



LAW DEPARTMENT OPERATIONS SURVEY

10TH ANNIVERSARY REPORT | SEPTEMBER 2018

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DECODING A DECADE OF DATA TO MAP THE LDO JOURNEY

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DECODING A DECADE OF DATA TO MAP THE LDO JOURNEY



By David Cambria, Global Director of Legal Operations at Baker McKenzie and Chair, LDO Survey Advisory Board

It's hard to believe that it has been 10 years since my first meeting with Brad Blickstein. We had lunch at the Hyatt Regency Chicago, and he peppered me about my role. How big is your team? How do you use technology? What exactly do you do every day? I answered all his questions and then he asked this: How many other people like you are out there, and how would their answers differ?

I did have some idea. Along with Aaron Van Nice and Elizabeth Jaworski I had already co-founded the Corporate Legal Information Consortium and I was meeting quarterly with a handful of Chicago areas LDO professionals. But I told him it was all anecdotal; I had no hard data. Then he said the fateful words that started us on this journey: "Why don't we go get some."

We spent hours writing that first survey, and called in every favor we had to get 34 companies to respond. Little did we know that was just the beginning.

Since then, legal operations has grown enormously, and we've grown with it. Each year, the Annual Law Department Operations delivers the broadest, deepest and most comprehensive data about the function, including more than 300 data points about what is happening. What it hasn't done, however, is provide trend analysis on what has happened over time. Until now.

The role has changed a lot. We've gone from a few behind-the-scenes people just trying to do the best we can to front-and-center change agents for the legal space. And both in-house and outside counsel know perfectly well who we are.

Where will the next decade take us? As many of you know, I have recently left the world of corporate law departments to bring the discipline of legal operations to one of the world's largest law firms. That's because, while in-house law department operations professionals will continue to evolve, I believe the next big question is how are law firms going to react. I look forward to us figuring it out together.

Welcome to the Annual Law Department Operations Survey 10th Anniversary Special Report: Decoding A Decade Of Data To Map The LDO Journey. In it, you'll be able to see trends in all the key areas that are important in legal operations, including reporting structures, top challenges and KPIs, technology, outside counsel management and cost control.

Here are a few things we've learned that I think you will find particularly interesting

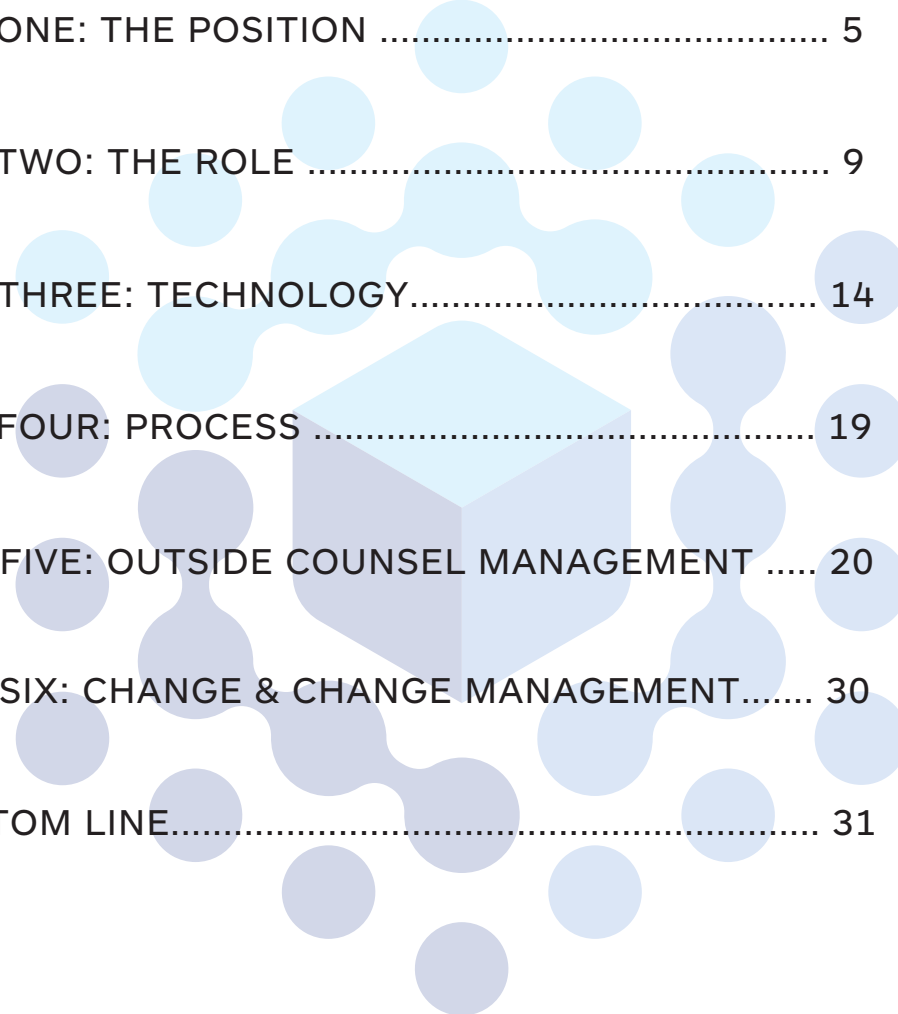
In 2008, "Identifying opportunities for business improvement and cost savings" was the LDO professional's top challenge. As the space has matured, that's no longer the case, as a lot of strategies have been developed and tested. Today's top challenge is "driving/implementing change."

The relationship between LDO professionals and outside counsel has changed. A decade ago, LDOs might run a convergence process, but they hardly ever selected outside counsel either for a panel or for particular matters. Today, almost a third direct or manage the selection of outside counsel for particular matters, and 36 percent do so for their panels.

Technology effectiveness is not improving. Less than half believe that core law department technologies such as e-billing and matter management are keeping up with their needs; down seven percent from 2014.

REPORT CONTENT

The legal operations function has grown enormously. Since 2008, the Annual Law Department Operations Survey has been the definitive resource for benchmarking and building understanding around the emerging profession. This year, we celebrate our 10th anniversary with this Special Report, designed to look back at the past 10 years in order to understand the enormous growth of the legal operations function and its future.



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The Annual Law Department Operations Survey is only possible with the Advisory Board’s generous contributions of time, experience and wisdom. We would like to thank them for all their assistance.

- David Cambria, Advisory Board Chair



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We would especially like to thank David Cambria, who has been Advisory Board Chair since our concept stage and absolutely essential to the survey ever since. We would also like to thank Ron Denton, Jeff Paquin and Aaron Van Nice, all of whom have been on the board for our entire 10-year existence. Without their intelligence, experience, expertise and strong leadership, this project would never have been a success.

We would also like to thank the following people, who have served on the Advisory Board at some time during the past decade*: **John Barber**, Amgen and The Walt Disney Company; **Connie Brenton**, NetApp; **Elaine Deutch**, PPL Services Corporation; **David Grimes**, Bank of America; **Wafik Guirgis**, Merrill Lynch; **Michael Haysley**, Waste Management; **Heidi Rudolph**, Sara Lee Corporation; **Kimberly A. Townsan**, United Technologies Corporation; **Stacy Wilkins**, Dell Inc.

