

#US46941920

Modernization of Corporate Legal:

How and Why Is Legal Changing?

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Executive Summary

In June 2020, IDC conducted a survey of 101 general counsel, corporate secretaries, and associate general counsel from multinational organizations with annual revenue of at least \$1.5 billion about their plans to modernize corporate legal departments. Sponsored by CT Corporation, IDC's *U.S. Modernization of Corporate Legal Survey* found that:



84.0% of legal departments have **made efforts to evolve** in the **last three to four years**.



Global growth is challenging legal departments. Enterprises struggle to manage the volume of legal entities comprising their global organizations.



Outside of global growth, legal departments are undertaking efforts to evolve due to a need for greater efficiency and a rise in organizational focus on **data-driven decisions**.



Legal corporate compliance is seen as the top area requiring future resources.



Most companies outsource some legal department responsibilities to managed legal services providers, and many are considering outsourcing entity management/legal corporate compliance.



Global Growth Drives the Evolution of Corporate Legal Departments

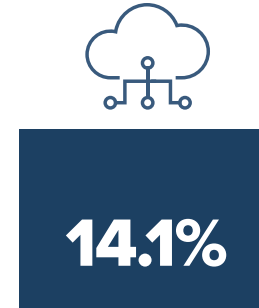
Legal departments are changing, and the change is driven by:



Global growth



Need for efficiency



Overall data-driven mandate



Organizations surveyed indicated that **global growth is the biggest fundamental driver** of change within the legal department, given the variety of regulations and jurisdictions that need managing. International expansion requires rethinking strategies and systems for success.

Where Do Legal Departments Need the Most Change?

General counsels and legal departments are constantly tasked with greater responsibilities.

Legal corporate compliance, a complex and intensive process, needs the most additional future resources.

47.5%



Not surprisingly, some respondents indicated that the **highly manual process and intensive task** of litigation support will need additional resources.

42.6%



Contract management has seen a lot of investment and technology purchases; however, less than a quarter of respondents indicated the need for future resources.

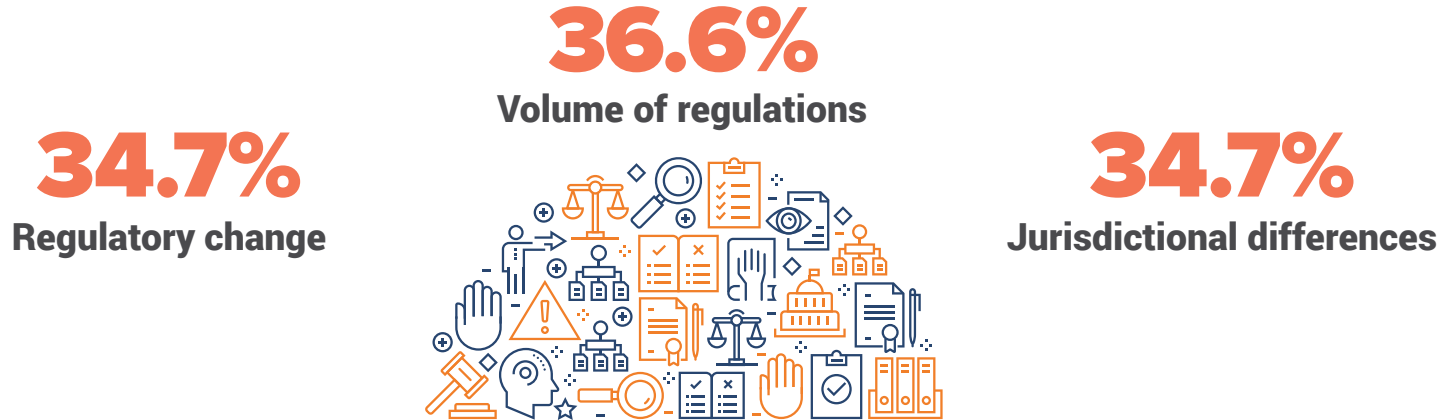
16.8%



Breadth of Jurisdictions Adds to Challenges

Today, organizations struggle with managing entities due to volume. Legal corporate compliance needs the most additional resources because organizations are managing, on average, **13 entities in North America** alone. Additionally, enterprises have an average of **10 or more entities across the other regions**.

