

2019



VaHURa INSIGHTS

Issue #4 : July, 2019

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Top 15 High-Impact Moves

The table captures the Top 15 high-impact In-house legal professional moves (in Alphabetical order) between November 2018 - April 2019.

Name	From	Designation	To	Designation
Amit Saxena	GMR Group	Head - Legal, Group Corporate Services & Chief Compliance Officer	HCL Infosystems	General Counsel (India, Singapore & Dubai)
Aravind Balajee	Tata Sons	Senior Legal Counsel	Adani Finserv	Vice President - Legal (Financial Services & Group M&A)
Ashish Chandra	Netflix	Director-Legal	WhatsApp	Associate General Counsel
Ashish Tiwari	Honeywell	Associate General Counsel	Schaeffler India Limited	General Counsel & Vice President - Legal
Baminee Viswanat	Lenovo India	Director Legal & Company Secretary	TVS Supply Chain Solutions	Group General Counsel
Bijoya Roy	Thomson Reuters	General Counsel - Global Growth Organization	Flipkart	Vice President & Group General Counsel
Lubinisha Saha	GE Renewables	General Counsel (South Asia)	Airbus	General Counsel (India & South Asia)
Nitin Banerjee	Cairn India	General Counsel	Vedanta	Group General Counsel
Ravi Bhadani	Novartis Healthcare	Head-Legal & Compliance	JPMorgan Chase & Co.	Head Legal (India Corporate Center)
Rohit Kishore Chopra	Saregama	Senior Vice President & Head - Legal	Reliance Entertainment	General Counsel
Sandiip Chaudary	UPL	Global Legal Director, Senior Counsel	Nuvoco Vistas Corp. Ltd.	Senior Vice President & General Counsel
Sujeet Jain	Viacom18	Group General Counsel & Company Secretary	UltraTech Cement	Chief Legal Officer
Uttara Deka	Invesco Asset Management	Director & Head Legal	Western Union	Director Legal & Associate Counsel
Vanjari Meera	Glenmark Pharmaceuticals	Senior Vice President - General Counsel	Abbott Healthcare	Director Legal
Vineet Vij	HCL	Vice President & Head - Legal, Commercial, Regulatory & Compliance	Tech Mahindra	Group General Counsel

Analysis of Lateral In-House Talent Moves (November 2018 - April 2019)

The data for this section has been collected by tracking mandate closures by Vahura, as well as by using secondary sources such as information shared on social media platforms, news and relevant media publications. We have considered lateral moves between November 2018 - April 2019. The analysis takes into consideration, years of professional experience, location, and industry domains. After collating and analysing the information, we present a few of our key observations

Which location hired the most? (Top 3)	November 2018 - April 2019
MUMBAI	35.6%
DELHI	29.6%
BANGALORE	17.7%

Which PQE ranges were most in demand?	November 2018 - April 2019
Less than 4 years	27.8%
4 - 9 years	41.5%
10 - 15 years	18.8%
16+ years	11.9%

What is the % break up of hiring based on gender?	November 2018 - April 2019
Female	43%
Male	57%

Movement between In-house and Law Firm	November 2018 - April 2019
In-house to In-house	80%
In-house to Law Firms	4%
Law Firms to In-house	16%

Analysis of Lateral In-House Talent Moves (FY 2018 - 2019)

The data for this section has been collected by tracking mandate closures by Vahura, as well as by using secondary sources such as information shared on social media platforms, news and relevant media publications. We have considered lateral moves between April 2018 - April 2019. The analysis takes into consideration, years of professional experience, location, and industry domains. After collating and analysing the information, we present a few of our key observations

Which location hired the most? (Top 3)



MUMBAI (36.3%)



DELHI (32.4%)



BENGALURU (17.2%)

Which PQE ranges were most in demand?



<4years
(27.4%)



4-9 years
(41.5%)



10-15 years
(18.4%)



16+ years
(12.7%)

What is the % break up of hiring based on gender?

