17TH ANNUAL LAW DEPARTMENT OPERATIONS SURVEY

BLICKSTEIN GROUP

*In collaboration with*

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# Legal Service Delivery In the Age of AI

*DECEMBER 2024*

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# MAKING SIGNIFICANT TRACTION IN REINFORCING VALUE

**Wafik Guirgis**
*Senior Managing Director*
FTI Technology

**Meredith Brown**
*Senior Managing Director*
FTI Technology

As organizations pursue gaining efficiencies and embedding operational disciplines in legal, it is interesting to note that more than half of the participants in the Blickstein Group 17th Annual Law Department Operations Survey have added the legal operations function within the past five years, and only 7% introduced the role in 2024. According to the survey, which included 83 companies, nearly 40% of legal departments have between two and five full-time employees dedicated to the legal operations team. An additional 22% have up to 20 people in the function. Among respondents, there is an average of 13 years of legal operations leadership, and 90% do not split their time between legal operations and other responsibilities within the legal department, allowing them to be wholly focused on legal operations. More than 60% also responded that they are a direct report to the general counsel, further highlighting the importance of the role within the legal department.

The survey results seem to point towards somewhat bullish growth expectations looking forward. In the survey, one-third of respondents stated they expected their team to grow (compared to only 18% in the previous year's report). The optimism for continued growth could be partly attributed to the fact that the legal department—including legal operations professionals—has largely secured a seat at the strategic table. For example, when asked how often they are involved in enterprise-wide strategic initiatives, 46% of respondents stated frequently or very frequently. As it pertains to cross-functional objectives, 44% stated they are frequently involved, and an additional 18% stated very frequently. Clearly, the perceived value of the legal operations role is increasing inside and outside the legal department.

However, challenges in the role continue to surface with each new technology advancement, testing even the most leading-edge plans and strategies. For example, the recent buzz surrounding the use of generative AI has become a potential enabler, and simultaneously for some, a distraction. The survey reported that 42% of respondents stated generative AI will be one of their top three challenges in managing legal department functions in the coming year, with privacy, security, unclear returns, and general distrust topping the list of concerns.

With so many potential risks to track, still more than half (52%) of survey respondents stated that their AI strategy is either not sophisticated or they do not have an AI strategy at all. Additionally, more than half are lagging in establishing an overall legal department technology strategy or multi-year roadmap—45% are developing a strategy, while 11% do not have and are not working on one.

Contract lifecycle management is another area where legal operations professionals have simultaneously driven improvements and experienced headwinds. On the one hand, effectiveness ratings for pre-execution and post-execution contract management technologies were generally positive, with these tools earning ratings of six or higher on a 10-point scale by 54% and 61%, respectively. At the same time 34% plan to add or replace their contract management technology in the coming year.

There are several possible reasons for these mixed findings. One reason is that while CLM tools are helping organizations increase self-service in contracting processes—which the findings indicate are helping to reduce risk, escalations, and deviations, leading to faster execution and more efficient outcomes—many organizations are still behind the ideal standard of leveraging CLM fully across the contracting lifecycle.

When asked if their CLM was integrated with other enterprise systems, only 38% stated yes. This shows significant room for improvement in shifting the use of CLM from solely a contract repository to one that truly manages the end-to-end lifecycle of the contract and is connected with critical upstream and downstream systems and master data sources. While the repository approach is a good starting objective, an effective CLM transformation should move beyond that, shortly after stabilization, in order to more meaningfully support the legal department, as well as the entire organization's contracting operations.

The survey also revealed several interesting findings about how legal operations professionals and legal departments approach and utilize key performance indicators. In the survey, there were 15 unique metrics that at least 25% of respondents stated they track to measure performance across their department, with spend, timekeeper rates, volume of litigation, and contract-related metrics listed as some of the most widely tracked items. This corroborates the broader trend that the installment of a core stack of critical legal solutions and strategically structuring the technology ecosystem has improved the ability to mine data. In turn, organizations can evaluate their metrics in a more meaningful way. Additionally, the focus on cost and savings (e.g., e-billing, timekeeper rates, etc.) is consistent with the increasingly prevalent budgetary pressures legal departments are facing.

However, in contrast to the close attention to metrics, there appears to be a lack of action in response to KPIs. Survey respondents were evenly split on whether their metrics are being used effectively in the legal department (51% stated yes, 49% stated no) and most (54%) stated their organization's business units aren't using the insight gleaned from those metrics effectively. Additionally, the survey reveals a less-than-expected use of client feedback as a key metric. These findings suggest that while metrics are being tracked and data is available, many legal operations teams have still not established a formal governance structure or mechanism for sharing and using their KPIs to drive strategic transformation or continuous improvement.

In conclusion, the legal operations profession has made significant traction in demonstrating value to legal departments and to their business overall. Many experts in this role are seen as a strategic and essential extension of the general counsel for involvement in important initiatives across their organizations. Looking ahead, legal operations leaders have an opportunity to become more pragmatic and prescriptive in how they leverage technology and data. There is also room for routinely seeking the voice of their clients and understanding that feedback alongside the other data points they measure. Making these changes will help to advocate for and empower a data-driven culture that embraces continuous improvement and innovation inside and outside of legal.

FTI Technology is proud to be the lead sponsor of the Blickstein Group's 17th Annual Law Department Operations Survey. FTI Technology is the premier global provider of digital insight and risk management solutions. As data grows in size and complexity, FTI Technology helps organizations better govern, secure, find, analyze, and rapidly make sense of information. Innovative technology, expert services, and tenacious problem-solving provide global clients with defensible and repeatable solutions. Organizations rely on FTI Technology's experts to root out fraud, maintain regulatory compliance, reduce legal and IT costs, protect sensitive materials, quickly find facts, and harness organizational data to create business value.

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# Legal Service Delivery In the Age of AI

*This year's survey results show more impact on legal service delivery than on legal service itself.*

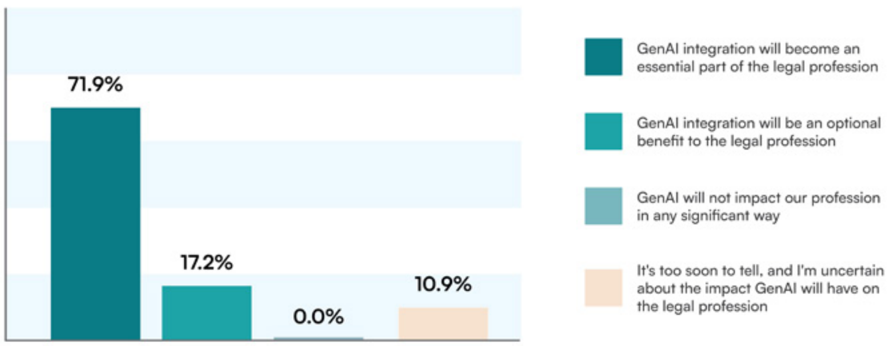
There is no question that generative AI has been on everyone's minds for the last two years. But most of those conversations have raised more questions than answers. Most see it as a game changer rather than a flash in the pan that may provide some incremental improvements but will largely fade away. There has not been much consensus, however, on what it will change most and what will change first.

Finally, the legal profession is getting some answers to those questions, as the 17th Annual Law Department Operations Survey created by Blickstein Group in collaboration with FTI Consulting attests. The implications of GenAI will extend across virtually every aspect of the way that law department operations professionals work, how legal departments function and deliver legal services, and how they interact with their clients, law firms, vendors, ALSPs, and other stakeholders.

Survey respondents shared many of their insights into the role GenAI is playing, both within their legal departments and with their law firms. And as respondents to this year's survey have made clear, the "operational" considerations will be affected more—or at least before—legal ones. Put another way, we are already seeing more impact on legal service delivery than on legal service itself.

As entrenched as GenAI has already become, this is only the beginning. Nearly three out of four respondents, 72%, believe GenAI will become an essential part of the legal profession.

## What are your views on GenAI within the legal profession?

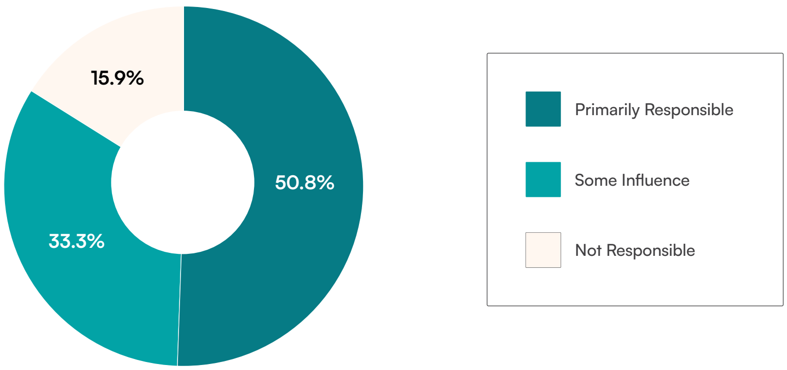



And they are taking leadership roles. Slightly more than half of respondents, 50.8%, are primarily responsible for GenAI tools, with another 33.3% having some influence.

