

The General Counsel Barometer

2019

European legal
management
and technology
trends

THE LAWYER
Research Service

ELM Solutions

Introduction

The era of technological innovation

The role of a general counsel has changed over the last decade with legal teams having to adapt to the evolving complexities of the legal and economic environment whilst, at the same time, embracing new technologies that offer enhanced capabilities, workflow efficiencies, analytics and opportunities for significant cost management in the legal process.

During 2018, the legal sector witnessed continuing change in the way work was delivered to clients and an increase in competition from alternative service providers. This is supported by the data shown in *The Lawyer's* UK 200 market report that documented the rapid increase in legal revenues of the leading tech-based vendors and alternative service providers.

At the heart of this transformation was the investment in innovative legal technology which promised to deliver enhanced workflow solutions, analytics and dashboards, and AI solutions that would show their true

value through efficiency gains and cost savings.

In 2019, we will see many of these investments come to fruition and most likely another significant shift in the role of the general counsel, including the way legal work is undertaken as the market begins to realise the potential of this new era in legal operations.

The 2019 edition of the General Counsel Barometer survey sought to analyse how legal departments have evolved over time and highlight trends since our last report.

In this edition, we also examine to what extent companies are better equipped to adapt to the changing legal environment

The 2019 survey has highlighted several key themes, including:

- The aspiration of providing strategic value to the company
- The rise of legal operations as a key role
- A continued focus on technology

Striving to deliver strategic value

“
I do insist on the element of influencing the strategy because if we are involved early on and constantly in transactions and in business, then our advice can have an effect on the bottom-line”

*Eric O'Donnell
Head of Management and Development (Legal Department), Total*

The survey asked respondents how they thought the role of the legal department would change over the next three years. The responses suggest that for the majority of organisations, their current range of activities is operational in nature, with a focus toward regulatory and compliance or risk mitigation activities.

However, expectations for an increasingly strategic role remain high. In the 2017 edition of the General Counsel Barometer, it was clear that legal teams were looking at implementing a more strategic focus, with 38% of respondents agreeing that in the coming years, their role would evolve strategically. Two years later, these expectations of a strategic focus have increased greatly, with 78% of respondents expecting their role to evolve strategically.

Breaking down the responses to this question by company size yields perhaps unsurprising but noteworthy results. The degree to which a company's legal department is entirely or mainly functional decreases as the size of the company increases and conversely, the focus of becoming increasingly strategic increases with company size.

In companies with revenues of \$25bn+, no respondents suggested their legal teams were either entirely functional or primarily reactive. Only 11% in this group, said their teams were mainly functional, leaving 89% of respondents saying their teams were increasingly strategic.

For companies with revenues of \$5bn - \$25bn, there were 20% of respondents who considered their activities to be mainly functional and 76% saying their teams were becoming increasingly strategic. Finally, for companies with revenues of less than \$5bn, the number of respondents who considered their teams to be entirely functional or primarily reactive increased to 8% whilst 20% considered their teams were mainly functional, and 76% considered their teams to be increasingly strategic.

These results could reflect the recent global political and economic changes occurring with events such as Brexit in the UK and challenges to trade agreements between the US and China having a particular impact on the strategic thinking of companies and the need for the legal team to be deeply involved in these issues.

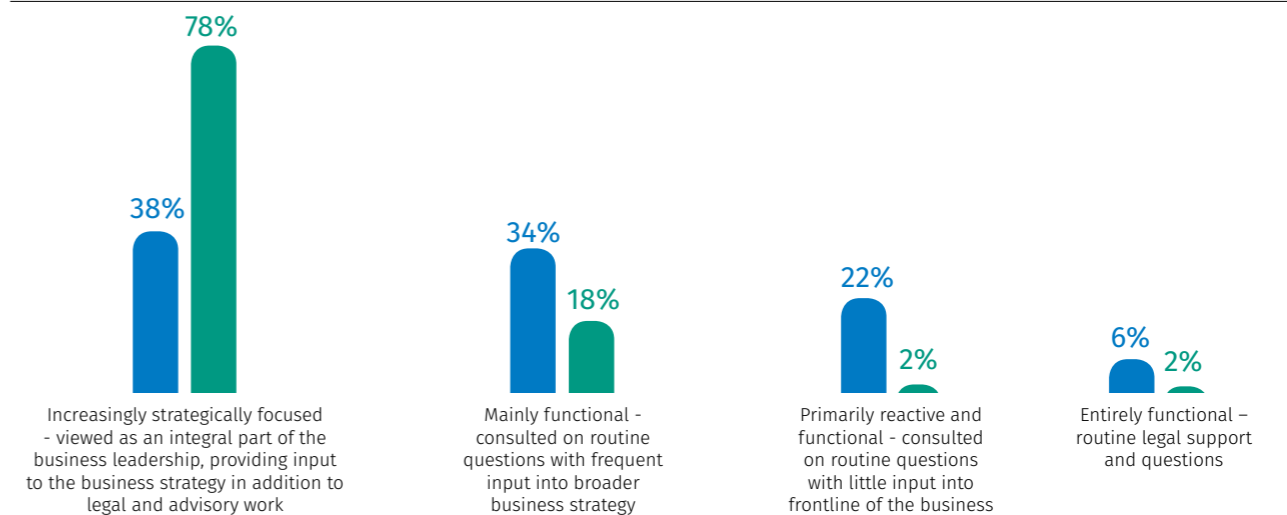


“
Strategic thinking from the legal department is an emerging trend, I think you'll have seen a lot of discussion around it in the last 18 to 24 months”

*Charlie Clinch
Associate General Counsel,
Legal Chief of Staff &
Chief Legal Information
Officer, VEON*

