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LAW DEPARTMENTS UNDER STRESS
**ARE LEGAL OPS PROFESSIONALS IN
POSITION TO RELIEVE THE PRESSURE?**

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CLOSER INTEGRATION BEYOND THE LAW DEPARTMENT



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In the decades past, many law department operations (LDO) professionals, along with their law departments, functioned as a sort of island unto themselves, with limited catalysts for interaction with colleagues in other areas and departments. Yet as the results of the 15th Annual Law Department Operations Survey illustrate, that view is changing. Based on the survey, the law department, with the support and leadership of legal department operations professionals, has become far more closely integrated with the rest of the enterprise. In many instances, it is being entrusted with more areas of oversight, which clearly demonstrates its value in disciplines that range far beyond what was once typically considered the purview of the legal function.

According to the 2021 survey, 79.6% of respondents said they were occasionally or frequently involved in strategic initiatives outside of legal; this year, the number increased to 86.2%. LDO professionals are also interacting regularly with their peers and executives on the business side: 68% of respondents interface with the executive suite at least weekly, and more than half of respondents, 58.7%, say they rate their department as very or somewhat effective in business client engagement and strategic partnering.

They are also becoming more focused on the strategic use of technology to boost productivity and efficiency and improve results. And a growing number are developing longer-range plans to

leverage and implement the right tools. Nearly half of respondents, 48.0%, now have a multiyear technology strategy or road map, up from 40.0% last year. This represents a remarkable increase since, for years, the number of those with a multiyear technology strategy or road map had stagnated at one-third. Along with those who already have a plan, a significant number are also realizing the value of this type of longer-range planning, with another 40.0% of respondents planning to develop one.

Those road maps increasingly require LDO professionals to become more sophisticated about the use of enterprisewide tools and not limiting focus to those that are strictly related to the legal function; contract lifecycle management (CLM) tools are a great example of this trend. Almost one in three respondents, 30.0%, say they are planning to evaluate or implement CLM in the next 12 months. Whether this trend continues may rely upon law departments gaining enough value from these systems, which have consistently been considered some of the less effective tools in their arsenal and are now rated at 6.2 (for pre-execution tools) and 5.9 (for post-execution) on a 10-point scale compared to 6.2 and 6.8, respectively, in 2021. Getting full value from contract lifecycle management—and being perceived as such by teams outside the legal function—may be a big growth driver for the legal operations function.

LDO professionals are also thinking more strategically when it comes to integrating legal software with their company's other IT platforms, as well as articulating how their technology needs differ from their peers in other departments. For example, 41% of respondents are planning to update, evaluate or implement legal service request software over the next 12 months, and 36% of respondents are planning to update or implement workflow or business automation tools.

LDO professionals are also continuing to respond to other issues that are important enterprisewide, such as diversity, equity and inclusion. For example, there has been a significant jump in the number who are tracking the diversity of their internal staff: more than half of respondents, 56.5%, now track that metric, up from 31.6% in 2021. Law departments are also using data to actively make their departments more diverse. When asked what elements are a part of their diversity and inclusion programs, nearly half of respondents said they are using tracking (46.8%), mentoring (41.9%), targeted recruitment (45.2%) and training (40.3%).

LDO professionals are also turning that focus outward as they ask their law firms about their overall diversity. Those that do so now represent 69.2% of respondents this year, an increase from 57.7% last year. Those that do so now represent 69.2% of respondents this year, an increase from 57.7% last year, with 19.0% of respondents saying they have terminated a firm (or ALSP) for not meeting DEI goals. Still, most do not consider DEI to be a primary criterion in choosing firms and ALSPs, finishing behind expertise, track record, bench depth, knowledge of the business and price for both.

Looking forward, one of the biggest questions is whether this drive to enterprisewide value will continue. One good sign: LDO professionals are more frequently looking to create value through "recoveries," which are affirmative claims or litigation that generate revenue through the legal function, with nearly one in three of respondents, 32.6%, now tracking them. Becoming this type of value creator for the company may be the biggest move LDO professionals can make to entrench their role as a strategic partner throughout the enterprise.

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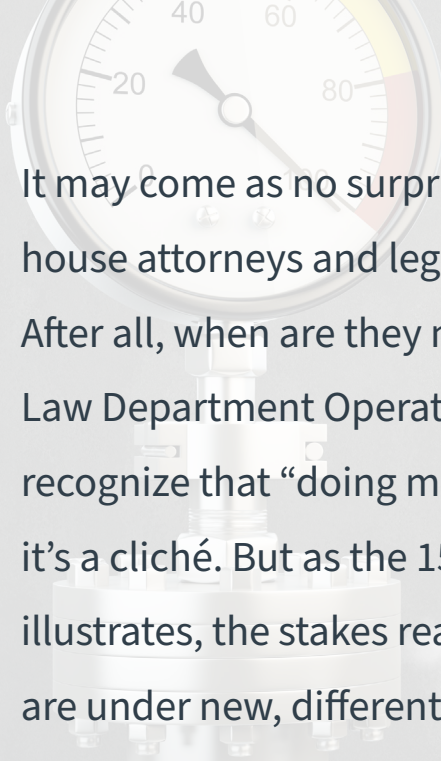
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LAW DEPARTMENTS UNDER STRESS ARE LEGAL OPS PROFESSIONALS IN POSITION TO RELIEVE THE PRESSURE?



It may come as no surprise that, in 2022, law departments, their in-house attorneys and legal operations professionals are under pressure. After all, when are they not? Those who have been following the Annual Law Department Operations Survey since the first edition in 2008 will recognize that “doing more with less” has been repeated for so long, it’s a cliché. But as the 15th Annual Law Department Operations Survey illustrates, the stakes really are different now. Corporate law departments are under new, different and more types of pressure than ever before.



