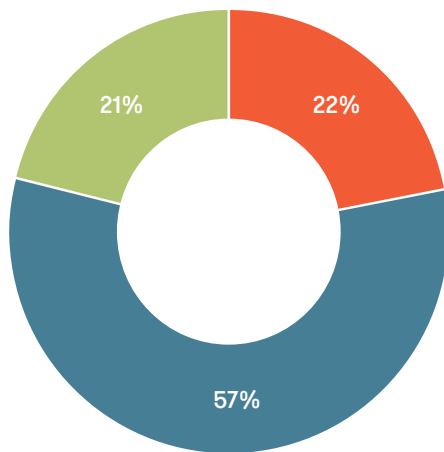
Climbing the Last Rung of the Legal Ladder

The DGC position is a hard role, and the current economic climate certainly isn't helping. All survey respondents (100%) report feeling stressed or burned out in their current role—including 51% who feel very or extremely stressed or burned out.

100%

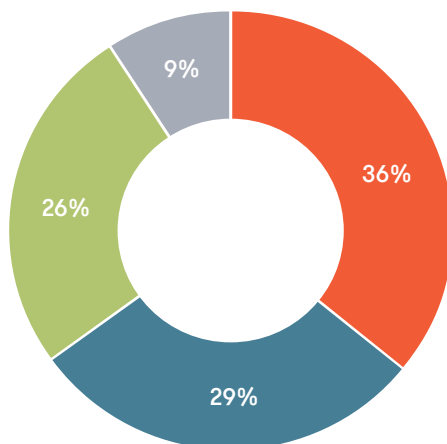
of DGCs report feeling stressed or burned out in their current role

That statistic is leading to turnover. Nearly a quarter (22%) of DGCs are actively searching for a new position—and even among those not actively searching, nearly two-thirds (65%) say they're likely to look within the next year.



WHICH BEST DESCRIBES YOUR CURRENT JOB SEARCH STATUS?

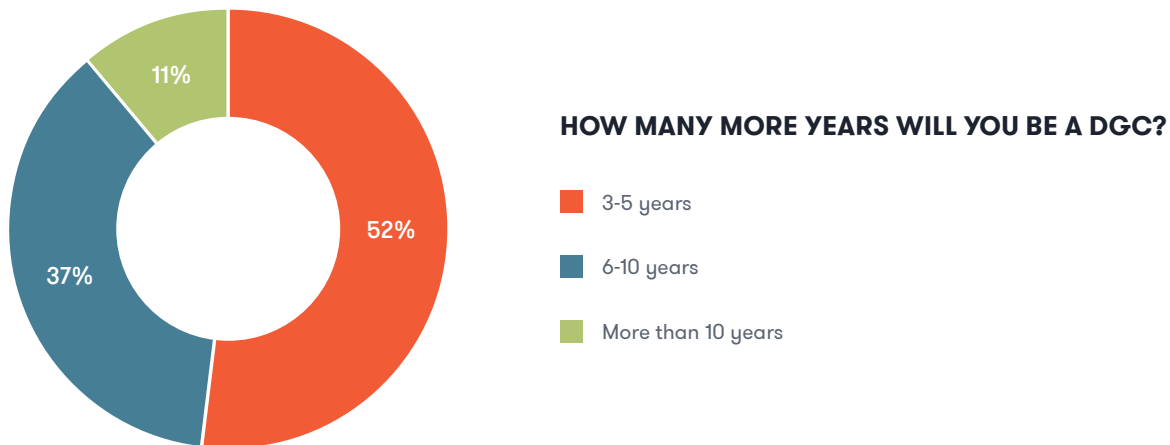
- I'm actively searching for a new position
- I'm open to a new position but not actively searching
- I'm not interested in a new position right now



