

# 12TH ANNUAL LAW DEPARTMENT OPERATIONS SURVEY

*Continuing to Mature While Bracing for Uncertainty*



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## LAW DEPARTMENT SURVEY FINDS OPERATIONS IMPROVING BUT PROGRESS REMAINS AN UPHILL CLIMB FOR THE EFFECTIVE USE OF TECHNOLOGY



BY HEIDI RUDOLPH, MANAGING DIRECTOR, MORAE GLOBAL

The findings of the Blickstein Group's 2019 Law Department Operations Survey reveal a majority of legal teams are successfully improving how they operate. But much work remains to be done as they strive to overcome a variety of challenges for law department transformation. In addition, with 33% of the legal operations professionals being new to their roles within the last one to three years, this suggests considerable opportunity and room for maturity evolution.

Survey participants reported business process improvement, cost containment and savings, and management of the budget as top challenges, followed closely by concerns over the management and retention of department resources, staying abreast of technology, and managing outside counsel. I would say technology is one of the commonalities across all these issues.

### Effective Use of Technology Rises but Contract and Document Management Trail Behind

Survey participants reported improvements across the board in the effective use of technology, as compared with the 2018 survey results. Notably electronic signatures and e-billing were both ranked as 8s on a 10-point scale for the first time in the 12-year history of the survey.

But contract management and document management, despite some improvements, continued to trail behind all other technologies for effective use.

It's not that they are less useful, but rather that they are not being utilized to the fullest.

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implementation (such as when a platform might be shoehorned into department processes). Process analysis and well-designed workflows are often critical to utilization success.

Technology can be underutilized too. For example, an e-billing system could be used simply to process invoices. But a more effective use would include spend analysis of the data to identify potential opportunities for process improvements or to determine whether additional in-house resources may be justified. Even small improvements can add up to significant departmental savings.

In fact, this seems to be what law departments are doing: 67% of survey participants reported tracking accruals or budgets in e-billing, up from 55% in 2018. That's effective use!

Survey participants also overwhelmingly gave a thumbs up regarding their perception of the effective use of information that metrics can provide, an increase from about 45% in 2018 to nearly 72% in 2019 who had a positive view about the value of these metrics.

Law departments seem to recognize that other technologies need to be equally well utilized.

Nearly half of all survey participants said they are now planning on or actively developing a strategy to address how they integrate, evolve and replace existing systems in support of their legal department needs and processes.

If we look at contract management specifically, half of departments report an intent to update, evaluate, or implement new systems over the next 12 months. Analyzing the data in these systems can be a great way to determine the best course of action.

It will also be crucial to gain an understanding of how processes really work, especially from the perspective of the people who will be using the technology, which can be a nice way to acknowledge the importance of the work they do.

Overall the survey findings show that the trend for law department transformation is not transient. Legal teams are strongly committed to changing how law works and, where there is disagreement among legal operations professionals, it is usually about the degree of change.



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# GROWING TOGETHER WHILE GROWING APART

BY DAVID CAMBRIA



*David Cambria is Chief Services Officer at Baker McKenzie and Chair, Law Department Operations Survey Advisory Board*

This year's Law Department Operations Survey once again highlights the growth and advancement in the legal operations function, which is becoming an increasingly integral role at law firms as well as corporate law departments. The themes outlined in this year's survey continue to demonstrate the importance of metrics, the evolution of technology and the professionalization of the function itself.

However, this year's survey continues to demonstrate the ongoing need for every law department operations professional to enlarge our own impact, which is another theme that we have been discussing since the very first LDO Survey was published 12 years ago. Perhaps our own ways of defining ourselves are part of the problem. The legal operations profession isn't really a role, as much as it is a series of interconnected disciplines. We align the services that our organizations deliver, as well as how those services are delivered, to meet the needs of the clients and their businesses.

It may not be a surprise that law departments have moved more quickly to establish legal operations functions than their law firm counterparts, but

law firms are making their own strides and are bringing their considerable resources to bear to advance this function. Yet despite all we have in common, legal operations professionals at law firms and legal departments often remain at odds, and unfortunately, in some cases, those differences are only becoming more entrenched. This is not productive and can be harmful to our clients, their businesses and our own profession.

Everyone involved in the legal sector is operating in an environment of growing competition from nontraditional providers, increasing regulatory complexity and global expansion, even as the economy is showing signs of potential softening. Professionals at both law firms and legal departments must develop better controls, a common vocabulary, defined value propositions and increased collaboration. Through this kind of alignment, we will be able to enhance a shared purpose, which will improve the odds of success for all of us.

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# 12TH ANNUAL LAW DEPARTMENT OPERATIONS SURVEY

*Continuing to Mature While Bracing for Uncertainty*

For the last 12 years, the Law Department Operations Survey has tracked the changes in the profession, and in recent years, law department operations professionals have ridden a wave of positive trends. Along with the increasing maturity and expertise of those in the LDO function, the technology that powers process improvements and better data has grown more effective. A booming economy has helped undergird corporate growth and allowed for more advances in the LDO function.

All this has resulted in a function that has grown enormously but may have finally stabilized. While there are meaningful changes in a few areas, in most instances we are seeing very similar responses to our questions from year to year; this is quite a difference from the wild divergences we saw in our data in the early years.

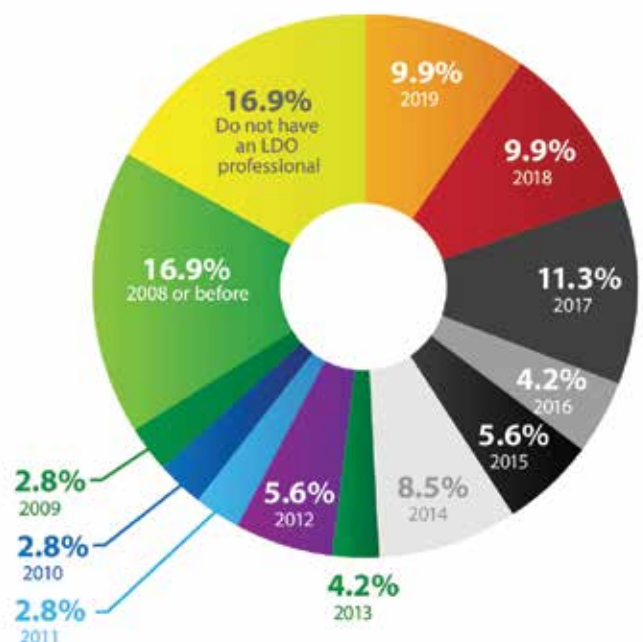
A close look at the data does indicate something surprising—at least to those who have seen nothing but growth in the LDO space. We may finally be heading for a slowdown.

## MATURING INDUSTRY MEETS A SLOWING ECONOMY

For the last several years, economic trends have generally favored corporate growth. Since the 2008 recession that altered headcounts and operations in many legal departments, the U.S. economy has ridden a soaring wave. The Dow Jones Industrial Average, which closed at 10,365 in 2008, was trading above 26,000 in 2019. The unemployment rate is below 4%.

Law department operations have ridden this wave and continued to grow their functions. For example, 10% of this year's respondents added their first dedicated LDO professional this year, while 10% added their first last year.

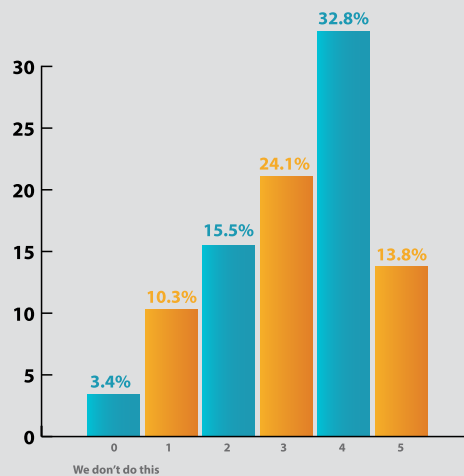
IN WHAT YEAR DID YOUR COMPANY ADD ITS FIRST DEDICATED LDO PROFESSIONAL?



Operations teams are also becoming more established. When asked to rank the maturity level of their law department operations in general on a scale of 1 to 5, nearly half of respondents listed their teams as a 4 or 5.

