

The top 5 legal ops trends in 2022

As businesses regain their footing amid the COVID-19 pandemic, the legal ops industry is primed for a period of rapid evolution and growth. Learn why in our fourth annual Top 5 Legal Ops Trends whitepaper, which compiles current data, metrics, and trends from leading legal ops reports into one comprehensive guide.

Legal ops teams had to adapt to weather the COVID-19 pandemic, from using new tech for remote work to decreasing outside counsel use due to budget constraints.

As the worst business impacts of the pandemic subside, though, forward-thinking legal ops teams are determined to build on this accelerated evolution so they can come out even stronger than they were pre-COVID.

Strategic legal departments will move from knowing there are problems to taking action to address them. Research shows that these five trends will be key to legal operations succeeding in 2022, transforming its efficiency, strategy, relationships with vendors, and more.

Adopting new technologies

In [Gartner's 2021 Legal Planning & Budgeting](#) report, surveyed legal ops members listed "technology solutions and level of adoption" as their biggest weaknesses — but teams are working hard to change that.

Corporate legal departments are projected to “increase their spend on [legal] technology threefold” from 2021 to 2025, according to [Gartner](#), and the [Corporate Legal Operations Consortium](#) found that in 2021, the rate of technology implementation across all areas was higher than in 2020.

Teams are also looking to be more proactive and thoughtful with technology instead of reactive, with 54% of respondents in Deloitte’s [2021 State of Legal Operations Survey](#) saying they now have “a defined and actionable legal systems roadmap.” This is up from just 39% in 2020.

CLOC found that the most adopted legal technologies in 2021 were tools for:

- Esignature
- E-Billing/matter management
- Contract management
- Document management

The COVID-19 pandemic catalyzed this progress, causing a paradigm shift where advanced technology went from being perceived as a luxury to a necessity for business success and survival. The crisis also emphasized the need for technology adoption to reduce the strain on overworked legal ops teams.

CLOC found that 55% of legal department personnel handle over five different business areas, from [data analytics](#) to financial management. Not to mention that the ratio of attorneys to non-attorney legal ops members is [20:1 in medium companies and 12:1 in small companies](#). This disparity adds strain on legal ops teams because they have to support a ton of attorneys with very limited human resources.

Technology and business intelligence

Thirty-two percent of respondents in Deloitte’s [2021 State of Legal Operations Survey](#) said they now have tools to “provide actionable KPIs and reporting without significant manual effort.” This is a 10% increase from 2020.

With technology that includes automation features, legal ops is freed up from excessive, manual [admin work](#) in spreadsheets. Then, they can fully concentrate on strategic, higher-value work that helps the business grow, like optimizing spend management. This was a huge priority during the pandemic (and still is).

A **robust legal tool** that automatically provides centralized, real-time spend data means less time in spreadsheets and **clearer, more accurate insights**. By extension, it means better strategic recommendations to the CLO, less burnout for legal ops teams, and significant time and money saved.

With so many platforms to choose from, trying to find the best legal technology for the company can feel overwhelming. It can be helpful to survey the entire legal ops team to identify recurring pain points and generate a software “wishlist.” Consider also extending the survey to get input from other departments that work closely with legal, like finance, sales, and the C-suite since they will also benefit.

Artificial intelligence and the legal industry

While it once seemed like something only found in a sci-fi movie, **artificial intelligence (AI)** is becoming a huge factor in how companies conduct business. As we noted in last year's **whitepaper**, the legal industry is starting to use AI processes like natural language processing and machine learning to automate complex document reviews. For example, **AI can flag contracts** that don't comply with pre-set standards from legal ops. It can also analyze legal briefs and pull up relevant case law and legal issues to save attorneys hours on legal research.

AI software in the legal industry is expected to grow by over 28% from 2021 to 2026. And while in-house teams might adapt, unfortunately, it doesn't mean that all their vendors will do the same. It's no secret that traditional law firms have lagged behind in digital adoption, but in 2022, clients aren't going to want to hear that their partners are resistant to change. Businesses across the world figured out how to work remotely, and vendors need to be willing to adapt with the times — or risk losing clients.



Ensuring data security and compliance



There was a **17% increase** in data breaches from 2020 to 2021, with the average breach cost reaching an all-time high of **\$4.24 million**. Even though this is a huge risk area for companies, just 59% of surveyed chief legal officers said they had a “comprehensive strategy for managing their organizational data,” according to the **Association of Corporate Counsel (ACC)**.