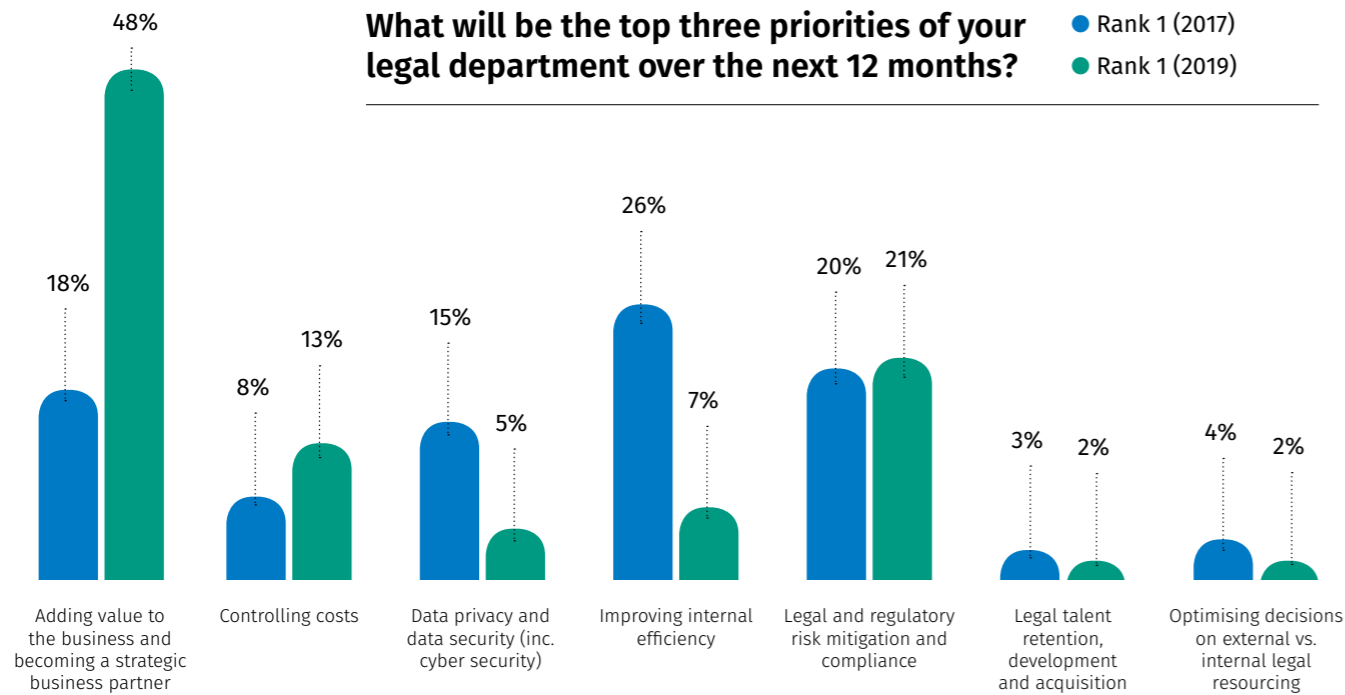
In the next three years, the legal department role will be...

● 2017 ● 2019



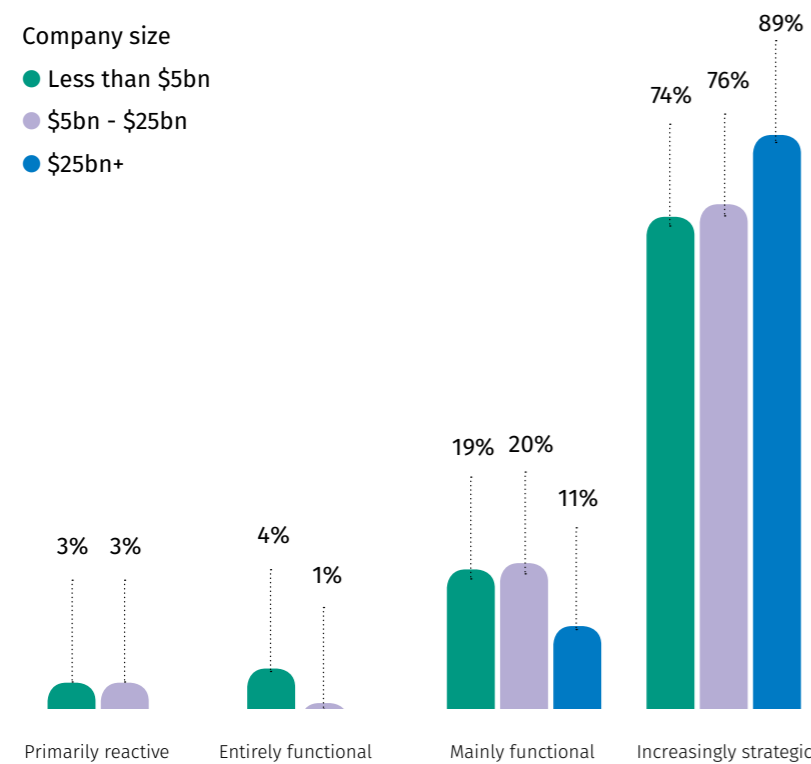
What will be the top three priorities of your legal department over the next 12 months?

● Rank 1 (2017)
● Rank 1 (2019)



Future focus of the legal department

Company size
● Less than \$5bn
● \$5bn - \$25bn
● \$25bn+



The emergence of a legal operations role has definitely been more recent in Europe. I came here solely to be a lawyer and spent my first couple of years doing solely lawyering. I think about two years ago, the GC realised the amount of internal pressure on managing what has been categorised now as legal operations, and these responsibilities were added to my role”

Charlie Clinch
Associate General Counsel, Legal Chief of Staff & Chief Legal Information Officer, VEON

The recent Looking Glass Report¹ indicates that political risk is the number 1 risk general counsel are looking at, followed by cyber/privacy, and goes on to suggest that general counsel are the primary risk management people in corporations, even though those corporations often have separate risk management departments.

Technology facilitates strategic value

The ability to attain the aspiration of delivering greater strategic value to the company comes, in part, through the investments in technology which have reaped significant efficiency benefits by alleviating the burden of many administrative tasks.

One area where technology has helped is in the management of costs through the use of improved reporting and analytics alongside the advent of client dashboards that begin to deliver greater transparency on outsourced legal work. These tools have enabled legal departments to have a far greater

understanding of the overall cost position for their legal work whilst at the same time providing easy access to the detail, thereby enabling them to focus their attention on critical issues.

Overall, respondents to the survey cited controlling costs as the third most important priority for the next 12 months, although certain segments placed cost management as a top priority in the coming year. These results suggest an increased focus on the cost of legal within companies and, as such, an area where general counsel can begin to add real strategic value.