When asked about more specific operations and functions, more than half, 56%, ranked their electronic billing functions as a 4 or 5. When it comes to outside counsel management, 45% gave themselves a 4 or 5; 33% placed themselves at a 4 or 5 with discovery management; and 32% ranked themselves as a 4 or 5 around preferred provider networks.

**ON A SCALE OF 1 TO 5, HOW MATURE DO YOU CONSIDER YOUR LAW DEPARTMENT OPERATIONS IN GENERAL?**



But despite all these positive signs, in-house counsel and law department operations professionals are becoming increasingly concerned about the economy. For example, according to one recent survey, more than three-quarters of chief legal officers expect there will be a recession in the United States within the next two years.

Such worries are stretching beyond law departments. In October, the World Trade Organization said that escalating trade tensions and a slowing global economy have led their economists to sharply downgrade forecasts for trade growth for the rest of 2019 and into 2020. “World merchandise trade volumes are now expected to rise by only 1.2% in 2019, substantially slower than the 2.6% growth forecast in April. The projected increase in 2020 is now 2.7%, down from 3.0% previously,” WTO noted in a release.

Respondents to this year’s survey may also be bracing themselves for a downturn in the economy that may represent the end of the current growth cycle. When asked about their greatest current challenges, they named departmental resources, such as funding for personnel/technology and staff retention, as their fourth-greatest current challenge (behind business process improvements/cost containment and savings/managing the budget, staying abreast of law department technology and service providers such as managing outside counsel and effective alternative fee arrangements).

Yet when asked about the top three challenges they expect to face over the next three years, respondents ranked departmental resources as their second-greatest challenge (behind only business process improvements/cost containment and savings/managing the budget).

	CURRENT	EXPECTED
Business process improvements/cost containment and savings/managing the budget	1	1
Staying abreast of law department technology	T2	3
Service providers (e.g., managing outside counsel, effective AFAs)	T2	4
Departmental resources (e.g., funding for personnel / technology, personnel retention)	4	2
Intra-departmental relationships (e.g., gaining attorney buy-in, communicating with GC)	5	7
Handling global / international matters (e.g., Brexit, GDPR, cross-border discovery)	6	6
Performance (e.g., documenting ROI of the LDO position, reporting to stakeholders)	7	5
Compliance issues	8	8
Data protection	9	9

# DRIVING DISRUPTION IN THE LEGAL DEPARTMENT: LEGAL OPS AND TECHNOLOGY LEAD THE WAY



BY ERIC ELFMAN

*Eric Elfman is the Founder & CEO of Onit, Inc.*

Legal operations is all about optimizing the legal department's ability to grow and protect the company it serves. As such, legal departments are seeking a higher level of operational excellence. This is evidenced by their embrace of innovation, increased demand for automation of repetitive tasks and a workflow-centric approach and understanding of how to use technology to create operational wins.

Driving efficiencies and containing costs are two key reasons that legal operations is important and growing so quickly. Legal departments were forced to adopt a more operationally focused mindset as a result of the Great Recession. The 2008 downturn was so severe, and efficiency and cost-cutting were considered so critical to the survival of the business at large, that it was no longer acceptable to spend freely. Since then, C-suites have increasingly been making their law departments behave more like other business units. This ultimately led to the rise of a profession dedicated to bringing business discipline to the law department: legal operations.

Legal department operations professionals (LDOs) handle the management of vendors, systems, strategic planning, technology, knowledge, financial issues and the myriad other tasks that plague the legal department. Legal operations are all about optimizing the legal department's ability to support the business and constitute a multidisciplinary function that optimizes legal services delivery by focusing on 12 core competencies. The competencies, developed by CLOC, are divided among three levels: foundational, advanced and mature.

Cost control and cost management have always been among the legal department's greatest challenges. Economic downturns in recent decades served to exacerbate the "do less with more" mindset. In order to meet these intensifying challenges, many departments began increasing the workload of existing resources or bringing on more in-house lawyers. Others have built and started executing technology roadmaps. Technology has been optimizing legal operations in several key areas. Workflow and automation of processes deserve a spot at the top of the list. Data analytics is also important, as analytics can demonstrate the value of technology in the department and the value of the legal department to the business. Technology is assisting with the competitive bidding process on certain types of cases. Automating many routine tasks can shave hours off any busy schedule. Collaboration using technology gives a whole new meaning to "working together."

Today's state-of-the-art technology allows all stakeholders from anywhere in the world—including legal departments, other service providers and members of the corporation's accounting team and business units—to be on a single platform. Technology will increasingly play a prominent role, as more LDOs are discovering they can better fulfill their mission by leveraging well-chosen technology solutions to automate processes, track legal spend and deliver key decision-ready information. The increasingly robust alliance of legal ops and technology is now helping to forge the future of legal operations in amazing ways we could never have imagined a decade ago. Onit purpose-built our technology platform to help drive this alliance and enable customers to execute their technology roadmaps over time. Learn more at [www.onit.com](http://www.onit.com).

“The expectation that resources will be hard to come by is an indicator that we may be reaching the end of the current growth curve. While it is true that adding legal ops professionals results in cost savings, I don’t expect that growth to continue through the next recession,” says Brad Blickstein, principal at the Blickstein Group and publisher of the Annual Law Department Operations Survey, who thinks the history of law departments bringing work in-house serves as a model.

***“For decades, law departments have been bringing work in-house to save on costs, only to have that work go back out when the economy turns,” adds Blickstein. “It’s counterintuitive, but corporations can simply not politically support the addition of headcount in the law department in the face of hiring freezes or layoffs elsewhere. I expect we will see the same in legal operations. I know some expect this growth to go on forever, but I fear those people are not looking back far enough.”***

Mike Haysley, director of legal operations for Occidental Petroleum Corp., says his past experience bears out these concerns. “I experienced a point in my prior in-house stint leading legal operations when the function reached a high degree of maturity,” he explains. “Coupled with budget restraints at the time, this created challenges in demonstrating the same value we had shown in prior years. As legal operations functions become more

mature, the opportunities to show ‘move the needle’ improvements can become more difficult, and leaders may be required to move more into cutting-edge areas.”

The use and retention of effective resources are crucial for smooth-running operations, according to Heidi Rudolph, managing director at Morae Global. “Turnover also can be disruptive for already time-constrained managers. These gaps can be minimized with the right sourcing strategy and a systematic approach to workload and resource management, including on-demand access to talent,” she says.

If a recession does come, it will heighten the need for law department operations to continue to align the services they deliver and how they deliver them, according to David Cambria, chief services officer for Baker & McKenzie Global Services LLC and chair of the Law Department Operations Survey Advisory Board. He says a recession may also not represent a huge shift for many seasoned LDO professionals. “Law department operations professionals have been operating like there have been budget constraints for years. It’s one of the ongoing challenges.” An economic slowdown could also help further encourage much-needed collaboration between law departments and their law firm counterparts. “It’s another reason to focus on innovation and collaboration. Has the industry really transformed so much since pre-recession 2008? It makes the call to action so much stronger,” he explains.

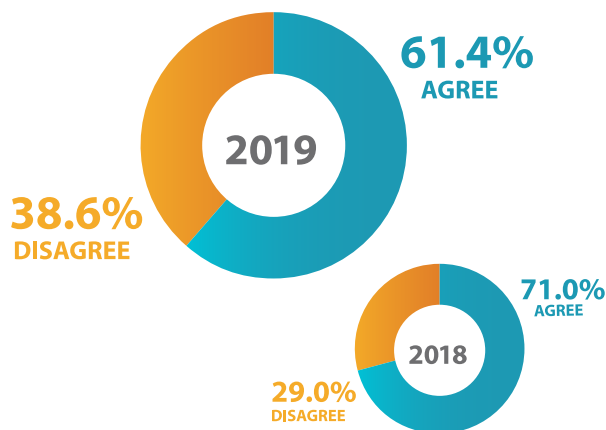
## A MORE SOPHISTICATED USE OF METRICS

More LDOs professionals are starting to appreciate more quantitative approaches to their work and providing more value to their organizations—when asked whether they consider measuring the value of legal to be more science than art, 39% put their work in the science category, compared to 29% last year.