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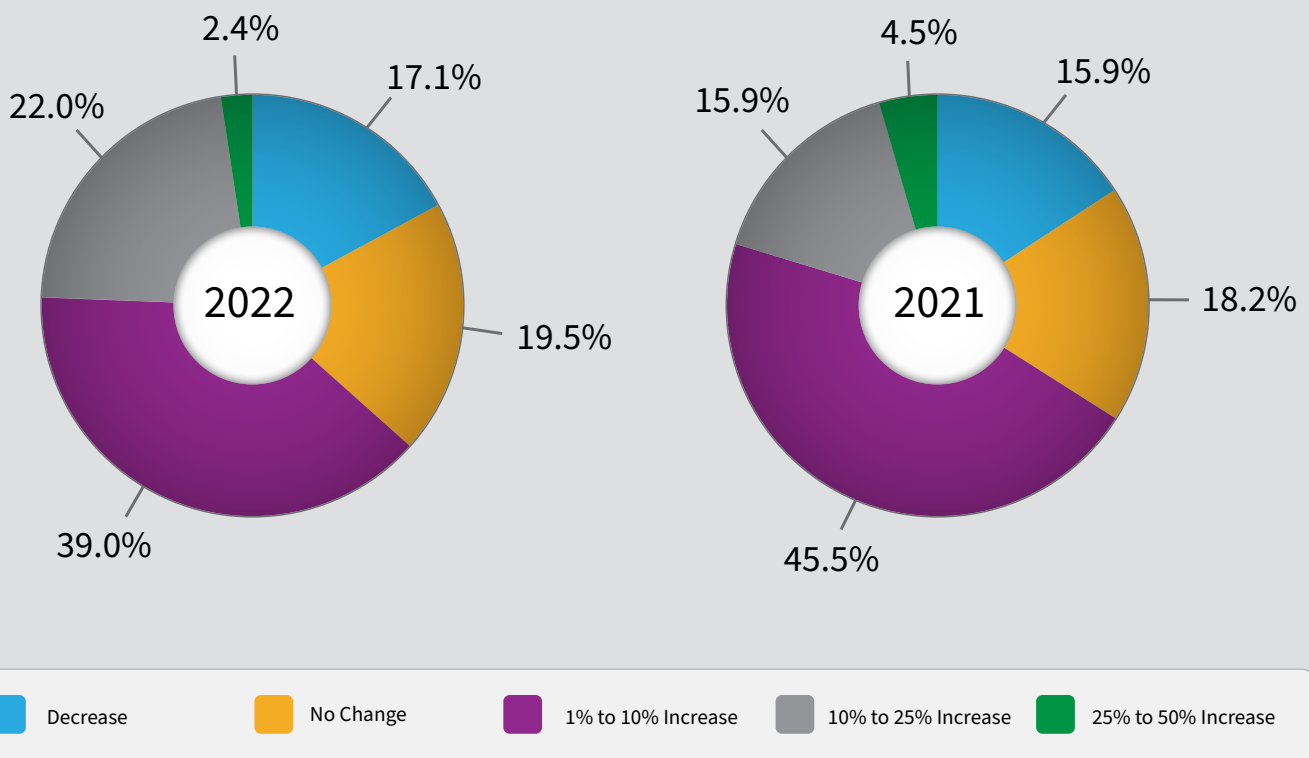
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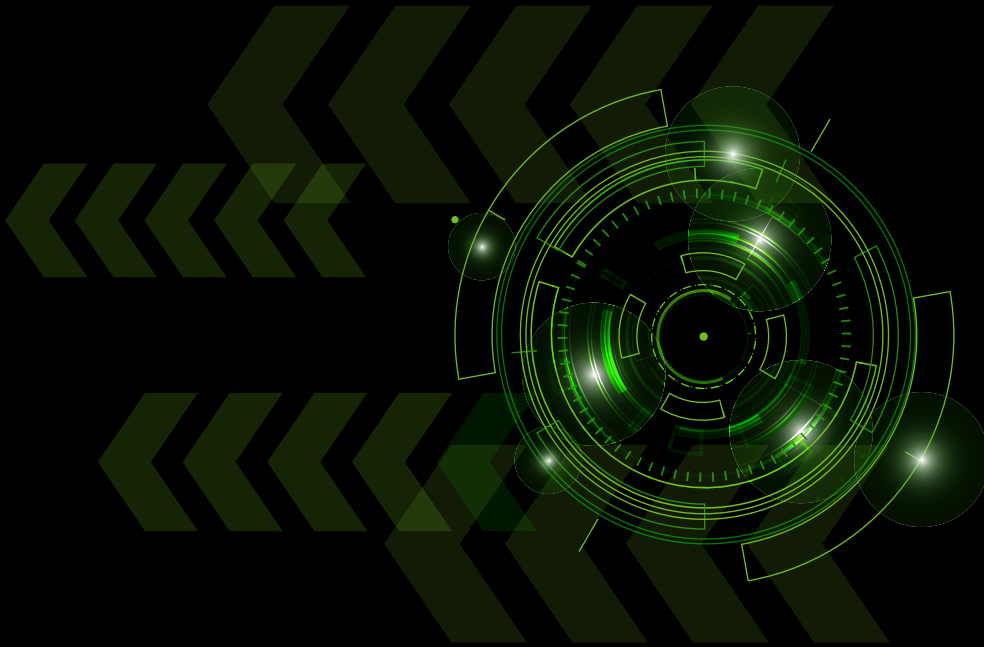
Consider just some of these problems that are looming: a potential economic downturn, headcount freezes, more regulatory work, increasing globalization; climate change and a legal industry that has inconsistently acknowledged cutting-edge technology, even as other industries are embracing it.

Among the factors to prepare for are an expected increase in spending, which nearly one-quarter of respondents to this year’s survey expect to rise by more than 10% in the next year, so it’s no surprise that among the top current challenges that LDO professionals face, cost containment and managing the budget are second only to implementing business process improvements.

What percentage change do you anticipate to your annual legal spend for the next year?



“We are seeing some global impact on companies and the further decoupling in global partnerships. It is creating downstream pressures, which undoubtedly will impact G&A and legal departments.”



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And that will be the situation for years to come; in the next three years, respondents expect those two areas to remain their most challenging, with staying abreast of law department technology/managing and handling IT issues a distant third.

What are the top three challenges you face related to managing law department function?

	CURRENT	EXPECTED in the next 3 yrs
Implementing business process improvements	55.2%	51.7%
Cost containment and savings / managing the budget	51.7%	51.7%
Staying abreast of law department technology managing and handling IT issues	31.0%	27.6%
Obtaining funding for new initiatives	24.1%	22.4%
Interdepartmental relationships (e.g., legal intake, communications with business units)	20.7%	25.9%
Service providers (e.g., managing outside counsel, effective AFAs)	17.2%	12.1%
Prioritizing objectives and tasks	17.2%	13.8%
Data protection	12.1%	15.5%
Intradepartmental relationships (e.g., gaining attorney buy-in, communicating with GC)	10.3%	6.9%
Performance (e.g., documenting ROI of the LDO position, reporting to stakeholders)	10.3%	8.6%
Employee retention / turnover	8.6%	8.6%
Obtaining executive buy-in for new initiative	6.9%	10.3%
Compliance issues	6.9%	10.3%
Handling global / international matters	5.2%	12.1%
Promoting diversity and inclusion / civil justice	5.2%	5.2%
Work from home / return to work / flexible working	5.2%	3.4%
Pandemic-related expense pressures	3.4%	3.4%

An aerial photograph of a massive concrete dam. A wide, curved walkway runs along the top edge of the dam, with several small figures of people walking on it. The dam's surface is composed of large, rectangular concrete panels. The water behind the dam is a deep, clear blue-green color.

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ASK NOT WHAT YOUR CLM CAN DO FOR YOU (IN THE LEGAL DEPARTMENT)...

Bernadette Bulacan
Chief Evangelist
Icertis



The stereotype of “contracts for legal, by legal” is natural; contracts are legal constructs and, as such, find their home in the legal department. Unfortunately, this limited view ignores the wide reach contracts have across the business. According to World Commerce & Contracting, 25% of an organization is involved in the contract management process—everyone from sales to procurement to finance and HR.

This is why the most enterprising and innovative legal operations professionals take an expansive approach to implementing contract lifecycle management technology. Sure, they are working tirelessly to leverage CLM to improve their department’s efficiency, but they are also embracing the opportunity to demonstrate the value of CLM beyond the four walls of the legal department. To paraphrase an inspirational quote that has launched many transformative initiatives: “Ask not what CLM can do for you (in the legal department), but what you can do for CLM to help the entire organization.”

THE IMPACT AND VALUE OF INTEGRATION

So how can legal ops teams deploy a CLM so value can be realized across the entire enterprise? The key is integration—namely the integration of CLM into other enterprise systems.

Integrations are critical because they improve contract efficiency for both legal and nonlegal users. In the same way that attorneys want to conduct their work in familiar tools like Microsoft Word, a salesperson will feel most comfortable initiating the contract process in the sales department’s native customer relationship management system. Integration can enable the business to self-serve with legal-set guide rails, resulting in increased compliance while reducing the number of contracts requiring legal’s review.

CLM that is integrated into other enterprise systems also produces rich and robust data pools. For instance, organizations that integrate their CLM with supply

relationship management systems have been able to unearth data to identify and enter into new agreements with vendors who can better navigate supply chain disruptions.

Note, all of this assumes robust integrations. When evaluating a CLM platform, inquire about the provider’s experience with integrations across multiple enterprise systems. Determine whether the vendor is simply providing an API or developing seamless experiences between these enterprise systems.

GETTING STARTED

While enterprisewide deployment and integrations are highly valuable, they can also be perceived as complex and daunting. This likely explains why, according to the latest Annual Law Department Operations Survey, only 34% of organizations have integrated CLM into other enterprise systems. However, as noted above, contracts are an enterprisewide asset, and failing to design a CLM system to match is a recipe for low adoption and muted value.

The journey can start with a conversation. LDOs should conduct a listening tour in an effort to learn about the contracting pains and challenges experienced across the business.

