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FINDINGS FROM THE 10th ANNUAL Law Department Operations Survey



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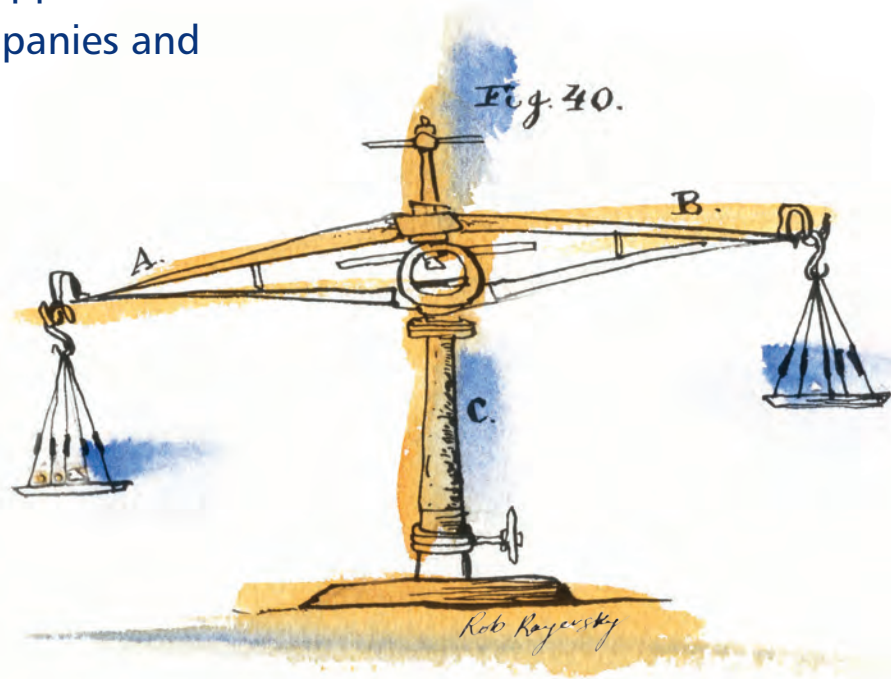
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Why LDO Professionals Should Be More Like Physicists

By David Cambria, Global Director of Operations – Law, Compliance and Government Relations, Archer Daniels Midland Co. and Chair, Law Department Operations Survey Advisory Board

Law is complicated. The practice of law is complicated. And managing law department operations is complicated. But lots of other things are complicated, too. Consider physics. This year's Nobel Prize in physics was awarded to Rainer Weiss, Barry Barish and Kip Thorne of the LIGO/Virgo Collaboration, who finally captured gravitational waves, something Albert Einstein predicted a hundred years ago. The waves, which came from a collision between two black holes, took 1.3 billion years to get to Earth.

Yet while three people share this year's prize, far more scientists were involved in the discovery. The LIGO Scientific Collaboration is a group of scientists consisting of more than 1,000 researchers from over 100 institutions and 18 countries worldwide. As it turns out, even Nobel Prize-winning physicists need collaborators.

Yet if physicists can collaborate to solve complicated problems, why can't law department operations professionals, lawyers and vendors? Sure, we have dozens of associations and conferences, but those have mostly failed to deliver on real systemwide collaboration and change, including those groups that strive to support a "seamless legal ecosystem." Individually, law department operations professionals are making great strides to mature. And our law firms are beginning to respond, even if only episodically. However, our business models, staffing approaches and problem-solving processes have changed at a glacial pace, if at all, over the years. Maybe a little more collaboration can help us move along.

We may need that type of momentum now more than ever. Law may not be physics, but it's getting complicated enough that even leading physics publications have taken notice. In a recent article in the *Journal of Statistical Physics* called "Measuring and Modeling the U.S. Regulatory Ecosystem," authors Michael J. Bommarito II and Daniel Martin Katz looked at more than 165,000 annual reports from 34,000 companies over the last 23 years. They examined over 4.5 million references to U.S. federal acts and agencies to measure the regulatory ecosystem, rather than just relying on anecdotal evidence. According to the abstract of their research, "These findings support the claim that regulatory activity and complexity are increasing." (Relying on data rather than anecdotes is the credo of a good LDO professional, too.)

As the evolution of the Law Department Operations Survey has shown, we are growing and maturing as a profession, and so too are a wide range of professionals at law firms and vendors. We are all becoming increasingly integral parts of our organizations. By learning to improve our collaboration and bringing together the best minds in the legal world, we can figure out fresh solutions, a common language and a set of standards to deal with complicated problems. We may never win a Nobel Prize for our work, but we can make our own valuable contributions to our organizations and field. If physics has taught us anything, it is that its laws, like ours, are strictly enforced. Unless we become the real force of change, an object at rest will remain at rest.



David Cambria
Archer Daniels Midland Co.