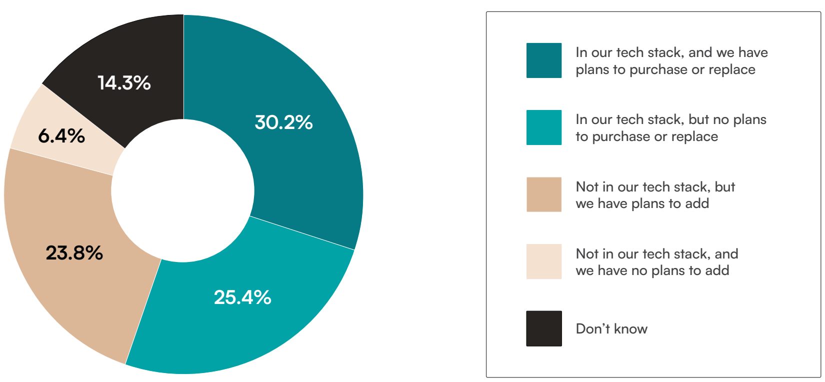
LDO professionals are often also playing a big role enterprise-wide; 28.1% are involved in GenAI decision-making across their organizations.

And it's pervasive—only 6.3% have no plans to use GenAI at all. LDO professionals are extremely influential with GenAI inside and outside the legal department—and their decisions and insights carry a great deal of weight.

## How responsible are you (or others that you manage directly) for GenAI-driven tools?




## Are there plans to purchase or replace, evaluate, or implement GenAI-driven tools in the next 12 months?



INSIDE THE NUMBERS

# HOW JETTISONING TRADITIONAL LAW FIRM HIERARCHIES LEADS TO GREATER EFFICIENCIES AND LESS OVER-LAWYERING

**Greg Williamson**
*Managing Partner*
OGC

It's no secret that traditional law firms, with their hierarchical foundation of large classes of associates supporting and generating profits for a smaller number of partners, weren't designed with efficiency and cost savings in mind. And legal operations professionals know this all too well. After all, 80% of respondents to the 17th Annual Law Department Operations Survey believe that the hierarchical staffing model at traditional law firms impedes efficiency and increases costs.

One glaring example of this inefficiency is over-lawyering. This can take the form of assigning too many law firm attorneys to a matter or drafting overly complex answers to straightforward questions, which leads to more billable time than is strictly necessary.

This practice is commonplace and is increasingly problematic as law firm rates continue to rise. Nearly two out of three legal operations professionals are concerned that their law firms are over-lawyering on their behalf.

More often than not, however, these concerns can be overcome. Here are four ways:

1. **Extend Your Team with Value-Generating Law Firms**
   Value-generating law firms eschew the traditional, hierarchical model and offer more affordable rates and a range of alternative fee arrangements, with a laser focus on results, rather billable hour targets.

2. **Stop Paying to Train Associates**
   In many situations, associate-billed time undermines even the best cost-management strategies. Yet, law firms rely on this staffing model to train and evaluate future firm leaders. Significant cost savings can be gained by using firms that minimize or eliminate associate billing.

3. **Understand What Doesn't Need Over-lawyering**
   Many outside counsel tend to over-lawyer by exploring every possible scenario and contingency, driving up costs. The key to combating this is to identify routine legal matters with minimal risk, handle those matters internally, and engage experienced, partner-level lawyers for issues that demand complex legal analysis or specialized expertise.

4. **Be Disciplined About Spend Management and Monitoring Bills**
   Effective cost control often involves reviewing law firm bills to identify where outside attorneys may be spending more time than necessary or not staffing for optimal efficiency. Demanding that firms simplify their billing practices to ensure transparency is an essential step toward better cost management and improved collaboration with outside counsel.

At OGC, we understand the frustrations of the traditional law firm model, both for clients and attorneys, which is why we have reimagined the way legal services are delivered. Our team is made up exclusively of partner-level attorneys with extensive in-house legal backgrounds and industry-specific knowledge. Without associates to inflate costs or earnings, we ensure that you are getting an attorney with the experience your matter requires, allowing you to trust their work without the need for micromanagement or concerns about over-lawyering. Thanks to their experience, our OGCs can seamlessly integrate with your legal team, offering greater efficiencies and lower costs than traditional law firms. At OGC, we're not just your legal counsel—we're your dedicated partners, focused on helping you achieve your business goals.

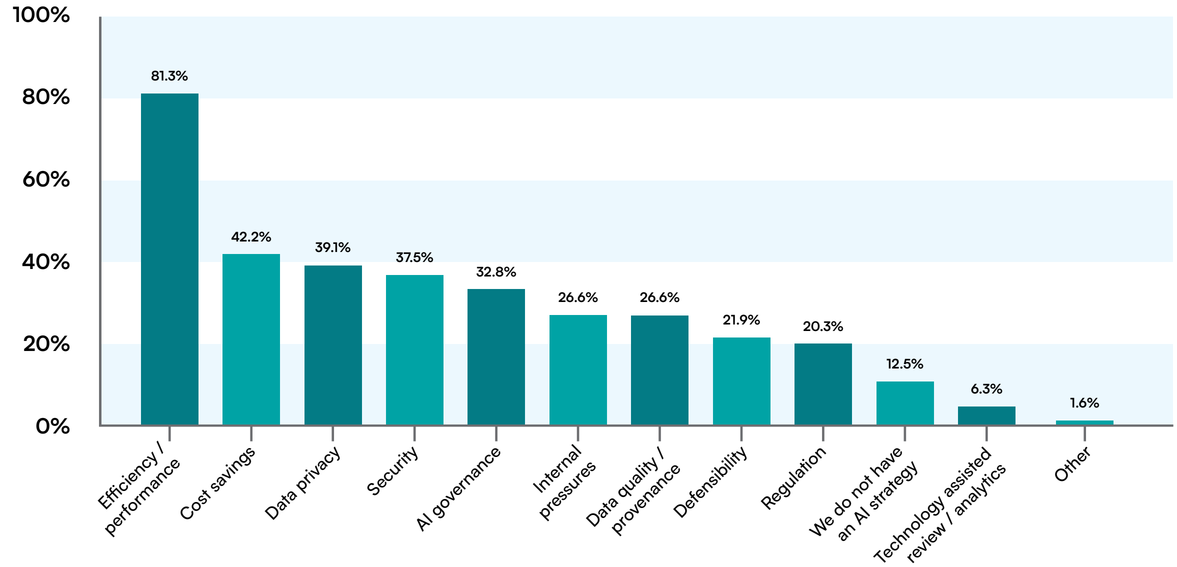
**Learn more at [www.outsidegc.com](www.outsidegc.com)**

# NEW EXPECTATIONS FROM LAW FIRMS

At this stage of the age of GenAI, LDO professionals are focusing their use on legal service delivery and the "business" of law rather than the practice of law. The benefits they are seeking are primarily more quantifiable. For example, the vast majority of respondents (81.3%) reported that the number one priority with their GenAI strategy is efficiency/performance. At a distant second, 42.2% said their GenAI strategy is driven by cost savings.

## What priorities are driving your AI strategy?

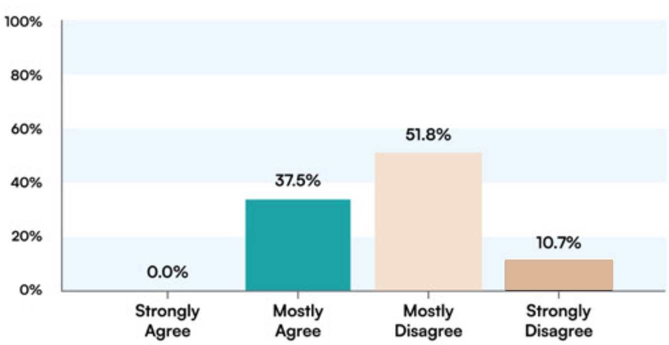
*Select all that apply*




Both are classic responsibilities of legal ops professionals.

One surprising impact: The rise of GenAI (it seems) has legal ops professionals feeling increasingly positive about their firms' ability and willingness to innovate. A record 37.5% of this year's respondents said their law firms are innovative–an increase from 25.5% last year.

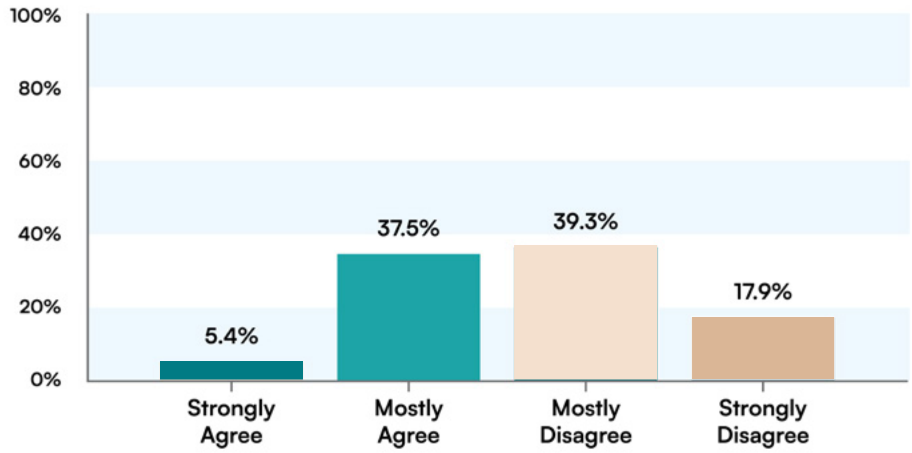
## Our law firms are innovative.




Some things haven't changed as much, though; none strongly agreed with that statement (The scale in this year's LDO survey for questions like this has changed from past years to include "strongly agree" and "strongly disagree," along with "mostly agree" and "mostly disagree." In previous years, the only options were "Agree" and "Disagree.")