57%



43%

Movement between In-house and Law Firm



In-House to
In-House



In-House to
Law Firms



Law Firms to
In-House

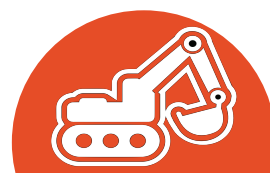
Top 3 Sectors:



Banking, Financial Services
& Insurance
(22.6%)



Technology and
IT/ITES
(18.5%)



Heavy Engineering/
Manufacturing
(6.9%)

BFSI as a sector, saw the maximum number of movements, with IT/ITES and Heavy Engineering & Manufacturing at 2nd and 3rd positions, respectively. There has been a 6% increase in the BFSI sector hiring, as compared to the first half of the year, making it 22.6% for FY 2018-2019. This is a significant increase, as BFSI hiring constituted only 8% of total hiring for the previous year i.e. FY 2017-2018. Last year's number 3# sector, Pharmaceutical and Healthcare, saw a big drop in recruitment to 4.1% (as compared to the previous years 12.69%), leaving it in 8th place.

Cross Sector Movements:

In the BFSI sector a striking 58% of the moves happened in the financial services space, followed by the insurance industry with 20%. In the IT/ITES sector, maximum moves happened in the Information Technology and Services space at 67%, followed by Internet companies at 25%. Technology/ITES and Heavy Engineering & Manufacturing have consistently been in the top 3 sectors for the last two years.

Law Firm to Inhouse Moves:

Of the total moves tracked, 19% were law firm to Inhouse moves. This was a reduction from FY 2016-2017, where 24% of lateral in-house talent, came from law firms. Vahura's law firm recruiting division, has reported robust hiring in FY 2017-2018, across levels. The increased demand for law firm talent, could be one hypothesis for this change. Doing further analysis for last FY, we found that 17% of law firm talent, went to the BFSI sector, followed by IT/ITES at 14%. Also, it was interesting to note that of the total law firm to Inhouse moves tracked, 49% were women professionals.

Preparing and Tracking Legal Budgets: Findings of Vahura Legal Budget Survey 2019

Introduction

This edition of Vahura Insights will focus on how Corporate Legal Departments approach their budgeting process. With General Counsel ("GC") roles now regularly reporting to the CEO (rather than to the CFO), the legal budget is an important management exercise for the GC to engage with fully. Legal costs feature as an important item in the balance sheet. In the five-year period between 2013-14 and 2017-18, India Inc.'s legal and compliance costs have increased 56.73% from INR 14,486 crore to INR 22,705 crores. This has led GCs to focus sharply on validating their budgetary requirements and getting the best possible value from those budgets.

According to the GC of a Heavy Engineering Company, "GCs should adopt a strategic approach towards their budgeting process that complements the strategy of the organisation, supported by the right technology and metrics"

The Vahura Legal Budget Survey 2019 (In-House Edition) seeks to shine light on legal budgeting decisions and the fundamental ways in which legal departments approach this process. This is strictly an awareness study with the purpose of sharing best practices and standards followed in this regard.

Methodology

To supplement this study, we conducted an online survey of in-house counsels from Indian and International companies in India. We have also interviewed select GCs, across India and internationally to get an in-depth understanding of the processes involved in each organization. Over 50 responses were received and analysed in total. We also studied existing best practices on preparing budgets for in-house legal teams.

We would like to thank each of the GCs who took the time to share their time and knowledge with the wider community.

Highlights of the Survey:

A. Commencement : 20% of the GCs start their budget process in the Month of January, whereas 17% of the GCs start their budget process only in April.

B. Budget period: 77% of the GCs prepare their budget for a 1 year duration while 16% of the GCs prepare budgets every quarter.

C. Primary Components: 84.38% GCs reported that Outside Counsel expenditure is the primary component of the Legal budget followed by Team Cost.

D. Big players, rising legal budgets: Organisations with a market cap of INR 5000 Cr and above reflected an average increase of 33% of the overall legal budget.

E. Year on Year Changes: 75.76% of the GCs increased their total budget from 2017 to 2018, compared to 24.24% that either decreased or retained their overall budget.

F External Legal Spend: When allocating budgets for external counsel, an average of 53.1% is allocated to domestic law firms when compared to 18.26% and 15.2% for international law firms and senior counsel.

