



Using data to enhance your corporate legal department's diversity, equality, and inclusion (DEI) strategy

SPECIAL REPORT

Having a more diverse and inclusive workforce has long been seen as a powerful enabler of business, as well as a critical differentiator for companies and their employees.

Introduction

Today, General Counsel (GC) and their corporate legal departments have a more important, varied, and busy role than ever before. They must keep on top of fast-changing regulatory requirements, deal with rising numbers of legal intake requests, and control legal spend closely. They must go above and beyond purely providing legal advice by adding value to the business as proactive, core business advisors who consider not just the law, but what is strategically and commercially right. And they act as guardians of their organisation's legal identity and culture. Increasingly, that means taking a lead on implementing diversity, equality, and inclusion (DEI) programmes that reflect its values and priorities.

DEI programmes are crucial from both a human and business perspective. Stakeholders such as shareholders, employees, customers, and the media expect companies to show commitment to creating a fairer, more open, and accommodating operating environment. Businesses need to be able to demonstrate that they are delivering on DEI, both within their own organisations, and in the wider ecosystem of suppliers and partners with which they work. That includes measuring and monitoring the diversity of the external law firms they use to make sure they are meeting their targets.

That is a tall order, given that managing the rapid increase in legal matters often requires the support of a growing panel of niche legal service providers, and because corporate legal departments are typically working to tight budgets. However, some law departments are starting to tackle this issue via the use of legal technology.

They are recognising that solutions such as Thomson Reuters® Legal Tracker can not only help them to manage their legal spend more effectively, but also to track and measure the diversity of their outside counsel and use that data as a factor in external law firm selection. In this way, it delivers more bang for legal departments' buck, giving GCs and their teams oversight of expenditure and visibility on DEI performance and progress in one.

At a time when DEI is increasingly seen as a must-have rather than a nice-to-have, this matters. Companies simply cannot afford to fall behind in this respect or their reputation will suffer. In this white paper, we examine what's driving DEI, what challenges legal departments are facing, and how robust technology solutions can help to satisfy growing audit requirements around legal supplier diversity, while simultaneously improving expenditure management and reporting capabilities.

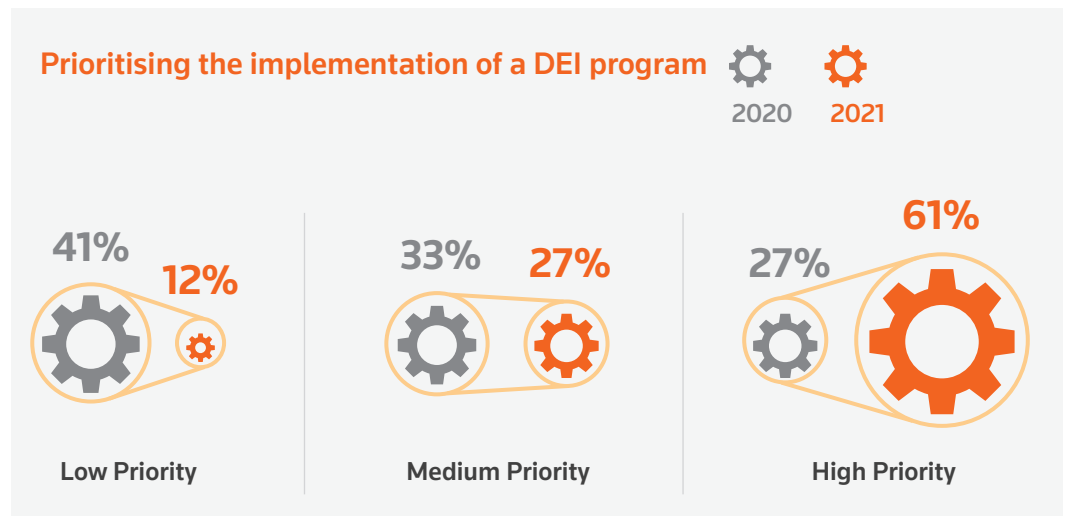


Increasing importance of DEI

Adopting a DEI strategy is no longer the work of just a few progressive law departments. In recent years, companies and their legal teams have come under increased pressure to take tangible actions that increase workplace DEI, and to be accountable for their performance.