More law department operations professionals have also instituted formal metrics programs, which allow for more quantitative decision-making. Slightly more than half of respondents, 52%, reported having formal metrics programs this year, up a bit from 46% last year. These programs are also growing in terms of sophistication. When asked to rank the maturity of their use of reporting and metrics program, nearly half considered themselves a 4 or 5 on the 5-point scale. Slightly more than a third ranked themselves a 3.

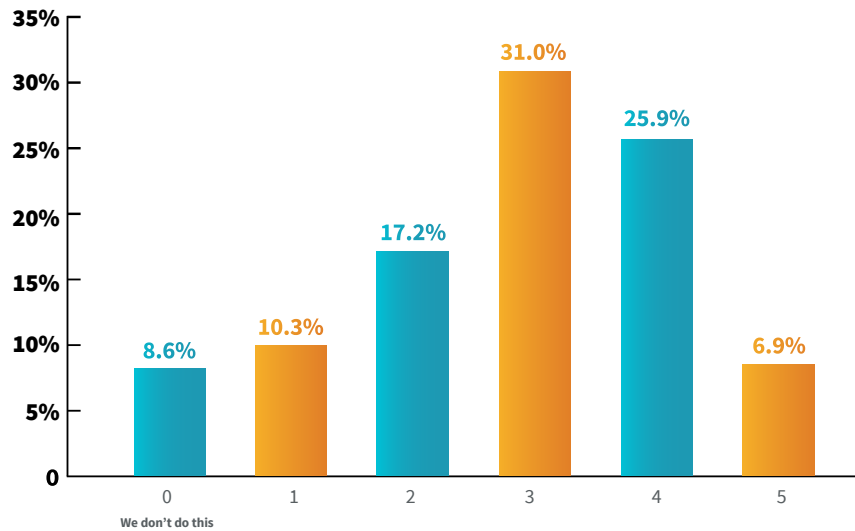
This compares to 2018, when only 18% ranked themselves as a 4 or 5, and 20% listed themselves as a 3.

### MEASURING THE VALUE OF LEGAL SERVICES IS MORE ART THAN SCIENCE



The growing maturity could be related to the increasing compensation ramifications based on law department metrics. According to this year's survey, 36% said there are compensation ramifications based on these metrics, compared to 21% last year. "What gets incentivized gets done," says Blickstein.

**ON A SCALE OF 1 TO 5,  
HOW MATURE DO YOU  
CONSIDER YOUR OPERATIONS  
IN METRICS AND REPORTING?**



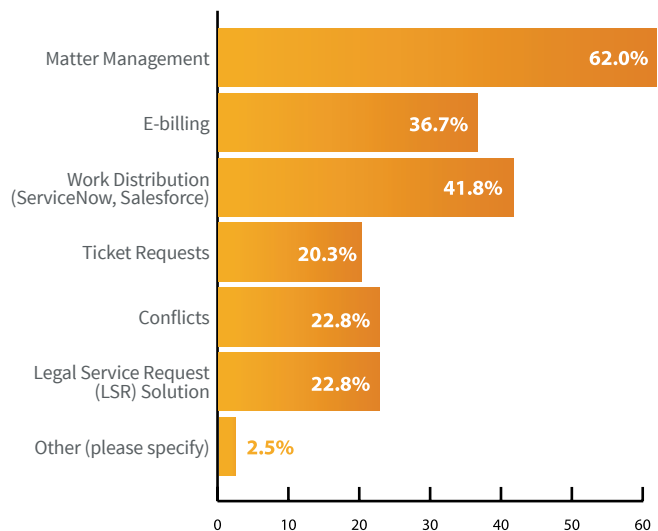
There is a wide range of elements within metrics/reporting programs, according to LDO Survey Advisory Board member Kiran Mallavarapu, senior vice president and manager of legal strategic services at Liberty Mutual Insurance.

*"Metrics tracked by departments range from financial expenses to department productivity. It is easy to track financial metrics due to their ready availability. However, financial metrics represent the outcome of many business decisions and do not always provide help to departments with operational needs," says Mallavarapu.*

Instead, operations groups should focus on measuring operational metrics. "Those include productivity, cycle times (turnaround), client demand volumes and complexity of requests and, most importantly, client satisfaction."

The survey also asked respondents what core technology they use to gather data. Two-thirds of respondents, 62%, use matter management tools, followed by work distribution products (like ServiceNow and Salesforce) at 42% and e-billing at 37%.

**WHAT CORE TECHNOLOGY  
DO YOU USE TO GATHER DATA?**



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# MODERN DOCUMENT MANAGEMENT: HOW LAW DEPARTMENTS WORK SMARTER



BY CLINTON CROSIER

*Clinton Crosier is Associate General Counsel at iManage*

Over the past decade, digital technologies have revolutionized nearly every industry, transforming client relationships, business processes, and individual work functions. This digital transformation has been particularly acute in the world of legal operations. As illustrated in the Annual Law Department Operations Survey, the number one challenge for legal operations professionals is improving business processes in the era of digital transformation.

Legal operations has grown in strategic importance by embracing digital transformation to bring efficiency and innovation to corporate legal processes. One critical area of focus should be information management – enabling users to save, search, and work effectively with the volume of documents, emails, and messages that flow through the legal department. It's clear from the relatively low effectiveness scores for document management revealed in the survey that traditional products are not meeting the needs of contemporary legal departments.

Modern document management is the next step in the evolution of work product solutions for legal departments. It delivers an intuitive, consumer-like experience that empowers professionals to work more productively while enabling legal departments to be more efficient, agile, and responsive to the changing business environment.

This approach is based on adding value in four key areas:

- **Value to the user:** The core objective is to empower the user by delivering a dramatically better experience. It should mirror consumer applications like Amazon and Google, with intuitive features that work the way users want to work and require minimal training.

Modern document management starts with a clean, modern interface, accessible on any device including personal computers, phones, or tablets.

- **Value to the information:** Modern document management is more than a file repository; it adds smart features and capabilities to enhance the value of information. For example, it anticipates user actions, with smart document previews, suggested filing locations, and personalized search that delivers more accurate results by remembering what you search for most often. It integrates with the tools that legal professionals use including matter management, contract management, and workflow software.

- **Value to the organization:** Improving the individual user experience while enhancing the value of information delivers profound benefits at the organizational level. Modern document management helps legal organizations become more efficient and productive while delivering better outcomes. Cloud delivery models enhance organizational agility with rapid deployment, automated updates, and the flexibility to add new functionality as needed.

- **Comprehensive security:** Legal organizations have stringent requirements for securing documents from both internal and external threats. Modern document management delivers comprehensive security, built on established industry best practices, to protect information assets. These protections are augmented by comprehensive governance, security and risk mitigation features including need-to-know security, and ethical walls, to govern information access.

# INCREASINGLY EFFECTIVE TECHNOLOGY

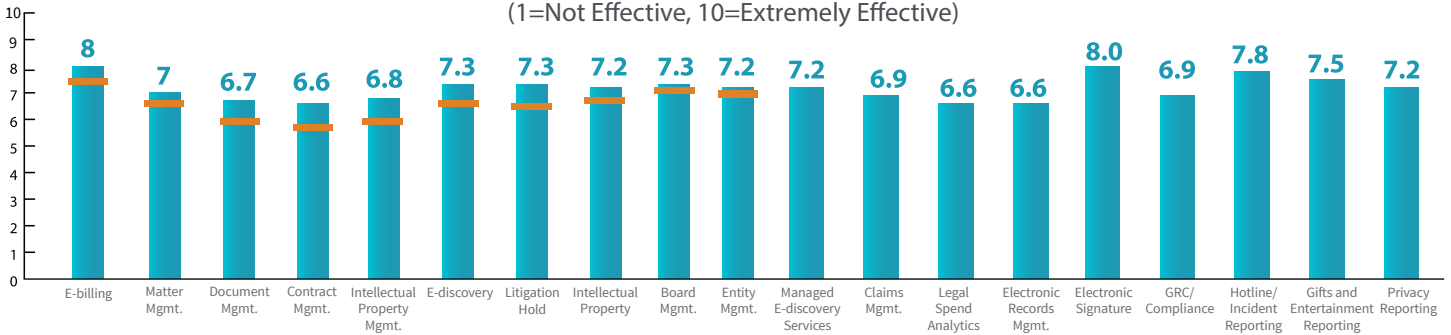
Along with the growth in departments and use of data, the technology that LDO professionals rely on has become more effective across the board. Of the different types of technologies asked about in both 2018 and 2019, virtually all are considered more effective this year than last year. Respondents were once again asked to rank different kinds of technologies on a scale of 1 to 10, with 1 being considered “not effective” and 10 being “extremely effective.” “The survey indicates legal teams recognize the need and opportunity to better maximize the role and use of technology. Effective use of technology shows an

overall improvement, with both e-billing and e-signatures as standout examples, but much work remains to be done,” says Rudolph of Morae Global. “This is especially true for contract and document management, which were reported as the least effectively used.”