The LDO Function Matures to Take on New Challenges

Over the years, the law department operations function has become an increasingly crucial part of many organizations' success. And for the last decade, the Law Department Operations Survey has comprehensively tracked how the roles and responsibilities of those who manage law department operations have evolved and changed. As they oversee a more complicated regulatory, legal and global environment, LDO professionals and their roles continue to mature.

However, there is still considerable room for growth, said David Cambria, director of global operations for law, compliance and government relations at Archer Daniels Midland Co. and chair of the advisory board for the Law Department Operations Survey. "We are getting to maturity. But the bar has been set low."

"Considering how new many law department operations functions are, and how much there is to be done, it's very surprising that so many consider themselves to be mature."

Reese Arrowsmith
VP, Head of Legal Operations
Campbell Soup Company

The 10th Annual Law Department Operations Survey once again explores the changing roles and responsibilities of managers of law department operations, offering insights and ideas from companies in a variety of industries.

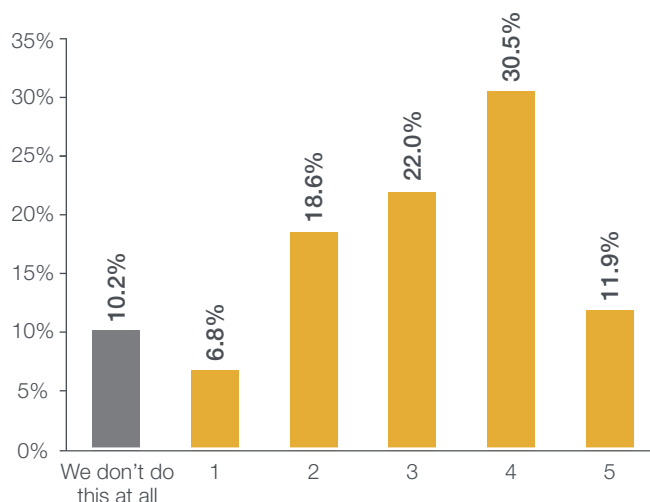
NEW INSIGHTS INTO MATURITY

For the first time, the survey specifically asked respondents to rate the maturity of their operations in 13 different areas on a five-point scale, with one being the least mature and five being the most mature.

When asked to rate the maturity of their law department operations in general, more than half rated themselves a three or a four, and nearly 12 percent rated themselves a five out of five.

"Considering how new many law department operations functions are, and how much there is to be done, it's very surprising that so many consider themselves to be mature," said Reese Arrowsmith, VP, head of legal operations at Campbell Soup Company, chair of the ACC Legal Operations Group and advisory board member for the Law Department Operations Survey. "Law departments

On a scale of 1 to 5, how mature do you consider your
Law Department Operations in General?



Maturing to Take on New Challenges

By Robin Snasdell, Managing Director, Consilio

The 10th Annual Law Department Operations Survey is here, and it further demonstrates how the profession of law department operations is maturing. Over the years, we've seen operational maturity advancing across the board, although progress is not always equal. Larger companies tend to have the staffing and budgets to allow for those in law department operations to develop more expertise and long-term strategies. Law department operations at larger companies often have the resources and the mandates to focus on gaining more efficiencies and improving the overall delivery model. They can also focus on cutting costs, doing more with less and creating efficiencies.

In medium-size companies, legal operations are not quite as mature as departments tend to focus more on improved client satisfaction and increasing the role of the law department. This may manifest as embedding staff and attorneys within different business units, where they can develop an understanding of the business and work to improve the sense of partnership. It limits, however, the energy and focus on legal ops. At smaller companies legal operations initiatives are often more of an afterthought than strategic. In small departments, the attorneys and staff more often wear more than one hat. This makes it difficult to focus on strategic operations initiatives and think long term, as they often spend much of their time accomplishing day-to-day tasks and reacting to the crises that emerge on a regular basis.

We often see this state of maturity play out when it comes to outside counsel management. Sixty percent of respondents to this year's LDO Survey rated themselves either a three or four out of five on a maturity scale – which is a little surprising but may be a product of larger companies making up a majority in the survey pool as they are likely to have operations people to actually complete the survey. Generally speaking, smaller companies don't proactively make changes to the ranks of their outside counsel. On the other hand, larger companies are often seeking to decrease the number of law firms they use, leverage their spend more effectively and do more with less.

At the same time, smaller companies may have some advantages when it comes to technology. It is often larger companies that installed software and systems for matter management, e-billing and document management years ago. Now, those systems are becoming outdated and should be replaced or upgraded. In tight budgetary environments, this can be challenging. How much more value will we get to upgrade or replace? Often it is only incremental or hard to articulate. Smaller and midsize companies have the advantage here. If they have not implemented before, they have better choices now than let's say a decade ago. They will benefit from more advanced features that have appeared due to, in part, the maturity of the industry.