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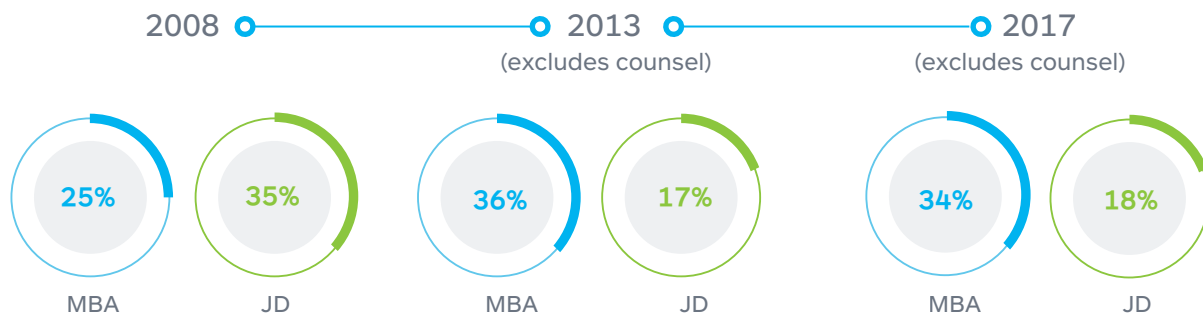
SURVEY JOURNEY

It's truly shocking how much the legal operations function has grown since we launched our survey in 2008. Back then, there were only a few people even in the role, and most of them had advanced degrees and made more than \$150,000 per year. Since then, while the legal ops function has clearly become more important to many more law departments, the role of LDO professionals itself has become both bigger and smaller; that is to say, both more strategic to the corporation while often focusing on more granular tasks.



DEGREES OBTAINED

While much of the talk about legal ops is in terms of financial discipline, there is much more to be done once that is in place, which is illustrated by the shift in balance from JDs to MBAs as the LDO position has developed as a professional career.



The skill set required is consistent with having a law degree. Also needed are a strong understanding of the core business, an ability to bridge the gap between the needs of the business and the requirements and nuance of the law, an understanding and commitment to use the resources of the law department to grow the company and the ability to manage outside law firm performance. Other necessary skills are applying the core strengths of any well-trained lawyer: analytical ability, attention to detail, logical reasoning, gravitas, sound judgment and strong communication to both legal and business problems.



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ANNUAL SALARY

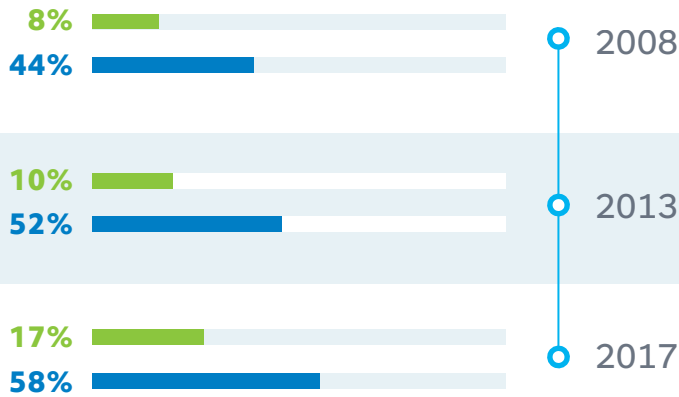
There is a broader range of compensation today because there is a varying level of sophistication in the marketplace, and that means varying costs for that sophistication. As more jobs open up (demand), there is stronger competition for the more seasoned professionals, but there is a limited pool of resources (supply), forcing the market to look to others who are younger and command lower salaries. As a result, we see large clusters of talent (and the salaries they command) at both ends of the spectrum, with a wide gap in the middle.



\$250k+



\$150k-

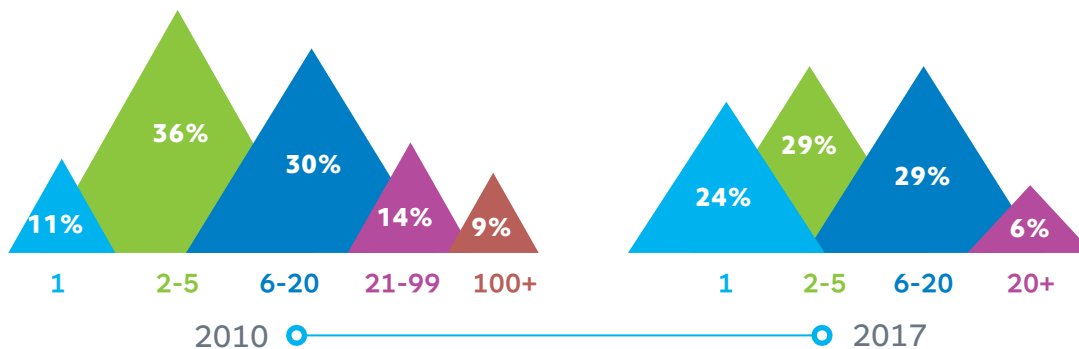


NUMBER OF FTEs REPORTING TO LEGAL OPERATIONS

(INCLUDING YOURSELF)

Many legal ops teams are much smaller than they were in 2010. This is one reason why we are seeing wide variances in maturity. When ops teams are small, their maturity is closely tied to the person in the role, and the right hire can massively impact maturity. As teams grow and the senior ops person takes on more strategic law department initiatives, they add more staff which tend to be tactical, for example responsible only for a specific piece of technology or tasks (such as vendor management). Many law departments that are adding legal ops for the first time often view the role as transactional rather than strategic and staff accordingly.

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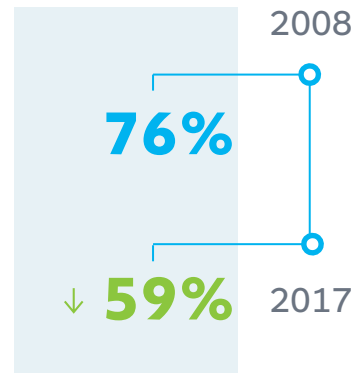




REPORTING TO GENERAL COUNSEL

Law departments will find the highest value by having their top legal ops professional report directly to the general counsel. Companies with direct reporting and full support from the general counsel see their ops functions driving strategic initiatives.

I report directly to the general counsel.



I get all the support I need from my general counsel.

2014 — 2017



The growth of the legal ops function has been enormous. When I started, there were only a few of us and we were all in very large, sophisticated organizations with very large legal spends, and almost all of us reported to the general counsel. Today, LDOs are pervasive and while fewer of us report directly to the GC, almost all of us do get the support we need.

--Aaron Van Nice, Global Director of Legal Operations at Archer Daniels Midland and 10-Year LDO Survey Advisory Board Member

THE ROLE

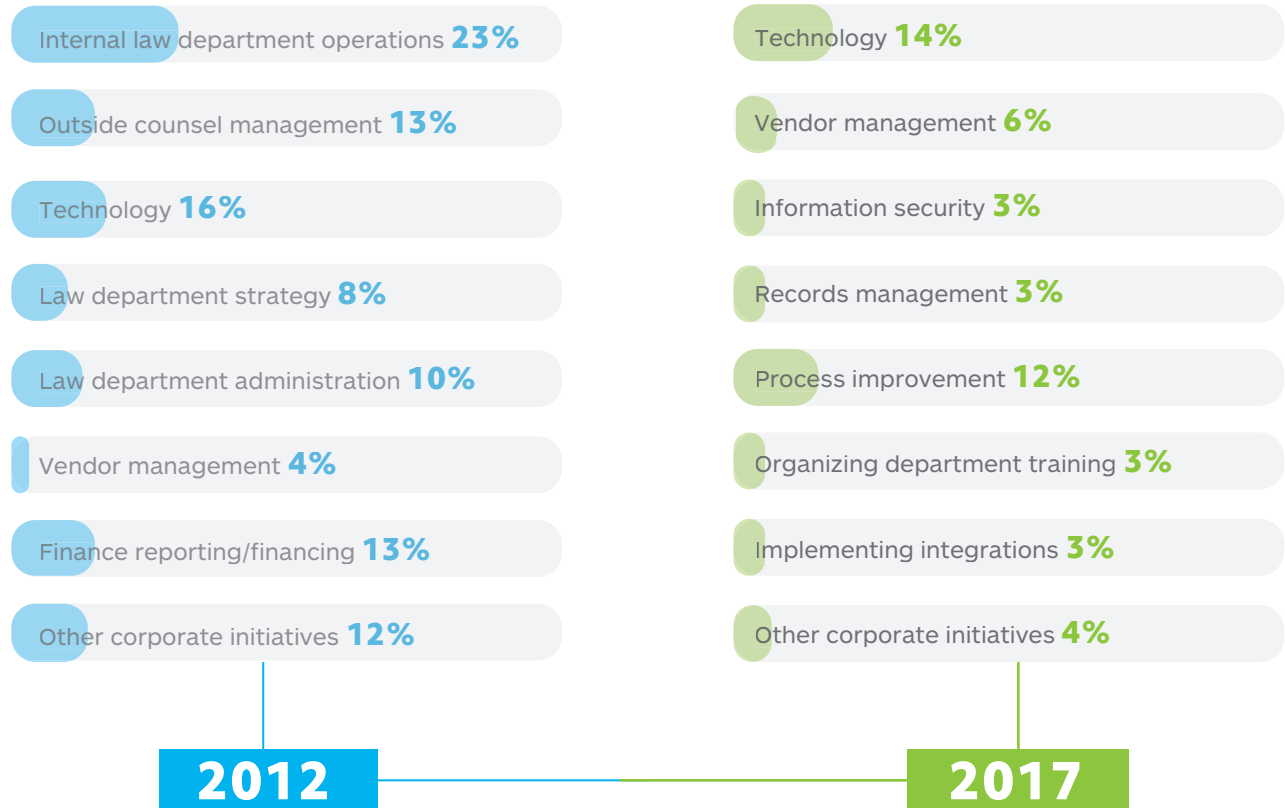
Legal operations' "long and winding road" is evident in the changes – and sometimes the lack thereof – in the role and responsibilities of the LDO professional.