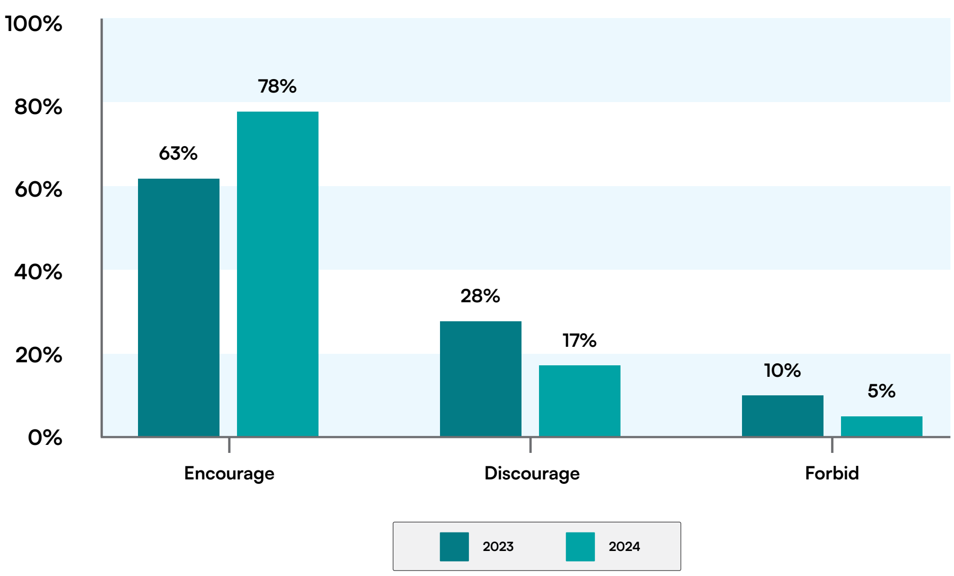
It also seems that law firms are starting to use GenAI on their behalf. When asked if law firms are leveraging technology to deliver legal services more effectively and cost-efficiently 43% agreed, compared to only 32% last year. This significant jump reflects respondents' beliefs that GenAI is making firms more innovative—or at least getting better at leveraging its use.

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




Despite some talk in the marketplace that law clients are reluctant, companies are, in fact, increasingly encouraging their law firms to use GenAI—in fact, according to respondents, more than three out of four are doing so, compared with 63% last year. Significantly, the number of organizations that forbid their firms from using GenAI has been cut in half this year, from 10% to 5%. And while 28% discouraged their outside counsel from using GenAI last year, only 17% still are discouraging it now.

## We ________ our law firms to use GenAI.




These increases are significant and point towards the real value and comfort that legal ops professionals are seeing—they are embracing this more than the market seems to think. Still, firms must balance risk against reward.

# Is Over-Lawyering Driving Up Your Legal Spend?

If you are among the **64% of legal ops professionals** concerned about law firms over-lawyering on your behalf, you need a firm with a business-first approach to lawyering.

## IF YOU ARE LOOKING TO

- Engage attorneys that think & work like in-house counsel.
- Extend your team & workforce without adding headcount to get more done.
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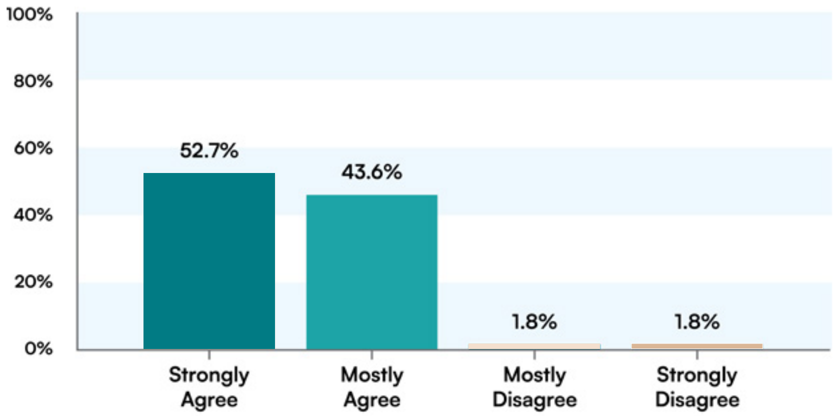
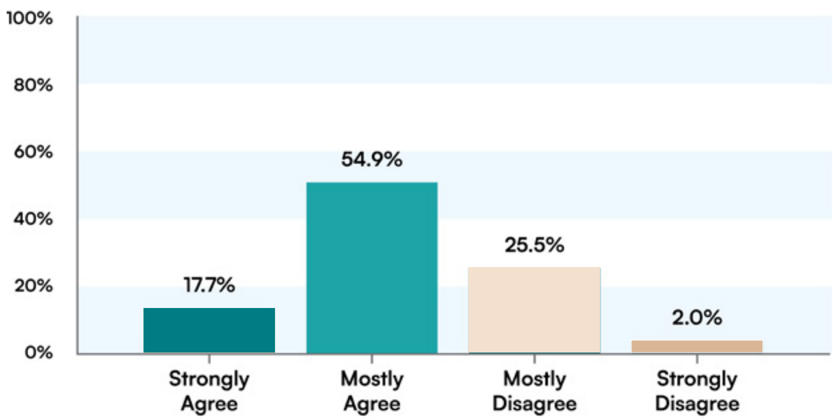
And while legal ops professionals are seeing more efforts at innovation from their law firms, there is still a long way to go. A whopping 96% agree—with more than half strongly agreeing—that they would prefer law firms approach them with new models.

## I would appreciate law firms approaching us more frequently with new legal service delivery models.




Legal ops professionals also think that GenAI and large language models (LLMs) can supercharge the ways firms are already working. Nearly three-quarters believe that the value of legal services provided by law firms will go up if GAI/LLM is integrated into the service delivery model.

## Do you feel the value of legal services provided by law firms will go up if GenAI/LLM is integrated into the service delivery model?




"Law firms—right now and today—have the incredibly rare opportunity to highlight their value and creativity combined with intelligent, well-designed safeguards," says Adam Becker, Director of Legal Operations at Cockroach Labs. "Clients certainly want to ensure their data is kept confidential and secure, and they also want—perhaps even expect now—that their most trusted law firms will proactively demonstrate technological acumen and novel thought solutions combined with traditional data sensitivity. It's going to be about which firms utilize GenAI to propel their strategic legal value to clients rather than clients dictating which and how much GenAI to use."

*"Law firms–right now and today–have the incredibly rare opportunity to highlight their value and creativity combined with intelligent, well-designed safeguards. Clients certainly want to ensure their data is kept confidential and secure, and they also want–perhaps even expect now–that their most trusted law firms will proactively demonstrate technological acumen and novel thought solutions combined with traditional data sensitivity. It's going to be about which firms utilize GenAI to propel their strategic legal value to clients rather than clients dictating which and how much GenAI to use."*

**ADAM BECKER** | *Director of Legal Operations,* Cockroach Labs

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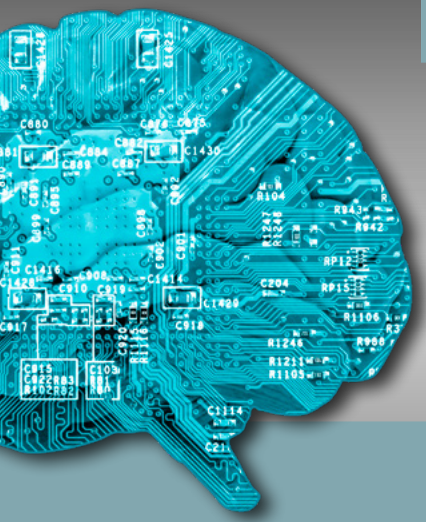


# GOING BEYOND THE FOUR CORNERS OF THE CONTRACT AND THE FOUR WALLS OF THE LEGAL DEPARTMENT

**Bernadette Bulacan**
*Chief Evangelist*
Icertis

Some jokes have real legs. I've consistently made the same one: the legal department is the "Department of No," or, at best, the "Department of Slow." That's because of the profession's singular focus on identifying issues and responding to risk—a focus that leads to a cautious ("no"), deliberate ("slow") business posture—a posture often reflected by the digital solutions built for legal departments.

This is understandable: Legal's ability to manage risk is critical for the enterprise. But an exclusive focus can also be a limiting factor for ambitious teams that want a seat at the table for large strategic initiatives.

Fortunately, mindsets have shifted in recent years, in no small part due to the expansion of the legal operations function. With their focus on technology and processes, legal operations are harnessing the unique opportunities of in-house legal teams to challenge this stereotype and fuel business performance.

**Making an enterprise impact**

This year's Law Department Operations (LDO) survey clearly demonstrates this shift, finding an LDO function that is working across the enterprise to power business outcomes.

In the survey, 60 percent of respondents reported being frequently or very frequently involved in cross-functional objectives. This figure underscores legal's growing role in not only protecting the business but also enabling its success by aligning with broader corporate goals, including revenue generation and smart growth.

The perception of contracts as mere tools of risk allocation or dispute resolution is changing. Nearly 40% of respondents measure the success of their contract lifecycle management (CLM) programs based on commercial outcomes like revenue and cost savings, with another 40% measuring efficiency metrics like headcount saved and speed of business.

Today, contracts are recognized—and measured—for what they are: commercial instruments setting the foundation of supplier and customer relationships.

Business functions are reciprocating this focus on value with more engagement. For example, almost one-third of respondents (29%) indicated that finance departments are becoming more involved in contract language and operations. This growing collaboration demonstrates a recognition of the bottom-line impact that legal teams, supported by legal ops, are delivering.

**AI: Accelerating Transformation**

AI is acting as an accelerant for the value legal can deliver. Legal teams are already adopting AI at an amazing pace: 37% of respondents say their teams frequently use AI for pre-execution contract management—up from just 19% last year. Post-execution AI adoption has seen an even more dramatic jump, climbing to 35% from 9%.