When looking at the respondents by sector, 33% of respondents from the banks, financial services and the insurance sector said cost control was a priority in the next 12 months. Furthermore, almost half (44%) of these respondents indicated that improved cost control was in-fact their top priority.

However, other sectors, such as telecommunications and media and energy and utilities, had less of a focus on cost control, with only 29% in the telecommunication sector and 23% of the energy sector placing cost control in their top three priorities.

Legal operations – size matters

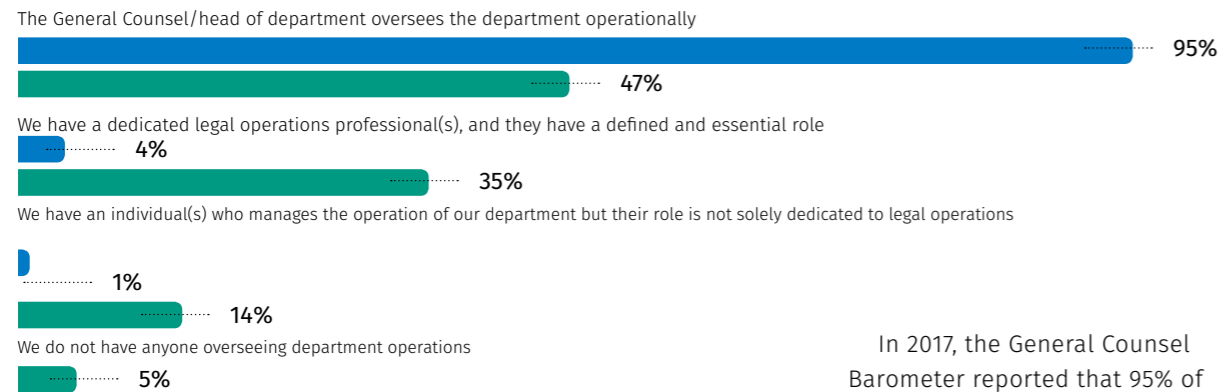
As trading conditions across the global economy become ever more challenging, companies continually look for ways to reduce costs and become more efficient. This increasing focus on cost management has led to an increase in the number of organisations hiring a legal operations professional, which supports the findings by a survey conducted in 2018 by Altman Weil CLO, which states that 73% of GCs say that hiring a legal ops director is the number one way to improve efficiency².

¹Looking Glass Report 2019 - Clyde & Co in partnership with Winmark

²Altman Weil CLO 2018 survey

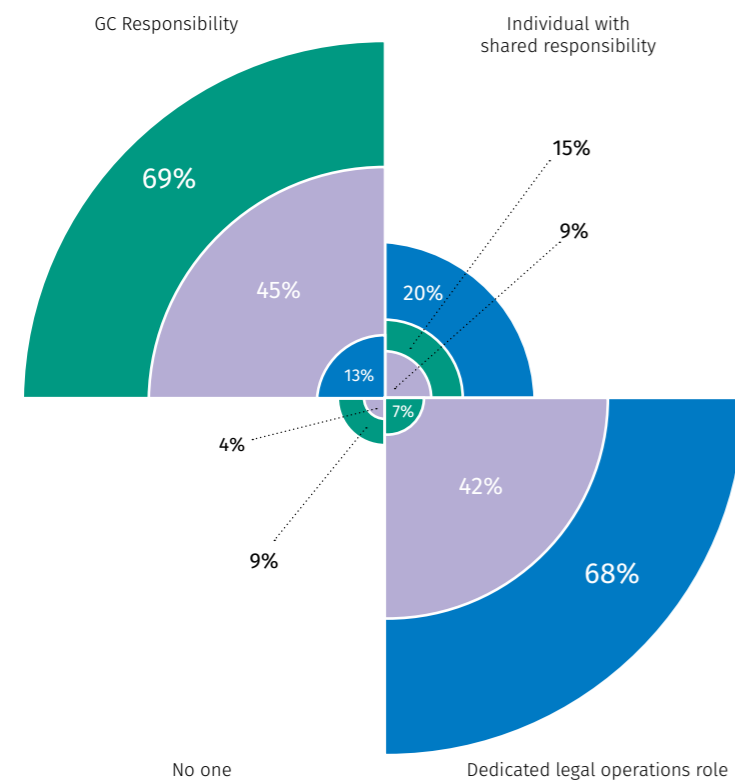
How does your department manage the role of legal operations (legal department management)?

● 2017
● 2019



Who takes responsibility for legal operations?

Company size ● Less than \$5bn ● \$5bn - \$25bn ● \$25bn+



In 2017, the General Counsel Barometer reported that 95% of respondents said the general counsel or head of legal oversaw legal operations for their companies. However, the 2019 survey has seen a significant shift in the management of legal operations, with only 47% of general counsel and heads of legal saying they directly oversee legal operations within their company. This year, 35% of companies surveyed reported that they have a dedicated legal operations professional.

As with the responses to strategic focus, the survey highlighted a similar pattern to legal operations, finding that the larger the company, the greater the likelihood of having an individual or team dedicated to legal operations activities.

In companies with revenues of \$25bn+, 68% of respondents said they have an individual or team dedicated to legal operations with a further 20% indicating they have an individual who manages legal operations as one of their responsibilities. Only 13% in this group of companies reported that the general counsel or head of department oversees the department operationally. And most importantly, none of the respondents in this group of companies reported that they do not have anyone overseeing departmental operations.

However, in companies with smaller revenues the differences in responsibilities are quite significant. In companies with revenues of \$5b - \$25bn, just 4% reported that they do not have anyone overseeing department operations whilst this figure rises to 9% in companies with revenues of less than \$5bn.

Furthermore, the survey responses indicate that it is still commonplace for the general counsel or head of department to take operational responsibility, with 45% of general counsel in firms with revenues of \$5bn - \$25bn and 69% of general counsel in firms with revenues less than \$5bn assuming responsibility for the department operationally.

When segmenting the results according to the size of a company's legal team, it is more common for general counsel in a smaller legal department to oversee the department operationally, in addition to their legal role. Almost three quarters (74%) of the respondents with a legal team of fewer than 10 people indicated that the general counsel oversees all operational duties.

