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Legal Department Operations:

A Guide for General Counsel

Exploring the relationship of technology to the growing legal operations field, how certain solutions help streamline legal ops to solve common problems, and the role of general counsel in the expanding legal department.

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INTRODUCTION

Legal department operations have shifted over the last decade to reflect a broader, global drive toward more efficiency. Every market around the world has felt the effects of the last 10 years of soaring technological change, and the legal operations field is no exception. But legal departments are taking a multi-pronged approach to accomplish this goal of becoming more efficient to contribute to overall organizational profitability: they are onboarding specific people as well as technology solutions.

The 2018 Chief Legal Officer Survey found that 73 percent of organizations cite hiring an administrator or legal operations manager as the most significant factor in driving legal department efficiency. The value of the legal department manager is becoming more clear as that cross-functional role not only helps to streamline the legal department's operation but aids in creating efficiencies across the entire organization. The Corporate Legal Operations Consortium (CLOC) has cited the benefits of legal ops professionals specifically in establishing operational strategy and overseeing the department's technology roadmap.

Emerging technologies are the second major force impacting legal departments, with artificial intelligence, machine learning, and natural language processing at the core of many solutions-creating efficiencies. The Spring 2019 Corporate Legal Operations survey conducted by Consero found that legal technology management is the highest priority for legal operations executives over the next year, and 58% of respondents expect their technology spend to increase as a result.

This blend of bringing on both humans and technology to make legal departments more efficient may come as a surprise to those who have listened to the rumors surrounding AI's supposed replacement of human legal professionals. While technology won't be replacing humans in the legal department any time soon – it will increasingly aid departments' humans to be more productive. This paper explores the relationship of technology to the growing legal operations field, how certain solutions help streamline legal ops to solve common problems, and the role of general counsel in the expanding legal department.

WHERE LEGAL OPERATIONS HAS BEEN AND WHERE IT'S GOING

In days past, only large legal departments had formal legal ops, but now, legal ops reports into general counsel at higher rates across companies of all sizes. Legal operations groups inside businesses big and small are becoming more popular as legal departments try to pinpoint and execute on driving more efficiencies. SimpleLegal reported in 2016 that it saw formal Legal Operations Manager titles in legal departments with as few as five people.

Originally, the role of the legal operations team member was limited to dealing with the efficiency of the legal department operations. As it has evolved, the lead legal operations team is becoming more integrated with other business departments.

Legal departments have spent the last 10 to 15 years trying to figure out ways to reduce spend and maintain high levels of efficiency. They are aiming to prove their worth as corporations increasingly look to bring legal in house instead of outsourcing legal resources. CLOC found that \$.62 of every \$1 spent on legal costs goes to external legal costs, so legal ops are turning to technologies such as contract lifecycle management software, e-billing/matter management, and e-signature to drive the most value from legal processes.

The future of the legal operations group lies in its ability to use technology to maximize efficiency and streamline operations so humans can produce more and better work. And one of the areas where legal ops suffers in this capacity is contracting. More specifically, contract process maturity is a consistent thorn in the side of legal departments and holds it back from achieving efficiencies. It requires that humans spend time and energy processing contracts that have repetitive provisions. As humans are error-prone, this contract process means that legal operations' resources are often burdened with contracting tasks that sap their time and energy and leave room for inefficiencies. In a recent ebook from ContractWorks, we reveal how inefficient contracting causes companies to lose as much as 40 percent of value on a given deal.

The 2017 Law Department Operations (LDO) Survey – annual research that explores the changing roles and responsibilities of managers of legal department operations – found that LDO managers are often unhappy with their current contract management systems. Survey respondents rated their contract management systems just 5.4 out of 10 – the second-lowest of any technology system. While technology will continue to have a dramatic role in the way legal operations groups evolve, the opportunity for tools such as artificial intelligence to streamline contract management is huge.



IMPROVING LEGAL DEPARTMENT OPERATIONS WITH CONTRACT LIFECYCLE MANAGEMENT (CLM)

The International Association of Contract and Commercial Management issued research showing that improving contract management can increase corporate profitability by nearly 10 percent annually. Implementing a contract lifecycle management system helps legal operations not only contribute to such an increase in revenue, but to streamline the management of each contract so volumes of vital contracts remain error- and risk-free. CLM helps an organization integrate automation into the lifecycle of a contract so humans aren't burdened with repetitive tasks, contracts are secure through software-based storage, and approvals happen more quickly.

CLM is not to be confused with the electronic discovery reference model (EDRM) which refers to a visual framework that displays the processes involved in ediscovery. It also helps users conceptualize how to perform certain processes. The main difference between CLM and EDRM is that EDRM refers to the collection of phases in the ediscovery process – referencing nine stages from information governance to presentation – and CLM refers to the method for organizing contracts and agreements. While document management can be a part of EDRM, CLM is specifically about automating the processing and ongoing management of certain documents.