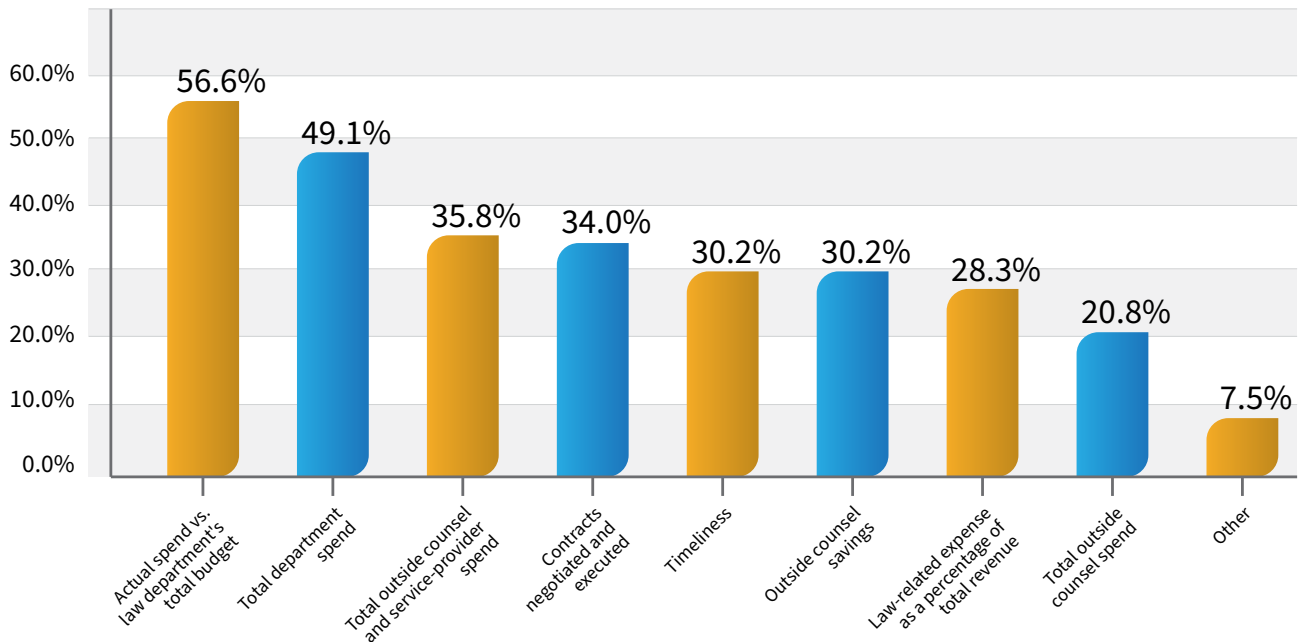
One legal operations director from a global medical technology enterprise shared that a key component of her rollout was identifying which integrations mattered to these departments. “No function was feeling as if this solution was being thrust upon them,” she observed. “They were part of the team bringing about this change. And, honestly, I believe they have pride in being part of the team that really transformed how our company does contracting today.”

Such words warm any legal operations leader’s heart.

To learn more about taking an enterprisewide approach to contract intelligence, [download our e-book](#).

As a result of all this, it's little wonder that the top KPIs that LDO professionals are tracking are all related to spend: actual spend versus the law department's total budget, total department spend and total outside counsel and service-provider spend.

What do you consider to be your top three key performance indicators?



Legal operations professionals should be perfectly situated to respond to this moment. After all, they control many of the valves in the law department that can be pulled to release this pressure, such as outside counsel spend, the use of technology, metrics, processes and other areas. As we enter uncharted territory in 2023 that could result in a period of extreme stress, this year's survey results serve as a referendum on how truly ready LDO professionals are to release these pressures. Unfortunately, it seems they might not be as prepared as they—or their organizations—wish.

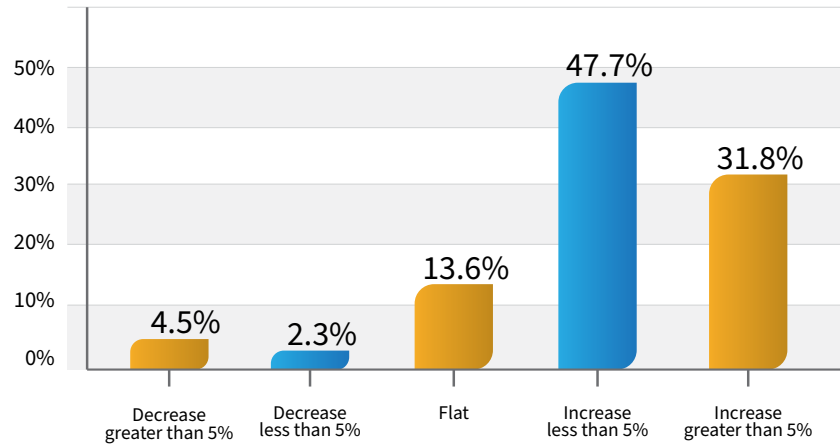
“The primary widget that legal departments purchase is the billable hour and the cost of producing that widget has increased for firms, which will likely drive higher rates. While legal operations professionals have other cost levers to pull, such as pushing work to lower cost firms and reevaluating the inside/outside mix, it's hard to see these increases not hitting the bottom line.”

MICHAEL T. HAYSLEY | Director of Operations, Occidental Petroleum

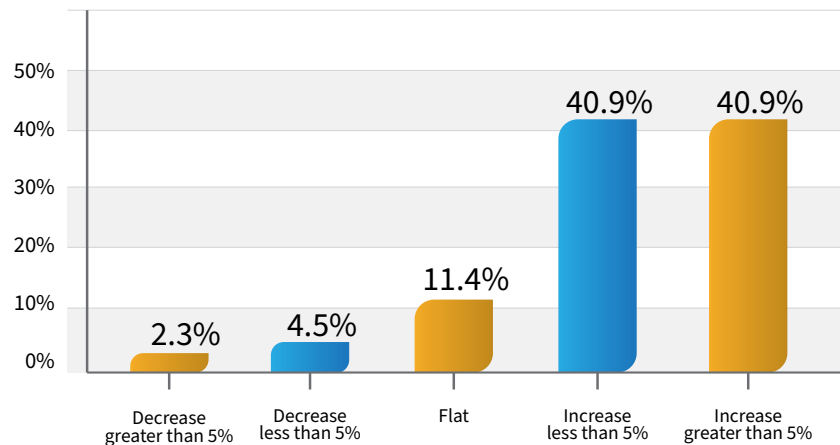
Outside Counsel Management

LDO professionals are bracing themselves to pay more for their law firm work, while they continue to remain frustrated that the concept of “doing more with less” does not always trickle over to their outside counsel. Most respondents have experienced rate increases over the last year, and most are expecting even higher rates in the next year.

How have your overall law firm rates changed over the past year?



How do you expect your overall law firm rates to change over the next 12 months?



Yet even as they are bracing themselves to pay more, there are waves of dissatisfaction. Half of respondents say their firms don't make strong efforts to understand their own challenges. And only slightly more than half, 54.3%, say their firms help them “see around corners” and suggest proactive steps to mitigate risks. Even more striking, barely one in four, 28.3%, say their law firms are leveraging technology to deliver legal services more efficiently.

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Jason Smith
DocuSign



Contracts are everywhere and contain a universe of data points, both within the document and about the document. With digitized contracts, the depth and breadth of available data points in an agreement library are astronomical.

We see the challenge of unwieldy data highlighted in this year's Annual Law Department Operations Survey, where respondents cite deviation from standard contract terms among the three most valuable data points to track. Legal teams are capturing information about problematic terms, but struggling to build a reliable path to turn this into value.

There seems to be a clear understanding that if legal teams could find a way to digitally parse contract data and uncover a path to value, they would establish the function as a strategic driver for every line of business.

FOCUS ON PRACTICAL QUESTIONS THAT DATA CAN ANSWER

In the 2019 survey, 58% of respondents said "most law departments will be using AI for legal type work" in three years. Another 42% said "most law departments will be using AI to predict future outcomes" in the same time span.

It's three years later now, and legal teams aren't much closer to that ambitious dream. What happened? Here's a hint: the older survey asked questions about comprehensive AI maturity without defining how it could be used. By contrast, this year's survey asks about the extent to which AI is applied across specific law department tasks, including contracting. The perception of data-driven value has shifted from arms-length strategy to hands-on tactics.

Legal operations professionals are realizing that it's unrealistic to turn enormous quantities of data into AI-powered suggestion engines. The root of the problem is that teams start with technology and an undefined, overly

idealistic end state. It's far more beneficial to start with specific contract information that CLM systems can track and look for ways to analyze that information better with AI.

TURNING TODAY'S CONTRACT DATA INTO VALUE

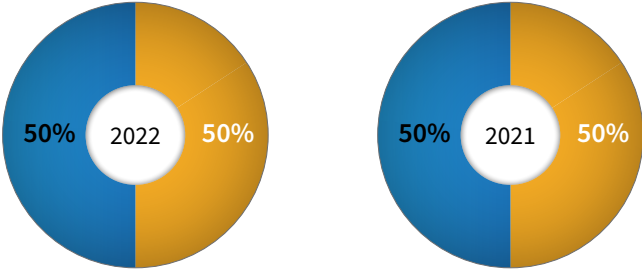
This year's survey data shows that teams already collect information that can be actionable right now. For example, respondents say the most valuable data they track is contract turnaround time (17%) and deviation from standards (14% from standard terms and 11% from standard policies).