So much so that implementing a DEI programme has skyrocketed to the top of the legal department agenda in the past couple of years. In 2021, the Corporate Legal Operations Consortium's (CLOC) [State of the Industry](#) survey of organisations around the world found that implementing a DEI programme was a top-ranked priority, with 61% of legal departments identifying it as a high priority. This is in stark contrast to the [previous year's](#) results, in which only 27% of respondents deemed it a high priority, where it placed fifth (of seven) issues.

Demonstrating the strength of this commitment to improving DEI across the legal profession, in the UK more than 125 major corporates have now signed up to the [General Counsel for Diversity & Inclusion](#) initiative, which promotes DEI both within companies' own in-house practices and in relation to the law firms they work with.



Source: CLOC State of the Industry Survey 2021

Many GCs are realising that the best way to staff their legal matters is through actively requiring their law firms to field diverse teams. And they recognise that the selection of external law firms can make a huge contribution to the creation of their own best-in-class DEI programmes, particularly as matter- and spend-management technology like Legal Tracker makes it easy to measure and track the diversity of external partners. For many legal departments who see the advancement of DEI initiatives as a priority, the ability to back up those initiatives with hard data is crucial.

In 2022, two-thirds (65%) of respondents in the [Thomson Reuters Legal Department Operations Index](#) survey said it was a priority for them to use diversity data as a factor in outside law firm selection, and around half currently do so.

All this data represents a clear shift in the way that corporate law departments are thinking about DEI initiatives, both within their organisations, and in their dealings with outside counsel.



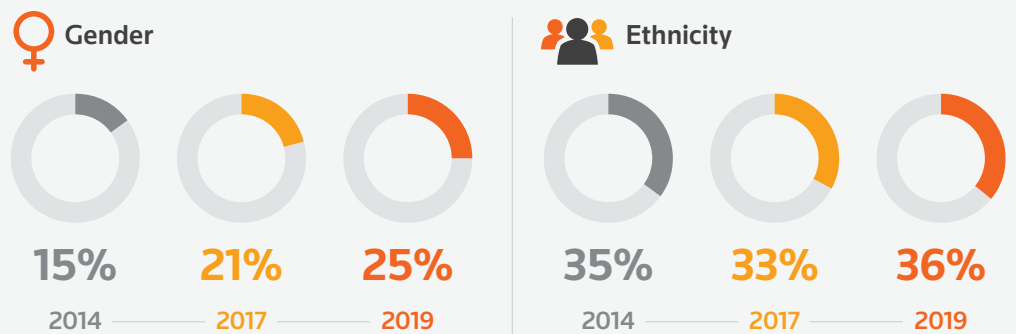
Making the case for DEI

By all measures, having a more diverse legal department and wider organisation is a benefit. A more broad-based and inclusive workforce has long been seen as a powerful enabler of business success, as well as being a critical differentiator for companies and their employees.

Among the advantages are increased profitability and innovation, stronger governance, and improved problem-solving abilities. Having a diverse workforce, both internally and among your external law firms, brings a wider range of perspectives, ideas, and experiences, which enables organisations to be more resilient, more effective, and better equipped to outperform those who do not invest in diversity. It also aids recruitment and retention of top talent.

Findings from [McKinsey](#) demonstrate that not only has the business case for increased diversity remained robust over recent years, but also that the relationship between diversity and the likelihood of financial outperformance has strengthened over time. Their latest research found that companies in the top quartile for gender diversity on executive teams were 25% more likely to have above-average profitability than companies in the fourth quartile – up from 21% in 2017. In the case of ethnic and cultural diversity, McKinsey's findings are equally compelling: top-quartile companies were more likely to outperform those in the fourth quartile by 36% in profitability terms, slightly up from 33% in 2017.

Difference in likelihood of outperformance of 1st vs 4th quartile



Source: McKinsey, *Diversity wins: How inclusion matters 2021*

“For better outcomes in diversity and inclusion in the legal sector we would benefit from fewer black history month breakfasts and more hiring and promotion of black lawyers.”