However, this trend changes when looking at organisations that have a higher legal headcount with only 11% of respondents with a legal team of 150+ indicating that their General Counsel oversees operational duties.

It comes as no surprise that when looking at companies with larger legal teams, the number of companies that have a dedicated operational team or professional increases. 73% of respondents from companies with a legal team of more than 150 people have said they have a dedicated legal operational professional who has a defined essential role.

Although the role of a legal

operations professional originated in the US, it has accelerated across EMEA and is now a role legal teams are beginning to realise they need in order to fully meet the expectations of the business.

When looking at the role of an operational professional by sector respondents from the sectors most represented in the survey – banks and financial service providers, energy and utilities sectors and telecommunications and media – all recognised the need for a legal operations role.

Banks and professional service providers have an almost even split between those that have a dedicated legal operations person or team and those where the general counsel takes operational responsibility for the company with 39% and 41% respectively. In the energy and utilities sector, over 50% indicated that they have a dedicated legal operations team or professional. ●

We have a dedicated legal operations professional(s), and they have a defined and essential role

45%
Banks, financial services and insurance

27%
Telecommunications and media

25%
Energy and utilities



My role in legal operations continues to evolve. I began my journey at Shell several years ago as their global sourcing officer for legal and in 2018, my role expanded quite a bit as central legal operations officer, part of our LSGO team (legal services global operations). This is a great example of how our leadership in Legal continues to look at strategy, promotes an innovative culture, and embraces change”

*Vincent Cordo
Central Legal Operations Officer, Shell*

Continued focus on legal technology

Technology plays an important role in all modern businesses and over the last few years, the legal sector has seen a significant increase in the role technology has to play in the delivery of legal services.

Survey respondents have indicated that they would like to become more strategically focused, and technology solutions are seen as creating opportunities to move the legal department forward by providing enhanced analysis of operational activities that can lead to improved strategic decision-making and cost savings for the company. Additionally, these technical innovations have led to significant time savings and increased efficiencies for general counsel and their teams, thereby creating space for more time to be spent by general counsel on the broader business issues that are the key focus of the board.

Hence, almost three quarters of respondents (72%), have said that they are expecting to see investments in technology increase over the next 12 months. Conversely, 26% of respondents do not expect a change in the level of technology investment. This could be because

these companies have already invested in legal technology solutions in the last few years and are now either reaping the rewards from these investments or are working to implement the systems they have invested in. However, for some, budget restrictions may mean that they cannot invest in further legal technology solutions at this time.

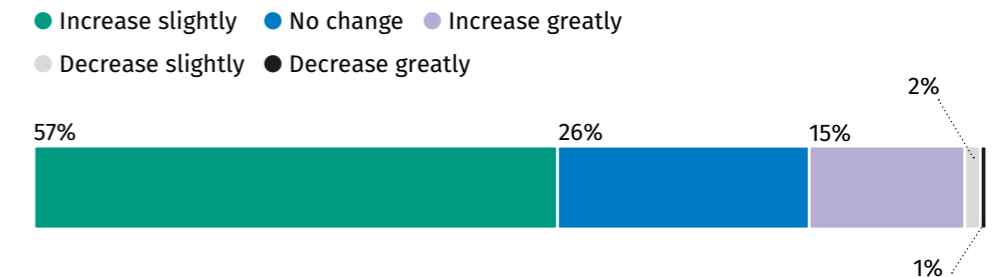


We're spending a lot of time on figuring out what needs to happen to ensure any investment we do is delivered on time, in our budget and is adopted by our staff. We're realistic with our technology ambitions, to ensure we are doing things that are going to stick around at the same time you've got to push the envelope, you don't want to be last and you don't want to be first either"

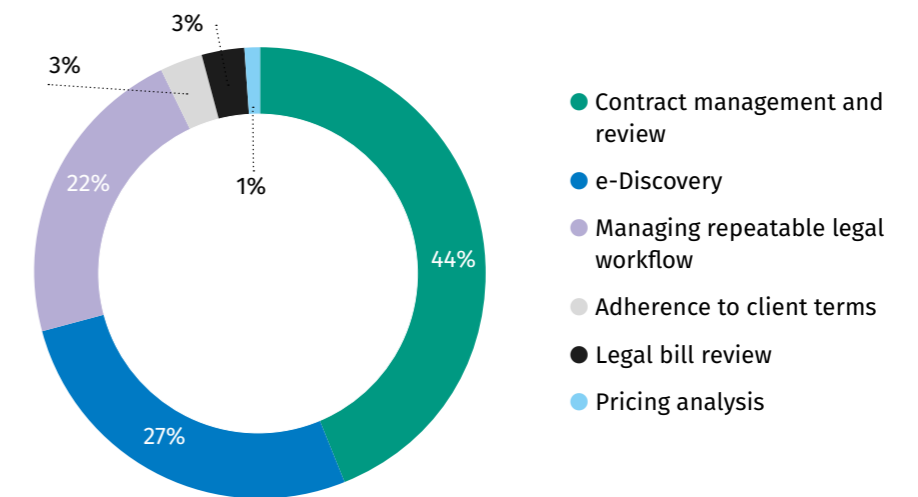
Vincent Cordo, Central Legal Operations Officer, Shell



Over the next 12 months, do you expect your company's legal technology investment to...



Where do you see AI having the biggest impact in your department?



The role of AI technologies

Throughout 2018, there was much talk of how artificial intelligence (AI) would impact the legal sector and even begin to replace lawyers altogether.

Whilst this prediction has not yet proved to be accurate, the use of AI has begun to have a significant and positive impact on the legal sector by providing better cost management and increased

visibility across some key legal activities.

Both e-billing and bill review activities have been greatly enhanced by the implementation of AI-based systems and AI-enabled services. Wolters Kluwer's ELM Solutions offers a solution that delivers a streamlined bill review process, leading to improved billing guideline compliance and increased cost savings.

“
We leverage technology to engage and manage outside counsel and legal services providers. Our IP team uses an IP asset management system that enables them to automate activities that, just a couple of years ago, had been carried out by attorneys or paralegals”

*Maurus Schreyvogel
 Chief Legal Innovation
 Officer, Novartis*

Respondents to the survey indicated that AI has had the biggest impact in contract management and review (44%) followed by e-discovery (27%) and managing repeatable legal workflow (22%).