In the areas of other core technologies, this year’s respondents ranked e-discovery, litigation hold and board management tools each a 7.3. This compares to last year’s respondents, which ranked their e-discovery and litigation hold tools at 6.5 and board management a 7.2.

## HOW EFFECTIVE IS THE FOLLOWING TECHNOLOGY?

(1=Not Effective, 10=Extremely Effective)



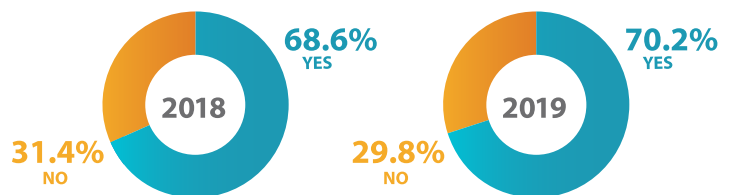
The short horizontal orange lines represent the rating in 2018.

Across the board, we saw approximately a half-point improvement in most technologies.

According to Liberty Mutual’s Mallavarapu, with the ever-increasing rise in regulations and need for executive management and boards to be more active in their use of technology and data, it is no wonder that e-signatures, compliance hotlines, gifts/entertainment reporting and board management technologies have scored highly. “Knowledge management technologies—document management, IP management, contract management and records management—are still scoring low due to (a) lack of specific standards in the industry, (b) lack of incentives or enforcement of processes in organizations and (c) integration of these technologies with currently used methods,” he says.

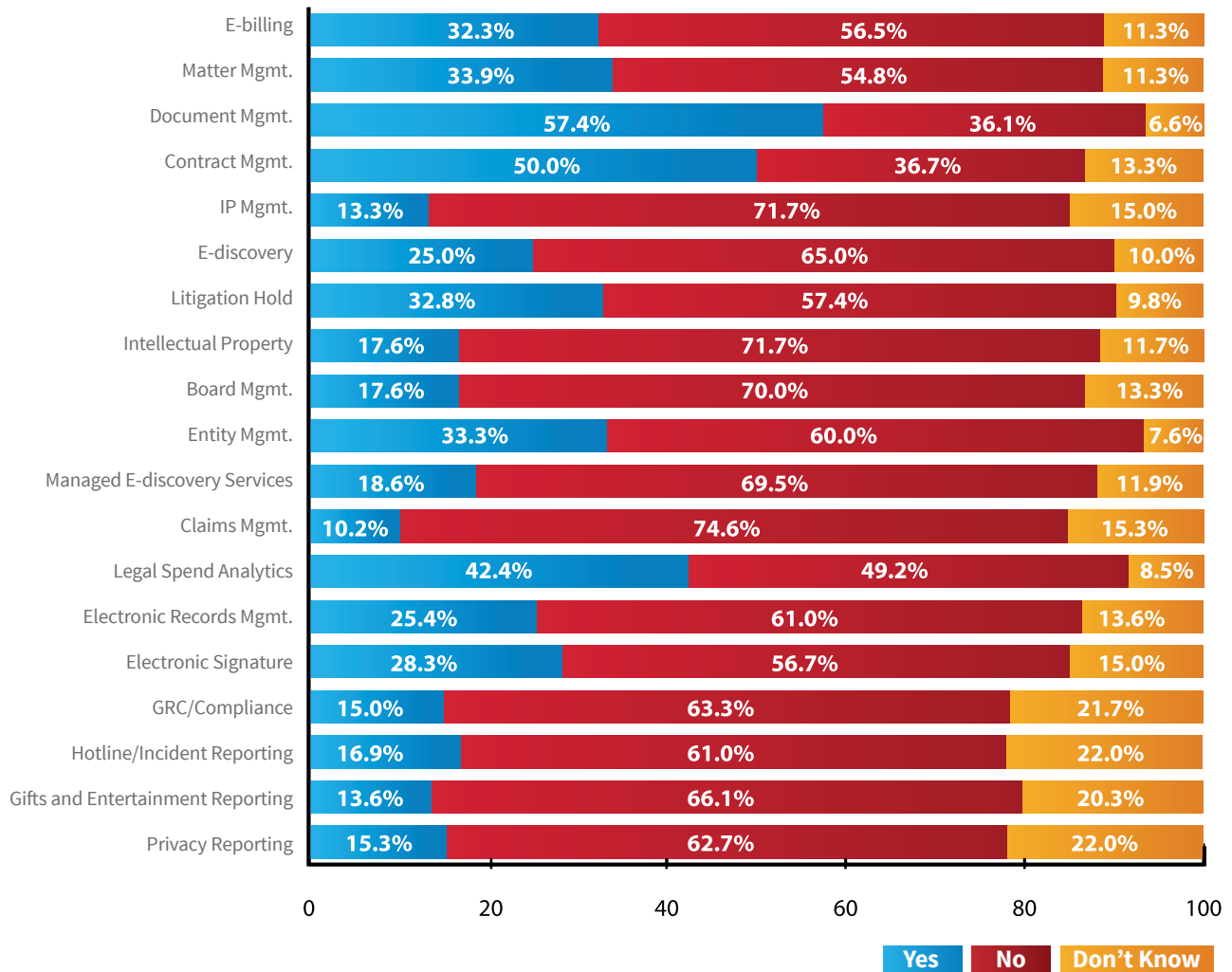
Most respondents also believe they have access to the right technology to do their jobs—70% agreed with that sentiment this year, which is slightly above last year’s rates.

## I HAVE ACCESS TO THE RIGHT TECHNOLOGY TO DO MY JOB



Yet while they consider their technology increasingly effective, LDO professionals are not content to settle for these advances. More than half of respondents to this year’s survey—57%—plan to update, evaluate or implement document management systems in the next 12 months. Half are planning to update, evaluate or implement contract management systems. Among other areas that respondents are examining: 42% are planning to look at their legal spend analytics; 34% plan to look at matter management technologies; and 32% are looking at e-billing.

**ARE THERE PLANS TO UPDATE, EVALUATE OR IMPLEMENT ANY OF THE FOLLOWING TECHNOLOGIES IN THE NEXT 12 MONTHS?**

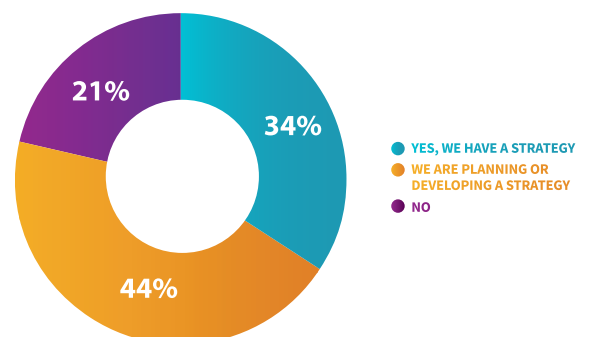


Haysley of Occidental says law firm practices around knowledge management and work product reuse are likely driving the increased demand for in-house document management. “Firms were quick to recognize the value of work product reuse and were early adopters of technology to support it. As attorneys move in-house, they expect to have the same document capture and search capabilities they had in firms,” he explains. “The same cost-saving opportunities that firms recognized also drive in-house efforts to avoid extra work.”

A third of respondents also have a legal department technology strategy or three-year road map which addresses how they integrate, evolve and replace their systems to support the legal department’s processes and needs. Another 44% plan to develop one.