Together, these data points tell a powerful story about the broader value of contracting work. It's beneficial to collaborators to set clear timeline expectations and a quality standard for agreement terms and organizational policies. Faster turnarounds and more consistency easily translate into value for every part of the organization. Collecting and reporting this data over time will establish that value.

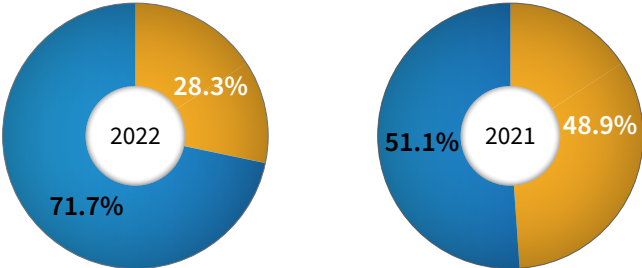
Unfortunately, another finding in this year's survey is that around half of law departments face challenges implementing business process improvements. Those challenges are expected to be the biggest problem in the near future as well. Law departments have an opportunity to demonstrate the value of digital process improvements, like efficient contracting processes. By building these connective systems, they will successfully establish themselves as cross-department value creators. That work requires clean, structured data, collected from every team that does contracting work and every step of the process.

The best way to build a data-powered contracting system is to integrate everyday business systems (Word, Salesforce, etc.) into the platform. From there, legal teams can generate valuable best practices that every team can implement. That connective approach will democratize agreement data, allowing legal professionals to create time and money savings across the entire organization.

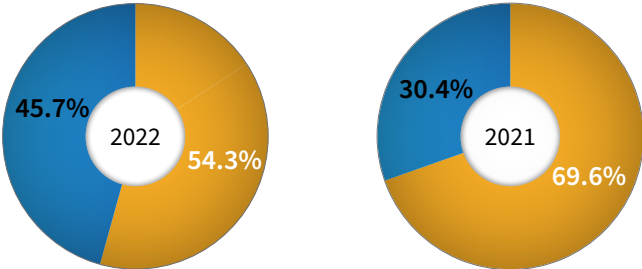
Outside counsel generally make strong efforts to understand the substantive legal issues we face as a law department.



Law firms are leveraging technology to deliver legal services more effectively and cost-efficiently.

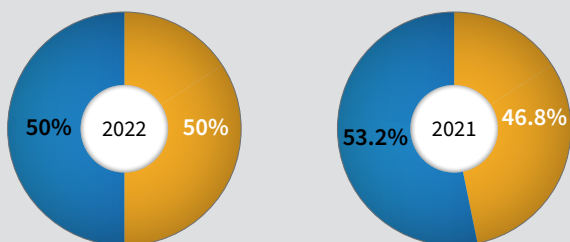


My law firms help us “see around corners” by suggesting proactive steps to mitigate risk.

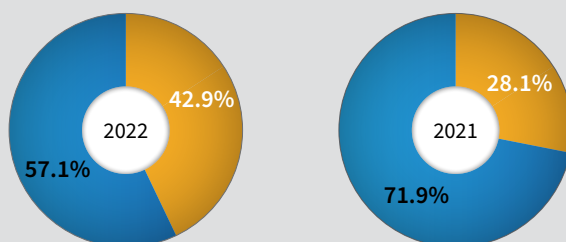


Law firms may not be getting the level of visibility they need in order to make the changes to strategically provide their clients with measurable impact, as only approximately half reported that they share feedback. Law departments are, however, continuing to increase standardization of law firm evaluation—42.9% have now developed a yardstick across all outside counsel work to evaluate outside counsel. We also saw a significant 40% increase in developing benchmarks and year-over-year expectations across their service providers.

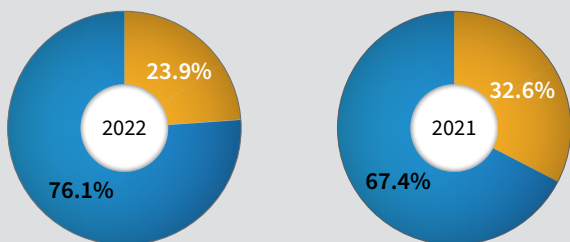
We affirmatively provide our law firms with feedback about how well they are doing.



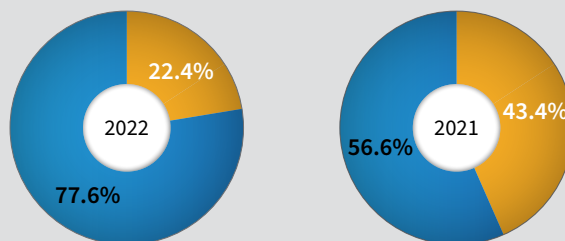
Do you have consistent metrics that you use to evaluate your outside counsel and ALSPs?



If so, do you share those metrics with your outside counsel and ALSPs?



Do you feel law firms make effective use of the information that metrics provide?



Agree Disagree

“If anything, these statistics indicate a heavy focus of law departments in meaningfully understanding not just how they spend their money but in developing principles across internal evaluation of counsel and postmortem evaluation of performances from existing law firms.”

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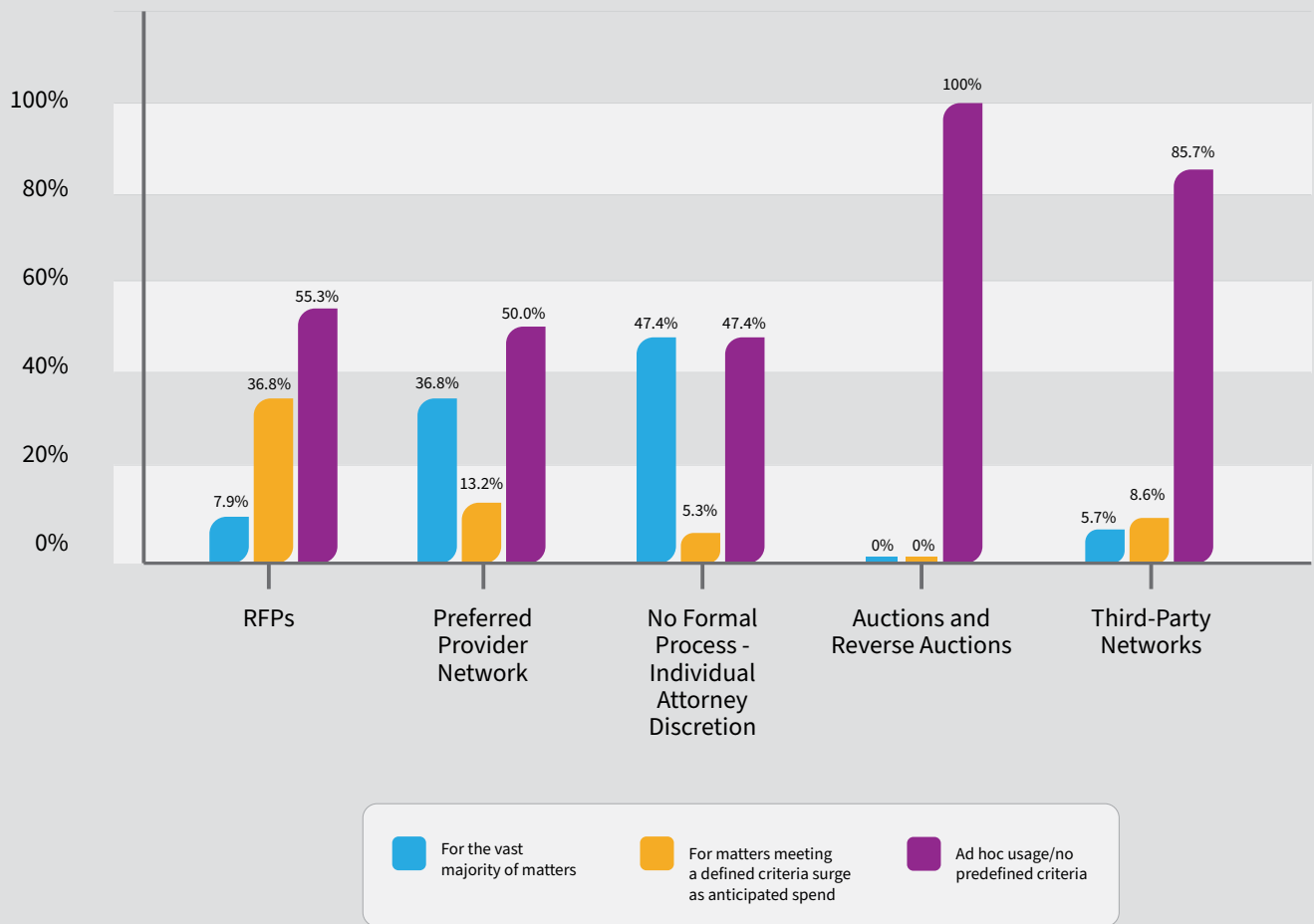
AMY YEUNG

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Outside Counsel Selection

The issue is not limited to the management of outside counsel; part of the problem is in how they are selected in the first place. The methods used to engage outside counsel remain rooted in the past, when relationships and the status quo drove hiring. This is extremely problematic, since the LDO function is designed to bring professionalism to the law department, often treating outside counsel management as job one. A mere 7.9% of survey respondents use RFPs for the vast majority of matters (though 36.8% more use RFPs for matters meeting certain criteria). And only 36.8% use a preferred provider network for most of their work. When asked about third-party networks, only 14.3% said they use them. And none of the respondents have a defined criteria for auctions and reverse auctions. In fact, fewer than half, 47.4%, have no formal process and allow individual attorney discretion for most hiring of outside counsel.