The job functions have not changed much, but the top challenges and key performance indicators have evolved quite a bit. Some data, like the increase in handling strategic work outside the law department, implies maturity. Other data, like the diminishing number of companies with a dedicated legal ops budget, implies that success criteria are still a moving target.

% OF TIME SPENT ON TASKS



To be effective, LDO professionals must be "utility players" with many skills, talents and areas of knowledge to handle a wide and varied array of very different responsibilities. The responsibilities themselves, however, have not changed that much over the past five years.



TOP CHALLENGES FACED BY THE LDO

RELATED TO MANAGING LAW DEPARTMENT FUNCTIONS

While the functions of the job have not changed much, the LDO professional's top challenges have shifted substantially. Funding is easier to get; documenting ROI from the position is much easier; and it is easier to identify opportunities for improvement.



2008



2017



A CALL TO ARMS FOR LEGAL OPERATIONS LEADERS

By Robin Snasdell, Managing Director, Consilio



We have been the premier sponsor of the Annual Law Department Operations Survey since its inception 10 years ago. Back then, the LDO's second-most common challenge was to "show value of the position to the corporation." Today, it's not even in the top seven. But it's no time for complacency.

LDO leaders must continually be communicating the impact and value of the legal operations function. Letting legal department leaders forget or not fully understand the value of the legal operations function will cause funding challenges that will ultimately compromise the role, authority and effectiveness of the legal operations team. Nowadays, there really is no excuse to not keep the value of the legal ops team front and center. If you don't, you may be failing in your mission. So how can an LDO professional stay on top?

Here are six steps to help LDO professionals stay front and center and always get the funding they need:

Consolidate enterprise legal spend to roll up to the law department.

Many companies still manage legal spend regionally or by business unit, outside of the legal department, but consolidating all legal spend provides an LDO leader the opportunity to make a positive financial impact.

Create a three-year plan and make a list of initiatives that take into account the needs of your most important legal stakeholders.

Organize this list into short, medium and long-term initiatives, estimate effort, articulate potential value, and document who they impact and the potential ROI.

Present the findings to key stakeholders and campaign!

Go on a "book tour" with the most important stakeholders, which will likely include the General Counsel, head of litigation, head of IP and other AGCs, to get them to buy in to the initiatives. Finding those stakeholders which are most amenable will strengthen your power base.

Start the initiatives with the shortest timeline.

Consider "low hanging fruit" projects that offer good value, are low in cost and may have a visible impact on your company's business. For example, revamping outside counsel billing guidelines to the latest best practices or initiating a cybersecurity assessment of your law firms can quickly and easily show proactive value.

Communicate successes.

Get the message out internally about successful initiatives and clearly communicate expectations on ongoing initiatives — especially what not to expect. Pro tip: internal promotions with competitions and prizes are increasingly popular and will help you stir enthusiasm, get the message out and begin to gain traction.

Hire experts.

There are many experts who have already gone through what you are trying to achieve and can provide best practices that help ensure success and reduce risk. Admitting you need help may seem like a negative in the short-term but it will lead to more credibility and successful initiatives over time. If it potentially adds value as an operational initiative, it is the responsibility of LDOs to bring it over the finish line.

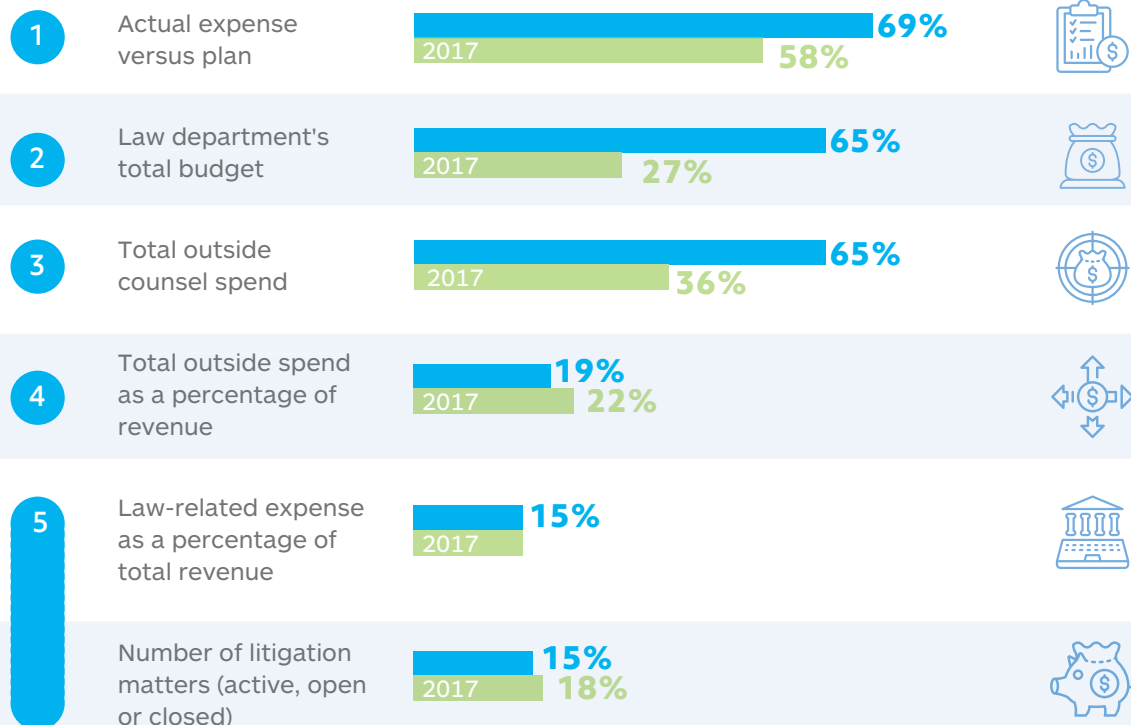
BONUS: Think like the CFO. Ultimately, the GC has to be in a position where he or she can respond to questions from the chief financial officer. LDOs are in the best position to help their GC anticipate these questions, be prepared to answer them and be so far in front that the CFO can voice no complaints.

The top challenges faced by LDOs have evolved over the last 10 years...still you must know what the levers are, even before being asked.