At Consilio, we have also seen how the law departments at smaller and midsize companies face different challenges than those at larger companies. Law departments at the largest corporations are most likely to be concerned about budgeting and internal cost controls. Those at smaller and midsize organizations worry more about macro pressures such as data security, privacy and regulations, since they often don't have attorneys and other professionals dedicated to these areas.

Regardless of the size of their organization, those involved in law department operations should be proud of the progress they have made. There is still a long way to go, but as an industry, we are making great strides that benefit our careers and our organizations.



Robin Snasdell
Consilio

may be more mature than they were five years ago and may believe they are more mature than peers, but considering almost 36 percent report not even having a preferred provider network, it doesn't seem the industry would rate them mature. There is a laundry list of things the industry needs to do to be considered mature. Very few companies are measuring total case cost and supporting firm selection decisions with metrics, as examples."

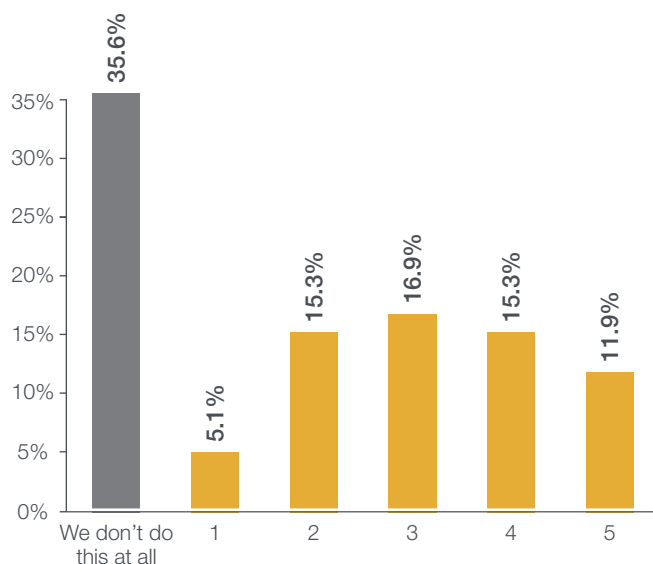
DELIVERING LEGAL SERVICES

Legal service delivery was among the areas that the survey explored, including outside counsel management. Respondents to this year's survey rated themselves quite

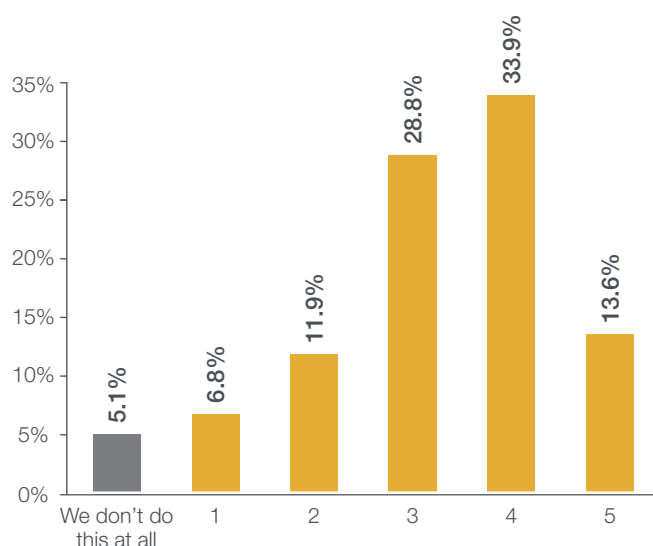
strong at outside counsel management in general: 34 percent ranked themselves as four out of five on the maturity scale, and 14 percent ranked themselves as fully mature at five out of five. Most of the rest ranked themselves a three out of five.

The survey also asked about alternative fee arrangements and preferred provider networks. Respondents ranked themselves as more mature with AFAs than in preferred provider networks, which may come as a surprise to some who struggle to identify and implement effective AFAs. More than 45 percent of respondents ranked themselves a three, four or five in terms of maturity when it comes to AFAs. Slightly more than 18 percent said they don't utilize any type of AFA.