These advances in AI adoption are not just a testament to the technology's potential but also a validation of legal ops' ability to lead digital transformation. By deploying AI to analyze, manage, and optimize contracts, legal teams are moving beyond risk management, but uncovering new opportunities for business performance and impacting financial outcomes.

**Powering Enterprise Performance**

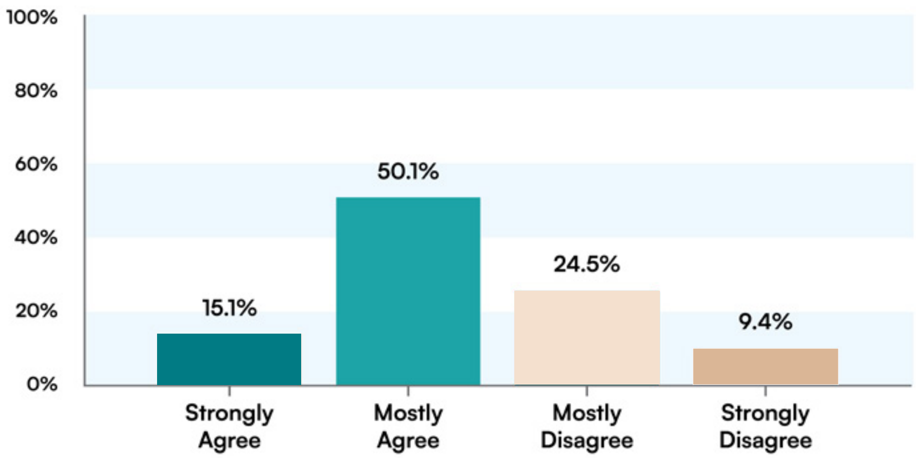
The findings of the 2024 LDO Survey demonstrate how legal operations are transforming their teams into strategic drivers of enterprise performance, aligning legal's work with broader business objectives and helping organizations achieve measurable outcomes.

As legal operations teams continue to mature in their approach and leverage cutting-edge technologies like AI, their contributions will extend even further—ensuring not only the mitigation of risks but also the maximization of opportunities. Thanks to legal ops, the legal department is now a partner in charting enterprise success and securing its future.

Interested in more insights into the intersection of contracts and business performance? Download our executive survey, Powering Profitability: The new economics of customer and supplier relationships.

Still, about a third of respondents don't believe that GenAI will actually lower law firm spend, which seems to fly in the face of conventional thinking now. This could be an example of "Jevons Paradox," a theory that improvements in efficiency don't actually conserve consumption—in fact, they sometimes increase consumption.

## Do you think wider adoption of GenAI will lower your law firm spend?




These respondents, however, may not doubt the potential impact of GenAI on cost but instead expect that the need for new legal work will exceed any savings.

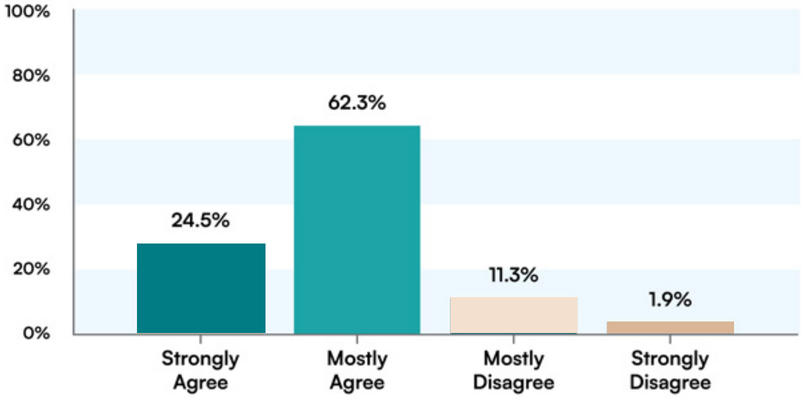
*"On the whole, use of AI in legal departments is in its infancy. Further exploration is underway, particularly in third party (ALSPs) that are beginning to collect and analyze data sets that are markedly broader, especially in the area of litigation and eDiscovery. Generative and natural language modeling is also being explored as a means to accelerate the drafting process, including in contract management systems and commercial negotiation. This is creating a greater dialogue around ALSPs and their support model for in-house departments."*

**AMY YEUNG** | *Former Vice President and Deputy General Counsel,* Sallie Mae

# NEW OPPORTUNITIES WITHIN THE LAW DEPARTMENT

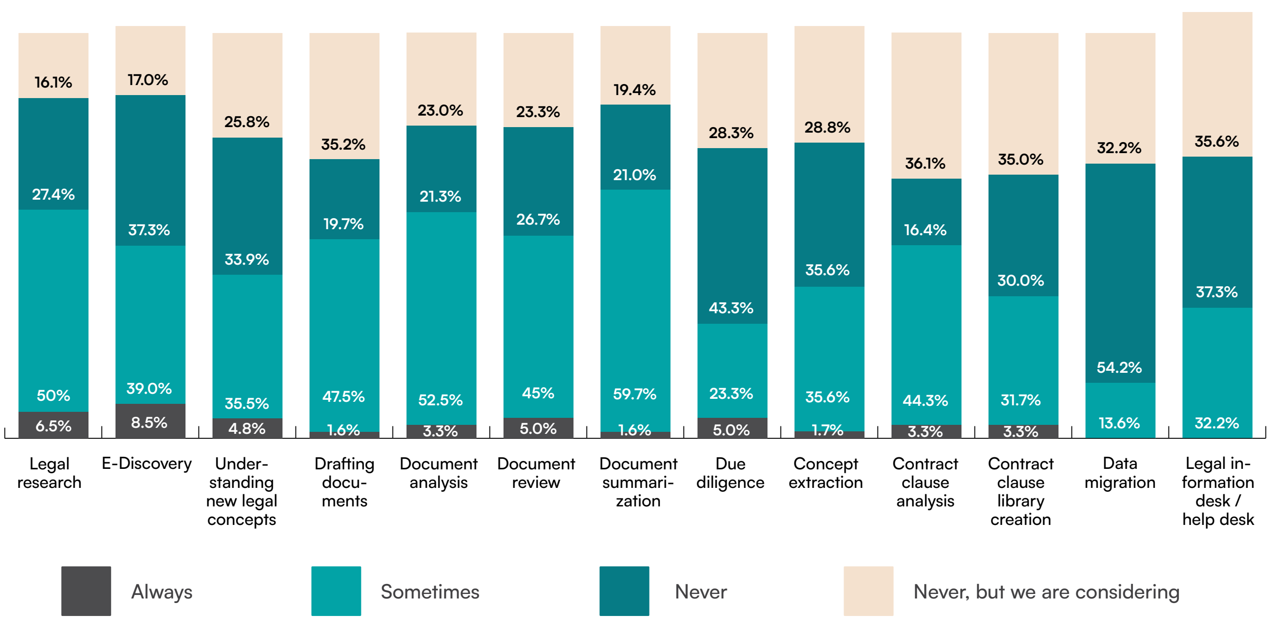
While GenAI is raising expectations from law firms, many respondents also believe these new technologies will allow them to bring more work in-house—substantially more than believed this last year. (86.7% agreed in 2024, a significant jump from 66.7% last year).

## Do you expect GenAI to enable you to bring more work in-house?




So, how does that play out? It turns out there are many significant ways. When asked how they are already using GenAI, more than half of respondents pointed to several areas:

## Our law department uses GenAI/GPT for the following:




**When asked how they are already using GenAI, more than half of respondents pointed to several areas:**

- Legal research
- Document analysis
- Document review
- Document summarization

**And more than 40% are using GenAI for:**

- eDiscovery
- Document drafting
- Contract clause analysis

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- **Proactive Risk Management:** Identify issues early and ensure compliance.

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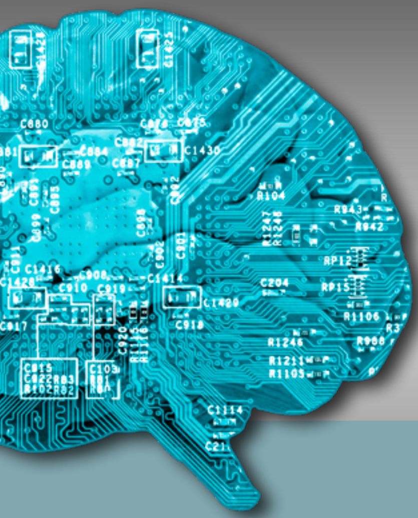


INSIDE THE NUMBERS

# BRIDGING THE COST CONTAINMENT AND INNOVATION CONFLICT: BRING ORDER TO YOUR DATA

**Diane Homolak**
*Vice President, Technology Solutions*
Integreon

It is not surprising that the latest Legal Department Operations Survey results show that cost containment and getting funding remain key challenges: 92% of respondents say they are responsible for legal department technology solutions yet 30% expect push-back for funding new initiatives. What can LegalOps professionals do to innovate without breaking the budget?

**Invest Prep Time Upfront to Get the Most Out of Tech Investment**

Legal ops teams are stretched to manage both their day-to-day responsibilities and keeping pace with new technologies, especially GenAI. Yet spending your hard-earned budget wisely doesn't always mean costly technology purchases. Sometimes the best answer and first step is investing in technology preparation and readiness, particularly if your organization is still going through their application selection process.

**Get Your Data House in Order**

What steps can legal ops take to make sure their legal department is technology-ready? And how can they cost-effectively take those first steps? A good place to start is data readiness. Sadly, too many organizations have their transactional data stored in multiple repositories or even worse, on laptops or on local business share drives. That data is often duplicated, incomplete, and lacks meaningful reference tags or parent child relationships to assist with search. Ah, you say, but isn't GenAI going to solve all that for us?