E-discovery is an area that has seen a lot of focus in the last year with some high-profile cases being reported as having used these tools, which, in turn, increases the confidence in employing technology solutions in the future.

Workflow drives efficiency and productivity

According to 70% of survey respondents, the main reason for investing in technology or looking to increase their technology spend is to improve the productivity of the legal team.

When asked specifically how many workflow tools are used in the organisation, 83% of respondents have said between one and three, whilst 11% said between three and five, with 6% implementing more than five workflow tools.

When asked in what areas of legal activity that technology was expected to deliver efficiency gains to lawyers, 64% of survey respondents indicated that the main area was contract management with a focus on contract creation, the management of the renewal process and risk mitigation.

In addition to the focus on contract management, 61% of respondents indicated that investments in technology provide increased efficiencies to workflow by providing technology solutions for invoicing and billing.

When looking at legal spend management according to company size, 73% of respondents from companies generating more than \$25bn+ use invoice and billings tools. The number then drops to 61% for the mid-tier organisations (\$5bn-\$25bn), who use this type of technology in the legal department and only 25% of companies in the less than \$5bn revenue group utilise the tools.

Finally, document management solutions are also seen to help manage a general counsel’s workload, according to 56% of respondents.

When looking at smaller organisations (those generating less than \$5bn in revenue), the focus moves from legal spend management to contract management, with 23% of respondents citing this as their top legal technology, followed by document management and litigation management, at 16% respectively.

Investments in mobile technologies

A stand-out finding of this year’s survey is the impression of respondents that there is an opportunity for legal technology tools to provide greater value with mobile capabilities. While conducting one-to-one interviews with general counsel a common theme was that, although there has been investment in legal technology, very little to no investment has been in technology tools for mobile devices.

While many noted they do not have mobile tools, the area where

there has been the most progress has been in invoice approval and review, where 27% of respondents indicated they had mobile tools to support invoice approval and 16% had tools for invoice review.

It would appear that the development of mobile workflow solutions to support the legal process is an area of opportunity for technology firms to help increase efficiency and flexible working. ●

“
Most of the tools we use in the legal department offer both mobile and web-based interfaces”

*Charlie Clinch
 Associate General Counsel, Legal Chief of
 Staff & Chief Legal Information Officer,
 VEON*

Which of the below tasks are usually carried out on mobile apps and mobile-optimized dashboards?

34%
 Workload calendar

27%
 Invoice approval

16%
 Invoice review

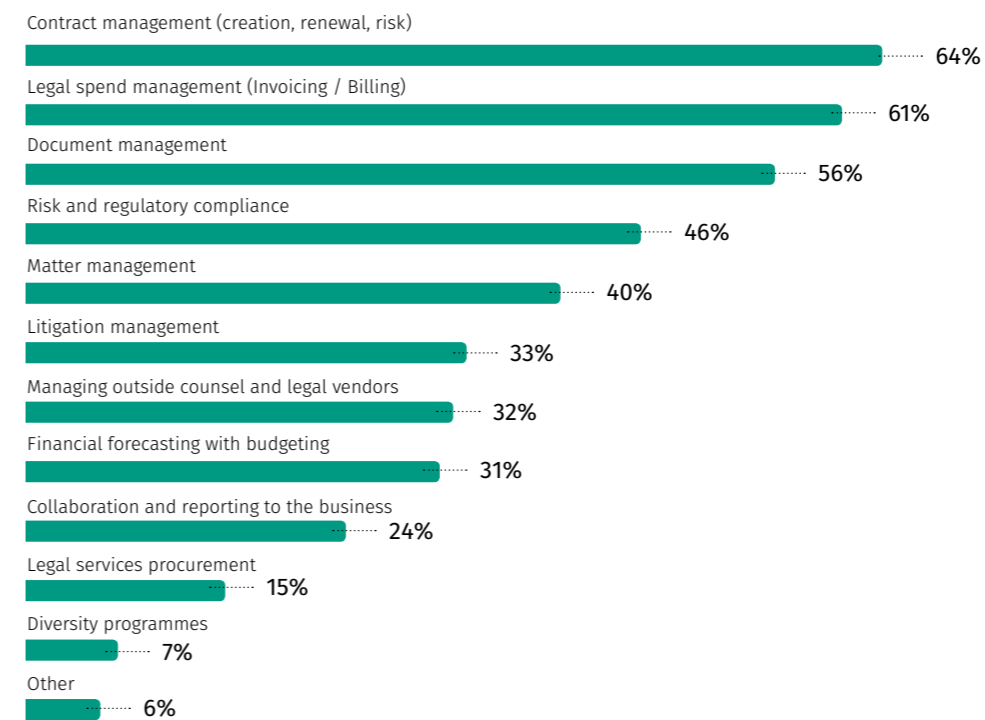
7%
 Matter review and amends

6%
 Other

5%
 Matter creation

5%
 Workload overview and analysis - dashboard of all open matters and their progress

Which of the following, if any, types of work and responsibilities does your legal team use technology to help manage?