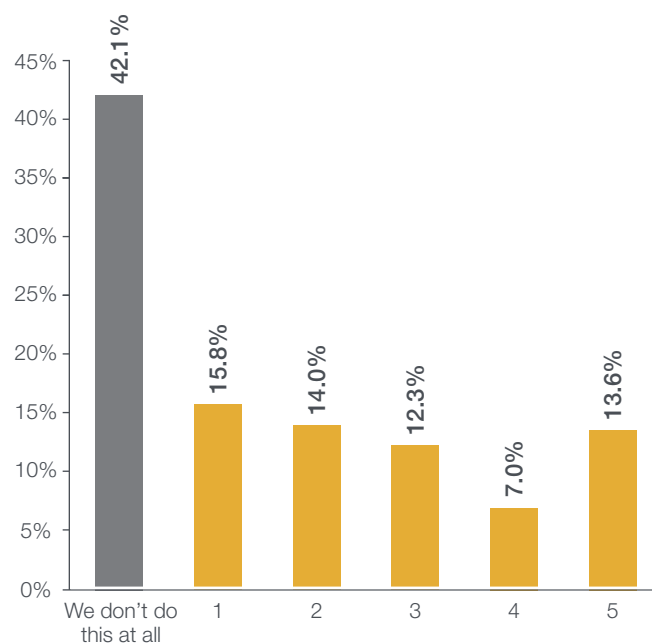
On a scale of 1 to 5, how mature do you consider your
Preferred Provider Network?



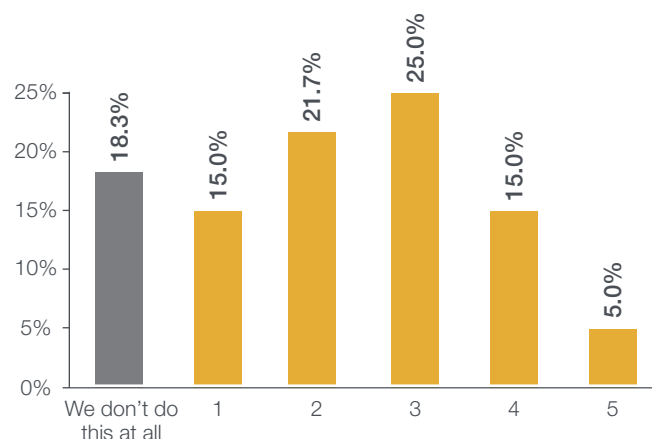
On a scale of 1 to 5, how mature do you consider your
Outside Counsel Management?



On a scale of 1 to 5, how mature do you consider your
Legal Process Outsourcing?



On a scale of 1 to 5, how mature do you consider your
Alternative Fee Arrangements?



Make Sure Your Contract Management System Works for You

By Chase D'Agostino, Executive Director, Corporate Solutions, QuisLex

One thing this year's Law Department Operations Survey demonstrates is that LDO managers are often unhappy with their current contract management systems. When asked to rank how effective their technology systems are, survey respondents rated their contract management systems just 5.4 out of 10, the second-lowest of any technology system.

At QuisLex, we provide technology-enabled contract life cycle management services to some of the world's leading companies, leveraging best in class technologies, including cutting-edge AI solutions. The key to a successful technology implementation lies not only in selecting and configuring the right tool but also in developing the right content and processes behind it and selecting the right people to manage it after go-live.

Here are eight steps that LDO managers can take to help ensure success:

1. Make sure your contract repository is complete and current.

If contracts are missing or outdated, or if contract data is inaccurate, your system won't provide the results you are looking for. An alternative legal service provider can cleanse existing metadata, upload your contracts, identify key terms and keep the system updated. Different documents in a contract family can be reconciled so you have a complete picture of your obligations (e.g., a Master Agreement with its related SOWs and amendments).

2. Identify metrics and analytics upfront.

Consider what contract metrics and analytics are important to your organization, select a contract management system capable of measuring and reporting against them and build a process to ensure you are collecting information to drive them.

3. Find experts with experience and knowledge of both technology and legal substance.

Often lawyers are afraid of technology, and technology developers are afraid of legalese. Building a technology solution to meet your needs requires both legal subject matter experts who understand technology and technology experts who understand contracts and risk management.

4. Don't boil the ocean.

Rather than jumping into a global rollout, start by implementing one contract type or in a limited geography. Once that is working well, you can roll out the project more widely and build in learnings from your initial pilot.

5. Don't make design decisions based on vendor presentations.

A slick sales pitch isn't a sign of quality or that the product will meet your requirements. Have your vendor or one of its client references walk you through the product in a live environment to demonstrate features. Ask the vendor to provide a live "sandbox" for you to test.

6. Usability will drive success.

Before implementing any new contract management system, understand the needs of your users and design the system to meet those needs to improve adoption and usability. A common mistake is "overbuying" technology by purchasing more than you need. More complex solutions may have all the "bells and whistles" but can be difficult to use and understand, limiting user acceptance.

7. Avoid customization and overconfiguration.

Avoid pushing a technology beyond what it was developed for. This can happen through "customizations" or overconfiguration. Instead focus on the things the tool does well and use other solutions for what it does not (e.g., process tweaks).

8. Integrate an e-signature system.

E-signature integrations speed the execution of contracts and most vendors can provide them out of the box.