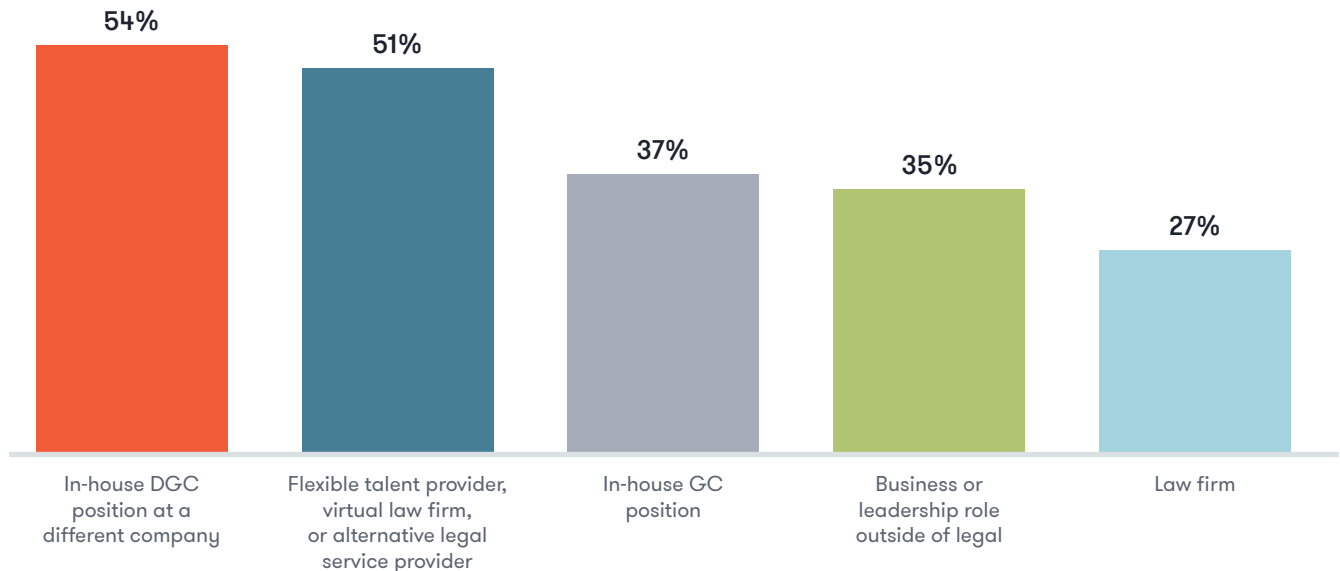
FOR THOSE NOT ACTIVELY SEARCHING, HOW LIKELY ARE YOU TO LOOK FOR A NEW POSITION WITHIN THE NEXT YEAR?

- Very likely
- Somewhat likely
- Not very likely
- Not at all likely

Where, or rather what, are they looking for in terms of a new position? Most want to continue what they are doing, just in another setting. Fifty-four percent of DGCs are seeking another DGC role in a different in-house department. In fact, most respondents envision being a DGC for an average of six more years. Others are looking to ascend the ladder in a more accelerated fashion and will be seeking a GC position sooner (37%).



IF YOU WERE LOOKING FOR A NEW POSITION, WHERE WOULD YOU LOOK?

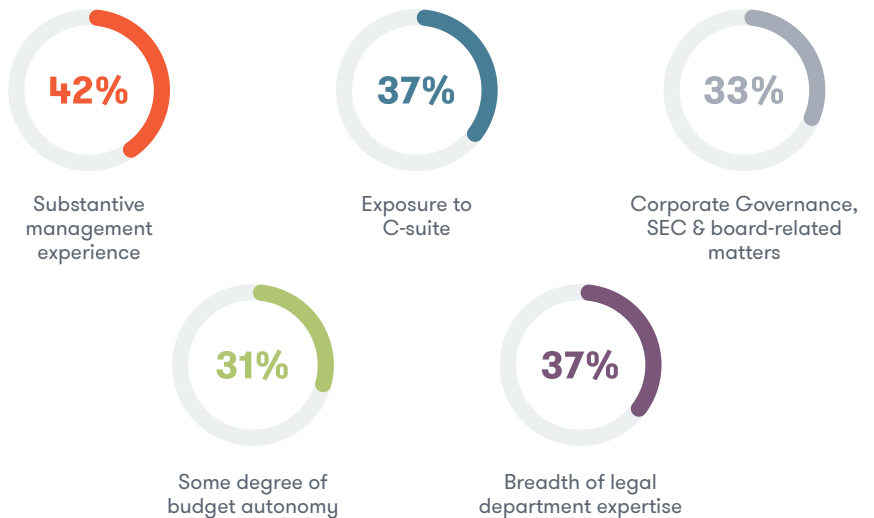


But make no mistake – even if they're content as a DGC for now, career advancement is a priority. Among the reasons many DGCs are dissatisfied with their current role is what they perceive to be its negative impact on their career progression. Nearly nine in ten (86%) say there are undesirable attributes about their current position. More than two-thirds of DGCs (67%) say limited professional development, advancement opportunities, or lack of a clear career path are the main cause of their dissatisfaction.

As a result, nearly three-quarters of DGCs (73%) feel they'll need to change employers to advance their careers. There are two major reasons why DGCs would need to leave their employer in order to advance. Either the desired GC seat is already occupied, or they do not believe they are gaining the necessary skills to have a GC-worthy resume. The latter is a clear concern to respondents.