Yes, and no. The new GenAI systems do enhance our ability to find content in our databases but like all tools before them, they work far better when searching against clean quality data that has been organized in one place. The old adage, "Garbage in - garbage out" still applies.

While the world is busy trying to learn about AI and its risks and benefits, you can actively lay the groundwork for an effective deployment by cleaning up your data storage with a budget-friendly investment. To keep costs in line, the project can be approached in chunks or phases. Prioritizing your most valuable or most recent contracts and transactional data is a good place to start. If you are concerned that you can't even tell which those are, consider engaging a service provider experienced in using GenAI to facilitate data migration. They can quickly de-dupe your data set, identify unsigned documents, OCR nonmachine-readable files, group foreign language documents, and setup parent child document relationships at costs that are manageable.

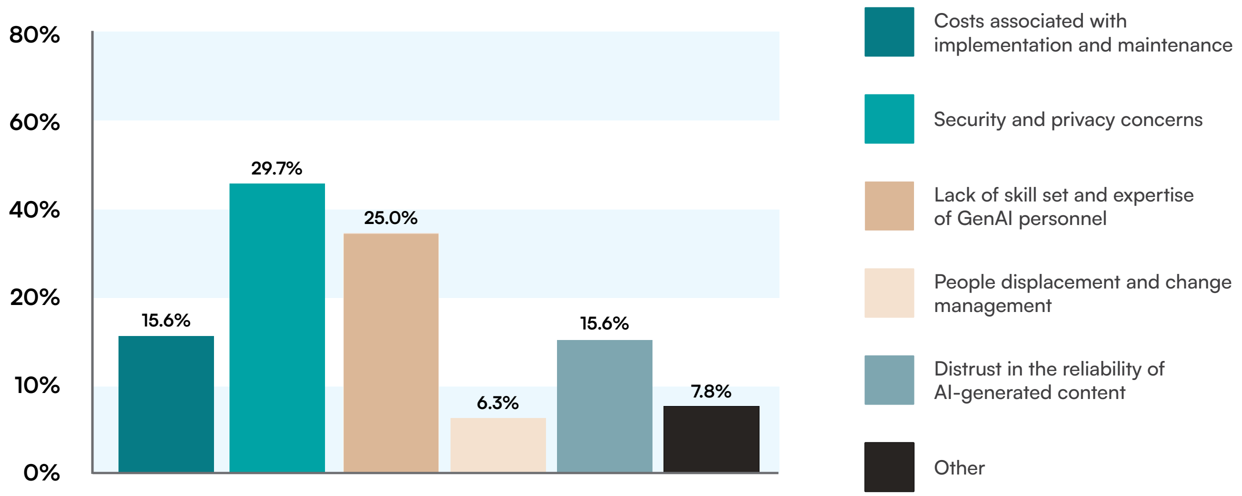
Selecting technology can be a protracted process, and funding will always be a challenge, but laying the foundation for good technology usage by conquering your data hygiene and storage challenges is a worthwhile endeavor and an investment that will reap dividends in all future technology deployments. Make 2025 the year of data readiness.

*While the world is busy trying to learn about AI and its risks and benefits, you can actively lay the groundwork for an effective deployment by cleaning up your data storage with a budget-friendly investment.*

As Amy Yeung explains, "One of the more pronounced outcomes in commercial drafting and negotiation the past few years is the combination of the data insights with contract clause analysis, particularly as it is benchmarked across industry. The background that experienced industry attorneys bring forward is being enhanced by quantitative metrics and data insights."

This may be driven by increasing levels of comfort and trust in GenAI. This year's respondents are much more confident in the validity of GenAI and far less concerned with hallucinations than they were last year. Now, only 15.6% say trust in the reliability of the content is a concern. However, some barriers remain, with security and privacy the biggest concerns, cited by 29.7%.

## What is the biggest barrier to integrating GenAI within your legal department?

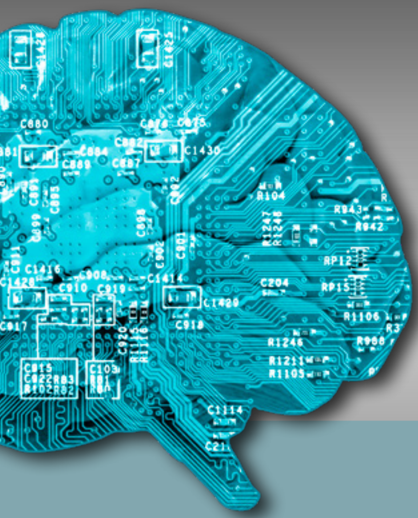



*"A lesser-known benefit of Generative AI in legal departments is its ability to identify trends and risks associated with the organization's products and services. These issues can be promptly detected and communicated to business partners for appropriate action. This extends beyond the traditional use of Generative AI for document generation and review."*

**KIRAN MALLAVARAPU** | *SVP, Claims Strategy and Performance,* The Hanover Insurance Group

*"One of the more pronounced outcomes in commercial drafting and negotiation the past few years is the combination of the data insights with contract clause analysis, particularly as it is benchmarked across industry. The background that an experienced industry attorney brings forward is being enhanced by quantitative metrics and data insights."*

**AMY YEUNG** | *Former Vice President and Deputy General Counsel,* Sallie Mae




INSIDE THE NUMBERS

# HOW EFFECTIVE CONTRACTS GET MADE: THE ROAD TO SUCCESS

**Danielle Haugland**
*Director, Global Alliances*
Agiloft

Creating an agreement between two organizations is about more than simply drafting and signing a contract. It's about defining the roles, responsibilities, and boundaries of a relationship. Coming to an agreement before committing to a relationship is one of the great triumphs of the human experience: done well, it creates the comfort of confidence; of knowing how, why, and when activities will or won't occur; and the security of defining the ramifications of failure to deliver at a time when both parties are keen to work together.

Simply stated, the best negotiations deliver an agreement that both parties are ready, willing, and enthusiastic to commit to over the long haul, producing an outcome that delivers mutual benefits.

It's no surprise to anyone involved in the contracting space, though, that contracts were traditionally negotiated, signed, and then filed away, never to be seen again. Nor is it a surprise that, in the typical enterprise-sized organization, one in 10 contracts gets completely lost.

Perhaps that is why this year's survey reveals that a remarkable 77.4% of legal departments are committed to creating and managing durable post-negotiation contract management processes. Because it's not just creating the rules of the road that drives success, it's operating in accordance with them.

Meanwhile, the desire to ensure that organizations actually can fulfill their side of the bargain is undoubtedly driving the 85.2% of legal departments who are laser-focused on using standardized terms and clauses. Standardization ensures that every department in the business is making promises that the organization is sure it can keep.

Tracking and evaluating contract performance is at the heart of the data-first revolution that is sweeping Contract Lifecycle Management (CLM). It's no longer sufficient to simply locate contracts–dense, tightly-authored documents whose every "and," "or," and punctuation point conveys precise meaning. Rather, it is vital for every organization to be able to surface and operate according to the specific meaning of each commitment as an ongoing input to every Standard Operating Procedure (SOP). Getting this right speaks as much to the initial drafting of each agreement as it does to having the analyze-and-extract capabilities that marked the introduction of AI to contracting. Starting from the premise that each commitment is a data point that will need to be retrieved throughout the contract's lifecycle is fundamental to deriving the maximum benefit.

For this reason, standard contracts should be based upon approved terms and clauses and created using dynamic templates that can handle multi-level logic: A new SOW, for instance, should insert the exact right clause based on the contract length and cost and location. Similarly, non-legal personnel should be able to easily retrieve not just the contracts that impact their operations but also the data within them, as though they were simply interacting with a standard customer service chatbot.

Effective contract management demands well-crafted, standardized agreements that are broadly available and actively managed. At Agiloft, we're proud to enable the leaders of the pack as they accelerate negotiations, distribute access to information, and make standardization a part of the normal business flow.

*Tracking and evaluating contract performance is at the heart of the data-first revolution that is sweeping Contract Lifecycle Management.*

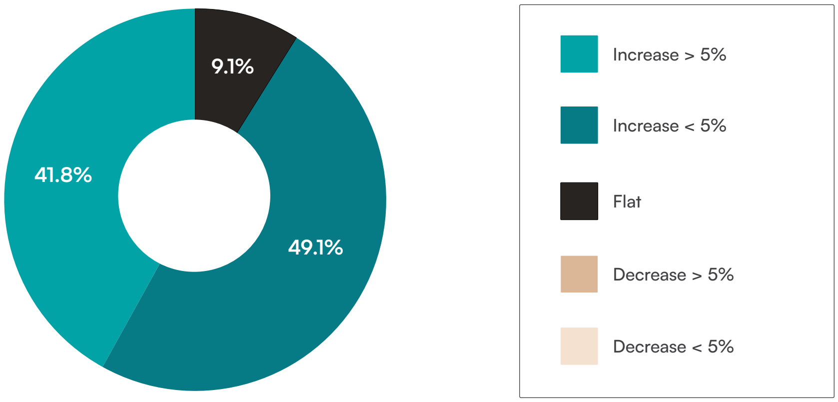
# RATES REMAIN A TOP CONCERN

As the mainstream and legal press have been reporting, law firm rates are going up and unhappy clients are bracing for more increases. Even the "Wall Street Journal" has taken notice, with a recent article headlined "Rock-Star Law Firms Are Billing Up to $2,500 per Hour. Clients Are Indignant."

Rate increases have been nearly universal. Nine out of 10 respondents experienced them in the last 12 months; 41.8% saw an increase of more than 5%, while nearly half (49.1%) saw an increase of less than 5%.