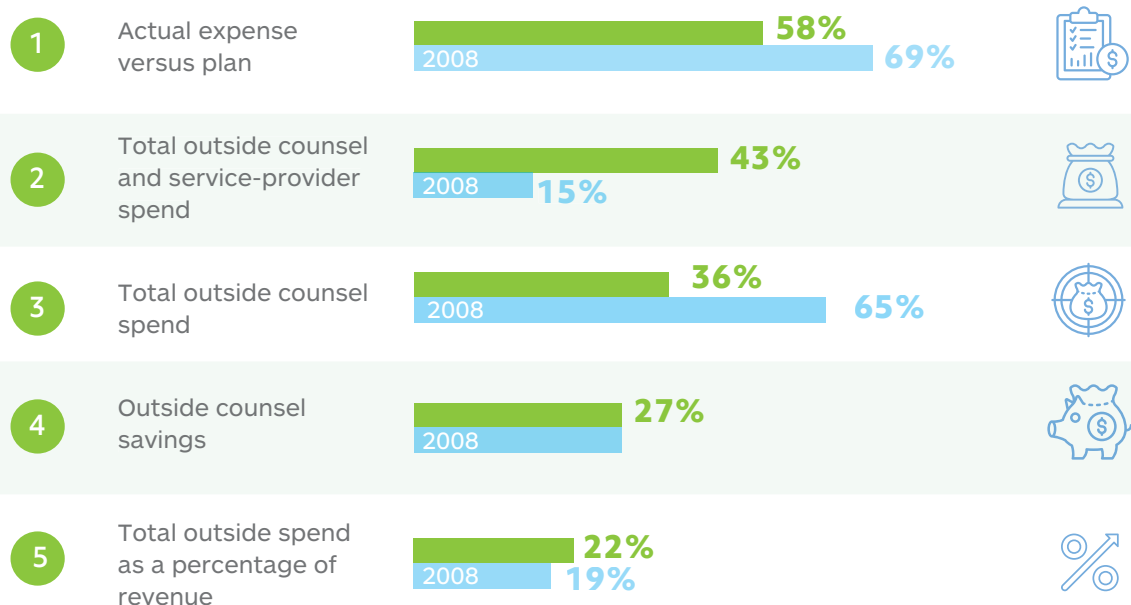
TOP KEY PERFORMANCE INDICATORS

Another big difference through the years has been law departments' emerging comfort and use of alternative legal service providers, as evidenced by the halving of "total outside counsel spend" and the tripling of "total outside counsel and service-provider spend" as a KPI. This illustrates that LDO professionals are decreasingly concerned with who is doing the work as much as the overall efficiency, predictability and cost of getting it done.

2008 TOP 5 KPIS

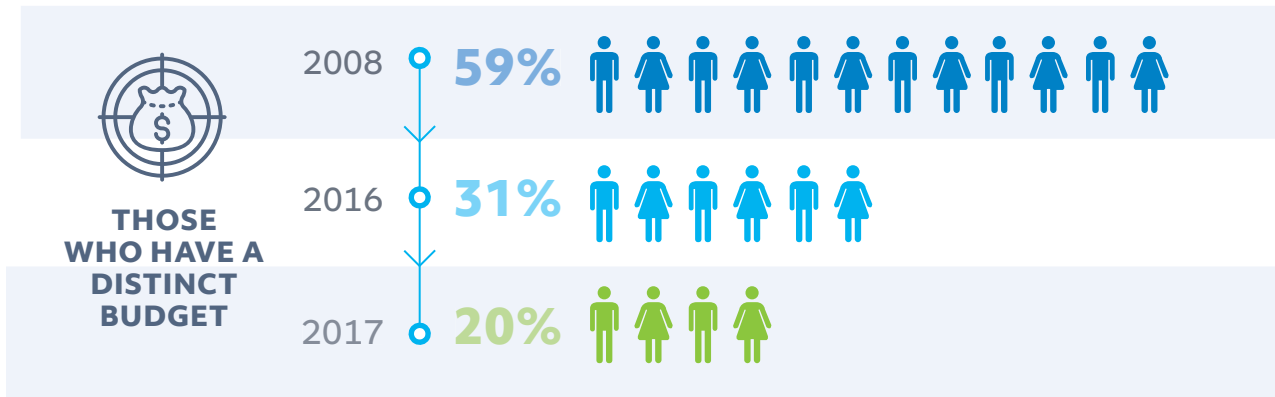


2017 TOP 5 KPIS



[Percentage represents number who chose each selection as a "Top 3 KPI."]

DISTINCT BUDGETS FOR OPERATIONS



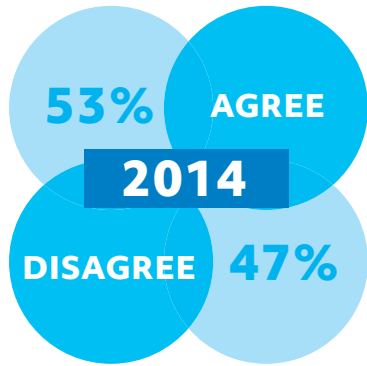
The rapidly disappearing distinct budget for operations has us wondering if many general counsel are signing onto the idea of legal ops but without providing a real mandate. We also see this in the lack of additional influence and headcount in more mature departments. At the same time, LDO professionals are more involved in corporate-wide initiatives as the law department is increasingly in alignment with the rest of the business, with the LDO professional frequently the nexus. In many law departments, the LDO professional is left “pushing on a piece of string.”

PARTICIPATION IN CORPORATE STRATEGIC INITIATIVES

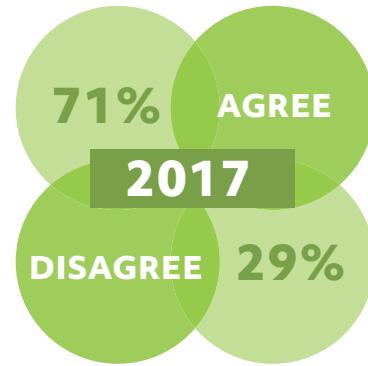


Acceptance is growing, but at wide and disparate levels of sophistication, which is partly why we are stagnating in maturity, innovation and growth. A long and winding road, indeed.

TECHNOLOGY



I have access to the right technology to do my job.



The original impetus for our research into legal ops was the question: “Who buys technology in law departments?” Even in the earliest days, in the law departments that had one, the LDO professional was the answer. A big part of the role is purchasing, managing and leveraging technology.

Today’s LDO professional likely has the right tools; whether they are getting the most out of them is still an open question.



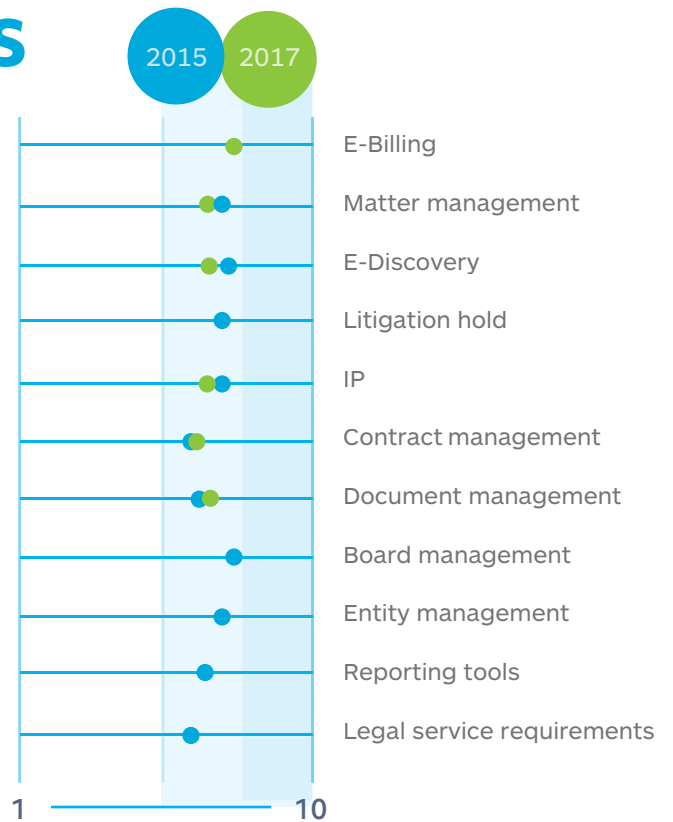
TECHNOLOGY EFFECTIVENESS



Contract management, which is currently “hot” technology, is consistently ranked as the least effective tool.