Chase D'Agostino
QuisLex



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INFORMATION GOVERNANCE

When it came to preferred provider networks, about the same number—44 percent—gave themselves a score of three, four or five. However, more than a third, 36 percent, said they don't use preferred provider networks at all. "For many years, it seems like developing a preferred provider network was table stakes, often even preceding the hiring of a legal ops professional," said Brad Blickstein, principal at the Blickstein Group and publisher of the annual Law Department Operations Survey. "It is surprising how many law departments seem to be moving away from this tried-and-true cost-reduction strategy."

Among survey respondents, few are embracing legal process outsourcing—42 percent of survey respondents said they aren't using any type of LPO. Of those who are using LPO approaches, most consider themselves to be quite mature, as 21 percent rated themselves a four or five out of five. Nearly 16 percent are still in the early phases of LPO outsourcing and ranked themselves a one out of five.

Three quarters of respondents, however, are using alternative legal service providers of some kind, with document management, e-discovery hosting and e-discovery processing leading the way. "As LDO professionals gain more comfort with alternatives to law firms, they are continuing to disrupt the traditional legal service delivery models," said Blickstein.

REPORTING, METRICS AND ANALYTICS

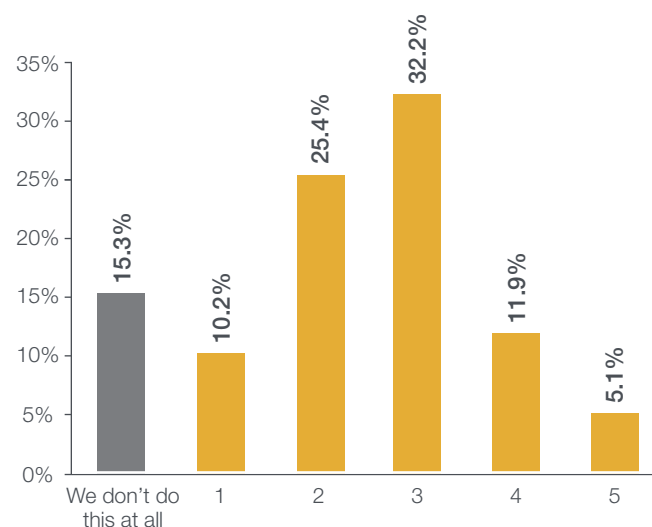
Survey respondents were also asked to rate the maturity of their efforts across a range of reporting, metrics and analytics. While survey respondents rated themselves as further along in their e-billing efforts than many other initiatives, a surprising number of respondents reported that they are not doing any type of e-billing—27 percent. However, 47 percent of respondents rated

themselves as a four or five on the maturity scale, so when they do implement e-billing, it is generally effective.

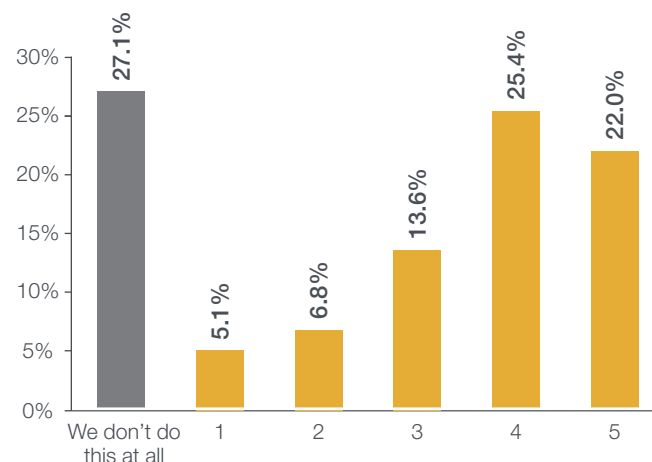
"E-billing almost immediately delivers value by improving process and ensuring that law firms are complying with outside counsel guidelines," said Kimberly Bell, head of legal operations for Nissan North America. "It also provides the data required for some of the operational improvements implemented by mature law departments."

When it comes to reporting, analytics and metrics, 15 percent of respondents said they didn't have any type of program in place. Many of those who were using reporting and metrics felt that their approaches were still new or not fully developed. Slightly more than 10 percent of those who did have reporting and metrics programs only rated their programs a one out of five on the maturity scale, and 25 percent rated themselves a two.

On a scale of 1 to 5, how mature do you consider your
Reporting, Metrics and Analytics?



On a scale of 1 to 5, how mature do you consider your
Electronic Billing?



"E-billing almost immediately delivers value by improving process and ensuring that law firms are complying with outside counsel guidelines."

Kimberly Bell
Head of Legal Operations
Nissan North America

The Use Case for Artificial Intelligence in Legal Operations

By **Linda Hovanec**, Senior Director of Product Management for Global Business Intelligence and Analytics, Wolters Kluwer's ELM Solutions

Artificial intelligence is a common topic of conversation in legal operations circles. Despite interest in leveraging AI, most legal departments are not taking action. Among respondents in this year's LDO survey, 66 percent indicate that they don't currently use AI in their legal operations. In addition, only half expect to begin doing so in the next three years. It seems that today's legal professionals aren't yet convinced that AI can help them achieve their goals. But I have good news: AI offers corporate legal departments real, practical opportunities for process improvement and cost savings.