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

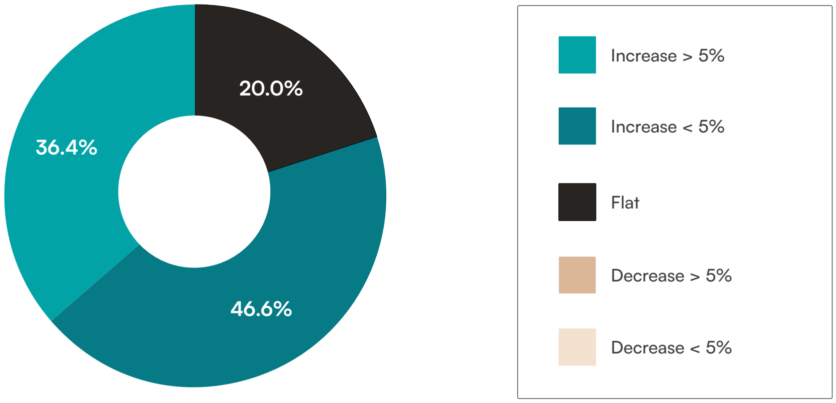
*Please respond in terms of actual, approved rate changes, not law firm requests.*




Next year offers a glimmer of hope–one in five respondents are expecting rates to remain flat, and 43.6% believe rate increases will increase less than 5%.

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

*Please respond in terms of actual, approved rate changes, not law firm requests.*



## 17TH ANNUAL LAW DEPARTMENT OPERATIONS SURVEY

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LDO professionals are working diligently to hold the line, yet most are relying on tried and true solutions, rather than new approaches. For example, three out of four said they are actively trying to cut costs by bringing more work in-house. And 86% said they would like to, if they had the bandwidth.

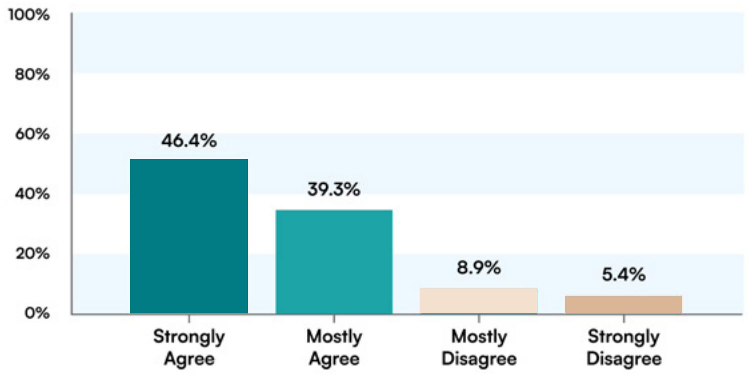
"Bringing work in-house is near and dear to us," says Heidi Rudolph, Global Head of Operations, Legal at CBRE. "As we see law firm rates continue to rise, we are focused on an appropriate mix of inside-outside spend with greater attention to in-house legal service and solutions. We are collaborating with our business operations teams to create new efficiencies through integrated technology, AI, and, as a global company, lower-cost locations."

One question to keep an eye on: to what extent will GenAI help law departments do so. Again, more than 86% of respondents believe that new tools will help them move more work in-house. It will be interesting to see how this plays out, and whether it means taking responsibilities away from law firms, or simply creating more bandwidth to do work that had otherwise been sent out.

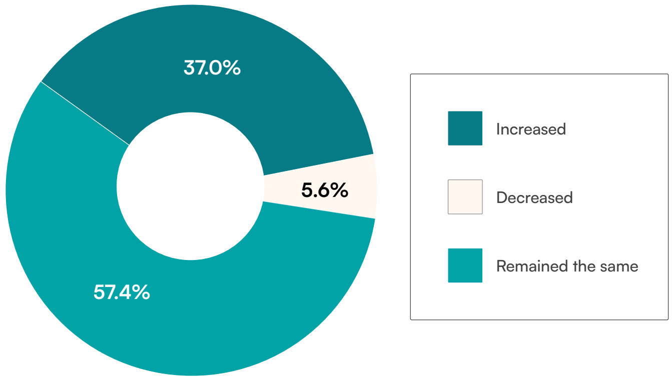
ALSPs continue to enjoy popularity as an alternative approach—37% of respondents have increased their spend on ALSPs, while only 5.5% have seen a decrease. And a similar number, 40%, expect to spend more on ALSPs in the next 12 months. The ALSP industry is reasonably mature at this stage, and it's noteworthy that their growth continues; very few users of these providers expect to see a backslide.

"On the whole, use of AI in legal departments is in its infancy," says former Sallie Mae deputy GC Yeung. "Further exploration is underway, particularly in third parties like ALSP, that are beginning to collect and analyze datasets that are markedly broader, especially in the area of litigation and eDiscovery. Generative and natural language modeling is also being explored as a means to accelerate the drafting process, including in contract management systems and commercial negotiation. This is creating a greater dialogue around ALSPs and their support model for in-house departments."

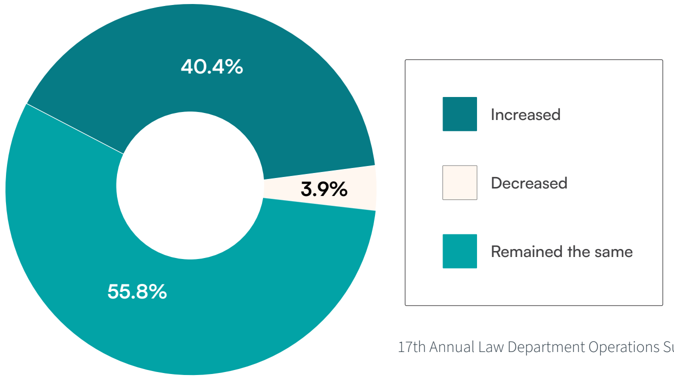
## We prefer to do more work in-house, but don't always have the bandwidth or headcount.




## Our spend on alternative legal service providers, including offshore LPOs and consultancies, has increased/decreased/remained the same over the past 12 months.




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



# BALANCING TECHNOLOGY, COST, AND HUMAN-CENTERED CHANGE IN LEGAL OPERATIONS

**Heather Jacobson**
*VP of Operations and Services*
Axiom Advice and Counsel

Legal operations professionals are facing a pressing need to innovate while optimizing costs. As teams look toward 2025, this year's LDO Survey reveals how leaders are reimagining success—moving beyond traditional metrics to embrace AI-enabled innovation alongside cost efficiency and service quality.

While technological advances are reshaping capabilities, this strategic shift goes deeper, transforming how outside legal services are delivered and how legal ops teams measure value.

**Beyond Technology: Human-Centered Innovation that Drives Value**

As in-house legal teams grapple with resource constraints, mounting workloads, and increasing regulatory complexity, it's no surprise that legal ops leaders are turning to AI solutions to help manage these interconnected challenges. The challenge lies in balancing the tech-savvy enthusiasts with those who feel overwhelmed by rapid change.

**The Evolution of Cost-Efficient Service Delivery**

This year's survey reveals how legal ops teams are redefining success metrics for external providers, focusing on three key areas: innovation capability, cost efficiency, and service quality. The findings highlight a significant gap in provider performance: While only about a third find their law firms innovative, two-thirds praise ALSPs for their innovative approaches. This disparity extends beyond innovation to service delivery—the vast majority credit ALSPs with effectively leveraging technology for cost-efficient delivery, while traditional firms are valued primarily for rate-driven savings.

**A Framework for Sustainable Change**

As legal ops teams refine how they evaluate and implement new service delivery models and technology, a clear framework has emerged for driving measurable value. This approach provides a structure for sustainable change that balances technological innovation with practical outcomes:

- ***Build Momentum for Value-Driven Change***
  Today's legal marketplace offers diverse solutions beyond traditional models, from online marketplaces to ALSPs and innovative law firms, like Axiom Advice & Counsel (AA&C). Success requires clear use cases addressing cost pressures, metrics tracking efficiency and savings, and partners who minimize both costs and overhead while driving adoption through demonstrated success.

- ***Measure Success Through Multiple Lenses***
  While cost control dominates legal ops' top KPIs, professionals are adopting nuanced measurements, evaluating technology investments (especially in GenAI) for both innovation and human impact, while team efficiency and resource optimization drive performance.

**The Path Forward: Innovation with Purpose**

Legal ops teams' success increasingly depends on strategic technology adoption balancing innovation and human factors, sophisticated yet efficient service providers, and analytics measuring both financial and operational impact. Successful teams will harness innovation while maintaining focus on human elements that drive meaningful change, leading their departments confidently into the future of legal service delivery.

**Embracing Modern Legal Solutions**

The path to optimizing both costs and outcomes lies in embracing transformative technology and contemporary legal service models. As legal departments reimagine their operations for 2025, market innovators like Axiom are demonstrating how technology-enabled delivery models paired with high-caliber lawyers can achieve both quality and cost efficiency—a key priority highlighted in this year's survey data.

By matching the right work with the right provider and replacing unnecessary law firm work with innovative alternatives and technology, legal ops teams can dramatically improve their organization's use of legal resources while delivering the efficiency and cost optimization their departments demand.

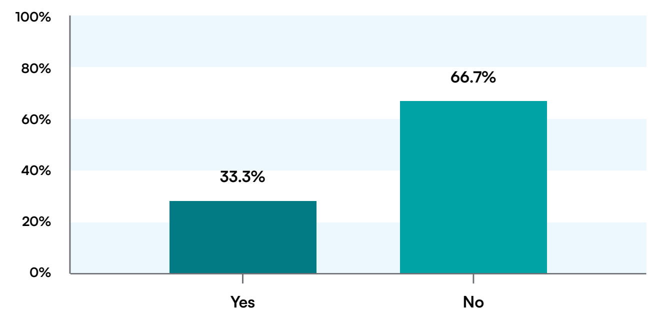
# EVALUATING OUTSIDE COUNSEL REMAINS A STRUGGLE

Throughout the history of the LDO Survey, legal ops professionals have struggled to evaluate their outside counsel—yet they are doing very little to position themselves, or their outside counsel, to succeed in this area.