This suggests that despite all the talk about new legal tech, either technology has stagnated or adoption has as the lawyers who use it are not heeding the advice of the LDO professionals to change the way they work.

Either way, effective technology is a requirement to deliver the value that legal ops is expected to provide.



Law Department Technologies on a scale of 1-10

THE TRANSFORMATIVE FABRIC OF LAW DEPARTMENT OPERATIONS: TECHNOLOGY IS FOUNDATIONAL



By Eric Elfman, CEO and Co-Founder, Onit, Inc.

Legal operations is all about optimizing the law department's ability to help grow the company. This requires a higher level of operational excellence, as evidenced by the embracing and reliance on innovation, increasing demand for automation of repetitive tasks and a workflow-centric approach. Simply put, law department operations professionals turn to technology to create operational wins.

The need to drive efficiencies and contain costs are two key reasons that the legal operations function is growing so quickly. That growth is no longer only in the Fortune 500 companies; smaller companies are saddling up as well.

Many believe, and rightfully so, that legal operations will be responsible for some of the biggest changes in the legal ecosystem. In fact, according to the Annual Law Department Operations Survey, 85 percent of LDO professionals believe that corporate law departments will be the primary driver of innovation and change in the legal sector. In fact, change is so prevalent in the minds of LDOs that 62 percent of them believe their jobs to be "primarily change management."

Technology will increasingly play a prominent role, as the only way for LDOs to fulfill their mission is by leveraging well-chosen technology solutions to automate processes, track legal spend and deliver key decision-ready information. Again according to the Survey, LDOs split their time on more than a dozen different tasks, leading with outside counsel management and technology (14 percent of their time each), law department administration (13 percent), process improvement (12 percent) and financial reporting (11 percent).

One good example is the contract management system that LDO Survey Advisory Board Member Aaron Van Nice implemented while at Baxter Healthcare Corporation, where the process was time consuming and lacked transparency and the law department had been perceived as a bottleneck.

To streamline the process, an input request app was created that allowed sales reps to submit requests for non-standard contract creation or redline review of standard agreements. Completing the fields, many of which were auto-populated, helped to automate, simplify and standardize the workflow. A dashboard tool with email options was also developed so anyone involved in the process can access the request and see where it is in the process. The dashboard eliminated the need for status updates. And the data collected showed that more than 80 percent of the cycle time was being spent by other parties — the law department had never, in fact, been the bottleneck. Automated systems, like the one implemented at Baxter, are often the force multiplier that allow the LDO to deliver on his or her mission while also allowing the law department to do more with less.

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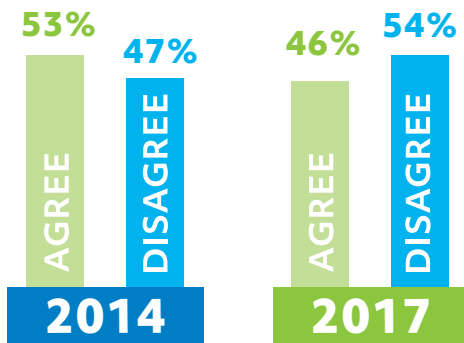
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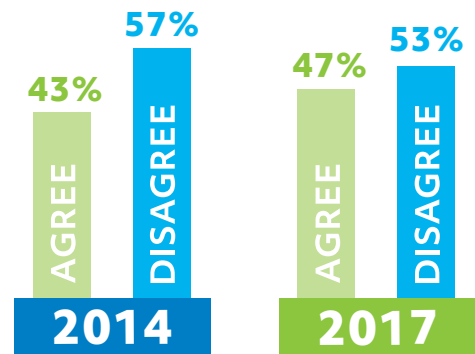
Good technology utilization can be the difference between success and failure for an LDO. It seems we have the right tools, but we need to do a better job of making those tools effective. And we also need to make sure our law firms are fully leveraging their technology to provide us with better productivity and quality.

-- Ron Denton, Manager, Legal Business Services at Philips 66 and 10-Year LDO Survey Advisory Board Member

E-billing & matter management providers are keeping up with our needs.



Law firms are leveraging technology to deliver legal services more effectively with cost efficiency.



Some of the core technologies are just not maturing. In fact, they are less frequently meeting the needs of LDO professionals. Contract management, which is currently “hot” technology (with dozens of new players since 2016), is consistently ranked as the least effective tool.

Law firms, on the other hand, are starting to get the message. In most industries, technological innovation comes from sellers. There is a real opportunity for law firms to build and use tools to fill the effectiveness gap of in-house technology.



While most LDO professionals claim they have the right technology, the tools are not gaining in effectiveness.

The background of the entire page is a dark blue field filled with numerous bright blue, glowing lines that radiate from the right side towards the left, creating a sense of dynamic energy and connectivity. The Baker McKenzie logo is positioned in the upper left corner.

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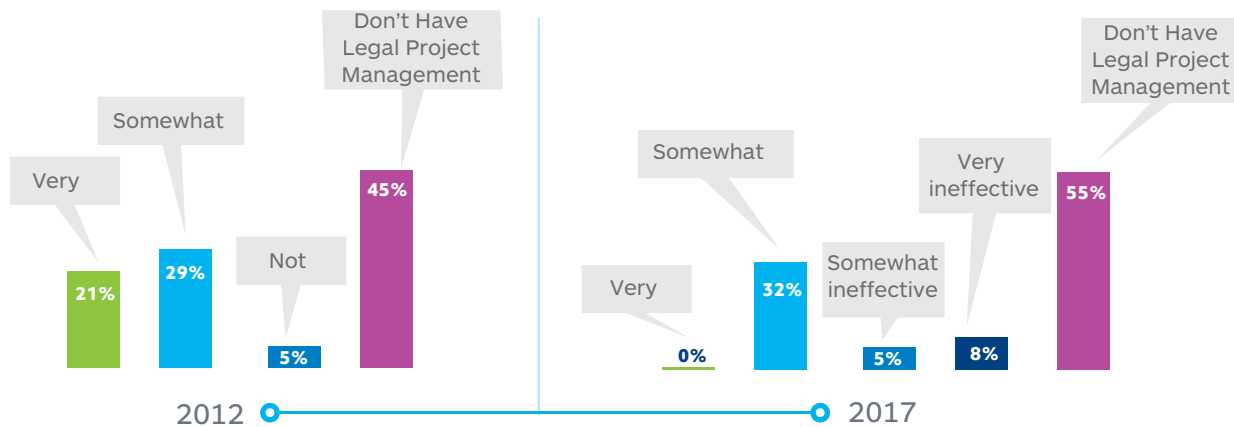
LEGAL PROJECT MANAGEMENT PROGRAM EFFECTIVENESS



LDO professionals were hired to focus on process improvement and spend 12 percent of their time on it. As lawyers are not process-oriented by nature, this is an enormous challenge – possibly the biggest single challenge facing the function. Many law firms, however, still focus on LPM. It will be interesting to see if they also abandon these programs, or if they can deliver project management to clients as a value add.

“Legal Project Management” was at one point a very hot trend and many believed that these programs were a panacea, but such formal programs have been abandoned.

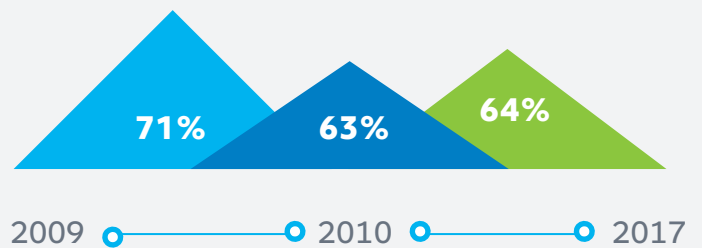
How effective is your Legal Project Management program?