Current state of in-house legal teams:

Despite a lot of GCs sitting on the board of their organisations, we understand from our research, that they are not always directly involved in strategic legal budgeting discussions.

Year after year, as the budget season approaches, GCs turn their attention from the law to the ledger. As GCs today navigate changing market conditions propounding business opportunities as well as challenges, the work of in-house legal teams is becoming more complex in addition to having to deal with increased volumes. The demand and pressure on in-house legal functions are increasing owing to the need to address these higher volumes of work with fewer resources. The increasing need to reduce costs and demonstrate value, is driving GCs to grow their in-house capacity in recent times.

Budget Components:

One of the greatest challenges GCs encounter today is to achieve the best balance of internal and external resources, (be it people or technology), thereby deriving the best value from legal costs incurred. This is reflected in the various components that a GC considers while preparing the legal budget. According to Vahura's Legal Budget Survey 2019, 84% of the GCs have External Spend as a component of the legal budget, whereas **only 65% of the GCs have internal legal team cost as part of the overall legal budget.**

What are the main components of the legal budget?



According to a pre-eminent Head Legal of a reputed energy MNC, “Increasing the internal legal team size is one of the strategies employed to bring down the overall legal costs.” In our perspective, moving away from the two-provider set-up has become an important shift for GCs. There are many alternatives beyond today's in-sourcing and law firms. Two broad categories of alternative sourcing, one depends largely on technology and the other on human talent. Technology based solutions involve helping people improve their efficiency through machines and in some circumstances replacing people with machines. Some routine work, such as document review and repetitive drafting, can already be performed faster and at a reduced price by systems. However, according to our study, only **37.5% of the GCs have technology as a component of the legal budget**, which suggests that technology is still not a critical strategy element for the Indian GCs.

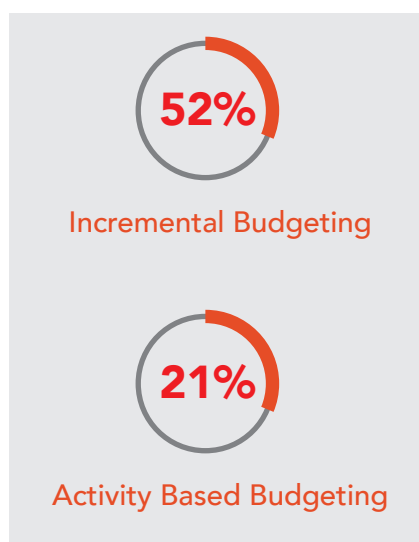
In addition to technology solutions, various **innovative talent models** have also surfaced in the legal space, such as **secondments, outsourcing, off-shoring, sub-contracting, near-shoring and using paralegals**. These innovative talent models, work well for routine and mid-complexity work, which are undertaken by professionals at a lower cost or help bring in best-in-class talent for the specific project, without having to incur headcount obligations. However, **only 9% of GCs, have innovative talent models as a component of their legal budget**.

Decision-Making Process:

Establishing and implementing a successful budget process requires a combination of planning, cooperation, coordination and commitment. 2/3rd of the GCs who attempted the survey begin their legal budget planning with formal budget planning sessions that are usually attended by the finance and business division representatives. However, only **1/3rd of the GCs appear to have a formal budget committee in place** for the legal budget process.

Planning Methodology:

When asked what type of methodology do you follow for legal budgeting, **52% of the GCs reported following the Incremental Budgeting methodology**. In this approach, the legal budget is prepared by taking the current budget as a benchmark, with incremental amounts added for the new budget period. The next 42% was split equally between the **Activity Based Budgeting and Base/Flexible Budgeting**. In Activity Based Budgeting, activities that incur costs to the legal department are recorded, analysed and researched, based on which the new budget is prepared. Base/Flexible Budgeting is where a series of budgets are prepared for various levels of activities, revenues, expenses and varies according to the legal department's needs and does not remain static.