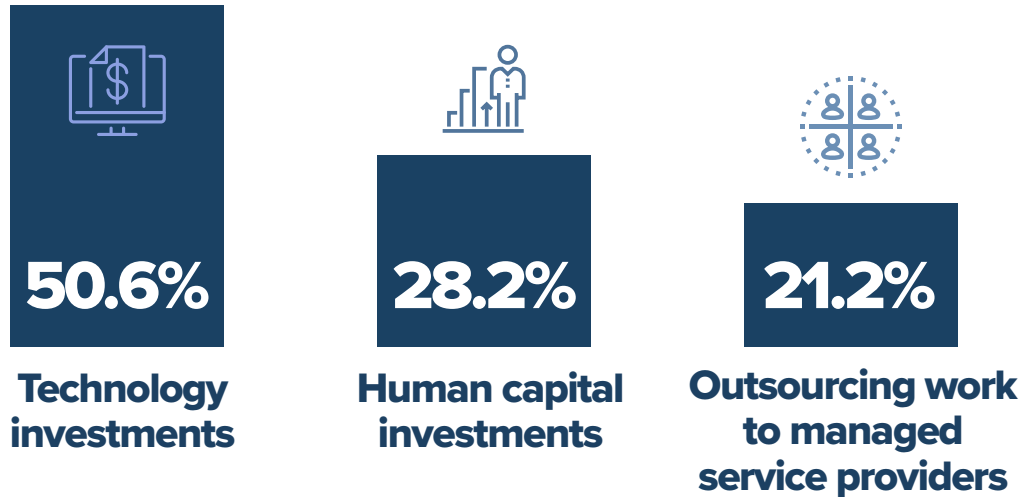
Due to the number of entities and variety of jurisdictions, the top pain points for organizations are:



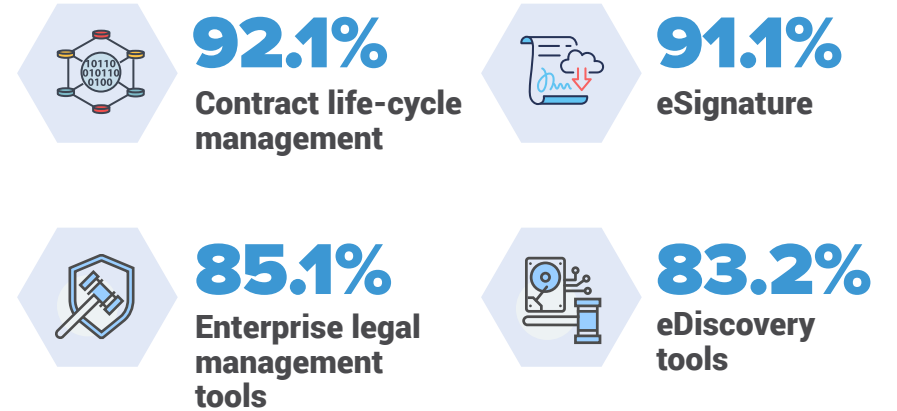
Respondents indicated just how much improvement a variety of tasks needed. **International legal compliance** had the highest rate of “**needs significant improvement**” responses at **13.9%**.

Legal Is Transforming

84.2% of organizations have sought to evolve the legal department in the last three to four years. Organizations are choosing one of **three primary strategic transformation mechanisms**:



Technology is a popular choice to handle certain tasks:



While many choose technology as a solution, it comes with its own issues.

64.0% of respondents said **implementing legal technology** was the biggest pain point.

Human Capital Investments Indicate Legal Operations Stagnation



Legal departments are growing in size, adding an average head count of **3.74** over the last three to four years.



They are more likely to **add paralegals** than legal operations or attorney roles. Paralegal roles increased by **13.8%** as opposed to legal operations at **7.9%** or attorneys at **10.9%**.



The increased head count trend is likely **to continue** even with COVID-19 as **69.9%** of respondents indicated that their budgets will **stay the same or increase**.



Complex Problems Require Nuanced Solutions



Organizations are managing many entities across several jurisdictions. While a majority leverage technology to improve their legal departments, **only 41.6%** are choosing **entity management software** — indicating that most entities are **still being managed manually**.

Entity management requires expertise of the laws, cultural customs, and jurisdictional differences. Unlike with contract management, this knowledge cannot be easily distilled into software. **Contract management is easily managed by software**, and it is **used by 92.1%** of respondents.

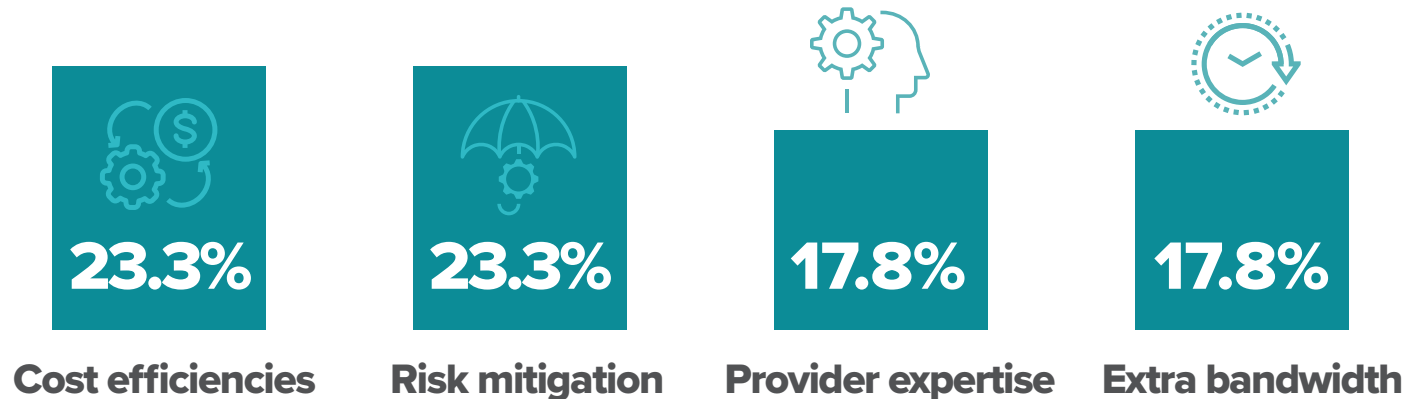
The Value of Partnering with a Legal Services Provider