DGCs' reasons for moving on reflect a simple disconnect between their current role and what it takes to move up. Overall, 96% cite issues with their current position that could negatively impact their career progression. For example, while nearly half (49%) believe they'll need exposure to the C-suite, including working with senior executives on finance matters and strategic initiatives to advance to a GC position, 71% of those who see the importance of this opportunity say their current position doesn't offer it. Another 42% say their current position doesn't provide substantive management experience (such as leadership or cross-functional management of non-lawyers)—something that 39% believe will be required to advance to a GC position.

WHICH OF THESE SKILLS (PREVIOUSLY SELECTED AS REQUIRED TO ADVANCE TO A GC POSITION) DOES YOUR CURRENT POSITION NOT OFFER?



73%
of DGCs feel they'll need to change employers to advance their career

Despite not having as many opportunities as they feel they'll need to progress, all DGCs (100%) have gained at least some professional development skills and opportunities in their current position that they're looking to utilize as they move forward. How did they gain these professional development skills? Most say it is because their department or organization ensures access to these for the highest performing lawyers (33%), or they proactively requested relevant professional development opportunities (29%).

**SPOTLIGHT**

What Some DGCs Want: A Modern Career Path

When DGCs find their job lacking, they aren't afraid to sound off. In addition to the career pathing problems cited, many DGCs point to quality-of-life attributes they feel are lacking in the current position: 40% cite limited or no remote work opportunities, more than a quarter cite poor company culture (27%), and 26% cite poor work/life balance (26%) as major reasons behind their diminished satisfaction.

Perhaps that's why so many DGCs (51%) would look to a flexible talent provider or virtual law firm as a next potential home. Such a role would not only provide them with more of the skill sets they seek for ultimate progression up the legal ladder, but it would also provide a way to address the work environment and work-life balance concerns many are currently experiencing.

51%

of DGCs would look to a flexible talent provider or virtual law firm as a next potential home

CONCLUSION

The DGC Strategy

Being a DGC is hard. The work is relentless and complex. The work-life balance is unideal. The internal resourcing to achieve best-in-class legal outcomes is insufficient. Hiring to gain additional support is hard, and now almost impossible given hiring freezes. Budgets are not only impacting the ability to hire but spend, cuts are also upending the use of law firms (given their hefty price tags, which are only getting heftier).

What's a DGC to do? One answer is to turn to flexible talent. It's an idea embraced by the current crop of DGCs, who represent the next generation of general counsel and, in many ways, the future of in-house law. Sixty-five percent of DGCs see these flexible talent providers as a completely effective solution to their departments' resourcing challenges. But it's about more than just using flexible talent for overflow work. DGCs know it's about recreating the legal department in a fashion that can better navigate economic volatility – and that means a leaner in-house team supported by an always-on bench of flexible talent: the CBF model.

This model allows enterprises to reduce law firm engagements to exceptional, high-stakes events. It also provides a buffer that enables legal teams to determine the optimal moment, during the course of a legal matter, to call on external firms for counsel, or to invest in a full-time hire. CBF doesn't just control costs; it provides the legal department with better value for every budgeted dollar.

DGCs know this approach isn't about undermining the value of internal teams or external counsel. CBF embraces the unique capabilities of outside counsel while enabling organizations to engage with them on a more strategic scale. When will DGCs be empowered to employ such a model? Many who have budget autonomy already are and have engaged flexible legal talent in advance of expected hiring freezes. Others can demonstrate fiscal leadership by presenting flexible lawyer piloting projects to their GCs, who are seeking ways to minimize cost while still mitigating risk. And the remaining portion is busy acquiring the skills they need to one day be empowered and in-seat to make the types of structural and resourcing decisions that will create lasting change.

Axiom is where legal teams go to find the right talent for everything from everyday in-house tasks to complex in-house and outside counsel work. Too many legal departments are stuck having to choose between paying the high fees of their law firm, hiring full-time employees they don't need, or turning to a low-cost agency that can't meet their quality standards. At the same time, top lawyers want to work on challenging legal matters, but they want more control over how, when, and where they practice. Both are forced compromises that no one should have to make. Axiom shares and meets the higher standards of its clients and lawyers, with our "work smarter, adapt faster, go further" approach – connecting growing mid-market and Fortune 500 companies with the world's deepest bench of experienced, highly qualified legal talent. With a net promoter score of 46, 99% of clients recommend us, and four out of five rate our lawyers as equal to or better than lawyers from a law firm. **Axiom. Higher standards welcome.**

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