E-DISCOVERY PROCESS CONTROL

When a law department is properly incentivized (in this case by rapidly escalating e-discovery costs), it can implement a solid process to disaggregate work and drive cost savings.

“
I feel in control.”



There is a high correlation between companies with a legal ops functions and those comfortable with e-discovery.

RELATIONSHIP TO OUTSIDE COUNSEL MANAGEMENT TASKS

For most legal ops functions, the biggest bang for the buck comes from better management of outside counsel. Better outside counsel management can lead to enormous cost savings, as well as closer partnership, better collaboration and ultimately aligned interests. It's been a bumpy road. Law firms can push back and in-house counsel are not always excited about changing the way they manage their outside partners. A variety of different techniques have been attempted over the years, with varying degrees of success.

Which term describes your relationship to the following outside counsel management task?



DIRECT



MANAGE



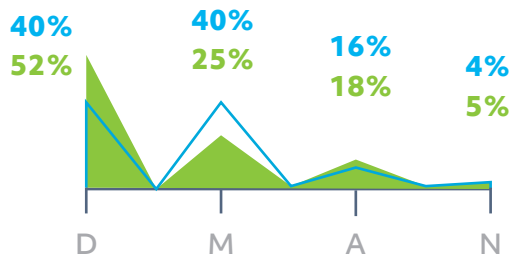
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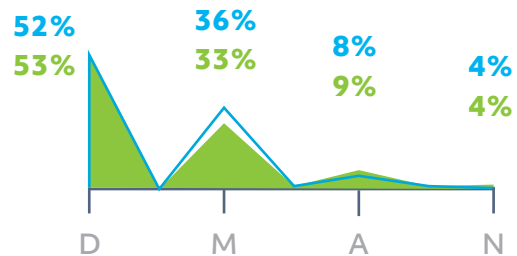
NONE

— 2008

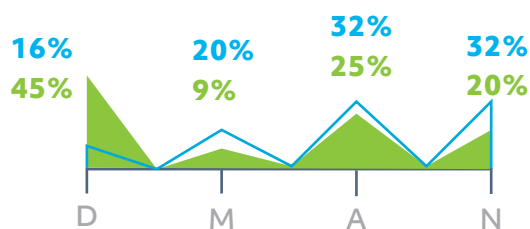
■ 2017



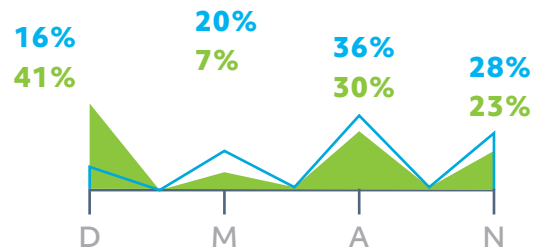
HANDLE BILLING ISSUES



TRACK LEGAL SPEND



NEGOTIATE RATES



NEGOTIATE DISCOUNTS

Which term describes your relationship to the following outside counsel management task?



DIRECT



MANAGE



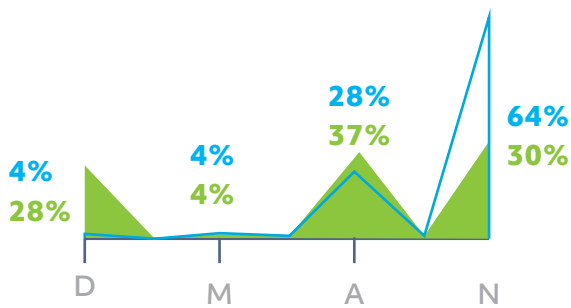
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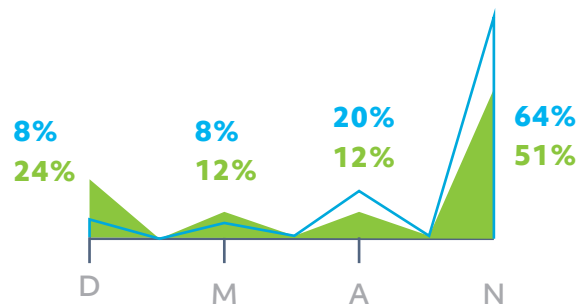
NONE

— 2008

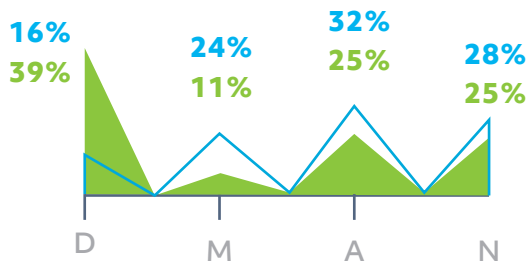
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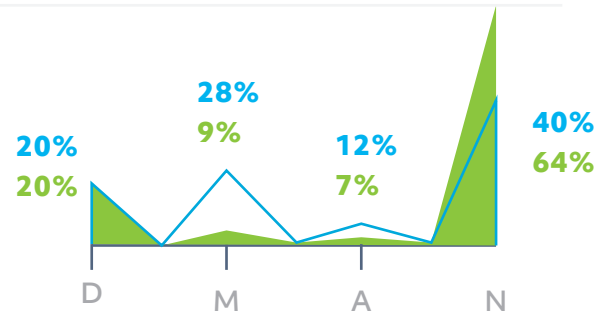
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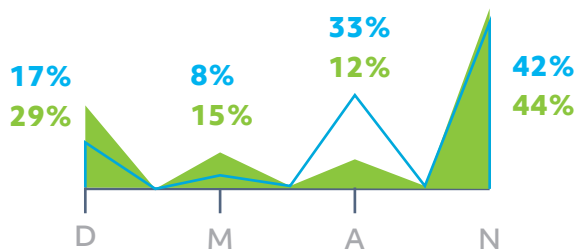
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NEGOTIATE ALTERNATIVE BILLING ARRANGEMENTS



TRACK DIVERSITY INITIATIVES



CONDUCT PERFORMANCE REVIEWS

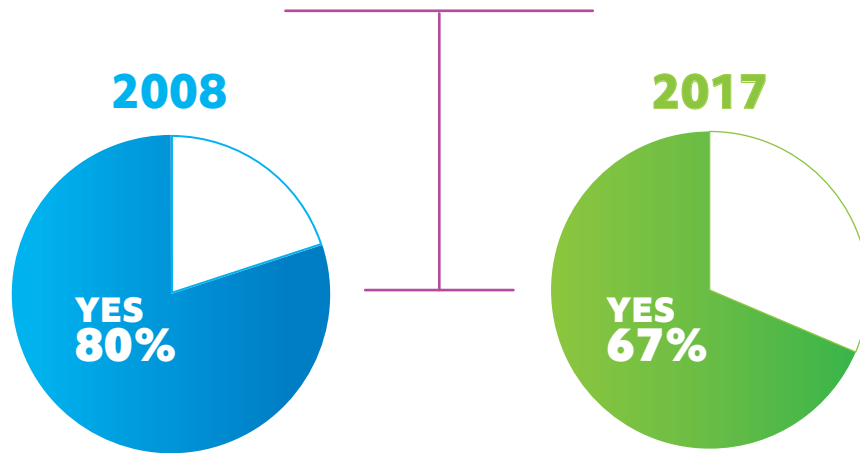


Surprisingly few law departments actually track diversity initiatives.

The role of the LDO professional in relation to outside counsel has changed quite a bit over the years. In 2008, “working with outside counsel” meant tracking legal spend and handling billing issues – and hardly ever actually selecting outside counsel. Today, LDO professionals are much more likely to negotiate rates, discounts and alternative fee arrangements and also select counsel for both panels and individual matters.



I have a preferred provider network.



Since DuPont popularized their use in the mid 1990s, building preferred provider networks was often the first major initiative undertaken by a new legal ops function. The idea was to minimize the number of firms in order to simplify management and increase purchasing power. A lower percentage of law departments, however, employ preferred provider networks than a decade ago. This is likely because of the rapid rise of law departments adding a legal ops function over the past few years and needing to first develop the building blocks for such a program.