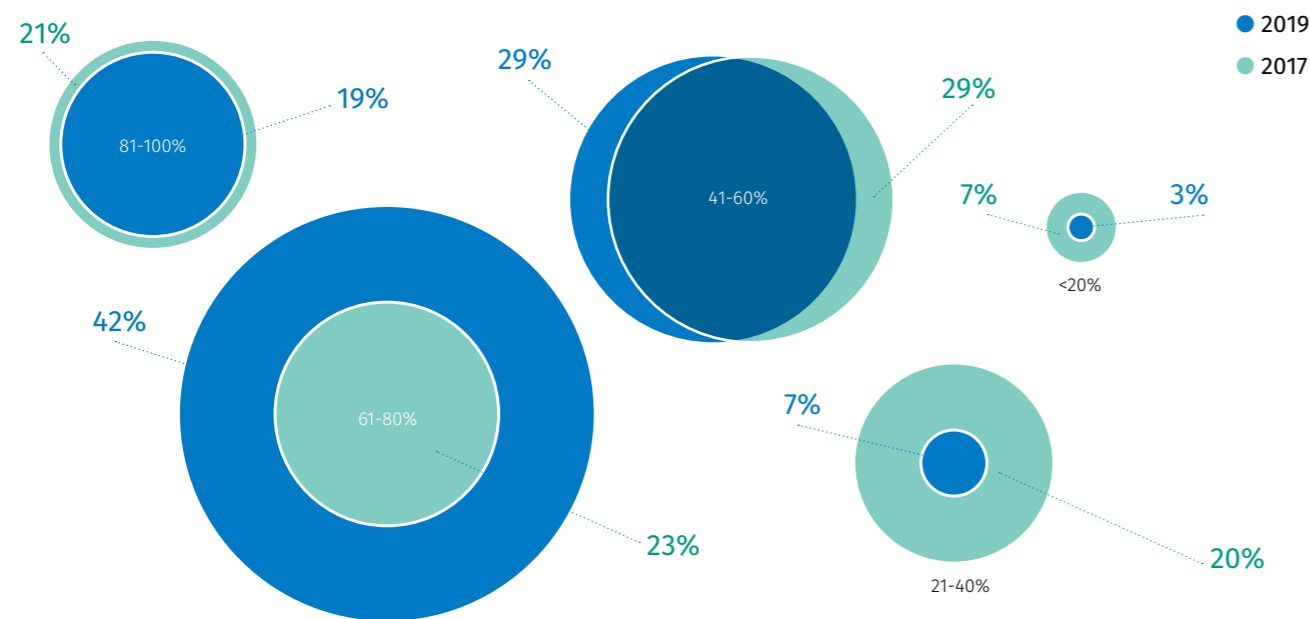


The future of legal spend and matter management

When asked about the allocation of work to their own in-house legal teams or to outsourcing legal work to private practice law firms, almost half of the respondents (42%) said they conduct a large amount of work (between 61-80%) in-house. This is a 27% increase on the results from the 2017 survey. Furthermore, 19% said that 81-100% of their work is conducted in-house, and 29% said

41-60% of work is now conducted in-house. Comparing these findings with the 2017 survey, there has been a significant increase in the level of work being undertaken in-house. In 2017 only 23% of respondents said they were undertaking 61-80% of their work in-house whilst most respondents (29%) said that they only conducted between 41-60% of their legal work in-house. There are three possible reasons

What percentage of your legal work is conducted in-house?



“When looking at the bigger blocks of work we perform, we outsource litigation, investigation and transaction work, and IP prosecution. Everything else is done in-house either by human resources (on shore or near shore) or automation”

*Maurus Schreyvogel
Chief Legal Innovation Officer, Novartis*

for this shift from outsourcing work to bringing it in-house. Firstly, a desire to minimise external legal spend and secondly, the implementation of technology solutions making it more cost effective to undertake work in-house. Finally, as general counsel fully understand their business, the people and the priorities of the organisation, it is advantageous to keep the work in-house and thereby minimise the risk of miscommunication or misunderstanding.

When asked what their department’s annual spend on external counsel is, the highest number of respondents (18%) reported the lowest level of spend – less than half a million dollars. However, the difference is minimal with expenditure of \$1m-\$4m and \$10m-\$24m, each representing 17% of respondents. These levels of legal spend have changed significantly since the 2017 survey where legal departments reported they were spending more on hiring external counsel to conduct work, with 27% of respondents spending



between \$100m-\$249m on external counsels and 17% spending \$25m - \$49m.

Although legal work is being brought in-house, there is still significant spend with law firms and alternative legal service providers. Therefore, it is important that legal departments continue to focus on leveraging new technologies (such as AI-enabled bill review) to better manage and reduce this spend.