Currently, enterprises outsource some activities to legal services providers.

72.3% of respondents have **pre-existing relationships** with service providers.

Benefits of Legal Outsourcing



Partnering Drives Major Efficiency Gains

Cost efficiency and extra bandwidth contribute to the interest in legal services provider engagements.

57.0% of respondents say outsourcing saves the equivalent productivity and workload of at least **21 employees.**



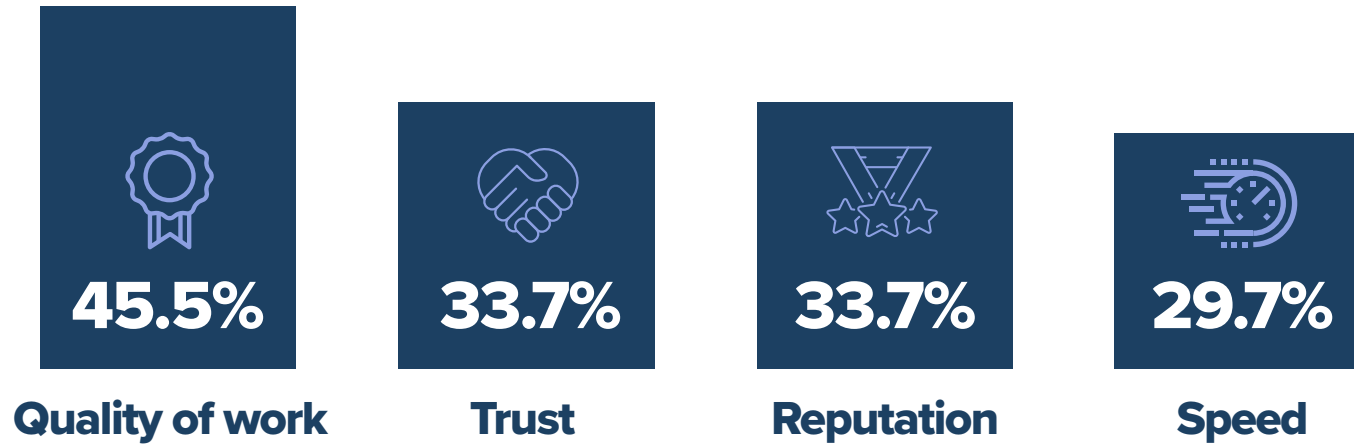
The average organization saves the equivalent productivity and workload of

36.79 full-time employees.



Not All Legal Services Providers Are Created Equal

The most important characteristics in a legal services provider are:



Legal services outsourcing should be managed by the **enterprise's legal professionals**.



45.5% of respondents have their legal operations staff **manage the provider relationship** to ensure work quality.

KEY RECOMMENDATIONS

The volume and variety of regulations and jurisdictions are increasing and create a large amount of risk.

Enterprises need to prioritize the management and compliance of entities worldwide.

73.3% of legal departments embraced legal operations 5+ years ago.

Legal departments cannot ignore the operationalization of law that leverages data or insights and compete in the modern environment.

Legal departments are growing and prioritizing technology investments and paralegal hires over other improvement strategies.

Legal departments should evaluate technology thoroughly to ensure the tool solves the problem and does not create more problems via implementation issues.

The efficiency and cost savings created by engaging a legal services provider are measurable.

It provides extra bandwidth and scale as well as expertise in very specific tasks — which frees up legal professionals for higher value work.

Message from the Sponsor

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For over 125 years, CT Corporation, a Wolters Kluwer company, has been the industry leader providing solutions to ensure compliance with ever-changing regulatory and legal obligations. With a global reach into over 150 countries, more than 75 percent of Fortune 500 companies, 95 percent of AmLaw 100 law firms, and 350,000 small businesses trust CT to handle their compliance needs. We are dedicated to helping our customers adhere to all jurisdictionally mandated requirements to operate in good standing.

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The letters "CT" in a large, bold, sans-serif font.