Base/ Flexible Budgeting



Zero Based Budgeting

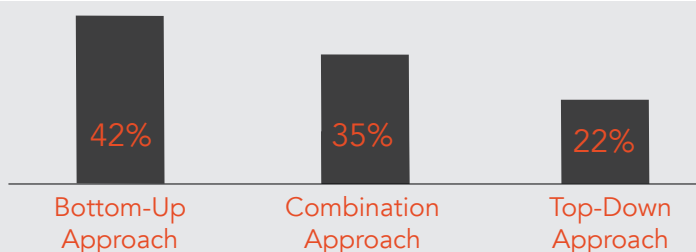
Although many law departments tend to think of budgets as primarily tactical tools, budgets have significant strategic importance for the department – as long as they are the outcome of careful planning and adequate implementation.

As a result, Zero Based Budgeting ("ZBB") has been highly recommended by a group of GCs interviewed for this study, as strategy drives the budgeting process, as opposed to historical data. According to our survey, only 6% of GCs adopt the ZBB methodology. ZBB challenges the concept of looking at actual expenditures in the previous period, then add/subtract a percentage based on the forecast. ZBB requires that the GCs start with a clean slate and justify the planned expenses. This, according to GCs, leads to expenses that align with the strategy of the organisation and legal department. It allows them to develop a cost-saving culture.

Harvard Business Review (HBR)'s take on ZBB

Zero-based budgeting (ZBB) is elegantly logical: Expenses must be justified for each new budget period based on demonstrable needs and costs, as opposed to the more common method of using last year's budget as your starting point, then adjusting up or down. ZBB is a straightforward, intuitively simple way to aggressively strip out costs that cannot be rationally justified. Who would argue that a business should not eliminate unjustifiable costs?

Top-down vs Bottom-Up Budgeting Approach



When asked how the legal budget is prepared in their organisation, **23% of the GCs reported that they followed a Top-Down approach, 42% preferred a Bottom-Up approach, and the remaining 35% followed a Combination approach.** An interesting observation is that 58% of the GCs that follow a Top-Down approach adopt the incremental budgeting methodology.

In organisations that follow a Combination approach, the Legal budget is considered key by senior management. Targets are determined within the legal team first and then submitted to senior management and a good flow of information is available for legal budgeting.

What is Top-Down Budgeting?

77% Of the GCs who follow a Bottom-Up approach have a strategic session before they begin the budget process, as compared to 28% of the GCs who follow a Top-Down approach. One hypothesis is that when you have a Top-Down approach, the strategy is not driven by the GC.

In legal budgeting, a Top-Down approach involves the senior management team developing a high-level budget for the entire organization. Once these budgets are created, amounts are allocated to the GC who then takes those numbers and builds their own corresponding budgets within the confines of the executive-level-created budget.

According to the GC of a global clothing company, the advantage of Top-Down budgeting is that the GC can *"focus on other critical issues, and the executive team that has a better perspective of the organizational strategy takes the pressure to set the budget that can sometimes be time-consuming. This helps in significant time-savings for GCs who are more engaged in the day-to-day rather than the overall strategy for the organization."*

However, the disadvantage of this approach is that members engaged in the development of the legal budget will not be aware of the actual requirements of the legal department. This makes it difficult for the GC to have clarity on the organization strategy and further create a case for the resources needed to add value.

In organisations that follow a Top-Down approach, the flow of information is not always available for legal budgeting and targets are minimally determined within the legal team before it is submitted to senior management.

What is Bottom-Up Budgeting?

In-house teams that follow the Bottom-Up approach saw an average increase of 22.87% in their overall legal budget when compared to 10% and 16.66% increases shown by teams that follow Top-Down approach and Combination approach respectively.

With a Bottom-Up approach, the process begins in the legal department where the GC generates a legal budget and then transmits it to the Senior Management for approval. This legal budget is then used by the Finance department to create a master budget for the organisation.

The advantage of the Bottom-up approach is that the GC who is most acquainted with the functioning of the legal department, is the one who creates the legal budget. This approach has seen to increase the GC's ownership of the budget. It also increases the understanding, communication and commitment of the GCs with the overall process as they are directly engaged in the budget process.

One of the primary disadvantages of this system, however, is that the bottom-up approach is typically seen as creating higher legal budgets compared to the top-down approach, and thus the GC is expected to go through the reconciliation process before the organisation-wide budget is prepared, making it a time-consuming process.