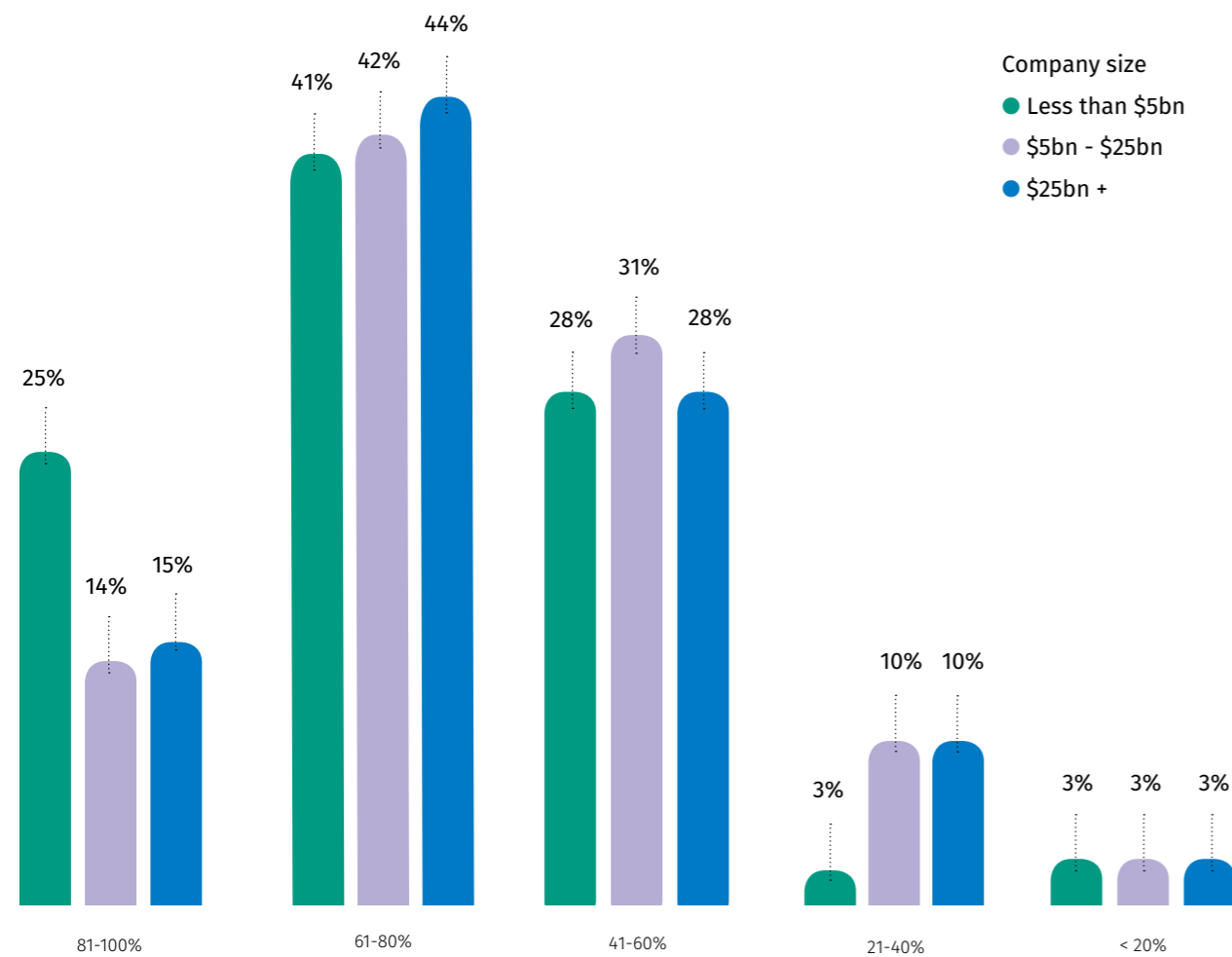
Areas of outsourced legal work

Even though several respondents reported undertaking higher volumes of their legal work internally, specialised work continues to be outsourced. For example, 73% of respondents outsource specialised work to either an alternative provider, a specialist or a traditional law firm. The survey responses suggested that the traditional law firm is the favourite

route for outsourcing specialised work (33%) over a specialist law firm (18%) or an alternative provider (22%). Only 15% of respondents indicated that they would do this type of work in-house.

Patent services and due diligence are two types of work that are more commonly outsourced, with patent services usually being outsourced to a specialist law firm. In total, 44% of respondents commented that

What percentage of your legal work is conducted in house? (2019)

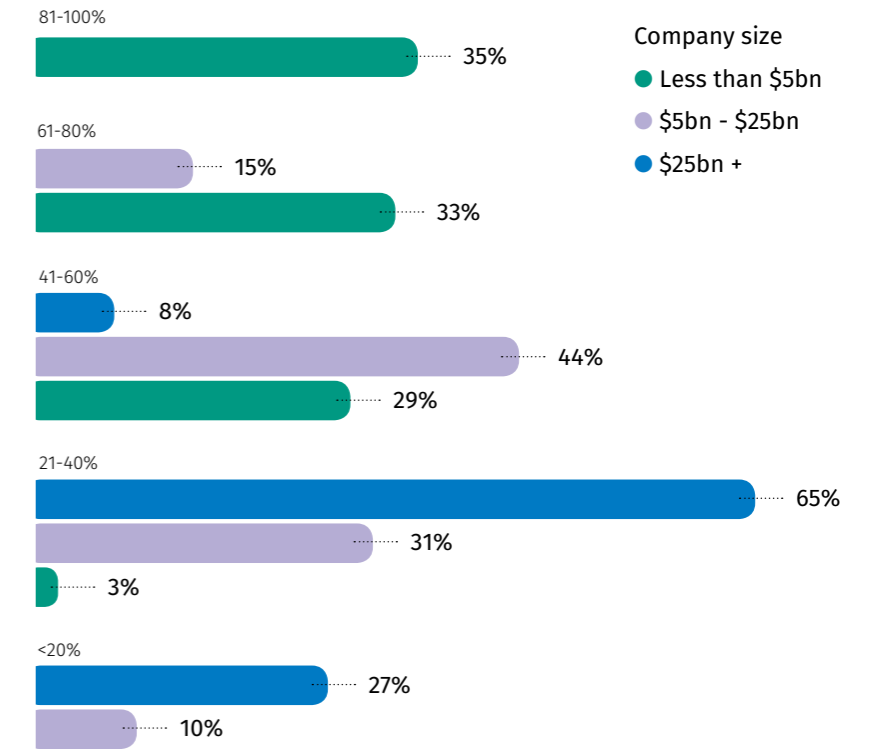


specialist in-depth knowledge for this type of work is seen as essential.

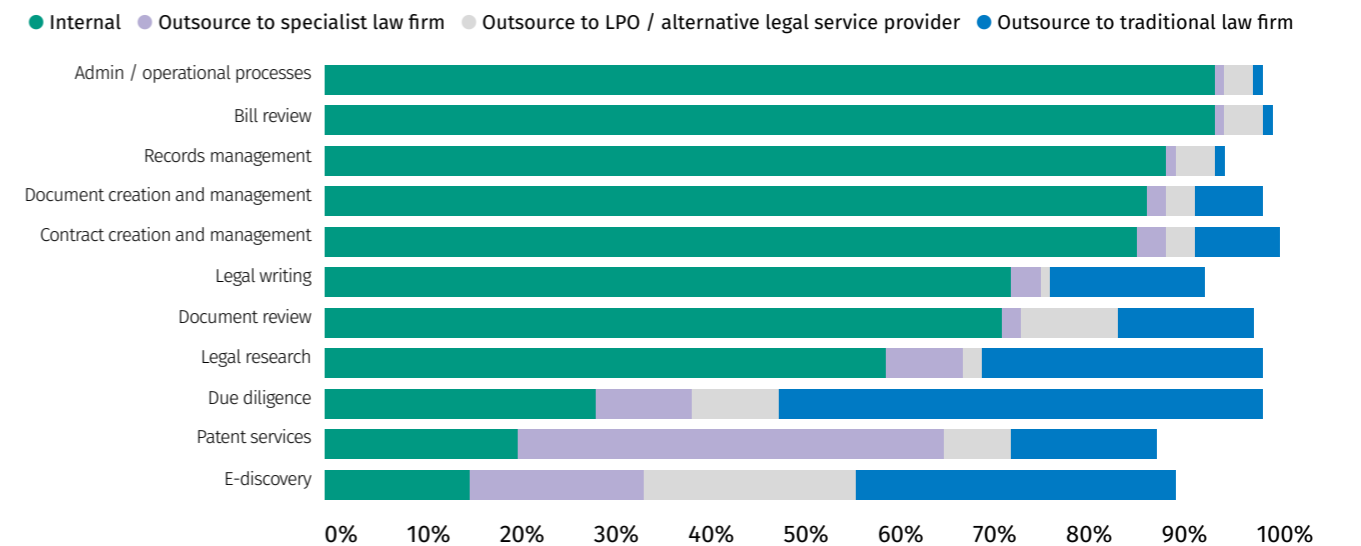
When general counsel were asked to rate their top three reasons for outsourcing legal work, the top reason selected by 37% of respondents was the perceived nature of expertise required for the matter, with a further 31% of respondents selecting this reason as their second choice. The second most frequently selected reason for outsourcing work (by 29% of respondents) was the volume of work being too great to handle in-house.

