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LEGAL REIMAGINED: THE CURRENT STATE & FUTURE PROMISE OF CORPORATE LEGAL TECHNOLOGY

ELM + CLM + WFA

An abstract network diagram consisting of numerous blue dots of varying sizes connected by thin, light blue lines. The dots are scattered across the bottom right portion of the page, creating a complex web-like structure that suggests connectivity and technology.

Introduction

If one is looking for evidence of the advent of digital transformation in the corporate legal sector, look no further than the growth of enterprise legal management (ELM), contract lifecycle management (CLM) and legal workflow automation as cornerstone technologies.

It's become **more urgent** for legal departments to embrace this evolution. And forward-looking legal teams have decided they'd rather be on the cutting edge of productivity and efficiency, rather than be laggards at a time when corporate leadership is pressing for the legal department to exhibit more businesslike behaviors.

“The pandemic has flattened staffing budgets and increased legal workloads; technology is the most obvious solution for many legal departments.”¹

Technology can help a legal department increase its operational efficiencies, reduce costs, increase cross-functional collaboration, accelerate process execution, mitigate risks and liabilities, and more.

But what's the **next logical step** in the evolution of legal technology adoption? In this document, we'll attempt to answer that question. But first, we need to understand the current state of legal tech.

Over recent years, a number of analysts have done extensive research that have provided considerable insight into the buying habits of corporate legal departments and their preferences among competing technologies. **IDC, Gartner**, and the **Corporate Legal Operations Consortium (CLOC)**, among others, have provided illuminating findings.

Let's examine what these researches tell us about the current state of corporate legal technology adoption. Then let's look at a more holistically planned, big-vision approach to building a legal tech stack. One that ensures your legal tech investment delivers maximum value for many years to come – for the entire enterprise.



1. The State of Legal Digital Transformation

Where do legal departments stand today in terms of digital transformation? As just mentioned, the legal tech market wasn't as hurt by the pandemic as other sectors, and may have been helped, as the pandemic actually provided compelling reasons to modernize.

- A study by McKinsey & Company found that many businesses have been almost **shockingly successful** in pivoting to digital solutions in response to the pandemic. The adoption of these tools has seen approximately **seven years of progress in a matter of months**, on average.²
- Within corporate legal departments, an analysis by HBR Consulting found **nearly 75% had significantly or moderately increased adoption** of legal tech compared to the year before.³

This represents a major turnaround from 2018, when Gartner found that **81% of legal departments weren't prepared** for the upcoming tide of digitization within their companies.⁴

One present-day challenge for the legal industry is to **demonstrate the ROI of digital transformation**. In the McKinsey study cited above, they gathered responses from 1,700 C-suite executives, who found that digital transformation "stands a 45% chance of delivering less profit than expected."

So it's incumbent on legal departments to do due diligence on the where and how of applying technology to realize demonstrable benefits. In other words, **find the profitable low-hanging fruit** in terms of processes that can be quickly improved so they can reassure even the most conservative GCs and CFOs of the low risk – and significant upside – of tech adoption.