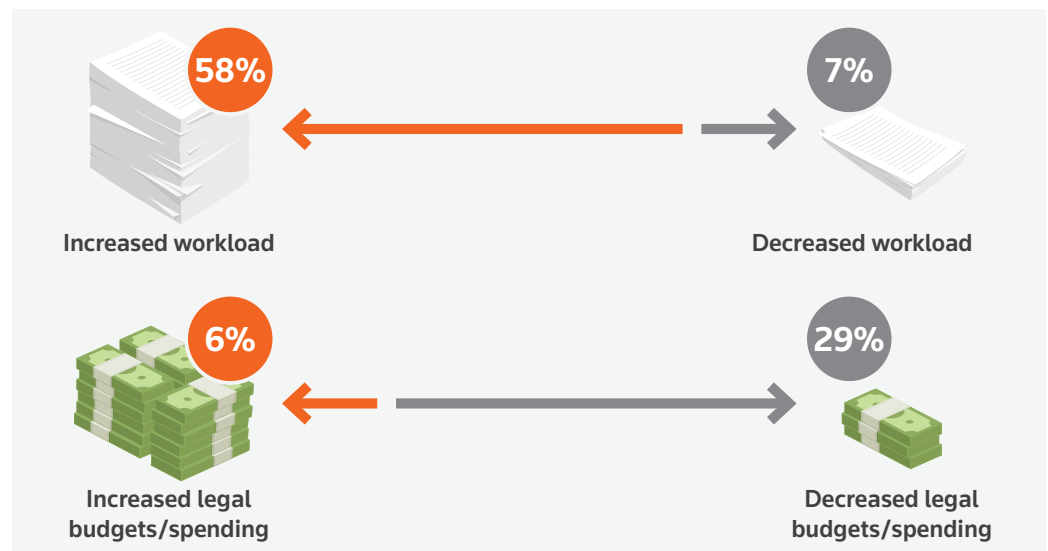
Daniel Winterfeldt,
General Counsel for
EMEA and Asia at
Jefferies International
Ltd., and founder of
the [InterLaw Diversity
Forum](#).

While this research shows a strong correlation between diversity and financial performance, being more diverse doesn't automatically translate into bigger profits, and this should not be the end goal. DEI is ultimately about bringing about positive change and should not require an economic rationale. Investing in people is important in and of itself.

Recruiting and retaining more people from underrepresented groups while also tapping into their identity-related knowledge and experiences, sends the message that your organisation (and your legal advisers) value varied points of view that should ultimately help teams perform better. And it signals strongly that your company is committed to positive change — something stakeholders want to see as the drive to demonstrate excellent ESG (environmental, social, and governance) credentials accelerates. It's no surprise then that the Thomson Reuters [2022 State of Corporate Law Departments](#) report found that 54% of law department respondents globally see DEI as an important component of an external law firm's ESG proposition.

Delivering visibility via data

Legal departments not only face escalating and evolving workloads and growing business demands but, as a cost centre within the business, they are also particularly challenged when it comes to budget and spend. Recent research from Thomson Reuters backs this up, highlighting that around 60% of corporate law departments globally saw a rise in the number of matters they had to manage last year. This is the sixth consecutive year that increasing volume of legal work has been cited as a top industry trend — however, department budgets are not rising at the same rate.



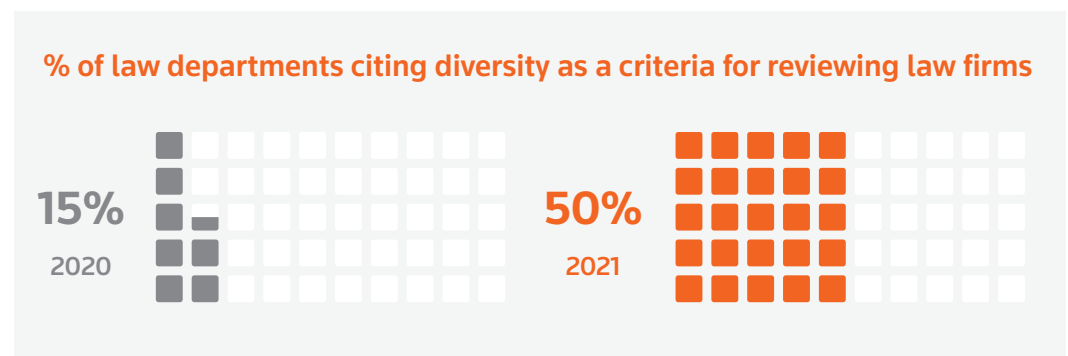
Source: Thomson Reuters *State of Corporate Law Departments Report 2022*

Legal departments are increasingly listing diversity as a criteria in their formal reviews of their external law firms.

Against this backdrop, companies that are working with a multitude of different external law firms on a range of legal matters can struggle to keep up with all the work that is currently underway for them and what it is costing, much less spend time and resources gathering diversity data as well. Especially so when that data must be extracted from disconnected data sources and formulated into something that is accurate, consistent, and measurable. All of that is time-consuming and difficult when time is scarce, and attention would be better directed elsewhere.