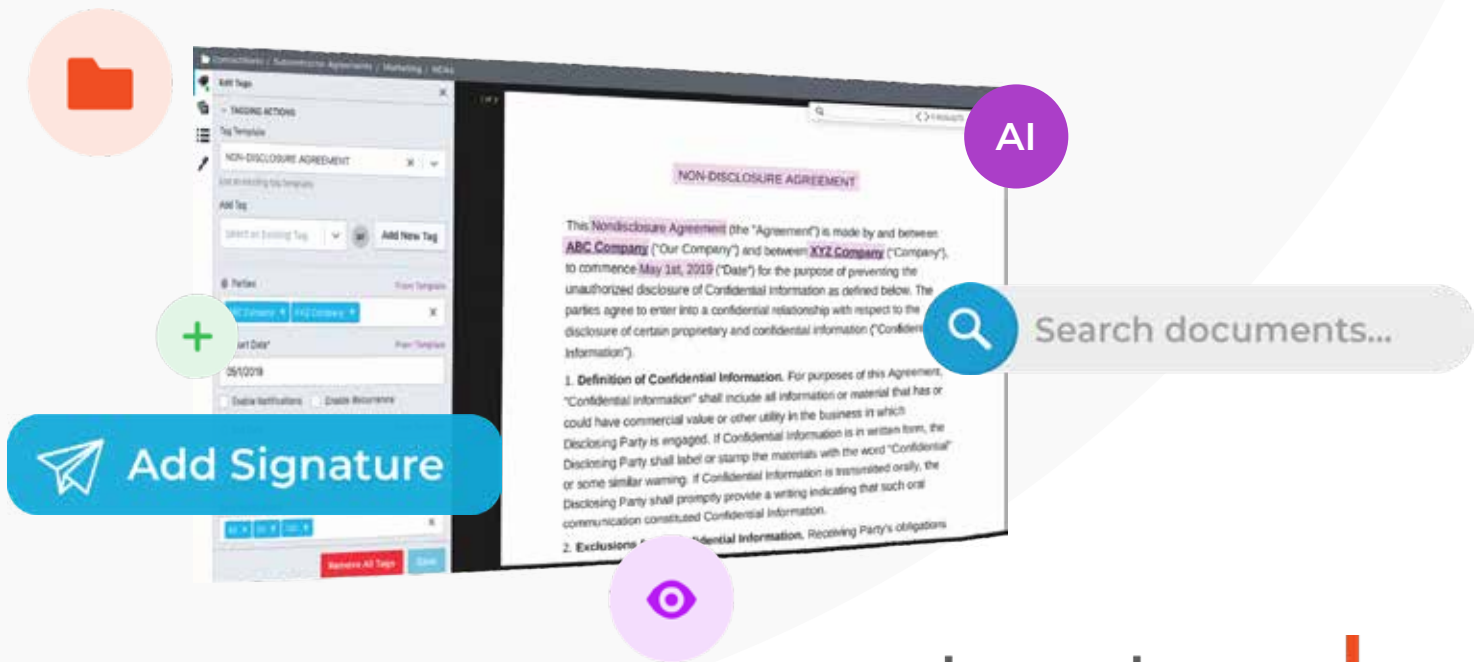
Says Haysley, “Given the changes in legal technology over the past few years around AI, analytics, legal process management and other areas, it’s not surprising that legal departments are being strategic about their technology decisions and revisiting plans regularly.”

**DO YOU HAVE OR PLAN TO DEVELOP A LEGAL DEPARTMENT TECHNOLOGY STRATEGY OR THREE-YEAR ROAD MAP WHICH ADDRESSES HOW YOU INTEGRATE, EVOLVE AND REPLACE YOUR SYSTEM TO SUPPORT THE LEGAL DEPARTMENT’S PROCESSES AND NEEDS?**



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# TOTAL SPEND MANAGEMENT: ADVANCED TECHNOLOGY SUPPORTS A MORE HOLISTIC APPROACH TO LEGAL SPEND

BY JONAH PARANSKY



*Jonah Paransky is the Executive Vice President and General Manager, Elm Solutions, at Wolters Kluwer*

Corporate law departments (CLDs) are taking a cue from their colleagues in other departments and have become more rigorous in their business processes to gain better control of their legal spend. This shift started with e-billing, which remains the most effective legal operations technology according to respondents to this year's survey. However, CLDs are now seeking tools that supplement e-billing and help them meet their spend targets. For example, this survey shows that 20% of companies are already using artificial intelligence (AI) for their billing and spend management. Total Spend Management from Wolters Kluwer's ELM Solutions is an innovative approach that adds to the tools CLDs have for running efficiently. The following are a few areas where this kind of advanced technology can help improve legal spend management.

## Invoice Intake

Many invoices, especially from smaller outside counsel firms, arrive as paper or non-LEDES-compliant electronic files, such as PDF or image files. These invoices can't be adjusted or appealed with automated e-billing tools. In addition, the data in them can't be analyzed or reported on. Manually keying this information into the e-billing platform is an option, but inefficient and prone to human error. This is an area where AI technology can execute a time-intensive task, allowing staff members to stay focused on work that yields greater value. AI can automatically capture and convert non-LEDES invoices without manual data entry, saving hours.

## Invoice Review

Traditionally, the painstaking job of reviewing law firm invoices has fallen to the in-house attorneys assigned

to a matter or central invoice review teams. Due to limited time, competing priorities, and the drudgery of scrutinizing every line item, invoices often are not reviewed as carefully as they should be. This leads to spend leakage and low compliance with billing guidelines. AI technology can analyze huge numbers of invoices quickly and flag line items that need careful attention so that human reviewers can focus on these, instead of wading through every line. Here, technology does the grunt work, and people are able to spend their time efficiently.

## Outside Counsel Selection

It's common for legal teams to make outside counsel selections based on who they traditionally use or personal relationships and good impressions. But this leaves CLDs open to selecting the wrong partner, instead of the one most likely to deliver the results they want. Predictive AI offers a more reliable alternative. An AI algorithm can analyze information from past cases and performance and make a recommendation as to which firm would likely be the best fit, with no need to make a guess or rely on a gut feeling.

Many CLDs have already begun to adopt portions of the Total Spend Management approach offered by ELM Solutions, identifying processes and technologies that can be improved upon to better control legal spend. The key to success is being aware of the technology that is available and prioritizing the opportunities for improvement.

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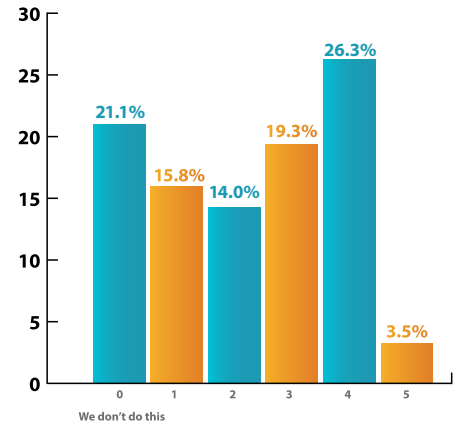
Fact-based budgets are informed by what should have happened.

Identify firms that operate efficiently & employ the best leverage models.

# LEGAL PROJECT MANAGEMENT

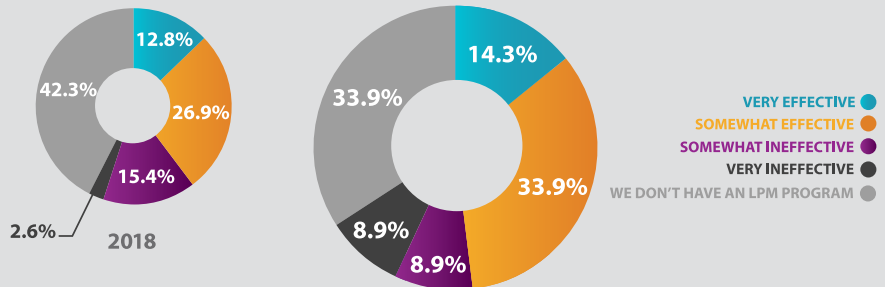
Law department operations professionals also consider their legal project management processes to be generally mature and effective. Thirty percent rank themselves a 4 or a 5 on a scale of 1 to 5, when asked how mature their legal project management functions are.

**ON A SCALE OF 1 TO 5,  
HOW MATURE DO  
YOU CONSIDER YOUR  
OPERATIONS IN LEGAL  
PROJECT MANAGEMENT?**



A growing number of respondents also consider their legal process management programs to be very or somewhat effective. That is an increase from 40% in 2018 and 32% in 2017. On the other hand, 9% consider these programs to be very ineffective, a three-fold increase from last year.