Legal departments with enterprise legal management systems collect an awful lot of data. Routine matters regularly generate thousands of pages of documents, and invoices contain hundreds of line items, each capturing myriad details like cost, hours worked and task codes. All this data is the reason why AI fits so well in a legal setting – the more data you feed it, the smarter it gets.

Because it processes information so quickly, AI has enormous potential for enhancing efficiency, one of the keys to meeting the now universal need to “do more with less.” That's why we hear about AI churning through terabytes of eDiscovery data or invoice line items to flag potential issues. When an AI offering takes over this type of work, it allows attorneys to focus on actual legal work and move further up the value chain where their skills are most useful.

Expert feedback allows AI to improve over many iterations of a task and get better and better at the job it's designed to do. Take legal invoice review, for example. Instead of asking in-house attorneys to review thousands of submitted line items every month and compare them against complicated billing guidelines, you can leverage AI to perform the evaluations. It never misses a potential adjustment opportunity because it's “close enough” and there's more pressing work to do.

AI can prioritize line items so that reviewers focus on those needing the most attention. Then, when the reviewer has taken action or marked a line item as approved, that data feeds back into the AI engine so that it's smarter for the next round of invoices. The LegalVIEW® BillAnalyzer offering does just that. Our AI is informed by the vast LegalVIEW data warehouse and continues to learn from reviews done by our invoice analysts, attorneys and paralegals with years of expertise in legal invoicing.

This is not just theoretical. I've seen our analysis results for client after client using actual historical invoices compared to adjustments taken by in-house reviewers. The AI-aided approach finds significant missed adjustment opportunities every time, with the AI-based process yielding an average of 10 percent more savings – even after accounting for law firms correcting invoice errors. Think about it: how much would that kind of savings affect your bottom line over the course of a year? It may be time to consider adding AI to the tools you already use to reduce waste and inefficiency. It really *can* help!



Linda Hovanec
Wolters Kluwer
ELM Solutions

According to Vincent J. Cordo, Jr., sourcing officer for Shell Oil Co., LDO professionals have improved their use of metrics. “We will continue to become better with metrics, and so will our law firms,” he said. “But we always ask ourselves, ‘Do we make effective use of the information we get from metrics?’ You should never be happy with where you are.”

“We always ask ourselves, ‘Do we make effective use of the information we get from metrics?’ You should never be happy with where you are.”

Vincent J. Cordo, Jr.
Sourcing Officer
Shell Oil Co.

Among its initiatives, Shell produces detailed analytics reports that track a host of factors, including valued-add services and diversity. As part of Quarterly Business Reviews (QBRs), Shell also produces a relative qualitative scorecard that includes key performance metrics on efficiency, account management, process management, responsiveness, budgeting and results delivered. Designated relationship counsel within Shell use the QBRs to engage in structured dialogue with outside counsel at the portfolio level. “We’re very proud of that,” added Cordo.

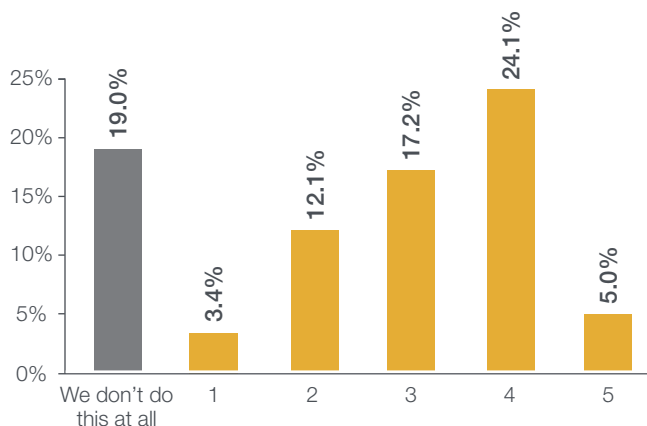
Cordo believes that along with understanding critical information within one’s own organization, it can be extremely useful to understand the metrics and KPIs that peers are tracking as well.

DATA MANAGEMENT

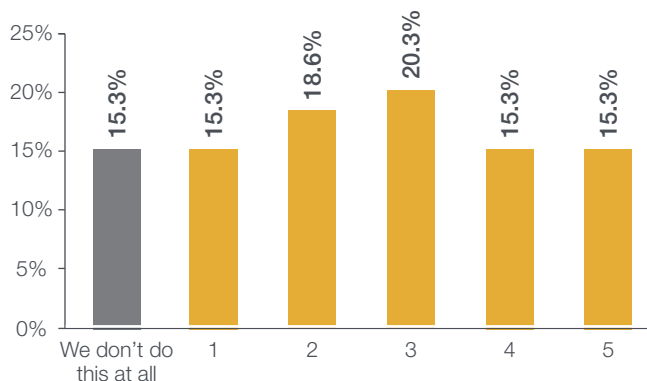
The survey also inquired about data management in several areas, including discovery management, use of artificial intelligence and IP management.