Understanding spend, managing projects and implementing technology all must take precedence in order for a preferred provider network to take hold, as they are really more about spending time, effort and energy to change the relationship on an administrative and strategic level, and not just about the number of firms the company uses.



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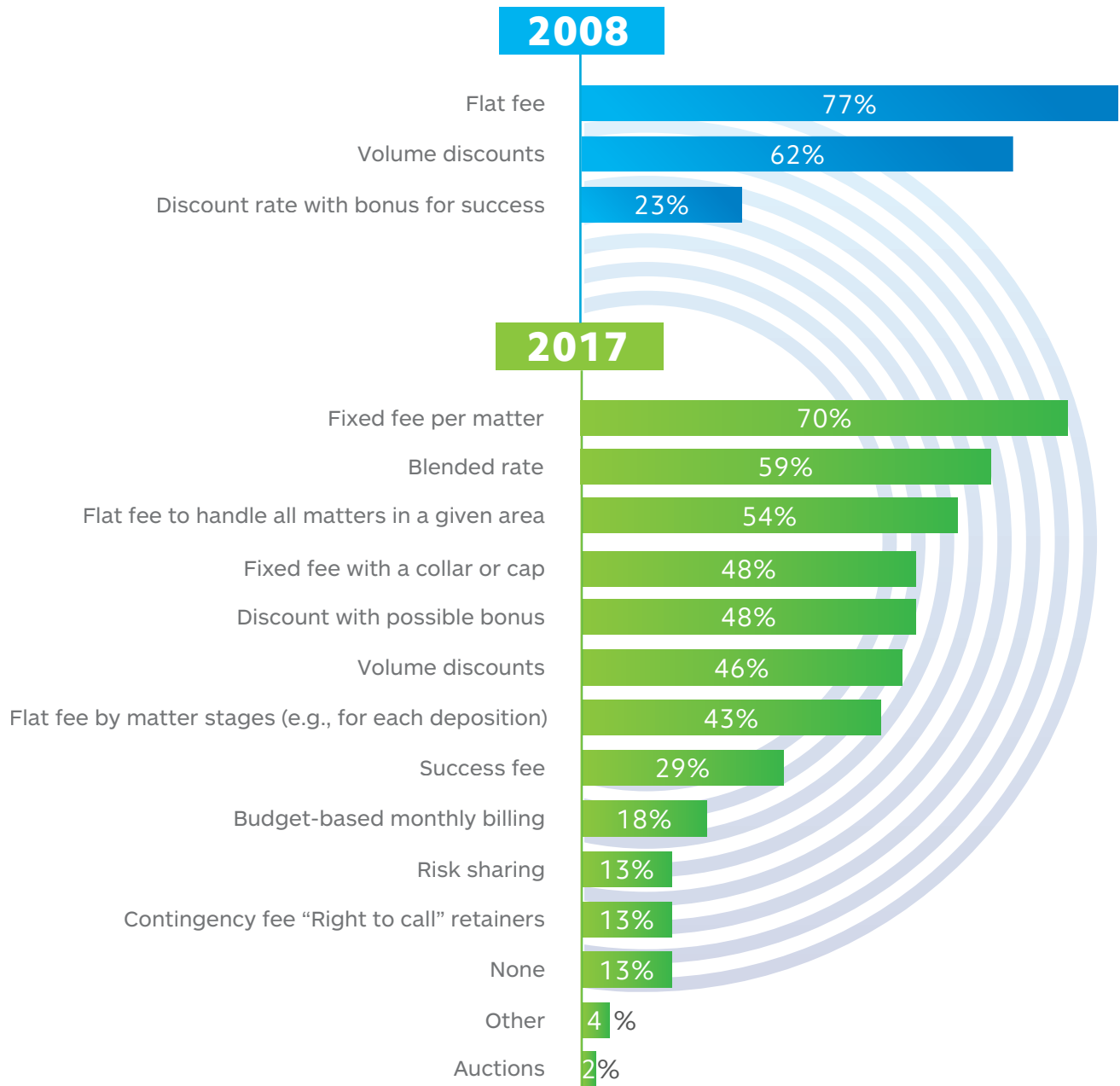
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ALTERNATIVE FEE ARRANGEMENTS ATTEMPTED



Despite all the talk about alternative fee arrangements and the death of the hourly bill, not much has changed on both sides of the aisle.



THE NEW NORMAL

By Ben Allgrove, Baker McKenzie - Partner, Global R&D

Our clients' law department operations professionals ("Legal Ops") are not just cogs in a wheel – as a decade of results show, they are increasingly the engine room. Highly strategic yet nimble, increasingly we are seeing Legal Ops functions driving and aligning Law Departments to corporate strategy – with the support of their GC. Often seen as agents of change within our clients – these teams have the tech and they (almost always) know how to use it. Increasingly, Legal Ops are managing the selection of outside counsel. They are the decision makers.

A decade ago, only 8 percent of Legal Ops directed or managed the selection of outside counsel for particular matters, and only 16 percent did so for panels. Today, those numbers are 32 percent and 36 percent respectively. This is the new normal.

So what does this new normal mean for law firms like ours? Put at its most simple – Legal Ops teams are scoping out the most innovative way to perform legal services – and GCs are taking heed. The impact of that on what sorts of services law departments buy and how much those services cost is likely to be huge. Things are changing, and they're changing fast. Law firms must innovate if they want to compete in this new environment.

At Baker McKenzie, we are ensuring that our strategies for pricing, legal project management, and other commercial activities are closely matched to these increasingly sophisticated client needs and expectations – mindful of the growing influence of Legal Ops on decision making.

And, we are not only focused on working directly with clients to help shape delivery of our Firm's services, we are also assisting clients in addressing the development of their own operations. In this way, we are true partners with our clients.

This may sound smart and innovative, but what does this look like at a tactical level?

- We are expanding our legal project management team. We already have the largest in the world. It needs to be bigger.
- We are also expanding our pricing capabilities. The move from the billable hour is real. We get it. We are moving.
- We want to have more creative conversations with clients about pricing and get away from the unproductive rate + discount discussions that still colour the market.
- We are launching initiatives that enable us to rethink our legal processes (and the underlying tech) to make them more productive, cost-efficient and scalable.

Our client teams are encouraged to have specific plans to engage with the Legal Ops teams at our key clients.
risks?

We're putting ideas and strategies into action – and we are already seeing results.

What we put in place now determines what happens over the next 10–15 years. We continue to build resilience. We need to stay relevant. That, surely, is what the New Lawyers means to us. That is what innovation is about. Not discovering the perfect solution for a disrupted future now – but structuring our ambitions to be able to adapt to the change that is upon us and will only increase.

Success for us, and for any law firm, hinges on being able to have a mind-set change to set aside what we've always done and embrace new ways of working. Culture change is the toughest bit.

EXTERNAL COST CONTROL TACTICS

Surprisingly little has changed in terms of the tactics LDO professionals are using to control external costs. A few exceptions: Law departments are much more likely to deal directly with alternative legal service providers rather than running their work through a law firm, and rate increases are much more likely to be capped, and regional firms are much more popular.



LDOs MOVE TO BRING EDISCOVERY IN-HOUSE

By Will Wilkinson, Managing Director, eDiscovery and Investigations at Yerra Solutions



In 2018, I've noticed a significant change in the type of question I get asked. Whereas it was most commonly "how much do you charge for [insert tool of choice]?", it has now moved to "how can we run [tool of choice] ourselves?"

As I come from a deep technical and enterprise data-focused background, this stands out particularly because of the shift in emphasis on ownership and responsibility for the data. It also marks a change in the acceptance of costs and demonstrates a stronger faith in the internal IT teams. But, perhaps the biggest factor driving the change is the empowerment of the LDO role in many legal departments and the focus on efficiency that creates.