**HOW EFFECTIVE IS YOUR LEGAL PROJECT MANAGEMENT PROGRAM?**

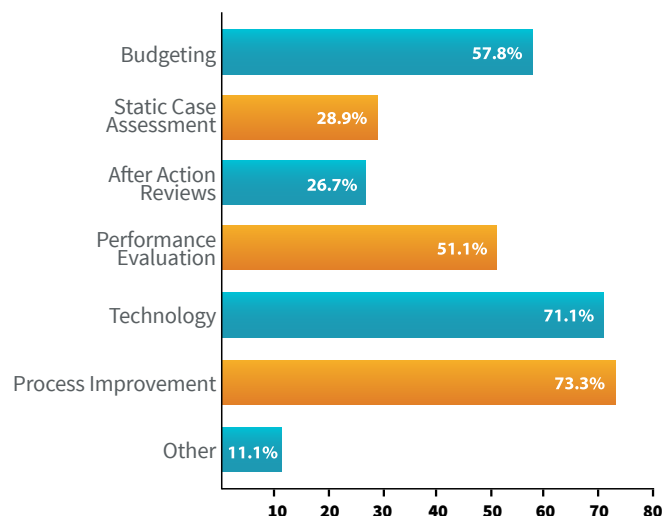


As a legal operations leader, Mallavarapu of Liberty Mutual called both of these trends equally telling. “Many industries are increasingly being disrupted by new technology and regulations, which is forcing multiple legal practice areas to work together to solve complex issues across disciplines. Expense pressures to keep legal costs low stimulate better and efficient processes. It is natural to see a year-to-year increase in LPM from 32% to 40%,” he says. But at the same time, as new processes get implemented, there is increased awareness of other opportunities, thus raising the bar. “There are also hiccups in the new process improvements, which create frustration for customers and stakeholders. Nevertheless, organizations should continue to pursue these process improvement opportunities,” according to Mallavarapu.

Haysley points out that legal project management is a relatively new but growing market. “As the solution providers in the space continue to mature and separate from the pack, I wonder if we will see even greater support and decreasing dissatisfaction,” he opines.

The survey also asked respondents to break down the elements of their LPM programs. The most common aspect among law department operations is process improvement, followed closely by technology. Other common areas include budgeting and performance evaluation.

**WHAT ARE THE ELEMENTS OF YOUR LEGAL PROJECT MANAGEMENT PROGRAM?**



# HOW MATTER MANAGEMENT CAN CREATE BUSINESS PROCESS IMPROVEMENTS



BY JOHATHAN REED

*Jonathan Reed is the CEO and co-founder of AdvoLogix.*

Today's legal industry is a highly demanding one, with in-house counsel facing mounting pressures to increase efficiencies while reducing both costs and potential risk. Delivering improved business processes while also providing high-quality legal services in a quick and efficient manner can often seem like competing objectives. Successfully bridging that gap requires a modern matter management solution capable of creating business process improvements that result in the quick delivery of services while maintaining quality and bringing business value to the company.

## **The Case for Matter Management**

In most corporations, internal IT staff are overburdened, with little time to focus on matters of legal operations management. In the absence of such IT support, in-house counsel need to find additional tools to help with matter management, even though, through no fault of their own, they are often unfamiliar with the best solutions for efficiency, cost savings, and service delivery. As a result, many in-house legal departments have historically relied on an unintegrated, cobbled-together collection of disparate systems, each responsible for a discrete aspect of matter management.

Successful matter management that leads to concrete business process improvements, however, requires a comprehensive, holistic approach. Only by having an integrated view of any given matter through a centralized matter management platform can you view and manage every aspect of a matter, from start to finish. Switching between systems and platforms opens the door to errors and inefficiencies that create significant risk for the company and its clients.

Comprehensive matter management tools streamline and expedite matter intake, allowing in-house counsel to more

quickly assign the right teams before moving on to delegate roles and tasks, manage those tasks, make adjustments to strategy and staffing as needed, and institute best practices—typically all with the assistance of automation. The same cannot be said when using a collection of disparate systems. By streamlining matter management from intake to completion, legal departments free up valuable time for attorneys to focus on high-value legal work, business process improvements, and legal innovation.

Cloud-based matter management tools open the door to even more business process improvements through increased agility and greater capacity for innovation. Employing cloud-based matter management allows for greater security for data and systems, because cloud vendors have already invested billions of dollars in security. Cloud-based matter management platforms seamlessly integrate with best-in-class third-party applications and come with automatic upgrades so you never have to worry that your technology is obsolete. Centralized cloud-based matter management tools also allow in-house counsel to have access to important business matters anytime, anywhere, which means better service for clients.

## **Better Focus on Business Matters**

With a comprehensive matter management solution, corporate legal departments are in the best possible position to eliminate inefficient manual processes, gain increased visibility into workloads, and access the kind of reporting and analytics that management wants to see. General counsels are under constant pressure to run corporate legal departments like businesses, and matter management allows them to do just that. Proper matter management empowers you to align your department's goals and strategy with that of your overall organization, allowing you to show the clear value that you bring to the business.

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– Kevin Campbell, IT Solution Delivery Manager, Keurig Green Mountain

# THE UNREALIZED VALUE OF CONTRACT LIFECYCLE MANAGEMENT



BY BERNADETTE BULACAN

*Bernadette Bulacan is the Lead Evangelist at iCertis*

This year, the Legal Department Operations survey asked respondents to rate their maturity in various areas of operation, including Contract Lifecycle Management (CLM) technology.

Among those respondents who used CLM tech (just over 80% said they did), half put their maturity at either a 1 or 2 on a scale of 1-5. Conversely, less than 1% of respondents who use CLM technology consider themselves power users, rating themselves 5 out of 5 for maturity.

In other words, while many legal departments have adopted CLM, many are just beginning to leverage the technology in their practices. Some departments are in their infancy, using CLM technology solely as an electronic repository post-execution. More mature departments will use CLM for pre-execution activities, like template management, clause libraries and automated approval workflows.

Another indicator of CLM maturity is found within the survey in response to questions about the collection and utilization of metrics. Asked which contract management metrics departments track with their CLM, the most common response is “contract volume by customer, partner, program type and geography.”

This is important data to gather as a starting point for a company. But it is very basic information and telling of the unrealized potential of CLM in today’s legal departments.

In truth, this is totally to be expected with new technology, especially when that technology handles something as sweeping and complex as managing contracts across highly matrixed, global enterprises.

Contracts are language-based and unstructured, meaning they do not lend themselves to straightforward data analysis the way, say, external legal spend does. On account of this challenge, early CLM systems were little more than a repository to store and share contracts across the enterprise.

However, today’s contract management software, leveraging the power of artificial intelligence and cloud computing, can do much, much more.

Best-in-class CLM technology can extract contract data and metadata at scale to give enterprises deeper and

wider views of their contract landscape. This means business can be done faster, risk can be reduced, and operations can be optimized.

But it doesn’t happen overnight. To fulfill their goals regarding CLM maturity and use of CLM data, legal department operations professionals should take a “crawl, walk, run” approach to enterprise contract management.

**Such a progression might look something like this:**

**Crawl:** A common early step for legal departments adopting CLM is to measure contract volume to get a comprehensive baseline for what your contract landscape looks like. How many contracts are touched by your legal department? The survey suggests that many legal departments are already at this stage, but if you are part of the 20% not yet using CLM technology, this is a good early project to start on.

**Walk:** With contracts digitized and quantified, legal departments can start to measure things like contract turnaround time and delays in approval and contract value. With this data, LDOs can identify bottlenecks, revise workflows and measure improvements over time. For instance, armed with this type of information, high-value contracts can get automatically routed for review to the pertinent attorney or subject matter expert; executives gain instant insights into the company’s most important contractual relationships; and risk can be more quickly surfaced and addressed.

**Run:** Finally, legal departments can begin to mine contract clauses for a global understanding of how contracts are deviating from standard terms and how the company is doing at fulfilling obligations and extracting maximum value from their contracts. At this point companies can leverage the technology to reduce litigation and improve outcomes—thereby becoming a true, strategic partner in the business.