When asked about discovery management, answers ranged across the board. Among respondents, 15 percent said they weren’t doing any type of discovery management, while another 15 percent considered themselves a one on the maturity scale. At the other end of the scale, 31 percent of respondents rated themselves at a four or a five.

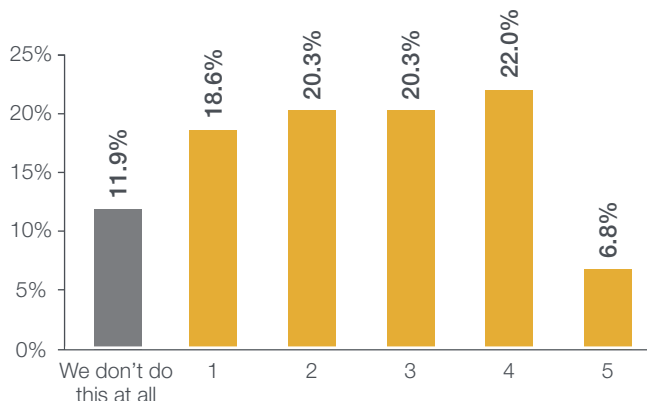
On a scale of 1 to 5, how mature do you consider your **IP Management?**



On a scale of 1 to 5, how mature do you consider your **Discovery Management?**



On a scale of 1 to 5, how mature do you consider your **Records Management?**



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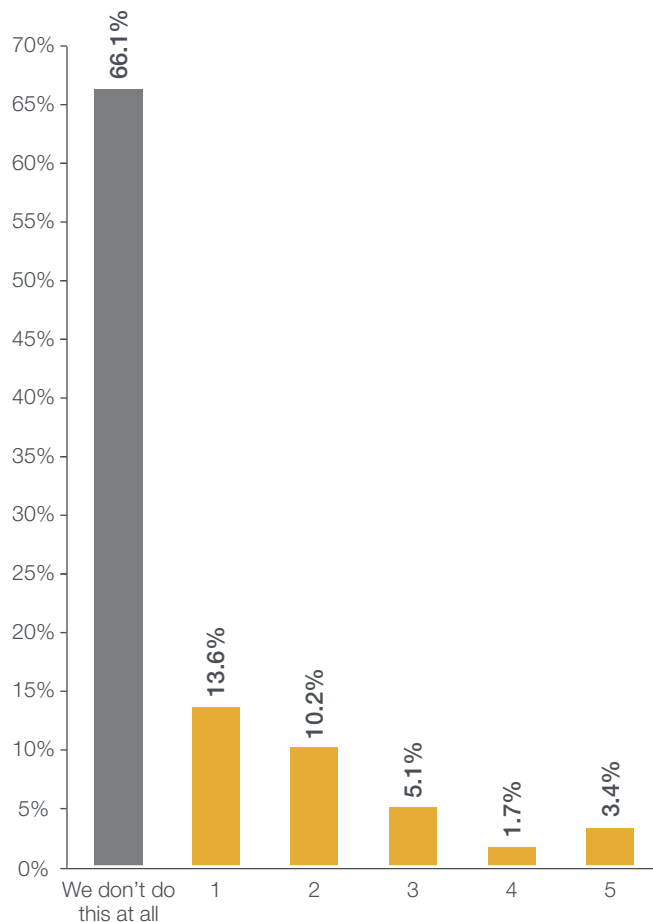
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On a scale of 1 to 5, how mature do you consider your
Artificial Intelligence?



Respondents gave similar answers when asked about records management, although only 7 percent rated themselves on the most mature end of the scale while nearly 12 percent said they didn't have any type of records management program.

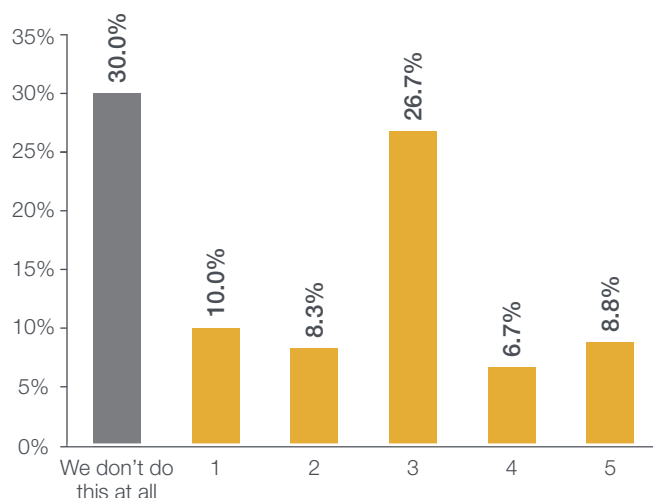
When it came to managing IP, about one in five respondents said they didn't do it at all. However, among those respondents that reported managing IP, a sizable percentage considered themselves very mature—24 percent rated themselves a four out of five, and 5 percent rated themselves a five.