Despite a large number of organisations conducting a lot of their work internally, there is still some work that needs to be outsourced to either a specialist law firm, a traditional law firm or even to another organisation. Some of these types of work can include M&A and litigation.

What percentage of your legal work is conducted in-house? (2017)



How are the following types of work typically resourced?



Prognosis

“
We are re-inventing ourselves in terms of adopting technology in the business – that’s requiring quite a lot of legal support. I think the lawyers are where they need to be in terms of strategic discussion”

*James King
 General Counsel,
 Randstad*

In-house legal departments build on their recent investments

The 2019 General Counsel Barometer has indicated continuing trends and focus from the findings reported in 2017.

This year saw a rise in the number of general counsel who felt their roles would become more strategic over the next three years and as before, the level of investment in technology was expected to increase.

However, this year’s survey highlighted that the rise of the legal operations role is connected to the GC increasing strategic focus. Having a legal operations role allows the GC to focus more on strategic priorities while still managing operations.

If 2018 was the year of trying out new technology, then 2019 is expected to be the year when companies and private practice law firms work together to embed these technologies into the legal process, thereby creating efficiencies and cost savings across a range of legal activities.

One area that stands out as an opportunity for legal technology providers is the creation and provision of effective mobile workflow solutions. Respondents

to the 2019 survey indicated a dissatisfaction with the products available to them, and we received comments that many legal departments did not have specific mobile legal technology.

With legal technology solutions beginning to provide a lending hand, general counsel will reap the benefits in two ways.

First, they will see technologies help reduce the total cost of their legal operations. Second, the increased efficiencies gained across the legal process will provide general counsel and their teams increased efficiency, that will allow for more dedicated time toward strategic and impactful initiatives to benefit the wider organisation.

Such a focus on strategic issues comes at a good time as the global economy faces several trading challenges that general counsel are well suited to advise upon.

These advances in legal technology solutions sit well with the aspirations of general counsel, with 48% of those surveyed reporting that the top priority for their legal department over the next 12 months is adding value to the business and becoming a strategic business partner. ●

Wolters Kluwer’s ELM Solutions is the market-leading provider of enterprise legal spend and matter management and legal analytics solutions. Corporate legal and insurance claims departments and their law firms worldwide trust our flexible, multi-solution approach to help ensure compliance, control costs and collaborate more effectively. This includes [Passport®](#), the highest rated ELM solution in the 2017 Hyperion Marketview™ Legal Market Intelligence Report; [TyMetrix® 360°](#), the industry’s leading SaaS-based e-billing and matter management solution; and the [LegalVIEW®](#) portfolio of legal analytics solutions based upon the industry’s largest and most comprehensive legal spend database, with more than \$128 billion in invoices.

Methodology

The 2019 General Counsel Barometer surveyed 193 companies drawn from a variety of industry sectors, geographies and size to gain an understanding of the similarities and differences in their approaches to managing the legal function of their companies.

Annual turnover was used as a measure of company size, and respondents were divided into three main categories ranging from small (less than \$5bn revenue) to large (revenues in excess of \$25bn). Additionally, survey responses were sought from a wide range of geographies across Europe and the US, although a significant proportion (65%) were from the UK. Countries surveyed in Europe included the Nordics, France, Netherlands, Switzerland, Germany, Belgium and Italy.

Respondents also came from a variety of legal department sizes, including organisations with more than 150 employees (30%), 100-150 employees (8%), those with 25-100 (22%) and those with fewer than 10 employees (28%) in their legal teams. And when broken down by sector, the survey received responses from a variety of sectors, of which the three most common were banks, financial services and insurance (28%), telecommunications (15%) and energy and utilities (11%).

The survey was sent to a range of

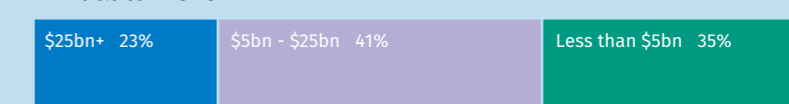
individuals who have responsibility for the legal aspects of their companies. However, as the survey was designed to assess the attitudes of general counsel, these individuals were the targets of the survey.

As a further indicator of company size, the number of individuals within the legal department was used to assess the complexity of the legal function. ●

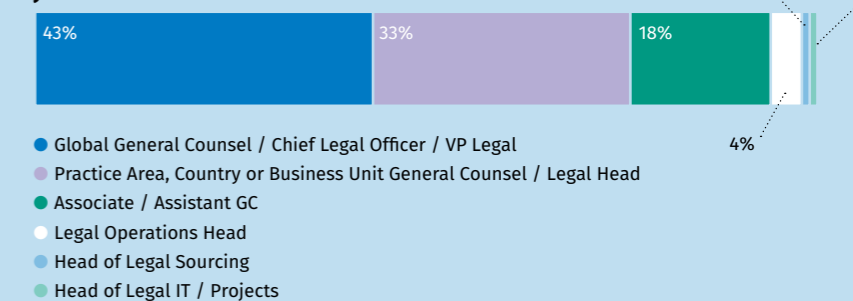
Where is your company HQ?



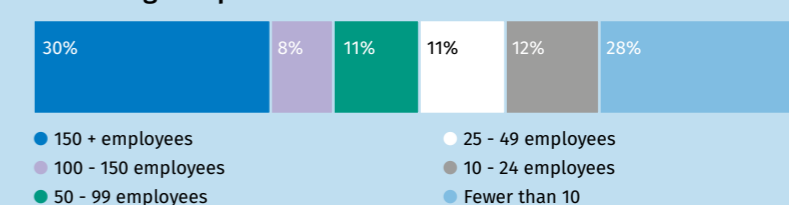
Annual turnover



Job role



Size of legal department





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