Software solutions help legal department operations implement such automation so they can remove humans from repeatable tasks in the lifecycle of a contract and gain easy access to specific information within the contents of contracts. Here is how general counsel and legal operations use contract management software to improve legal department operations:

Use automation to reduce costs and improve accuracy while staying compliant.

Improving legal department operations starts with making sure that humans in the department are maximizing their efforts with the highest levels of speed and accuracy. But humans will always make errors, and errors cost a department time and money. Automation and technologies that employ automation help reduce the costs associated with errors.

Without automation, humans can make mistakes in processing contracts and spend unnecessary time and energy correcting them. Technologies such as CLM software protect against non-compliance and penalties and other costs associated with non-compliance while also freeing up human labor spent on fixing contracts.

With artificial intelligence, automation also helps reduce errors during contract review. GCs and legal ops teams can use the automation in contract management software to identify and tag key contract terms and high-risk clauses that will need special attention during the contract review process. This keeps contracts running through their lifecycles more quickly and helps anticipate contract issues before they arise, eliminating the need to backtrack to these contract terms down the road.

In turn, this process improvement allows the legal department to operate more efficiently across the board.

Use standardization features to streamline all processes and maintain visibility.

CLM software ensures all contracts go through one, centralized system so the business can manage every step of every contract with full visibility into the entire process. The legal department no

longer has to chase down where contracts are in their lifecycles, and it doesn't need to waste time or labor managing the process of each contract. GCs and legal ops teams can improve overall operations with the greater visibility that comes with using technology such as contract management software.

Use cloud-based aspects to eliminate risk.

Contracts are stored in a software-based system with CLM, which means they can't fall victim to physical destruction, and they are not at risk for theft. This move away from paper and into digital storage means tons of time and grief saved for legal department operations. With cyber criminals becoming more sophisticated every day – and with their increased targeting of smaller and mid-sized businesses – legal departments need multiple security layers for contracts. They can improve operations by using technology such as contract management software to guarantee the security of their documents.

Use cataloging features to save time.

Legal departments will instantly feel the effects of reduced manual labor when it comes to contracts because CLM software can perform functions such as flagging problematic clauses and terms, quickly sorting through large volumes of contracts, and automatically tagging agreements for speedy review and process.

With access to the right technology, GCs and legal departments can do their jobs better by letting software solutions take the burden of processes humans used to have to perform. They can greatly reduce labor involved in tedious, repeatable tasks, save time and money across all contract processes, and ultimately improve efficiency for themselves and the business they serve.

Onboarding technology such as CLM can cause a few changes in an organization, so legal departments should follow some basic guidelines when considering implementing CLM:

Create an implementation roadmap.

Consider how each person touched by a CLM will need to adjust. Import those considerations into a short- and long-term plan for how the software will work within your organization.

Decide who the point person will be.

Often, a CLM software provider will make the transition to using the technology simple for a business, but you should have a staff member designated as the point of contact to head up the implementation.

Choose the right software.

Consider what parts of your contract management process you'd like to automate when shopping for CLM software. A CLM software provider can help you perform an audit to determine which solution is right for your organization.

That said, which organizations are best suited for CLM? CLM benefits any organization that regularly processes any type of contract. Some of the types of contract processes that CLM helps to streamline, protect, and improve are:

- Leasing contracts
- Employment agreements
- Vendor agreements
- Non-disclosure agreements

Any corporation with high-volume and/or high-risk contracts that include repeatable measures, clauses, and conditions can greatly benefit from CLM. Even contracts related to such complex and bespoke matters as mergers and acquisitions are a suitable fit.

So, what do GCs ultimately gain from technology solutions and software such as contract management? They gain the ability to offload burdensome tasks while still holding control and visibility of their department's processes. GCs retain the ability to engage in contract processes through the software, yet they are not mired in the day-to-day tedium of what it takes to properly oversee contract management.

THE EXPANDING LEGAL DEPARTMENT: ITS VALUE AND ITS CHALLENGES

A legal department's impact on the bottom line of a company occurs through many channels:

- The legal department is responsible for compliance, thereby benefiting a corporation's bottom line through saving it from fees and penalties from violating regulations.
- By expediting contract processes, the legal department saves the business time and money.
- The legal department helps clients achieve business goals – the lifeblood of any corporation and a crucial contributor to corporate success.
- General counsel must ensure that legal services and resources align with business strategies to keep costs in line. With an expanded, tech-savvy legal department, this goal is more achievable.

