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THE PRIVATE BRIEF · BUSINESS

Fractional GC, Outside Counsel, or In-House: Which One, and When

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IN BRIEF

- Outside counsel billed by the hour fits work with a beginning and an end, where the lawyer does not need to carry your company in their head between matters.
- A fractional general counsel fits recurring judgment: weekly questions, a steady flow of contracts, and governance that has to stay current, at a company that cannot yet justify a full-time lawyer.
- An in-house lawyer becomes the right answer when legal is consulted every day by more than one part of the business and the company can carry a senior salary, with the employer's taxes and benefits on top.

It is Tuesday, and three legal questions have landed before lunch. Sales wants to know whether it can accept a customer's changes to the liability clause. Your operations lead is about to sign a software renewal. And someone has asked, quietly, whether the designer you have paid every month for a year is really a contractor. Nobody in the building is a lawyer, so the questions sit in your inbox, or get answered by whoever is nearest.

That is usually the week a founder starts asking what kind of lawyer the company needs. There are three answers: outside counsel billed by the hour, a fractional general counsel (often shortened to fractional GC), and an in-house lawyer on the payroll. They are not three prices for the same thing. They are three different answers to one question: who holds your company's context, meaning the knowledge of your contracts, your people and your plans that makes a legal answer fit your business rather than businesses in general.

Pick by the shape of the work, not the size of the budget.

Outside counsel, billed by the hour

What it is good at. Depth on a defined problem. A lease negotiation, a trademark dispute, a financing round, a lawsuit. Work you can describe in a sentence, with an end you will recognize when you reach it.

Where it struggles. Continuity and small questions. Two features of hourly billing cause this, and neither is anyone's bad faith. First, every new matter starts with the lawyer relearning your company, and you pay for that time again and again. Second, when every question starts a meter, people ration their questions. The contract that gets signed unread is rarely signed because a lawyer refused to look at it. It is signed because nobody wanted to open a new matter over it.

The sign you have outgrown it. Your legal bills describe a function rather than a project: the same lawyer, most months, for a shifting collection of small things.

A fractional general counsel

What it is. A general counsel is the lawyer who looks after a company's legal affairs as a whole. A fractional general counsel does that job from outside the company, part time and on a standing basis, usually for a fixed monthly fee against a set number of hours. The work is the ordinary run of a general counsel's desk: the flow of contracts, corporate housekeeping, employment paperwork, sorting risks by urgency, and finding and managing the other lawyers a matter genuinely needs.

What it is good at. Continuity for a fraction of a salary. The person answering the Tuesday question already knows who owns the company, has read your standard customer contract, and drafted the last board approval. That is most of the value, and it is why the answer comes faster and fits better than the same lawyer's answer would cold.

Where it struggles. Volume, and being in the building. A plan built on a set number of hours cannot also absorb a financing, a lawsuit and a hiring wave in the same month, and a well-run engagement says so in writing before it matters. On this firm's plans, for example, disputes handled at the negotiating table sit inside the monthly hours. Litigation is never part of a plan. A financing closing, an acquisition, or a dispute that outgrows the hours is scoped as a separate engagement before any of it is incurred.

One more thing the label does not do. "General counsel" describes a role, not a license. An outside lawyer on a monthly plan does not become your employee, and the title does not change where that lawyer is admitted to practice. When another state's law controls, the right move is a lawyer admitted there, brought in and coordinated.

The sign it fits. Legal questions arrive more than once a month, someone who is not a lawyer is currently answering them, and nothing on the horizon needs a lawyer in the building every day.

An in-house lawyer

What it is good at. Presence. An in-house lawyer sits in the meeting where the decision is made, not the one where it is reported. They build process, teach the sales team which contract changes it can accept on its own, and absorb the twenty small questions a day that would be absurd to bill.

What it costs. An in-house general counsel is an executive hire. The cost starts with a senior salary. On top of it the company pays its own share of Social Security and Medicare taxes (the employee's share is withheld from their pay, and the employer matches it), plus benefits, and often a bonus or equity. We are not going to put a salary figure on this page. The published figures we found came from vendors rather than independent surveys, and a number we cannot trace to a proper source is not one we will print. The order of magnitude is enough: a full-time senior salary, with everything else stacked on it.

Where it struggles, early. Breadth. No first hire can be expert in contracts, employment, intellectual property, privacy and corporate law all at once. A company with its first in-house lawyer still needs outside lawyers for litigation, patents, immigration and deals, so an early hire can mean paying for both.

The sign it fits. Legal is consulted daily by more than one department, the questions are increasingly about your product and your processes rather than about law in general, and the company can carry the salary without the hire being the reason a quarter misses.

One company, three answers

Here is an illustration, a composite rather than a client. A forty-person New York software company signs three or four customer agreements a month, is hiring, has a board that meets quarterly, and is not raising money this year. Its real legal volume runs about ten hours a month.

1. **Hourly outside counsel.** At Clio's 2025 average rate for a New York lawyer of $426 an hour, ten hours comes to $4,260 a month, or $51,120 a year, before counting the questions nobody asked because the meter was running.
2. **A fractional plan.** Take a ten-hour plan's published fee and divide it by ten. If that effective rate is below what the company would otherwise pay per hour, the plan costs less, and the small questions stop costing anything extra. This firm's fees are on its general counsel page, and the division works the same on anyone's.
3. **An in-house hire.** A full senior salary plus taxes and benefits, for a company whose measured need is ten hours a month. At eight hours a day, that is about a day and a quarter of a full-time lawyer's month.

Now change one fact. Suppose the same company is closing a financing in the fall. That does not move it to the third answer. It adds a fourth line: deal counsel, scoped and priced for the deal, coordinated by whoever holds the standing relationship.

They are not three prices for the same thing.

The mixed answer is usually the real one

Few companies run one model cleanly. The arrangement that tends to hold up as a company grows is a standing counsel relationship for the recurring work, with named outside lawyers for litigation, patents, immigration and deals, coordinated rather than running in parallel. The failure is not using two models. It is using two models with nobody responsible for the gap between them.

Whichever you choose, get three things in writing: what is included, what is excluded, and who you call at 6 p.m. on a Friday. In New York the first two are not optional. The state court rules on engagement letters (22 NYCRR Part 1215) require a lawyer who charges a fee to give you a written letter explaining the scope of the work and the fees, expenses and billing practices, subject to a few exceptions, such as a matter where the fee is expected to be less than $3,000. Every arrangement has edges. A good one shows you where they are before you find them.

Where to start

Open your inbox and your legal bills for the last three months, and sort every legal question into two piles: things with a beginning and an end, and things that keep coming back. If the second pile is bigger and grows more than once a month, a standing relationship is worth a conversation. If the first pile dominates, hourly is fine for now. If both piles are large and questions arrive daily from several departments, it is time to think about a hire.

This is general information about how companies structure their legal support, not legal advice about your company.

WRITTEN BY

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Anthony is the Managing Partner of Clemenza Law Group and serves as general counsel to a wide range of companies and philanthropic organizations. Nearly every essay here began as a real question from a real client: the contract that landed at 4 p.m., the board that meets on Thursday. He writes them the way he would answer you across the table, plainly and with care.