Which processes do you use to hire outside counsel?



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THREE WAYS TO LEVEL UP YOUR CONTRACT MANAGEMENT MATURITY

Jerry Levine
Chief Evangelist and General Counsel
ContractPodAi



Today's contract management continues to play a crucial role in driving efficiencies and saving money. Fortunately, it has improved in maturity and sophistication—albeit slowly—in many organizations.

In the 15th Annual Law Department Operations Survey conducted by the Blickstein Group, legal operations professionals identified the top challenges they face as “implementing business process improvements” (54%) and “containing costs and managing the budget” (51%).

But when it comes to pre-execution contract management, only 20.9% rated themselves “very mature” (5/5) or “mature” (4/5). Post-execution contract management numbers drop even more, with only 8.7% placing themselves as “very mature” (5/5) or “mature” (4/5). Interestingly, when the survey asked legal ops professionals about their full contract lifecycle management maturity in 2019, 17.9% said they had reached a high level of maturity. So clearly, we are on track for improvement, even if pre-execution is outshining post.

But how can we ensure contract management stays on this maturity curve? Here are three ways legal ops teams can raise their contract management to even higher levels.

PROCESS EFFICIENCY

A few simple steps can help you get a better handle on your process and improve.

- 1. Understand exactly what your current process looks like.** Take a close look at every task and activity your department does daily.
- 2. Identify any gaps.** Are there areas where your process breaks down or is less than ideal?
- 3. Make a plan to fix the problems.** This may involve changing how you do things, investing in new technology or even hiring additional staff.

THE AI BUZZ DEBUNK

AI has been a hot topic in legal for some time, but the real impact can still be very murky. AI-driven contracting has the power to not only support specific legal tasks but also streamline legal functions and reinvent legal departments entirely. AI analytics can be used, for example, to crunch contractual data and provide actionable insights on compliance requirements. According to the 2022 LDO Survey, only 5-7% always apply AI for pre- and post-execution contract management, while about 32% plan to use AI for contract management in the future. Understanding what and where the real impact of AI is or will be is critical to leveling up your contract management processes.

CHANGE MANAGEMENT

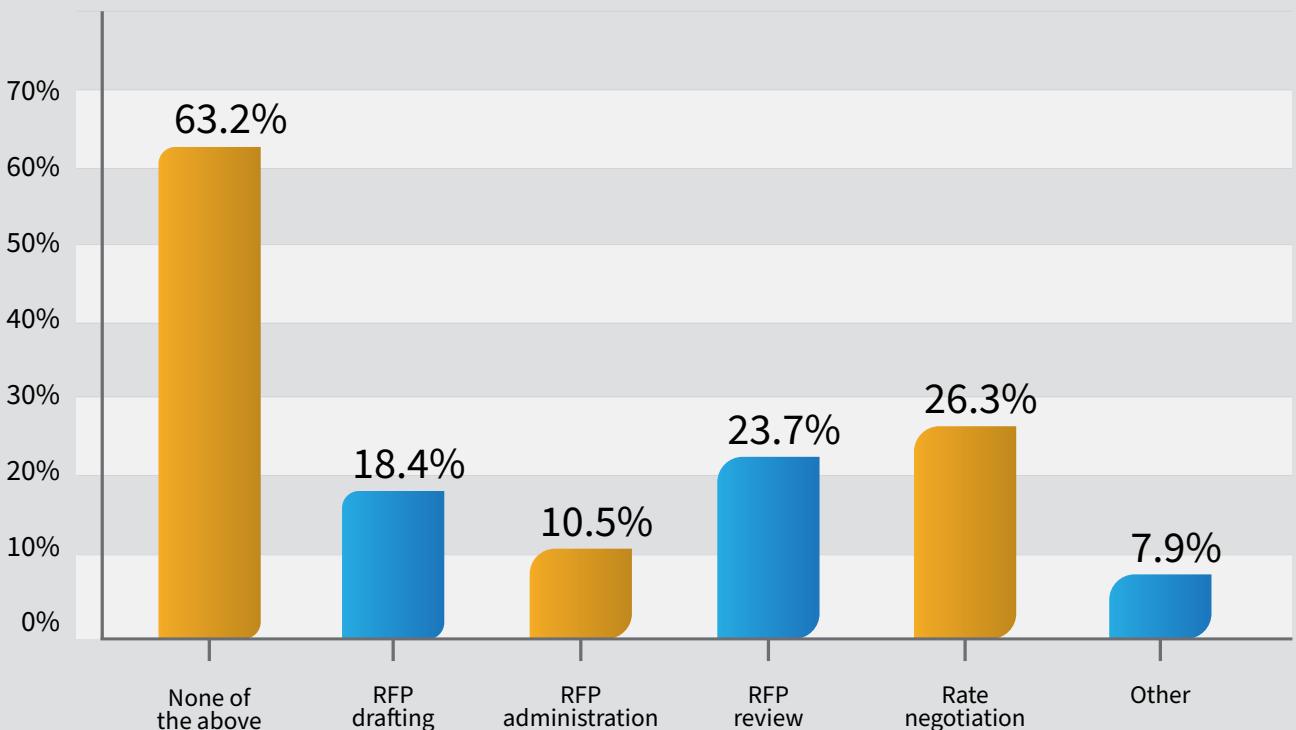
Adopting new solutions can feel like watching paint dry. It can seem slow, cumbersome and frustrating. That's why it's imperative to ensure your adoption cycles are short and sweet. Implementations should be incremental or agile and involve constant testing and smooth execution. This also means redefining the company's digital culture fairly frequently. Enlist digital champions—or digital transformation veterans—to help less knowledgeable users adopt legal technology and understand its value.

At the end of the day, legal ops needs to come up with innovative ways to resolve the challenges law departments face. They need total control over their everyday agreements and processes and a more holistic understanding of their future obligations. For a growing number of legal departments, the answer is a legal platform that is automated, intelligent—and truly unified.

[Download this handy guide](#) to learn how to view the contract management market and choose the right solution for your legal ops team.

Considering all these factors, it is significant that so few LDO professionals ask their companies' enterprise procurement team for help—63.2% never utilize these professionals, although 26.3% do rely on enterprise procurement for assistance in rate negotiation. And others get assistance at various parts of the IT process. This represents an opportunity, since this assistance can be particularly valuable during challenging times. Better engagement habits can lead to better partnerships with other departments and ultimately the receipt of more value, which can help relieve the pressure on the corporate law department.

