According to a recent IDC report, *Modernization of Corporate Legal*, many organizations are faced with the challenge to evolve their legal department due to global growth, the need for efficiency, and data-driven mandates.

One possible solution is outsourcing. Many companies already outsource legal department responsibilities to managed service providers, while others are considering outsourcing tasks such as entity management and legal corporate compliance.

In this article, we discuss how legal departments can view outsourcing as a means for improving the department, as well as for efficiently handling compliance risks in an environment of ever-changing regulatory and legal obligations.

**THE HIDDEN COSTS OF TECHNOLOGY**

When it comes to department transformation, organizations often turn to technology solutions. *Modernization of Corporate Legal* reveals that 50% of organizations have chosen technology as a solution to addressing their growing responsibilities — specifically in areas such as contract lifecycle management (92%), eSignature (91%), enterprise management tools (85%), and eDiscovery tools (83%).

But technology comes with its own issues. Of the general counsels, corporate secretaries, and associate general counsels surveyed, 64% said implementing legal technology was their biggest pain point, followed by training on new technology (47%).

Many legal departments are taking the digital route to transformation, but it requires monetary investment and reallocation of resources and time. This can mean taking away resources from other priority areas or having projects put on hold. The replacement of legacy systems or processes requires training for new skills and disrupts processes, which can create a lead to disengagement or resistance.

**ENTITY MANAGEMENT REQUIRES NUANCED SOLUTIONS**

Today's organizations are managing a great number of entities across many domestic and international jurisdictions. While organizations often look to technology to improve their legal departments, only 41% are making use of entity management software. This indicates that most entities are still being managed manually.

When managing a global entity, you are required to stay up to date with the legal responsibilities that come with operating in that locale, but you also need to stay on top of
state and local compliance requirements (which also change frequently) to establish good governance.

Effective entity management requires expertise in the legal and operational nuances of each jurisdiction. Unlike with contract management, this knowledge cannot be easily distilled into software.

Failing to understand and manage the widening responsibilities can create greater financial and reputational risks as organizations are exposed to a broader range of penalties, including fines, inability to conduct business, and in rare instances imprisonment. This makes it essential for companies to have insight into the local laws, rules, and regulations for every jurisdiction in which it operates.

**THE VALUE OF PARTNERING WITH A LEGAL SERVICES PROVIDER**

Outsourcing legal services is nothing new. Currently, 72% of enterprises reported having pre-existing relationships with managed service providers.

There are many benefits to this approach — risk mitigation (23%) and cost efficiencies (23%) being the most important. Partnering can drive major efficiency gains. For example, 57% of those surveyed say outsourcing saves the equivalent productivity and workload of at least 21 employees. Almost 18% said an additional benefit of outsourcing legal services are provider expertise and extra bandwidth.

Outsourcing is a cost-effective solution for handling repetitive work that requires a high level of accuracy, especially during high-volume seasons. With transactions and expansions, it’s difficult to know whether your legal team has accounted for all the requirements and executed each step properly. One missed step can risk the legality of an entire company. As companies change in size or take on more global initiatives, it becomes clear that a secure electronic platform is needed to organize and manage entity data, such as officer and director information, organizational charts, DBAs, office locations, compliance and other deadlines, global regulatory data, and so on.

A strategic departmental shift can provide a tremendous source of relief for your team, making daily work life easier. This is one of the most common reasons legal departments decide to move to entity management systems with a trusted service provider.

**HOW WOULD AN OUTSIDE COMPANY MANAGING MY ENTITIES WORK?**

The first step for a legal team considering outsourcing entity management is to understand how the team is currently completing the work, how much time it takes, what it costs to complete the work, and how removing that workload would create greater dividends for the employees, the department, and the organization as a whole.

Establishing a baseline of the cost and the possible benefits will help to make an informed decision to move forward or to maintain the status quo.

“Outsourcing entity management and corporate legal services not only provides expertise for critical tasks, but also increased bandwidth and the ability to scale.”

**NOT ALL LEGAL SERVICES PROVIDERS ARE CREATED EQUAL**

Outsourcing isn’t something that legal departments approach without reservations. The IDC report revealed that trust can be an inhibitor or a facilitator in deciding whether or not to outsource. Price and speed take a back seat to quality, trust, and reputation. Indeed, the most important characteristics that organizations look for in a legal services provider are quality of work (45%), trust (33%), reputation (33%), and speed (29%).

When selecting a vendor to partner with, there are a few key questions that you should ask:

- Does the legal service provider have the right expertise?
- Can the legal service provider work without extensive direction?
- What are the services offered?
- How do they leverage technology?
- Is the legal service provider flexible in terms of demand or usage?
- Does the provider come recommended by peers?
- Does the provider have a good reputation?
- Will they customize and adapt their solutions to meet your project’s needs?
CONCLUSION

As companies expand globally, they need to prioritize the management and compliance of entities throughout all jurisdictions.

As the IDC report shows, the efficiency and cost savings created by engaging a legal services provider are measurable. Outsourcing entity management and corporate legal services not only provides expertise for critical tasks, but also increased bandwidth and the ability to scale.

The right comprehensive solution effectively and efficiently manages your data to save time and resources and increase ROI — giving you peace of mind so that your team can focus on what’s most important

**Related Services:**
- Entity Management Services
- Global Corporate Services
- Service of Process