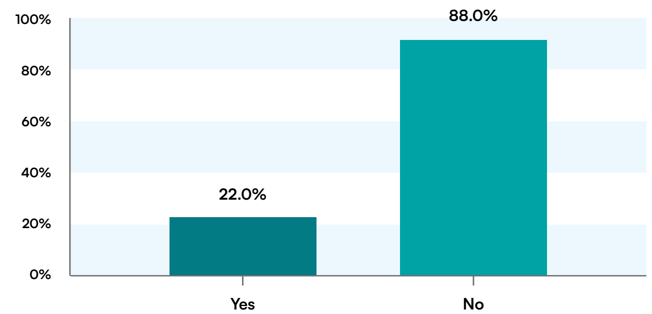
Only one in three even have consistent metrics to evaluate outside counsel. And even when they have metrics, most keep them secret from the very people they are evaluating—only 25% of those that do have consistent metrics share them with their firms. Though legal ops are somewhat clearer around the KPIs they track for law firms, about the same number of respondents share those—22%. Even fewer bother to meet with their law firms, with a mere 6.6% saying they have regular weekly or monthly meetings.

Of course, it may not matter, as only 28.3% believe their firms make effective use when they are provided with metrics. But few seem willing to put in the work to test that theory. So this could be part of a vicious cycle, where LDO professionals think their law firms won't use feedback, but law firms don't receive feedback they could use. In any event, it's not ideal if outside forces such as GenAI have a real impact on legal service delivery.

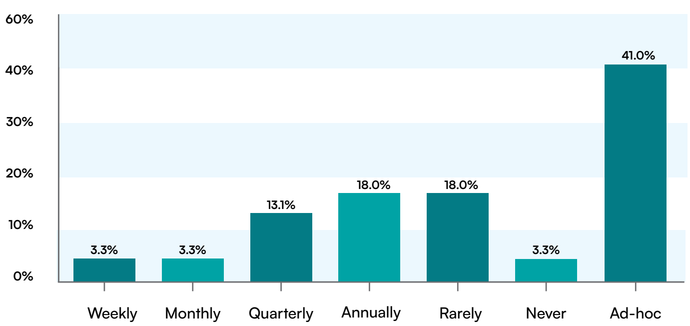
## Do you have consistent metrics that you use to evaluate your outside counsel and ALSPs?



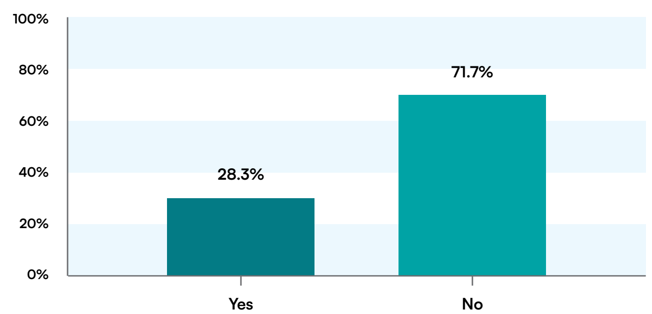

## Do you share with your outside counsel and ALSPs the metrics upon which your law department is evaluated?




## How often do you have regularly scheduled status meetings with outside counsel?




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



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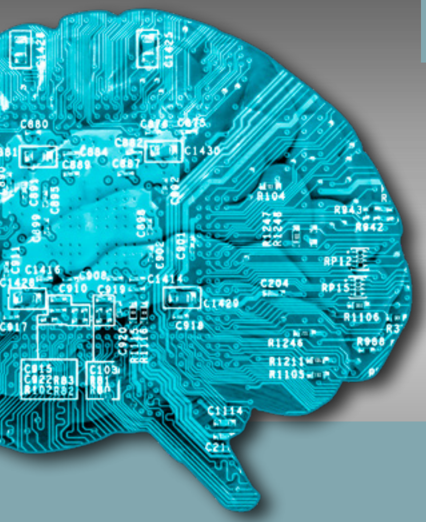


# NOT ALL AI IS CREATED EQUAL: THE CASE FOR LEGAL-SPECIFIC INTELLIGENCE


**Jerry Levine**
*Chief Evangelist and GC*
ContractPodAi


Generative AI (GenAI) has quickly become a hot topic in the legal world, with corporate legal departments rushing to integrate these advanced technologies. However, adopting general-purpose models versus specialized Legal or Contract AI tools is more than just a technical choice—it could significantly impact your operational efficiency, security, and compliance.

**The Case for Domain-Specific GenAI**

According to this year's Blickstein Group Law Department Operations Survey, 73% of legal departments are already using general-purpose GenAI models (ChatGPT, Gemini, etc.), but these tools often lack the legal precision required for high-stakes work. By contrast, contract-specific GenAI models (used by 44%) and broader legal-specific models (used by 26%) are purpose-built for legal nuances. That's why, according to the same survey, 77% of professionals trust these specialized solutions to handle their data more ethically and securely than general models.

Why does this matter? Legal documents contain complex language, sensitive information, and strict compliance requirements. General-purpose models like ChatGPT may excel at everyday tasks but struggle when interpreting legal subtleties. Domain-specific models are fine-tuned with legal expertise, making them the safer and smarter choice.

**3 Ways Domain-Specific Models Excel**

1. *Accuracy and Reliability:* By focusing on legal data, contracts, case law, and statutes for their knowledge set, these models better interpret complex legal language and provide precise answers to legal queries. These domain-specific models can also be customized to a more granular level using customer data without raising security concerns about that data being used for overall LLM training. With respondents reporting that they've used GenAI for drafting assistance (50%) and contract review (47.6%), reducing errors and avoiding hallucinations becomes critical. Legal AI must be able to handle some of the most complex writing and interpret it soundly.

2. *Data, Security, and Privacy:* Legal departments and law firms handle highly sensitive client information, making data protection and security a paramount concern. As impressive as they are, public, open-access tools may not provide the same security and privacy protections for their users as domain-specific solutions. Legal domain solutions can be designed with more stringent security protocols and data governance standards that adhere to legal industry requirements, including Zero Data Retention and Limited Access Agreements.

3. *Optimized Performance and Effectiveness:* The legal field's complexity and need for precision make domain-specific solutions particularly valuable. Specialized prompting and model design mean legal documents and concepts can be processed and understood within the domain rather than in a larger "general knowledge" scope. This means more effective outputs with enhanced speed, efficiency, and user productivity.

**Overcoming Barriers with the Right Tools**

Despite GenAI's potential, obstacles like security, privacy, and performance still loom large. Choosing a domain-specific model isn't just about getting the job done; it's about getting it done right and mitigating risks, ensuring accuracy, and maintaining the highest ethical standards.

**The Bottom Line**

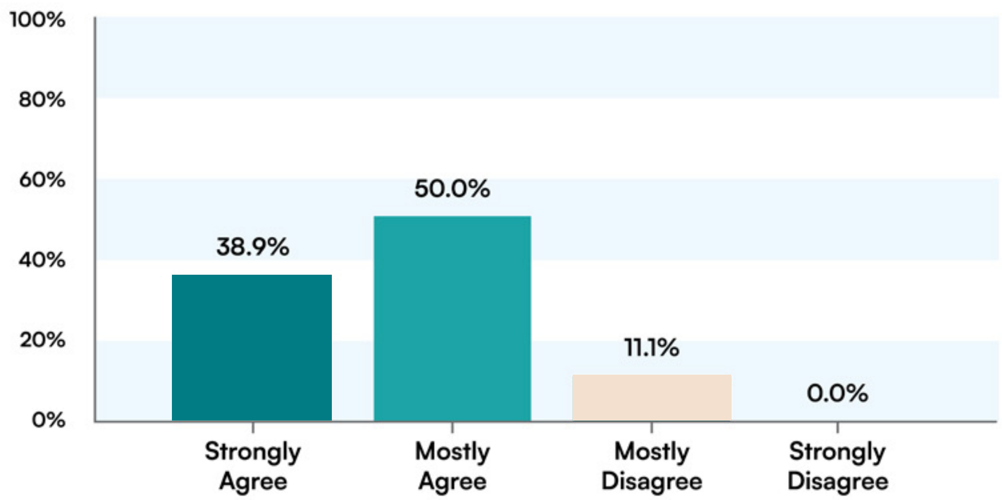
Legal operations can't afford to settle for "good enough" when it comes to GenAI solutions. As you navigate GenAI, prioritize models designed for your field that can be customized to your organization's rules/protocols/data, etc. Domain-specific GenAI tools offer better results and are more reliable, secure, and compliant—tailored to your unique challenges.

Invest wisely. Choose the AI that understands your world. After all, in legal operations, precision isn't just a preference; it's a mandate.

# IS REAL CHANGE BEGINNING TO HAPPEN?

It's obvious that, in the age of AI, legal service delivery is evolving rapidly. The big questions are: How far will it go, and who will actually be driving the change? Almost 90% of legal operations professionals still believe that "corporate law departments will be the primary driver of innovation and change in the legal sector," but whether that is true remains to be seen. In fact, GenAI may be the catalyst for law firms to finally have reasons to make the changes clients have been talking about for years.