Our legal department utilizes our enterprise procurement function for (check all that apply):

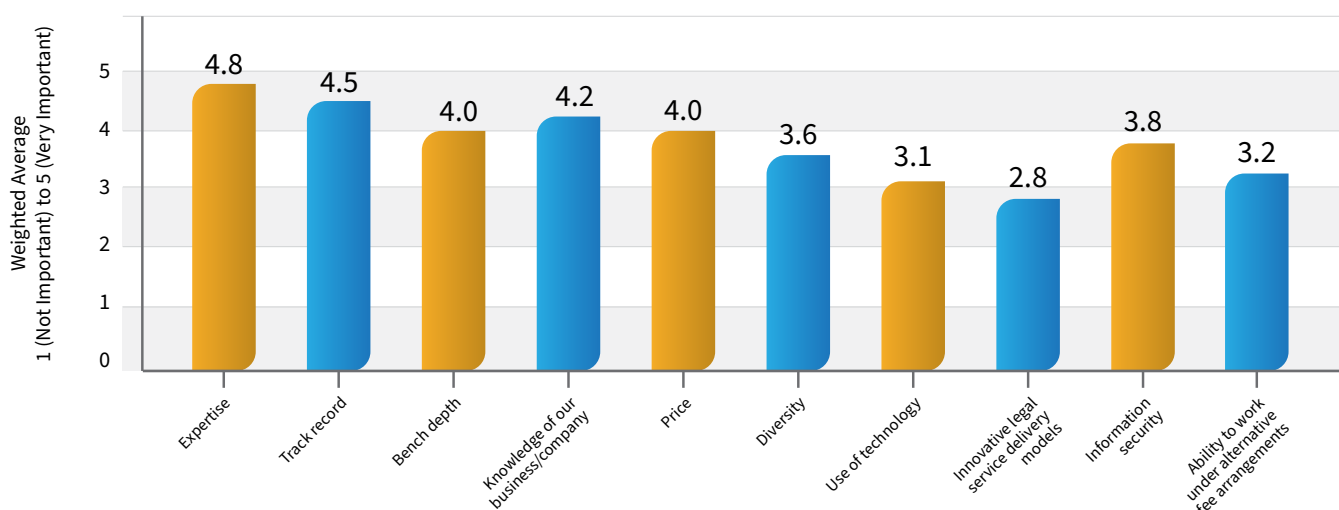


“In-house lawyers must balance risk and cost, so it’s reasonable for them to continue to rely on outside attorneys they know and trust, especially on high-risk and high-complexity matters. Other, lower-risk matters may warrant competitive bidding or at least the use of data to compare the exposure, fees, and results on similar matters by different firms.”

MICHAEL T. HAYSLEY | Director of Operations, Occidental Petroleum

As these responses demonstrate, for all the talk about being more innovative, leveraging technology, and expanding the use of alternative fee arrangements, all of these factors still trail more traditional elements such as expertise and track record when selecting outside counsel.

Please rank the following in terms of selecting outside counsel for an engagement (1=Not Important, 5=Very Important)



LAW DEPARTMENTS SHOWING INCREASED UNDERSTANDING OF THE IMPORTANCE OF ALSPs

David S. Cochran

Director, Sales Operations and Channel Partners
QuisLex



An ALSP is the third leg in a three-legged stool along with the legal operations team and outside counsel. With all three functioning as partners and collaborators, the work of the legal operations team is more balanced, successful and rewarding.

In this year's Law Department Operations Survey, the respondents were asked to rank what's important to them in terms of selecting outside counsel and ALSPs. The average rank is very closely aligned for the two, especially for "expertise" and "track record," which suggests that legal operations professionals are looking for experience, sophistication and longevity in both groups. While some might be surprised that these are the leading factors for ALSPs, it makes complete sense. The trust and importance that the law department places on the ALSP market validate the survey results.

The growth and expansion of ALSP offerings have run parallel to the recognition and growth of dedicated legal operations professionals. This has been a long time in the making and with the development of CLOC and other organizations, ALSP offerings have also expanded and become more diverse. The perception that an ALSP just provides "document review services" at a much lower cost is long past. A valuable ALSP furnishes not only managed review, but M&A support, contract review and abstraction, legal operations support, compliance and privacy and legal spend management, to name a few.

LDO professionals deserve an ALSP that is always striving to learn, improve and become a better partner

and ally with the law department. In Adam Grant's book "Think Again," a favorite passage is "Abandon best practices. Best practices suggest that the ideal routines are already in place. If we want people to keep rethinking the way they work, we might be better off adopting process accountability and continually striving for better practices." An experienced ALSP is always accountable and constantly providing a consultative approach to the challenges the legal operations team are dealing with on a day-to-day basis. The key is not constant fealty to a cookie-cutter approach, but a focus on truly thoughtful ways to better build processes and provide services that complement the legal team, based on an efficient and well-developed plan.

This year's survey also highlights the top challenges faced in managing the law department functions: "Implementing business processing improvements" and "cost containment" were at the top of the list. Leading legal operations teams rely on their ALSP subject matter experts to provide guidance and consultative support to minimize cost and for their breadth of knowledge and experience in a particular area, whether it be technology selection, Six Sigma workflows or other business functions.

The continuity of learning, rethinking approaches, listening to and understanding the new needs and challenges of the legal operations team provides value to the law department as ALSP partners become more embedded within the team. It's no longer "they," but "we" when discussions occur within the three-legged stool.

Use of Technology

Technology represents one tremendous way to relieve pressure. Automation can make things more efficient; self-service models can minimize work for the law department; and AI tools can help predict outcomes and allow the law department to make better decisions about where to focus.

However, rather than becoming more effective, technology seems to be perversely getting less effective all the time. According to this year’s survey respondents, the overall effectiveness for all their tools is down by about half a point on our 10-point scale across the board. In particular, respondents were largely underwhelmed with many of their options around efficiency tools. When asked how effective different technologies are on a scale from 1 to 10, with 10 being the most effective, the effectiveness of document/contract assembly tumbled nearly a full point this year, earning a 5.5 in 2022 compared to 6.4 in 2022. Respondents also consider knowledge management technologies to be one of the less effective efficiency tools at 5.8, virtually the same as last year.

**How effective is the following technology?
(1=Not Effective, 10=Extremely Effective)**

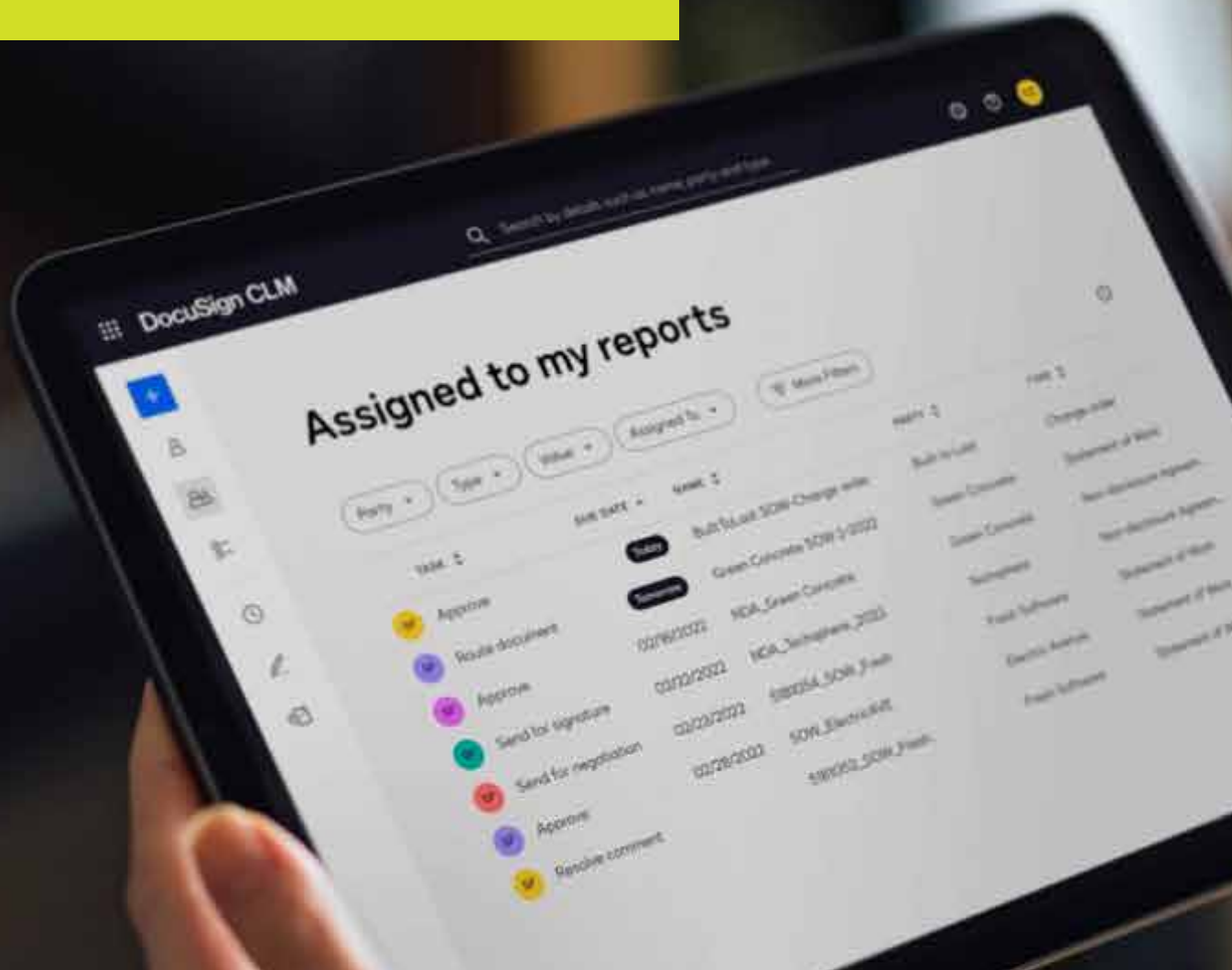


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MAPPING FOR GROWTH IN LEGAL OPERATIONS

Wafik Guirgis

*Senior Managing Director (Partner)
FTI Consulting*



Meredith Brown

*Senior Managing Director,
Legal Operations
FTI Consulting*



Legal operations is here to stay, and for longtime participants in the Blickstein Group Annual Law Department Operations Survey, this will come as no surprise. What this year's report indicates, across many of the responses, is that the legal operations industry is clearly showing healthy signs of maturation.