2. The Products in Play

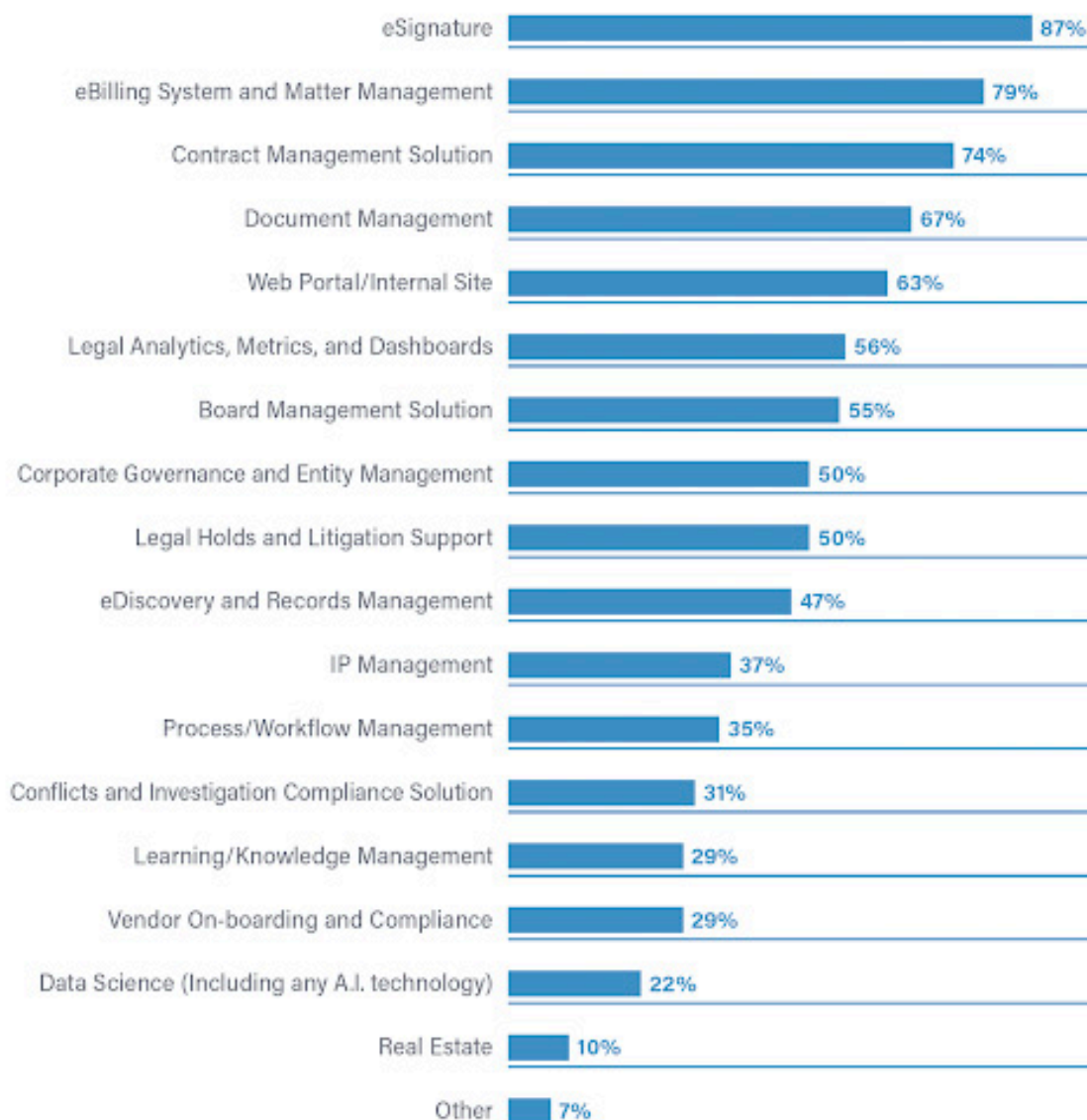
What's been the main focus of corporate legal professionals? Based on the various researches out there, it seems **ELM/matter management, contract management, risk management, and workflow automation** are among the most-sought-after solutions. There's also a keen interest in digitally transforming compliance management and policy management.

Contract management software has seen a high level of penetration within legal departments, for instance. The overall market is expected to hit **\$3.04 billion by 2026**, with a CAGR of 11.87%.⁵ But owning a technology is only the first step in an effective implementation: A legal department should encourage **across-the-board adoption** to realize optimal time-to-value and ROI.



3. The Most Pervasive Solutions

When CLOC asked legal professionals, especially those in legal operations, what legal technologies they were employing? E-billing and matter management (which are typically united in an ELM platform) and contract management were close to the top of the list. Only e-signature was a more commonly deployed technology.⁶



4. The State of Enterprise Legal Management

A successful ELM solution involves multiple components, each of which should have legal best practices embedded in them. Those most frequently packaged together are Matter Management, Spend Management, Document Management, Workflow Automation, and Reporting & Analytics.

ELM solutions have seen widespread adoption, with good reason. Legal departments are on the receiving end of the mandate to “do more with less,” which is a prescription for technology adoption. Their **goals** for ELM adoption? Cost optimization is obviously key, as they gain the ability to digitize processes like matter management to prevent duplications and rework. By optimizing such processes, the hope is to relieve workloads on internal teams, while also creating space to bring more work in-house instead of jobbing it to outside counsel.

Why avoid outside counsel? For many, the value-to-spend ratio just isn't there. As the Harvard Business Review once pointed out:

It's not just the size of any particular bill that irks executives; it's that they feel they have little influence over what they spend and what they get for it—and that the accountability seems to be much less than what most other business services provide.⁷

Efficiency has taken on a whole new level of importance post-pandemic, and it's crucial for legal leaders to cast an eye over daily operations and reevaluate each one, especially through the lens of **information governance**. Effective ELM solutions should support an array of corporate legal needs, ranging from matter management to spend management and much more.