In organisations that followed a Bottom-Up approach, targets are determined within the legal team first and then submitted to senior management. Goals of the legal department are the product of a structured process and are aligned with the strategic plans of the organisation. Coordination among departments is easily achieved, and a good flow of information is available for legal budgeting.

Also, sometimes the GC creates bottom-up budgeting without keeping the organization's strategy or objectives in mind.

One way for the GC to increase the level of accuracy between the proposed budget and the actual budget is by bringing in a legal operation expert whose primary role is to help the GC create the legal budget for the legal department, which is an accurate and true reflection of the department's needs. A good example is how HPE uses an enterprise legal analytics solution – to serve as a single system to connect and provide reporting on a number of data points, including employee time, project and billing data, contract management, intellectual property and compliance. This allowed HPE to easily access actionable and accurate data that was also presented intuitively to stakeholders. This data from the system then helps the GC create an accurate forecast of the legal expenditure. In 2013 HPE created a Legal Operations Team, whose purpose was to increase the overall efficiency of the legal team. One way the operations team helps in the budgeting process is by assisting the regional legal heads in tracking the time spent by the internal staff and understanding whether they are working predominantly on client-facing or corporate assignments on a per-employee basis.

Purpose of the Legal Budget:

When asked what the intended purpose of the legal budget exercise was in their organisation, 62.5 % of the GCs reported that the purpose of the legal budget is to improve **forecasting and predictability** of legal spend. However,, only 6.25% of the GCs surveyed track legal costs to address variance with the legal budget. The primary reason for this could be the fact that **40% of the GCs depend on the finance team to monitor the legal expenditure**, that is then communicated back to the GCs.

According to a leading GC interviewed for this study, *"In order to improve predictability, it is essential for the legal team to have the right systems and processes to monitor legal expenditure and for the legal team to be in full control of the tracking activity."*

12 Rules for Preparing Legal Budgets

We would like to conclude by sharing some actionable points, gleaned from GCs who participated in the study and our own research.

1. The process requires a forward looking exercise. Identify areas within the business that need legal intervention or advice in the coming year. Categorise the nature of such intervention - contracts, compliance, litigation, M&A, etc.

2. Be data driven, digitise and automate where possible. Ensure that the legal department is more scientific than a traditional relationship model.

3. Review old subscriptions to determine if they are still useful today. Assess external lawyers every two years for empanelment or exit. Set SLAs for legal team members to discuss any external lawyer's quotation.

4. Budgeting process needs a more pragmatic approach and a commitment to close unwarranted litigation in the system, thereby easing out cost and adding value to respective businesses. Adopt a reverse auction of law firms for transactions, thereby reducing the cost.

5. In cases where there is money recovery, link allocated budget to such recovery in terms of percentage to keep a tight leash on budget spend. Further, savings in budgetary spend may be shared as an incentive subject to recovery made. This brings financial discipline in the legal team.

6. Include a separate line item to address technology related aspects of the legal operation.

7. Ideate with HR and finance teams, and functions from which there is a large flow of legal work. For smaller in-house teams, it helps to have some flexibility on budgeting since secondments can be a regular feature.

8. The legal budget, and internal resourcing should be aligned with the organisations revenue goals.

9. Legal complexity increases exponentially with rise in revenue. Identify your complexity hotspots (for eg., regulatory, anti-trust, strategic litigation, M&A) and create a buffer for those items.

10. Assess performance of the legal function and budget spend on a quarterly basis. Sync with the other processes of the organisation.

11. Identify the flexible and fixed parts of your budget. Be disciplined on the fixed. Identify the potential numerical value (business impact) for the flexible. Eg., M&A - identify deal value, and take % of deal value for legal expenses.