Consider how the number of smaller organizations within the survey has grown significantly from last year, heralding that a legal operations program isn't just for large companies anymore. A focus on legal operations can provide strategic advantages, even to organizations outside of the Fortune 1000. The survey results also clearly show that this growth in demand for legal operations expertise is attracting more talent to the industry. In past years, participants with fewer than two years of experience stood at around 5%, whereas this year the number grew to more than 15%. In addition, more than 20% of organizations added their first dedicated legal operations professional in the past two years.

These encouraging signs of growth also highlight the expanding desire to implement best practices. Even with a maturing discipline, the large number of new legal operations professionals means that many are building programs from scratch—the success of which heavily depends upon thoughtful strategic planning. Perhaps not unconnected, only about half of respondents said they have a road map for their program.

For those organizations in the early stages of operationalizing the legal department, road maps are an important first step to be deliberate about growth. Road maps enable teams to identify, prioritize and socialize plans, as well as justify investments, and lay the foundation for successful change adoption.

The biggest of these investments—of both money and time—is often technologies within the legal department. As budgets grow tighter, more legal operations teams are planning to automate for greater efficiencies, but they must justify their investment in technology. The broad range of technology platforms—from workflow automation and contract lifecycle management to matter management and e-billing—and the cost of each require a deep understanding of the company's needs and priorities. Understanding what technology is going to move the needle the most, and its associated upfront cost, is important to gaining stakeholder buy-in.

Beyond technology, road maps can bring value for teams to refresh processes and plan for their impacts to staffing and resourcing needs in light of new technologies. These road maps should also incorporate change management—which is often overlooked but can go a long way in ensuring technology adoption and long-term success. After all, why spend money to deploy a new tool if no one uses it?

As the legal operations market matures and organizations increasingly rely on legal operations professionals to automate more for greater efficiency, road maps will play a key role in providing a framework for a program's success, for both seasoned and new legal operations professionals alike.

Contract management was a slightly more effective area: LDO professionals graded their pre-execution contract management tools at 6.2, the same as last year; and post-execution contract management rated a 5.9, down from 6.2 last year. While workflow/business process automation remains one of the more effective technologies, it was also deemed less effective in 2022, with a 7.2 score year, compared to 7.5 last year.

One potential bright side is that nearly half of all respondents, 48%, have a plan to develop a law department technology or multiyear road map which addresses how they integrate, evolve and replace their systems to support the law department’s processes and needs. That compares to 40% last year. And four out of 10 of this year’s respondents that don’t already have a plan are looking to develop one.

Do you have or plan to develop a legal department technology strategy or multiyear road map which addresses how you integrate, evolve and replace your systems to support the legal department’s processes and needs?



“I was surprised to see some of these numbers as flat or declining, particularly automation and workflow solutions. With their inherent agile processes and continuous improvement, perhaps a longer view is required to measure adoption and ROI on effectiveness.”

KIMBERLY BELL | Director, Technology & Innovation, General Counsel’s Office, American Express

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SURVEY SAYS: MEASURING VALUE IS MORE ART THAN SCIENCE...OR IS IT?

Nathan Cemenska

*Director, Legal Operations and Industry Insight
Wolters Kluwer ELM Solutions*



This year's Blickstein Group Law Department Operations Survey contains what appears to be a shocking finding: More law departments than ever (80.4%) now consider measuring the value of legal services to be "more art than science." How disappointing! So many of us in legal ops thought the day had finally arrived when ambiguity has been totally eliminated, legal services are at last commoditized and important decisions like case strategy and outside counsel selection are no longer political questions, but questions of pure math.

Not.

The smartest people in legal ops recognized long ago that the value of legal services is, like beauty, defined by the beholder. A solution that one law department considers elegantly simple, another deems lackadaisical or even malpractice. A firm that one buyer considers to be just the sort of high-powered legal talent required for a critical legal issue, another views as wasting resources on a borderline nonissue that could be resolved with a phone call.

Who is right? Nobody—because it's a matter of opinion, and it's a fool's errand to supply a single, canonical definition of value and expect it to carry through the entire industry. However, this does not relieve law departments of the challenge to define value for their operations and places the burden on law departments to talk with internal stakeholders extensively and determine how to register value within their organization. The process is bound to be messy, unscientific and iterative, but that is no get-out-of-jail-free card.

The good news is, once a law department settles on a definition of value—e.g., improvement in litigation

settlements, faster business decisions, containing hourly rate increases or saving money through invoice review—from that point onward, the process of measuring and managing value becomes a lot more scientific. For example, containment of hourly rate increases can be directly measured in a number of ways, such as calculating the YoY increase associated with each timekeeper and averaging those increases. The value of such calculations is enhanced by benchmarking the results against peer data like the Wolters Kluwer ELM Solutions Real Rate Report. Likewise, law departments can easily calculate the savings generated by invoice review processes like those powered by ELM Solutions LegalVIEW BillAnalyzer service—which uses AI to triage problematic invoice line items to professional reviewers—if those processes are integrated into the department's e-billing system, as is the case with our offering.

Other value metrics—like whether the law department is facilitating business objectives or hindering them by taking too long—may not be directly measurable, but can be indirectly measured by gathering survey data from the leaders of business units. The findings generated, rather than concluding the analysis, can serve as an excellent jumping-off point for more qualitative stakeholder discussions that point the way forward.

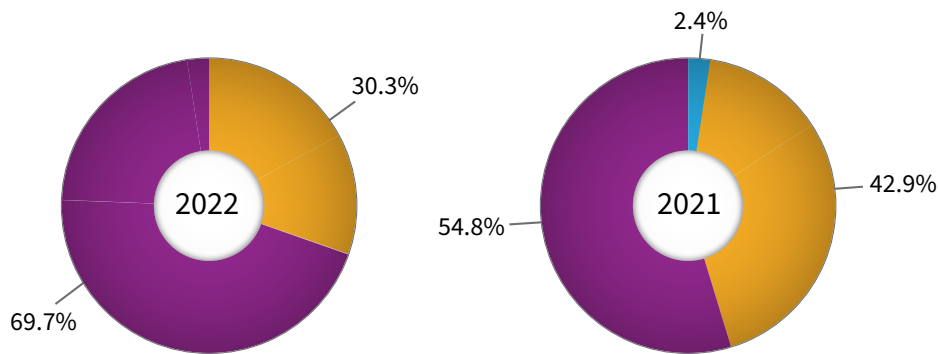
So where does this leave us—is measuring value more of an art or a science? It is both, because measuring a quantity presumes that quantity has been defined. Thus, law departments are tasked both with the artistic challenge of agreeing on what value is and the scientific challenge of generating the hard numbers. The more successful legal operations departments will embrace this opportunity to align with the overall business and demonstrate their value.