The reality is that despite great steps forward in recent years towards creating new standards when using external legal advisers for corporate law matters, many legal departments still have inadequate and extremely limited visibility into external law firm diversity. Without it, how do you know if the external law firms you are using are meeting the standards you set out or evaluate if their performance is improving? And if you don't know that, then how can you do your own DEI reporting easily and effectively to demonstrate your own performance and progress?

Legal departments are increasingly listing diversity as a criteria in their formal reviews of their external law firms. According to the CLOC study, in 2021, half of respondents listed diversity as criteria for review, a significant increase on the previous year's figures, in which only 15% of respondents considered diversity when conducting formal reviews of their law firms. But to do so they need insight — and that relies on data.



Source: CLOC State of the Industry Survey 2021



Embedding accountability with technology: How Legal Tracker can help

It is crucial that external counsel staffing data and metrics are usable, meaningful, and easily accessible in real time, if they are to provide intelligence on which future decisions around issues like law firm selection can reasonably be based.

A system like Legal Tracker can embed DEI into your internal day-to-day operating processes such as spend and matter management to deliver that insight.

For example, some legal departments add language to their billing guidelines that expresses their company's commitment to DEI and their expectation that the law firms they engage also share that commitment. This requirement can be detailed in RFPs and those expectations can be confirmed and enforced by capturing the data in Legal Tracker.

Your spend and matter management system should allow legal department users to request law firms to provide comprehensive diversity and inclusion information when submitting their timekeeper rates. Legal departments can track the gender, ethnicity, disability, and LGBTQ+ status of their outside counsel, enabling them to ensure that their DEI efforts advance the needs of the business, its staff, and its customers.

Legal Tracker also enables users to report on diversity data, providing their organisation with comprehensive, data-based insights into the extent to which the legal department is leading the organisation's commitment to DEI. Having such insights on hand empowers your legal department to maximise opportunities to work with diverse law firms, while meeting your organisational DEI goals.

Moreover, making supplier diversity and inclusion a part of spend management processes by using solutions like Legal Tracker leads to improved collaboration and innovation between your team and your outside counsel. It makes it easier for internal and external lawyers to do their jobs well, working together more effectively and efficiently, which ultimately contributes to improving the bottom line.

Conclusion

As an integral part of their organisations, modern legal departments have had to evolve dynamically in recent years in response to market and economic upheaval, demonstrating strong leadership skills, a deep understanding of strategic challenges, and increasingly becoming involved in – and indeed driving – corporate culture and values. In the process, diversity, equality, and inclusion have become an increasingly high priority for GCs and their teams. Many legal departments have made great strides in addressing the diversity of their internal staff, as well as in the selection of their external counsel, and this is a powerful way to move the dial on DEI in the legal sector.

In this day and age, DEI is not optional: it is an imperative, and legal teams cannot afford to be left behind.

Tapping into a broader pool of talent can contribute enormously to the success of any legal department and the organisation as a whole. However, such schemes run the risk of appearing hollow and nebulous without any real data or metrics to help monitor progress and show if milestones have been reached. The adage that what gets measured gets done is very relevant to DEI strategy.

Data provides an objective lens through which GCs and their teams can view and address DEI issues and make transparent and reasoned decisions to identify and address challenge areas. Having the tools to track DEI is crucial, giving you the visibility to audit the performance of your external law firms with ease, so you can identify any weak areas, prioritise activity, update targets and goals, assign accountability, and evaluate the impact of your initiatives.

An spend and matter management system such as Legal Tracker is perfectly placed to record and analyse your legal suppliers' staffing data and ensure that the law firms you work with reflect your organisation's commitment to DEI. Its ability to capture and report on diversity data empowers your legal department to ensure that decisions are well-informed and evidence-based. Not only does this help to keep your DEI initiatives on track, but also enhances the credibility of your legal department.

In this day and age, DEI is not optional: it is an imperative, and legal teams cannot afford to be left behind. To find out more about how Legal Tracker from Thomson Reuters can help your legal department raise its game on DEI, while keeping a tight rein on legal spend.

To learn more about Thomson Reuters Legal Tracker, please visit
legalsolutions.thomsonreuters.co.uk/en/products-services/legal-tracker.html