Legal departments also seek to gain a **centralized matter management** capability. This is of paramount importance in managing multiple matters being handled by far-flung staff. Also, an ELM should also be your single source of truth for all legal matters. In this new hybrid environment, all Legal Ops team members need equal and immediate access to materials, documents, status updates, and so on. Having disconnected systems for information retrieval will result in wasted time, effort, and money.

On the flipside? **Inefficient, manual management of legal processes** can actually **reduce in-house legal team productivity** and **cost more money**. So from an efficiency standpoint, ELM solutions get adopted in order to improve Legal's ability to prioritize resources and processes, create and track KPIs and other metrics, and solve knowledge management challenges in creating a “single source of truth” environment for legal staff.



5. Evolving Beyond ELM

When we step back and examine these trends from a macro perspective, there's one cardinal insight that many observers have mentioned: The systems being used by corporate legal departments need to evolve beyond just dealing with internal legal department processes, using standalone systems, into a new model, enabled by technology, that managed and delivers legal services **across the entire organization**.⁸

To deliver on that challenge, however, it's pivotal for the "legal tech stack" to become as reliable, integrated, and scalable as possible.



6. The State of Contract Lifecycle Management

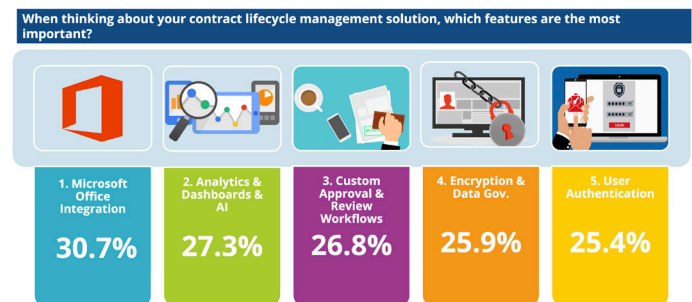
Contract Lifecycle Management (CLM) is the proactive and methodical management of a contract from initiation through authoring, negotiation and execution. That includes ensuring compliance with contract obligations, milestones and renewals.

Implementing and automating CLM across an enterprise will **reduce organizational liability**, while also **increasing compliance** with legal requirements and best practices. This is more important in dynamic, ever-changing business environments, where large companies have incredibly complex contractual relationships.

Among the complexities and risks driving legal departments to move to CLM software solutions?

- The average Fortune 2000 company holds approximately 20,000-40,000 active contracts. But according to one study, 12 to 15% of all contracts within a company end up being **lost or unaccounted for**. The upshot of this can be serious, almost inevitably resulting in lawsuits; according to Gartner, “contract disputes represent 64% of cases in (US) state courts.”⁹
- Moreover, there’s the fact that a company **may not receive full value** without contract management. A KPMG survey found that without close oversight, **businesses stand to lose up to 40% of the value they’re contracted to receive** from vendors and suppliers.¹⁰

When it comes to CLM functionality, IDC found that adopters and users are primarily seeking **integration, insights, and security**. Specifically, users care about Microsoft Office integration (30.7%), analytics & dashboards & AI (27.3%), and custom approval & review workflows (26.8%).¹¹



Source: IDC Legal Technology Buyer Survey

Their biggest **pain point**, by far, was **integration and implementation into IT infrastructure**. This is a concern that a would-be CLM adopter should address by properly vetting the product and the provider they’re evaluating. How well equipped is it with APIs and connectors? What level of integration support can they expect?

But the benefits of CLM adoption are apparent, as IDC observed, and are worth the effort for bigger organizations:

The larger the organization, the greater the benefit from contract management software. Most are able to recover the cost of the software with the efficiency savings.

7. The State of Legal Workflow & Process Automation

According to CLOC's research, legal departments saw the automation of legal processes as the **second-most important priority in 2021**, exceeded only by implementation of diversity and inclusion programs: 57% said automation was a high priority, and it's been a primary focus for corporate legal transformation for several years.

In other words, legal workflow automation has ascended to the status of being a cornerstone technology that's essential. According to Gartner,

Despite the hype surrounding the field, automation isn't a leap of faith. Even in 2019, the average legal department reported that 33% of its corporate transaction work was automated. There is room for more: In the same survey, legal departments reported that 55% of their work on corporate transactions was automatable.



8. Coping with COVID and the “Great Resignation”

Workflow automation allowed legal departments to swiftly implement processes in response to the pandemic, such as for tracking the ability of outside counsel to continue to deliver services, or measuring DEI progress even during disruption.