Law departments aren't embracing artificial intelligence to help their departments, either—66 percent said they don't use any type of AI. Among those that do, another 14 percent rated themselves a one out of five. "There is so much buzz out there about AI—more than I've ever seen on any single topic since I've been in the industry," said Blickstein. "I expect a lot more departments to adopt it in the near future, but they will only be successful if they use these tools to solve specific problems and not just adopt AI for its own sake."

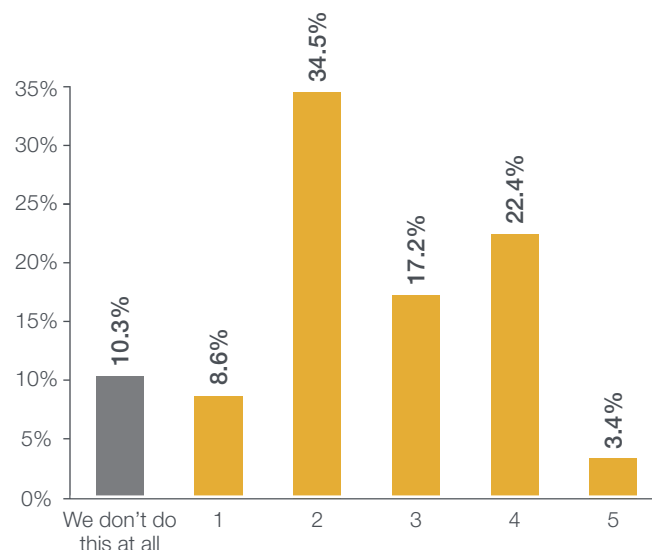
**"We may not be infants,
but we are certainly
not adults yet."**

Robin Snasdell
Managing Director
Consilio

On a scale of 1 to 5, how mature do you consider your
Legal Project Management?



On a scale of 1 to 5, how mature do you consider your
Training Initiatives?



PROJECT MANAGEMENT AND TRAINING

Project management and training are the engines that drive LDO processes and systems, so it's surprising that 30 percent reported that they didn't do any kind of legal project management at all. The law departments that do are well along the maturity model, with 42 percent ranking themselves a three, four or five out of five.

The vast majority of companies, on the other hand, believe in training—only 10 percent of respondents said they didn't do any type of training, although they are not very far along. Nearly half only rate themselves as a one or a two, and only 3 percent considered themselves a five.

CONCLUSION

For the last 10 years, the Law Department Operations Survey has grown and expanded, mirroring the changes in the profession. While significant progress has been made, there are still many opportunities for those who manage law department operations.

"We have made big, big strides, but we still have a far way to go," said Robin Snasdell, managing director at Consilio. "We may not be infants, but we are certainly not adults yet."

Inside the Numbers

How Mature Is Your Enterprise Legal Management Solution?

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

The mature stage of the business life cycle can spell impending doom. But here we use the term positively, meaning a certain desired level of performance from your enterprise legal management solution. To reach the higher levels of maturity you want, your ELM solution should, at a minimum: 1) empower a better way to work, 2) offer an environment where user experience is key and 3) be focused on process. But beyond that we've found four additional features to be crucial:

1. Compatibility

The best ELM solutions are designed to be able to work alongside and together with systems that are already in place.

2. Minimal IT Involvement

Modern ELM solutions are lean and nimble and tend to work in a straightforward manner. Users can configure, deploy and support their new solutions with little or no corporate IT involvement.

3. A Solution for Every Workflow

While traditional ELM software has been focused on spend and matter management, state-of-the-art ELM solutions are comprehensive, letting you solve for any of your legal department's needs, including contract management, NDA creation and distribution, legal holds and legal service requests.

4. Operational Improvements Driven Easily

Process, workflow and collaboration are foundational in today's modern ELM systems.

Reducing implementation time can drive results faster so you can quickly see ROI.

Reaching that pinnacle of ELM maturity isn't always a straight path. It takes some research and diligent investigation to pinpoint just the right solution, but you'll find it time well spent and one of your best investments.



Eric M. Elfman
Onit

Results of the 10th Annual Law Department Operations Survey

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For more information about the survey or to purchase the full LDO survey results package, please contact Brad Blickstein at brad@blicksteingroup.com or 847.256.5298.

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