The value of the legal department stretches well beyond just mitigating risk. General counsel is a part of strategic business decisions including finance, marketing, human resources, sales, and risk management – to name a few departments. Having a full legal department with effective tools in place instead of a one-person show with limited resources can enable general counsel to work strategically with those other departments in a new way. With more time, general counsel can focus less on tedious legal tasks and become an integral contributor to corporate planning. When general counsel is free to focus on strategic, high-level business goals instead of being bogged down with administrative or contract-based processes, a natural efficiency will occur.

But the reality for many companies is that general counsel is not provided a budget to expand the team.

GCs – especially in smaller organizations – must demonstrate the value of expansion without actually expanding. Once they can prove expansion’s value, then they have a better chance of getting money to expand the team with people.

While GCs are in need of a way to improve operations without hiring, they should look to technology. Software solutions such as CLM can help GCs demonstrate that additional services and support can improve their department as a whole. As an alternative to hiring a full department, GCs can improve operations using technology first. All of the benefits listed above (reducing labor, saving on costs, improving security, etc.) that come with introducing technology will become realities for legal departments that need to stay small while improving operations. Once the business sees how the legal department becomes more efficient, productive, secure, and operationally effective, it will be clear that more and different support is needed to improve the legal department’s function in the business.

Of course, implementing new legal operations initiatives doesn’t come without challenges. General counsel in particular faces obstacles when it comes to proposing expansion and actually introducing it. Aside from the budget challenge when approaching executive leadership about expanding the legal team, general counsel must demonstrate value for new roles that ultimately free up his or her time. To expand the legal team is to change company norms, and general counsel is tasked with not only convincing leadership that such change is good, but the rest of the company as well. An expanding department means new processes and workflows which can always come with hiccups.

WHAT CAN GENERAL COUNSEL DO?

To overcome some of these obstacles and expand legal operations, general counsel can:

Show that bringing legal services in house will save the business money.

A new analysis by the Corporate Executive Board (CEB) surveyed 180 in-house departments around the world and examined corporate practices with highest and lowest expenses. The analysis found that – unless a company is in the middle of serious litigation – it's recommended that a corporation spend 40 percent on outsourced legal ops and 60 percent in-house.

Demonstrate that the team will be evaluated.

Create professional development plans for each new member of the team to define performance roadmaps, metrics, and goals for new staff. Being able to show real results will open leadership to further expansion and will contribute to satisfied employees who deliver well.

Use the legal operations position to better integrate the legal department.

Research from Deloitte notes that the legal operations role is evolving to become the connective tissue between legal and other business departments. General counsel can use such a position to maintain a more integral part in overall business strategy.

Look to hire people with a blend of skill sets.

The same Deloitte report points out that individuals who possess legal skill sets who also have business acumen and credentials – including MBA or management consulting – are uniquely positioned to serve in legal operations roles. Additionally, hiring people who have a level of tech-savviness will greatly benefit general counsel down the line. As businesses increasingly bring on software as a service (SaaS) technologies and other digital infrastructure, having a legal staff that possesses decent tech skills will lend the department to onboarding technology with ease.

HOW WILL GENERAL COUNSEL FEEL THE EFFECTS?

The ever-evolving role of legal operations will have tangible effects on general counsel. Connie Brenton, chief of staff and director of legal operations at NetApp, offers some real-life experience in a Thomson Reuters exploration of the rise of the legal department manager. Brenton says that anyone introducing change in the legal realm of a business should approach this shift with the mindset that others will be resistant, and to toughen up. She said it will work “for those who can drive constant change while enduring others’ resistance to it. Adaptability and a tolerance for risk are also essential to creating efficiency and effectiveness in such a complex environment.”

A report from KPMG International underscores the trend in how legal departments are bringing more work in house and how that has an effect on general counsel. KPMG interviewed GCs and found that they have identified several key skills that will be required from bigger in-house teams: "As the role of senior GC moves increasingly towards strategic advice, collaboration, and decision-making, so will the roles of those in the wider in-house legal team in order to support this change."

GCs identified that their own roles are shifting in the wake of expanding legal operations, and one of the effects is integrating the in-house legal team with the rest of the business to understand various issues faced by other departments. Overall, it's clear that legal department expansion not only offers general counsel the ability to become a more strategic member of the business, but it intertwines legal into the rest of the business as a whole. To optimize your legal department for this change, bring the right people and the right technology into your business. Consider the recommendations above for approaching leadership and beginning the hiring process, but also explore technologies such as contract lifecycle management software to offload repetitive tasks and leverage automation. Your future legal operations team will be the most efficient it can be.

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About ContractWorks

ContractWorks is a secure contract management software solution that provides an easy- to-use interface and innovative features designed to expedite the contract management process. Known for its simplicity, usable features, and highly- rated customer support team, ContractWorks was created so businesses of all sizes can do more with their contracts using fewer people, less time, and a smaller budget.

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