12. Use budgeting and budget monitoring to bring a greater level of predictability to your role.

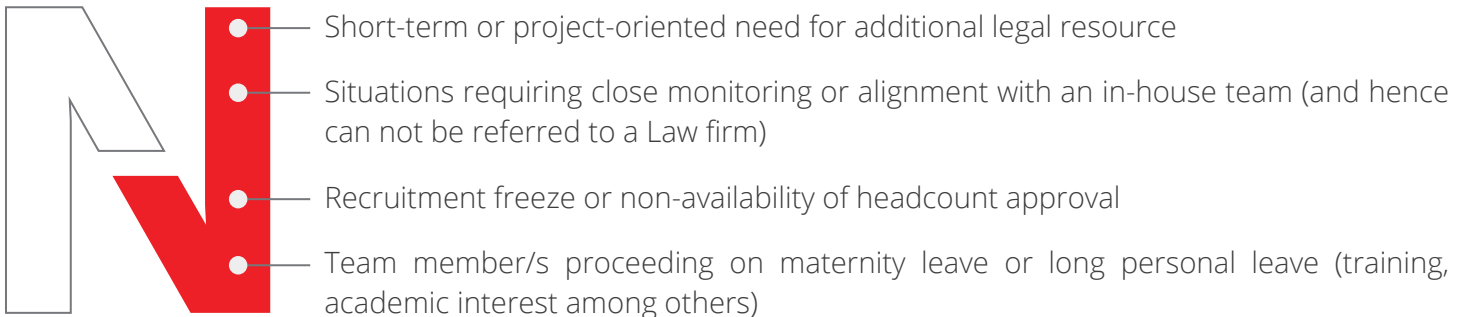
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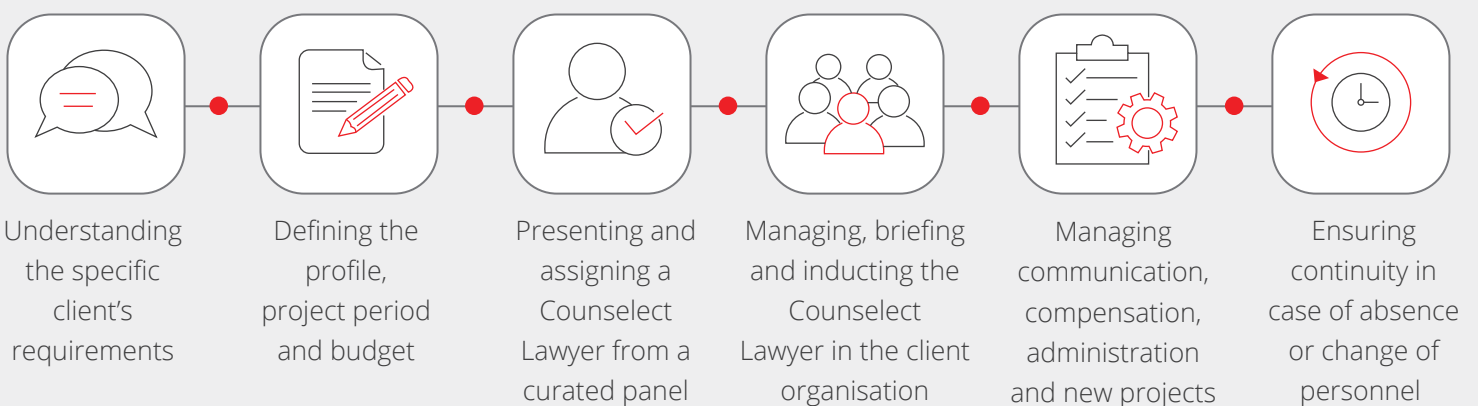
In today's dynamic business environment there is an ever-increasing need for organisations to remain competitive, to think strategically and tactically, to optimize resources and to respond to business challenges in a timely manner.

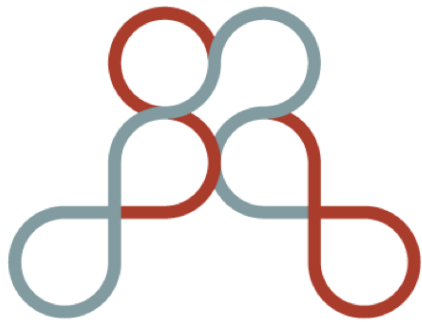
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Women (default caregivers of the familial unit) often find it hard to balance a professional career and work; and are forced to take a sabbatical. ReLawnch is an initiative to enable legal professionals return to work, and balance life commitments, after a break. This could be through flexi-work, part-time assignments, project based roles, or even full-time opportunity.

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