When questions are asked about how to cut legal costs (and they always are!), it is natural to look first at one of the biggest areas of expense for many legal departments – eDiscovery. Bringing more eDiscovery in-house seems like an obvious and simple answer given the costs that 3rd parties can add to the process. Before rushing out to buy a shiny new headline tool, the most significant question to ask oneself is "how much could we really save, and how..?"

In the best consulting tradition, the answer is of course: "It depends..."
 "Are we talking people, process, technology... or all of these?"
 "Do we want a phased strategic change or a big-bang approach?"

It might be feasible for legal departments with a consistently light eDiscovery workload to run the function entirely in-house – get technology that's a good fit, hire a few people and keep it all in the family. This simply isn't practical for those with big fluctuations in workload – or a steady and huge demand – or complexity like cross-border issues, language requirements or regulatory intricacy. If this reflects your reality, there are options to bring more of the eDiscovery process inside your own "four walls" too.

A good first step is to approach changes to the overall process and let that dictate what you then do with technology and people. A few questions to ask:

- What do your current workflows look like? Note which pieces are handled by vendors and which are handled internally already.
- How complex does the need to transfer data to a 3rd party make the workflow? Would keeping it behind the firewall simplify things enough to justify a technology purchase?
- Are you're open to a cloud-based option? Would that alleviate complexity or simply transfer it?
- What does the communication process between you and 3rd parties look like? Where are the most common breakdowns and biggest risks?

Once you identify the areas posing the most risk and creating the most inefficiency, you can go about "flagging" those areas to be brought more under your control and planning ways to do that. There is no "out of the box" approach to bringing eDiscovery in-house. Each organization will have unique challenges and needs. Yerra has helped clients understand their respective processes (and gaps) and map out a plan to keep more control over eDiscovery in-house. We often act as the translator between different business stakeholders, including identifying and proposing practical workflows that are relevant to the business.

If this has struck a chord with you, we'd be delighted to discuss it further. Please contact me at will.wilkinson@yerrasolutions.com.

EXTERNAL COST CONTROL EFFECTIVENESS

LDO professionals have consistently contended that alternative fee agreements are more cost-efficient, but they struggle to get them implemented. And while they feel that their law firms are not doing their part to help figure out pricing, they do hold out hope that the trend toward law firm pricing professionals will help. Ultimately, this is hard – and neither firms nor law departments are very good yet at measuring value in a scientific way. Nor are they particularly good at mining their data in order to make informed decisions, and without this data, AFAs are just “sugarcoated budgets”.



While artificial intelligence is certainly coming, it will be adopted as an efficiency tool first. Predictive modeling will be further away.



	2014	2017
Dedicated pricing professionals at the law firms make it materially easier to implement effective alternative fee arrangements.	X	63%
Measuring the value of legal services is more art than science.	X	64%
I believe most departments will be using artificial intelligence to predict future outcomes and events in the next three years.	X	49%
Our law firms do a good job at suggesting alternative fee arrangements that meet our needs.	24%	21%
I believe most law departments will be using artificial intelligence for legal-type work in the next three years.	49%	63%



2014

2017

We have fired or stopped working with a law firm because it has ignored our instructions or billing guidelines.

59%

54%

Our law firms are innovative.

41%

31%

Service providers ask me for feedback about how well they are doing.

25%

39%

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

62%

59%

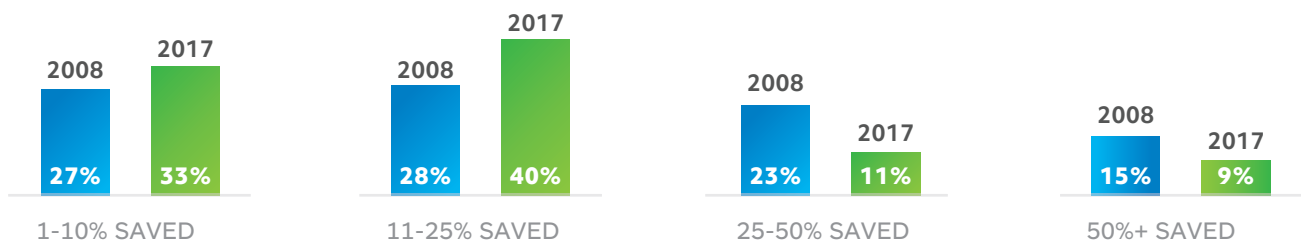
 HYPE ALERT

While they may have a reputation for believing that law firms are not listening, a majority of LDO professionals actually do believe that their firms make a strong effort to understand their needs.

As LDO professionals are forcing a more systematic approach to the buying of legal services, law firms are responding with new innovation, pricing, process and operations roles that were almost nonexistent a few years ago. These roles are at times starting to be considered critical management positions.

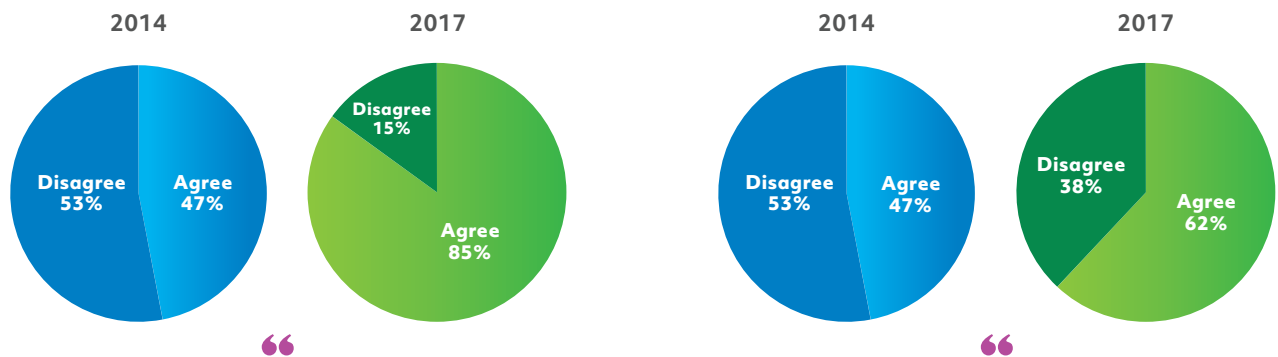
LEGAL SPEND INCREASE WITHOUT LDO POSITION

Today's LDO professionals report that they actually deliver less savings than a decade ago, possibly due to a shifting of focus past financial discipline and toward other points of value. With departments as a whole getting more attuned to cost savings and firms getting better at working under these new terms, LDO professionals are looking elsewhere to find improvements. The legal ops function is pushing legal spend down – but it should as this has been a focus for a long time.



LEGAL OPS EQUALS CHANGE

Almost all LDO professionals now see themselves as the primary driver of change in the legal sector, and most see their jobs as synonymous with being an influencer and a change agent. The LDO road is paved and out in front of us, but there are other “roads less traveled” that still need exploring, including true technology innovation, getting law firms to deliver client value and collaborative data gathering and mining. The big question – maybe the biggest in the entire legal industry – is whether we can keep enough momentum to stay on it.



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

My job is primarily change management.

THE BOTTOM LINE

What do the next 10 years hold for legal ops?

It's hard to say, but it's likely to be more change at an even faster pace in law departments, in law firms and industrywide. More and more general counsel agree on the need for LDO professionals and the skills they embody. They are also actively pushing their lawyers – both inside and outside – to conduct business with the level of “operational awareness” required to succeed in today's legal market. The respect is there, although in varying degrees, and so too will be the maturity and influence of the role.

THE ANNUAL LAW DEPARTMENT OPERATIONS SURVEY
10th ANNIVERSARY SPECIAL REPORT: DECODING A DECADE
OF DATA TO MAP THE LDO JOURNEY IS PRODUCED BY THE
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For more information about the survey or to purchase the full LDO survey results package for 2018, please contact Brad Blickstein at brad@blicksteingroup.com or 847.256.5298

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We would especially like to thank Consilio, whose faith in us a decade ago was instrumental in launching the survey, and whose advice and assistance has helped us enormously every year since.

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