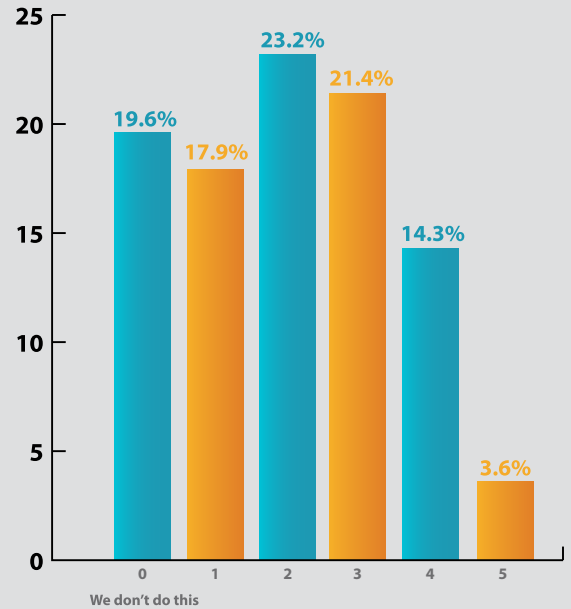
Contracts form the foundation of commerce, governing every dollar in and out of the enterprise. Legal department operations professionals can accelerate, protect and optimize their businesses with mature, robust contract lifecycle management technology.

# CONTRACT MANAGEMENT

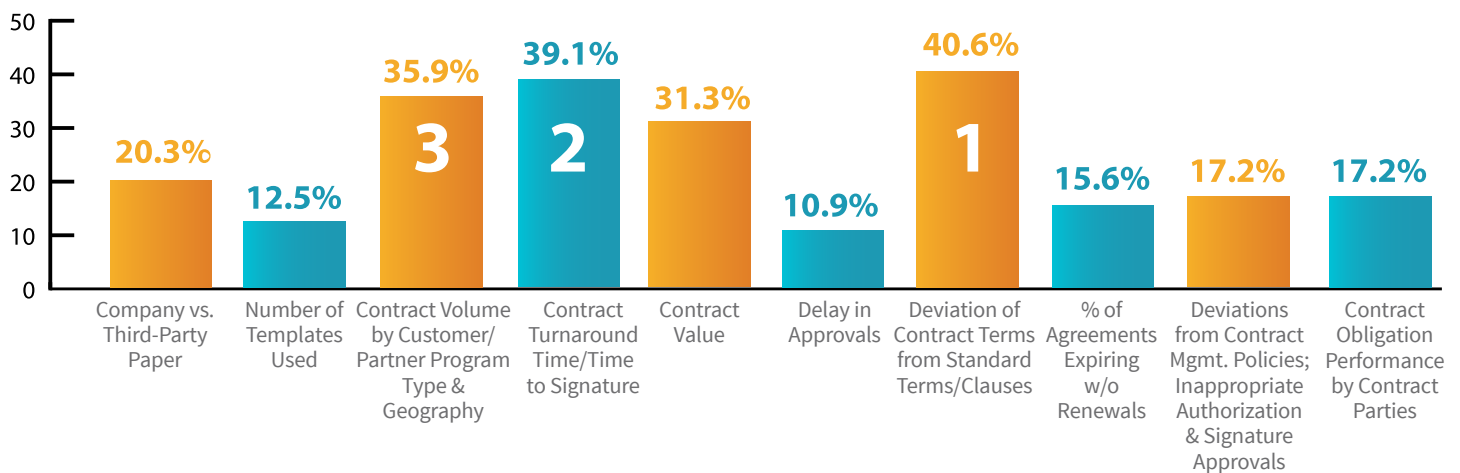
The survey asked about contract life cycle management processes, which lag other areas in terms of maturity and effectiveness. When asked to rank the maturity of their contract life cycle management processes on a scale of 1 to 5, 41% percent ranked themselves a 1 or 2, and only 4% ranked themselves a 5.

Of those using contract life cycle management processes, respondents ranked contract volume by customer/partner/program type and geography, contract volume, company versus third-party paper, deviation of contract terms from standard terms/ clauses and contract turnaround time/time to signature, respectively. When asked about the most valuable contract life cycle management processes they track, respondents ranked deviation of contract terms from standard terms/clauses, contract turnaround time/time to signature, contract volume by customer/ partner/program type and geography and contract value in order.

**ON A SCALE OF 1 TO 5,  
HOW MATURE DO YOU CONSIDER YOUR CONTRACT  
LIFECYCLE MANAGEMENT TECHNOLOGY?**



**WITH REGARD TO YOUR CONTRACT LIFECYCLE MANAGEMENT PROCESS, WHAT DATA DO YOU CURRENTLY TRACK AND WHICH THREE (3) ARE MOST VALUABLE?**



*“Based on the survey results, it’s clear to me that the full potential of contract life cycle management has yet to be realized,” shares Bernadette Bulacan, lead evangelist for Icertis. “The data demonstrates that legal departments are in the early stages of maturity and focusing on areas like tracking contract volume or using CLM systems exclusively as repositories.” According to Bulacan, these are solid starting points. “But I am excited by what the future holds for CLM as more companies adopt robust systems. We have mature customers who now track meaningful data points like deviations from standard templates and contract terms and connect their CLM systems to other critical enterprise tools to understand performance against contract terms.”*



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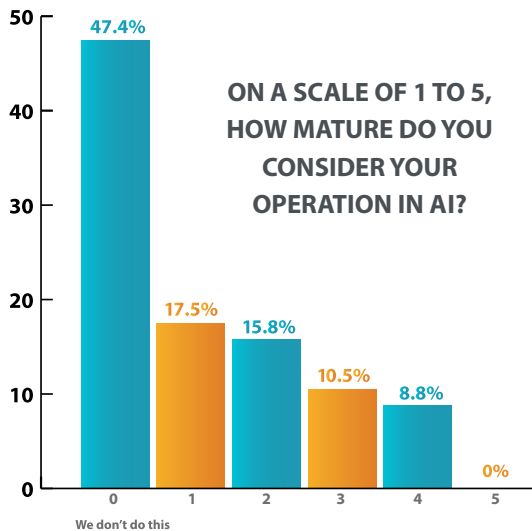
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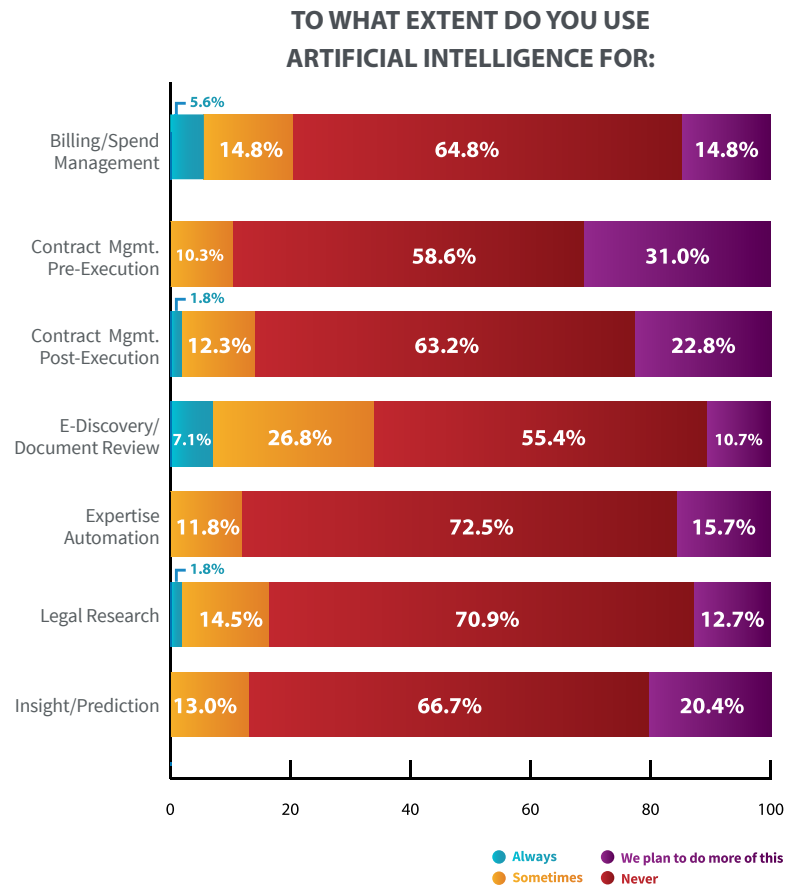
# ARTIFICIAL INTELLIGENCE

Artificial intelligence is another area that is ripe for growth, since few LDO professionals have delved into its possibilities. Nearly half—47.4%—said they don't use AI at all, and when asked to rank the maturity of their AI operations on a scale of 1 to 5, only 9% listed themselves a 4, and none considered themselves a 5.