But legal departments are discovering some less obvious, but still important, benefits of automating.

One surprising impact of the COVID-19 pandemic in the legal industry? It caused a “Great Resignation” of its own. In March 2020, the turnover rate within legal departments and law firms reached **a record high of 9.7%.**¹² On average, an employee’s departure will cost a company 33% of their annual salary, so you can imagine the costs of replacing highly paid legal staff.

Automating mundane legal tasks, such as NDA processing, so staff can work on more rewarding projects is one way in which workflow automation can help retention. But another benefit? It can temper the loss of the institutional knowledge represented by the departure of attorneys or other legal staff.

By **embedding vetted best practices** within automated workflows, the enterprise can retain institutional knowledge within proven processes. This also includes data on what best practices were more productive, which activities consumed the most time, and so on, allowing leadership to hone those processes. They’re then able to onboard new employees into workflows that have already been tried and tested.

As legal departments increasingly reach across departmental boundaries, they’re able to pass along these optimized processes to other business units, equipping them with workflows that have a certain legal “expertise” already woven into them.

Proven in practice: 64% of in-house legal departments say technology has resulted in better workflows for attorneys.¹³



9. The Future-Facing Legal Tech Stack

Research shows, then, that corporate legal tech adoption is becoming widespread. This represents a nascent early stage in digital transformation, where most adoptions are intended to address specific pain points within the legal ecosystem.

How can legal tech move to the next stage, where it can help in redefining and reimagining the role of the legal department as a contributor to organizational success? A role where it has a strong hand in enhancing enterprise compliance, operations, and even business growth?

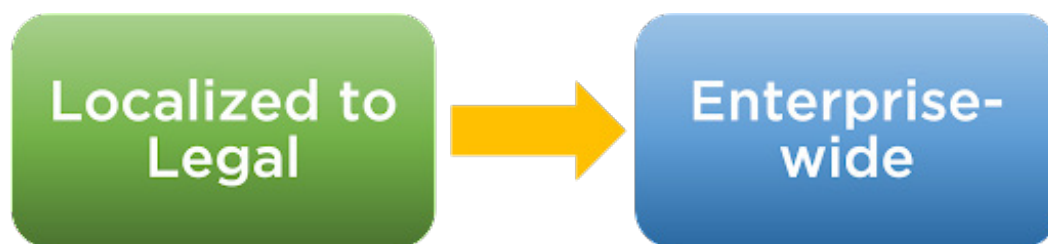


10. Moving toward tomorrow's legal tech stack

No matter how advanced a company's legal tech stack may seem to be, it has to increasingly support efficient and agile processes to ensure business continuity, both during "normal" times and during crises. COVID-19 has amply demonstrated the importance of that.

It also should be able to provide that level of confidence for years to come. **A "future-proofed" legal tech stack** will be able to manage future disruptions without needing a rip-and-replace; its components will have the flexibility to scale and evolve over time, continuing to steadily deliver value and ROI.

As said previously, the ELM model has the potential to expand into a Legal Services Delivery platform serving the entire organization. That requires even greater levels of integration, reliability, and scalability. This is the **next level of evolution for legal tech**: As a support for Legal as a core business function that underpins processes and operations everywhere, not just within Legal.



In planning for that evolution, what points must the stakeholders involved in making legal tech adoption decisions keep in mind?

- **Think in terms of a holistic roadmap for meeting enterprise needs:** Orient your technology planning process around building a long-term, enterprise-wide model for meeting enterprise-wide legal and compliance challenges. Don't make plans just on the basis of near-term problem-solving within Legal.
- **Frame legal tech as a business success asset:** To prove its value goes beyond operational or productivity improvements (which are still important!), find ways to measure how it tangibly supports larger corporate success and growth initiatives.
- **Don't partition legal tech from compliance tech:** The boundaries between what constitutes "legal"

and "compliance/risk management" demands are breaking down, and corporations increasingly need to tackle them in cross-disciplinary ways. The same should hold true of your "legal" tech stack; you should consider it as a "legal + compliance" tech stack of integrated and complementary solutions.

- **Think "plug-and-grow," not just "plug-and-play":** In adopting new technologies, look to add those that can reliably deliver long-term scalability and flexibility to meet future requirements, not only supporting users as the organization changes but directly impacting corporate business strategies.
- **Streamline and simplify your stack:** If at all possible, reduce the number of separate products you're using in order to eliminate recurrent configuration and integration headaches. Look for established integrated solutions providers who can deliver an end-to-end range of pre-integrated solutions and collaborative customer support.

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