ALSPs and the Big 4

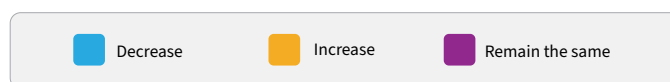
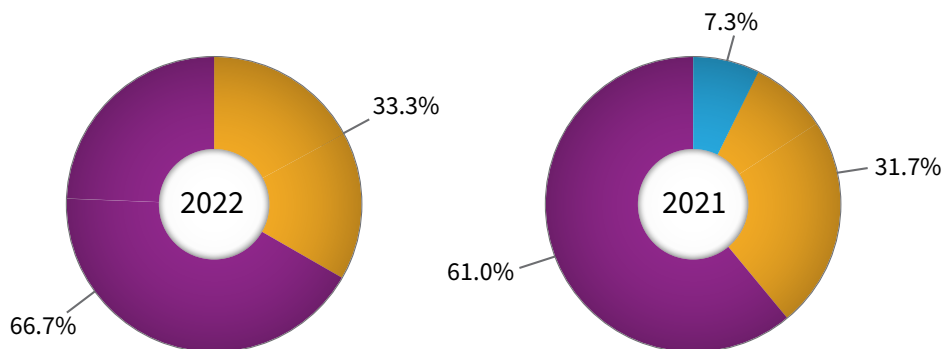
Another promising approach to relieving the pressure faced by law departments is through an increased use of alternative legal service providers and the Big 4. In the past year, 45.2% increased their usage and only 3.2% decreased their usage. Nearly one in three respondents, 30.3%, expect further increases over the next year, and not a single respondent expected usage to decrease.

Not only are LDO professionals using more ALSPs, they are making more sophisticated use of the ones they are using, with the sponsorship of a partnership between their law firms and ALSPs a leading example. Thirty percent say that partnering between ALSPs and outside counsel has increased, and none say it's decreased. One-third expect the trend to continue and that more outside counsel will partner with ALSPs in the future. And once again, none say they expect less partnering.

We expect our spend on alternative legal service providers, including offshore LPOs and the Big 4, to increase/decrease/remain the same over the next 12 months.



We expect instances of our outside counsel proactively partnering with ALSPs to increase/decrease/remain the same over the next 12 months.



WHY HAS TECH ADOPTION TAKEN A STEP BACK?

AND WHAT CAN WE DO ABOUT IT?

Mark Yacano

*Managing Director, MLA Transform Advisory Services
Major, Lindsey & Africa*



Each year, the Annual Law Department Operations Survey asks, “How effective is the following technology?” The 2022 results were surprising, as the respondents that have implemented technology solutions view them across the board as less effective than they did in 2021. In a climate of intense and record levels of investment, the promise of legal technology is not living up to the hype of delivering better metrics and tangible efficiencies. The proliferation of legal technology solutions does not yet translate into increased levels of customer satisfaction. There are several possible reasons for the steps backward.

The first is that the sheer volume of new entrants to the legal technology market makes it very difficult for legal departments to evaluate and differentiate potential solutions without dedicated internal staff or expert external consultants. Selection of legal technology cannot be someone’s “night job.” True expertise is needed to find *and* implement best fit solutions. We sense that legal departments often underestimate the complexity and change management required to implement legal technology and ensure user adoption successfully.

Another potential explanation is the lack of strategic planning around the deployment of legal technology. Law departments too often buy technology solutions in a vacuum. This year’s results show that 13% of the respondents still have no legal technology strategy, and only 43% are either planning or developing a strategy. Similarly, 61% of the survey respondents have yet to make plans to consolidate multiple use cases into a single solution. These three metrics suggest a significant

lack of rigor around the legal technology investment process. In this sense, the legal department’s approach to technology often lags behind the integrated systems approach to technology practiced by its counterparts in the broader business.

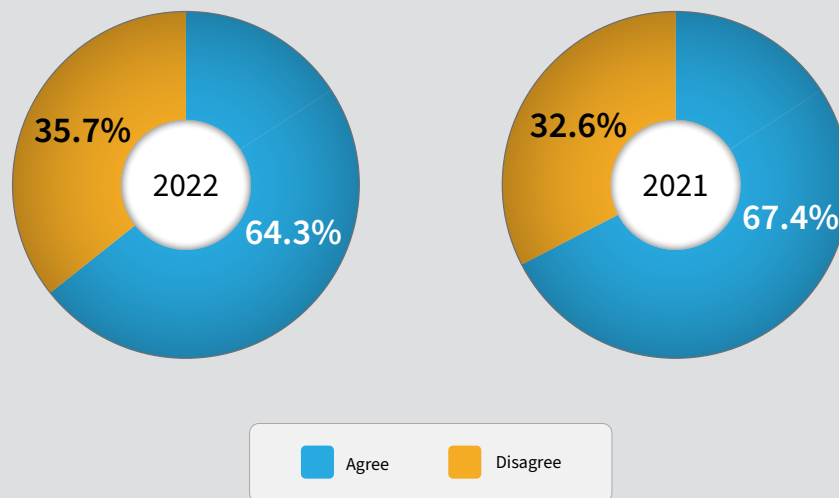
Finally, we have observed a trend of the legal team entering the legal selection process without sufficient involvement from representatives of finance, IT and the core business units. Cross-functional selection teams can create several significant benefits when choosing legal technology. One is that the process is better informed because the selection teams can lend perspective on how the technology being evaluated fits into the company’s overall ecosystem and infrastructure. Another is through systems integration: Integration with ERP systems for financial and sales management are two areas where cross-functional selection teams provide valuable insight. Simply put, information often needs to flow between different systems, and without proper diligence, the selection of a platform for a legal department can fail to meet those requirements. Another benefit to cross-functional selection teams is that they enable members of both the C-suite and the core businesses to champion and support the change management necessary for successfully implementing any technology platform.

As legal departments continue on their journey to operate more like the rest of the business and build their legal operations teams, we expect that user satisfaction with legal technology will trend upward in future years.

Conclusion

Much of the conventional wisdom in the legal field suggests that tough times will mean more work comes in-house and two out of three say they are actively trying to cut costs by bringing more work in-house. However, a look back at 1991, 2002 and 2009 shows that work typically does not come in-house during tough economic times; likely because law departments aren't in a position to add legal headcount at the same time their organizations are cutting costs and jobs in other areas.

We are actively trying to cut costs by bringing more work in-house.



However, if LDO professionals can't release the pressure by bringing in more work, there are other ways. They must instead turn their focus to, among other strategies, better use of outside counsel, smarter use of technology and more sophisticated use of ALSPs.

The LDO function was made for tough times. In fact, its current fast growth curve started following the 2008 recession, when law departments and their clients faced different, but very significant, challenges. The ability to guide their companies through another downturn may—or may not—provide the growth impetus for the next wave of legal operations.

BUILDING A DATA STRATEGY TO MEASURE BUSINESS VALUE

D. Casey Flaherty
Co-Founder and Chief
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Joe Borstein
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According to corporate law departments, neither they nor their businesses nor their law firms make effective use of the information the law departments' metrics provide. This is unsurprising. Information is data organized to be useful for decision-making. The data law departments collect and the unorganized ways it is stored are, generally, not. Thus, the responses reflect an accurate assessment that the information is ineffective.

There are only five metrics that a majority of law departments even track. In order of prevalence, these are outside spend (89.1%), timekeeper rate and hour data (67.4%), cost savings (65.2%), inside spend (60.9%) and diversity of internal staff (56.5%).

Of these, only diversity is particularly meaningful from a business perspective—i.e., it aligns directly with a business objective and can inform decisions in pursuit of that objective. Outside spend, timekeeper details and inside spend are all merely data points. And they are used to calculate a savings number that is mostly meaningless both in the sense that it does not withstand scrutiny and that it is usually not sufficiently material to qualify as even a rounding error on the corporate balance sheet—another topic for another time.

What data-driven decisions is a law department positioned to make using outside spend, timekeeper data, savings and inside spend? How strong is a business case based on these metrics?

Law departments should mature their data strategy to connect legal activity to business value. For example, the evolution from volume to cycle times to sales velocity—a true business KPI—positions the law department to demonstrate, and deliver on, the positive business impact of investing resources in legal, whether it be more budget, more personnel or improvement projects.

This enterprise orientation carries over into areas like litigation that would seem to be the exclusive domain of the law department. Few departments, for example, have built the capacity to demonstrate trends in total cost of their litigations—the combination of settlement values, outside counsel fees and related expenditures. This can lead to suboptimal decisions because there is no numerical support for retaining highly effective, or even slightly more expensive, counsel.

But cost is not just money. Cost is also time, especially for business stakeholders in the form of custodian interviews, depositions, etc. Faster settlements at slightly higher dollar amounts can not only reduce outside counsel and associated outlays but also business interruptions.

Likewise, projects that result in prevention (i.e., compliance by design that reduces specific litigation types) improve all of the above. But this improvement—in advance (business case) and retrospect (measuring success)—is only demonstrable if the proper metrics are being maintained in the first place.

Law departments must constantly consider the business case for sufficient resources. A business case presupposes demonstrable business impact. The department's data strategy should be oriented toward measuring business value and generating information for better business decisions, including when and where business resources should be invested in the law department.

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