*“Five years ago, mainstream and legal media were predicting AI and machine learning would have a huge impact on the need for lawyers,” says Reese Arrowsmith, vice president, head of legal operations for Campbell Soup Co. “I don’t see AI and other technological advances having a significant impact on the volume of lawyers needed over the next several years. I do see AI and other technology advances having an impact on the way lawyers work. New technology will augment ways of working and may impact who completes legal work. I also see the legal industry utilizing data analytics to make decisions and to predict outcomes, but this is highly dependent on the adoption of standard nomenclature across the industry and a real focus on capturing accurate and relevant data which the industry has proven to be unable to do.”*

When law departments use AI, they are most likely to employ it for e-discovery and document review. Twenty-seven percent of respondents sometimes use it for these areas, and 7% always use it. Billing and spend management represent the next most common uses of AI, with 15% sometimes using it and 6% always using it. Respondents are also leveraging AI for legal research; or at least, 15% sometimes use it, and 2% always use it.

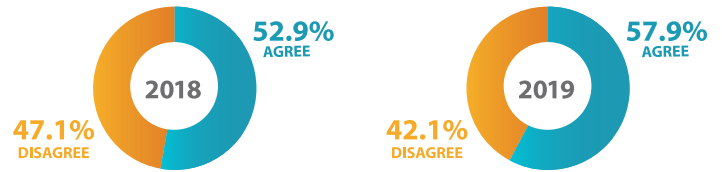


Respondents are excited about the possibilities of AI, and 60% expect more of it for legal-type work in the next three years, compared to 53% last year.

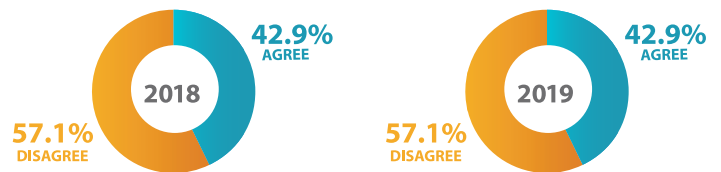
That is true across the board for every category the survey asked about, which also included contract management pre-execution, contract management post-execution, expertise automation and insight/productions; respondents said they plan to do more with AI. Yet respondents are skeptical about the ability of AI to predict future outcomes and events in the next three years. Fewer than half, 43%, believe that.

*“I expect we will see a lot of growth in predictive spend management over the next few years. That is an area that is growing in sophistication, and because it is not legal work and is work that many attorneys do like to do, many of the impediments to AI adoption do not apply,” predicts Blickstein, who also publishes the Legal AI Efficacy Report.*

### I BELIEVE MOST LAW DEPARTMENTS WILL BE USING ARTIFICIAL INTELLIGENCE FOR LEGAL-TYPE WORK IN THE NEXT THREE YEARS



### I BELIEVE MOST LAW DEPARTMENTS WILL BE USING ARTIFICIAL INTELLIGENCE TO PREDICT FUTURE OUTCOMES AND EVENTS IN THE NEXT THREE YEARS



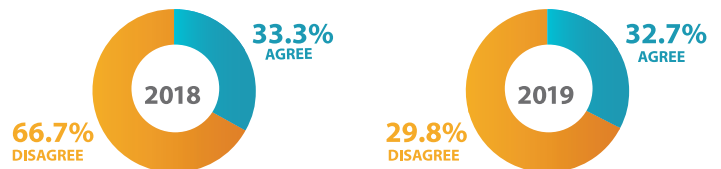
## THE CHANGING, AND UNCHANGING, ROLE OF LAW FIRMS AS INNOVATORS

As LDO professionals have pushed for fresh approaches and new ways of thinking, law firms have spent millions of dollars and thousands of hours working to establish themselves as innovators, too. Yet despite all this money and effort, LDO professionals remain unconvinced about law firms’ abilities to break new ground. For example, in this year’s survey, 32.7% of respondents said they believe their law firms are innovative. This number has barely budged since last year, despite all the law firm emphasis on—and legal press coverage of—innovation.

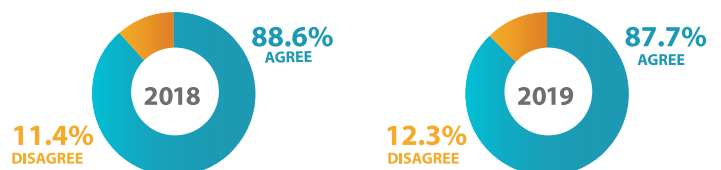
Instead, 88% of respondents said they believe corporate legal departments will be the primary drivers of innovation and change in the legal sector.

And LDO professionals are prepared for this responsibility—63% of respondents believe their job is “primarily change management.”

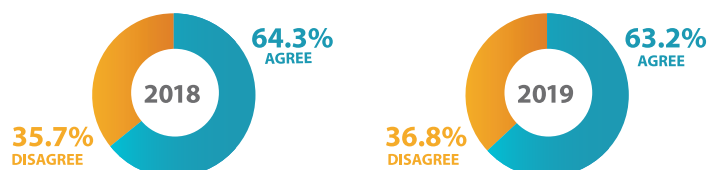
### OUR LAW FIRMS ARE INNOVATIVE



### CORPORATE LAW DEPARTMENTS WILL BE THE PRIMARY DRIVER OF INNOVATION AND CHANGE IN THE LEGAL SECTOR



### MY JOB IS PRIMARILY CHANGE MANAGEMENT



But according to Cambria, law firms are not completely to blame—law departments haven't held up their end of the deal, either. "Law firms are having trouble getting people to partner with them, but it has been that way for 10 years," he says. "Firms continue to innovate, and they are spending gobs of money to do it. But it's not moving the needle. It's not for lack of input; it's for lack of output." The solution is more collaboration and defined standards, he explains. "The industry needs common standards around reporting and defining value."

Still, just under half the respondents, 49%, agree that law firms are leveraging technology to deliver legal services more effectively and cost-efficiently. "If law firms are becoming even slightly more efficient the cost of legal services should be going down, but we continue to see an increase in the volume and complexity of

legal work," says Campbell's Arrowsmith. "It seems like any efficiency gains are being offset by the increase in volume and complexity of legal services."

Law firms are facing other challenges, too. One of the hottest topics—and biggest fears for law firms—is the impact of the Big 4 accounting firms as they move further into legal services. Yet the good news for law firms is that few LDO departments are using accounting firms for legal work, at least so far. This year's survey asked whether law department operations professionals are turning to them for a variety of services—and asked the same question about more traditional alternative staffing/non-law firm vendors. LDO professionals are more than four times as likely to use traditional alternative providers than they are the Big 4.

**Over the last 12 years, the LDO Survey has tracked the dramatic changes in the field. Law department operations professionals have continued to demonstrate their value, even as they face new and ongoing challenges around issues such as budgets, metrics, technology and law firm relations.**

**Those challenges may increase if concerns about a faltering economy come to fruition. Since the 2008 recession, law department operations have become far more established with demonstrated value. A new recession could force corporate legal departments to reduce headcount both in legal ops and in the law department itself. However, law department operations professionals have overcome staffing and budget challenges before, and they have the tools and know-how to continue to work toward the benefit of their organizations.**

# THANK YOU TO THE SPONSORS OF THE 12TH ANNUAL LAW DEPARTMENT OPERATIONS SURVEY

We would especially like to thank Morae Global, whose advice and assistance have helped us enormously.



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For more information about the survey or to purchase the full LDO survey results package for 2019, please contact Brad Blickstein at [brad@blicksteingroup.com](mailto:brad@blicksteingroup.com) or call 847.256.5298.

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