## Corporate law departments will be the primary driver of innovation and change in the legal sector.




*"Bringing work in-house is near and dear to us. As we see law firm rates continue to rise, we are focused on an appropriate mix of inside-outside spend with greater attention to in-house legal service and solutions. We are collaborating with our business operations teams to create new efficiencies through integrated technology, AI, and, as a global company, lower cost locations."*

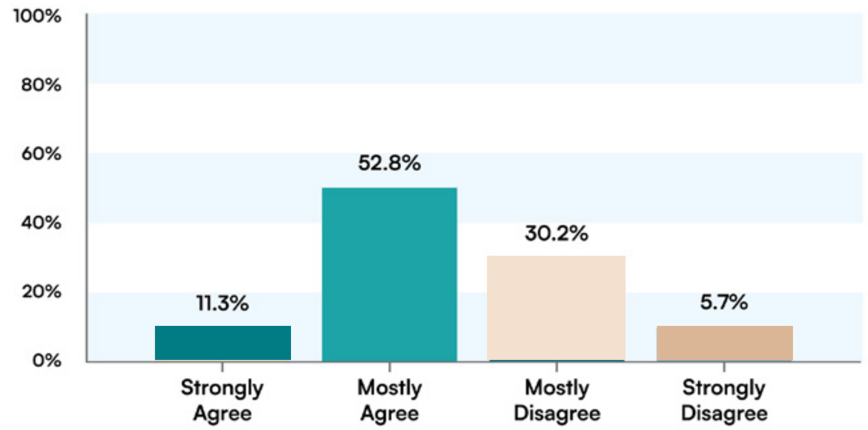
**HEIDI RUDOLPH** | *Global Head of Operations, Legal,* CBRE

*"The long-term impact of Generative AI on the legal industry is inevitable. Though there are varied reactions from organizations and legal professionals, ranging from awe and resourcefulness to fear and indifference, I anticipate that alternative legal service providers will adopt these technologies on a large scale, reducing costs for corporate law firms, who will then integrate AI internally, compelling traditional law firms to follow suit."*

**KIRAN MALLAVARAPU** | *SVP, Claims Strategy and Performance,* The Hanover Insurance Group

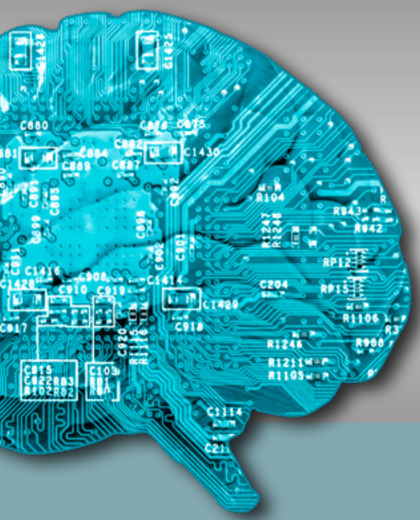
"I find it interesting that almost two-thirds of survey respondents expect that 'For work that is augmented with the use of GenAI, firms will increase their use of AFAs/modified billing,'" says Brad Blickstein, CEO of Blickstein Group and the survey's publisher. "I think that's true—there is money to be made—but I think we underestimate the impact that will have, as firms must change their billing models for that to work. If they do, however, the rewards for both them and their clients can be enormous."

## For work that is augmented with the use of GenAI, do you expect that firms will increase their use of AFAs/modified billing?




For years, the legal industry has talked about real change from the old, traditional ways. The end of the old boys' club. The death of the billable hour. New models that don't rely on associates grinding through mindless work to prop up the partnership model. Better processes that will allow the legal department to function more like their business counterparts. So far, little of that has come to pass. However, generative AI is already having a major impact on legal service delivery, and much more impact is expected. We look forward to continuing to explore the dynamic.

BLICKSTEIN GROUP



# IS THE FOCUS ON RELATIONSHIP PARTNERS HINDERING A MORE OBJECTIVE APPROACH TO MEASURING THE VALUE OF LEGAL SERVICES?

**Jennifer McIver**
*Associate Director of Legal Operations*
Wolters Kluwer

This year's Blickstein Group Law Department Operations Survey revealed that 76% of legal operations professionals now view the measurement of legal service value as more of an art than a science, up from 69% last year. At first glance, this seems at odds with the data-driven focus of the legal operations community. However, a closer look at the survey responses suggests that while pricing is a top challenge, the continued reliance on law firm relationship partners for pricing and engagement, along with a lack of transparent communication, may hinder a more objective approach to measuring value.

Cost containment remains a significant concern for corporate legal departments, with 44% of respondents ranking it as a top challenge. Rising hourly rates contribute to this issue, leading legal operations professionals to spend substantial time negotiating fees based on benchmark data. Despite these efforts, there is a strong desire for innovative pricing models. A notable 96% of respondents want law firms to propose new delivery models, and 83% believe alternative fee arrangements (AFAs) are more cost-effective than hourly billing.

While there is widespread interest in pricing innovation, a gap exists between desire and reality. Although 69% of respondents believe pricing professionals can drive service delivery innovation, these professionals are involved in fee discussions only 12% of the time, compared to 85% for relationship partners. This shows the ongoing influence of personal relationships in shaping the value of legal services, with established trust continuing to dominate decision-making processes.

The survey also highlights a lack of regular communication between legal departments and law firms. Although business reviews increased slightly to 40%, transparency remains low, with only 25% of respondents sharing law firm evaluation metrics and 22% sharing their department's own metrics. This lack of shared information makes it difficult to align expectations and improve performance, ultimately impacting value.

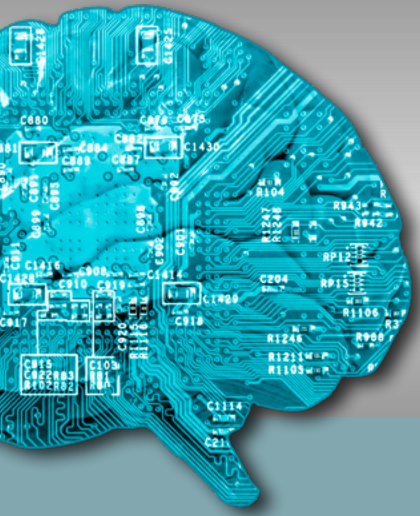
**Pathways to an Objective Approach**

To move toward a more objective approach to measuring legal service value, corporate legal departments should focus on:

- ***Regular Communication and Shared Metrics:*** Scheduled business reviews with law firm relationship partners and the sharing of key metrics can strengthen relationships and ensure alignment. This transparency can foster innovation and ultimately lead to measurable value.

- ***Engage Law Firm Pricing Professionals:*** Involving law firm pricing professionals earlier in the engagement process is essential. Their expertise in pricing models can help drive innovation in service delivery, enabling legal departments to meet financial goals while improving service quality.

The measurement of legal service value should shift from an art to a science, with more emphasis on data-driven metrics. The focus on relationship partners does not have to conflict with the drive for innovation in pricing. By improving communication, sharing metrics, and engaging pricing professionals, legal departments and law firms can establish a more objective and effective framework for assessing the value of legal services.



# BRINGING LEGAL WORK IN-HOUSE WITHOUT ADDING HEADCOUNT: HOW LEGAL OPS PROFESSIONALS CAN LEVERAGE TECHNOLOGY AND REDUCE COST

**Jill Schornack**
*VP Product*
NetDocuments

This year's Law Department Operations Survey reveals the continuation of a long-term trend: 86% of respondents prefer to handle more work internally but often lack the bandwidth or headcount to do so. And 74% actively seek to cut costs by bringing more work in-house.

The financial pressures driving this movement are clear. Three of the top five challenges cited by survey respondents are cost-related, and outside law firm spend is their number one cost. Prices are going up, too. Most respondents expect a rate increase this year, with 42% expecting increases of at least 5%.

With rates on the rise, many law departments are starting to think about why they are sending work out. Sometimes, a lack of in-house expertise demands it, but some work is sent outside simply because the law department lacks capacity. The law department ends up spending hundreds of dollars per hour for tasks that could be handled internally at no incremental cost—if it could just free up some bandwidth.

The misconception that bringing work in-house requires additional staffing is a barrier many legal departments face. However, by leveraging technology to streamline operations and improve efficiency, in-house legal teams can free up time, reducing their reliance on costly outside counsel.

Modern tools, such as document management systems and other artificial intelligence (AI)-driven solutions, can drive the efficiency and productivity needed to free up bandwidth in-house. Here's how they can help:

1. **Efficient Document Management**
   DMS tools save time by enabling legal teams to quickly locate documents, collaborate seamlessly within the department, and share information with outside counsel and business units.

2. **Work Product Reuse**
   These systems also allow teams to find and reuse existing work product rather than starting from scratch (or asking outside counsel to start from scratch), eliminating redundant efforts and improving productivity. Doing so also improves the quality and consistency of the work.

3. **AI-Driven Automation:**
   Artificial intelligence is transforming how legal departments handle research and document review tasks. These technologies can quickly analyze vast amounts of information and generate first drafts of contracts or other documents in minutes. When law firms use these tools on their clients' behalf, it reduces the spend on billable hours. When law departments do so, it frees up time to take on other work.

The efficiency gained from these tools directly translates into increased capacity within legal departments, allowing teams to internalize work without hiring additional staff. This reduces the reliance on outside counsel and aligns with the dual goals of cost reduction and operational efficiency.

**A Path Forward**

For legal operations professionals, the time to act is now. Leveraging advanced tools not only improves day-to-day productivity but also transforms how law departments operate, enabling them to achieve long-standing goals while addressing today's financial challenges. In doing so, they can build a more self-sufficient, cost-effective legal function that supports the broader objectives of their organizations.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