As noted by [Law.com's](#) Frank Ready, legal ops should play a critical role in their organization's cybersecurity with "a very deliberate reexamination of how they are protecting their networks and evaluating data privacy risks."

Teamwork is the best defense legal ops has

Partner with IT to conduct a comprehensive audit of the company's data security and privacy measures. Legal ops should concentrate on assessing compliance with local consumer protection and privacy laws, such as the [European Union's General Data Protection Regulation](#) and the [California Consumer Privacy Act](#). This is important because regulatory fines and legal fees make up a significant portion of data breach costs.

Meanwhile, IT should look into technical vulnerabilities — especially ones connected to remote work protocols. The average 2021 data breach cost was [\\$1.07 million higher](#) in breaches where remote work played a factor. Investing in a secure multi-factor authentication tool (which can block up to [99.9% of cyberattacks](#)) is a critical form of risk management.

If your legal ops team plans to bring on new legal technologies in 2022, loop IT in early — not after you've purchased software. IT can review each potential platform's security features and can decide which one poses the least risk. The last thing you want is to invest in a new legal solution and find out that it could jeopardize your company's data privacy.

It's also equally important to work with IT to create a robust [change management](#) plan to strengthen the line of cyber defense. [Eighty-five percent of 2020 data breaches](#) involved a human element. While security tools are a great asset, they become even more effective when employees are properly trained on their use and best cybersecurity practices.

Work with IT to ensure departments:

- Receive training on securely accessing and protecting sensitive information and how to recognize phishing scams
- Know who to contact if they suspect suspicious activity
- Understand the consequences and prevalence of data breaches

Additionally, make sure to document all prevention efforts as they can help mitigate the cost if a data breach occurs.

The [Association of Corporate Counsel](#) found that chief legal officers used these three strategies the most to help ensure compliance with data privacy regulations:

1. Implementing technological solutions (56.1%)
2. Increasing use of outsourced non-law firm vendors (26.9%)
3. Internal restructuring (26.2%)

Legal ops teams should also assess external data privacy risks. Law firms are huge targets for cybercriminals because they have a ton of personal client data. Additionally, [the American Bar Association](#) found that just 43% of surveyed firms use file encryption and 39% use email encryption and multi-factor authentication. As Identity Theft Resource Center COO James Lee so eloquently summarizes in an interview with [The American Lawyer](#), “their cybersecurity sucks.” In the first seven months of 2021, [approximately 40%](#) of all cyberattacks on professional services firms were on law firms.

Fortunately, law firms’ general counsel can take similar steps as legal ops to improve data security and privacy compliance, such as:

- Working with IT to determine data compliance and security gaps and how to resolve them
- Implementing mandatory training for attorneys and non-attorneys on best cybersecurity practices
- Creating a breach response plan that aligns with the [American Bar Association’s Formal Opinion 483: Lawyers’ Obligations After an Electronic Data Breach or Cyberattack](#)

Legal ops departments can [collaborate with their vendors](#) on data security. In-house teams can nudge current vendors to take action by proactively reaching out to discuss how they protect client data. This is a smart risk management move and can strengthen relationships between parties through open dialogue. For potential vendors, legal ops should include questions about data security and compliance practices in RFPs.



Using alternative fee arrangements (AFAs)



As competition from alternative legal service providers grows, traditional law firms have become more amenable to setting up **alternative fee arrangements (AFAs)** with clients to give them more control over their legal spend. But while these models are helpful to legal ops teams, **Bloomberg's 2021 Legal Operations survey** found that just about 25% of work is currently done under an AFA.

Husch Blackwell chair [Catherine Hanaway](#) attributes this low percentage to many departments being “skittish about agreeing to a number that’s higher than what they would’ve paid with the hourly model.” Bloomberg respondents confirmed this, with [“determining appropriate pricing”](#) listed as their biggest barrier to implementing AFAs. This makes sense because legal ops teams are still laser focused on cost control as the pandemic subsides.

This may be a bit of a shocking adjustment, but it’s worth it: AFAs like flat fees show [immense benefits](#) for spend management over traditional billable hours. For instance, AFAs result in more reliable billing. This means budgets won’t get derailed at the last minute when a vendor sends an invoice that’s way higher than their accruals.

Hanaway adds that “clever, more nimble” AFAs “are attractive to clients” because they can incorporate features like capped fees for complex legal matters instead of lowering fees — and lowering predictability.

The biggest drivers of AFAs are [client requests](#), and the best way to negotiate is with hard data. [Spend management software](#) can help legal ops compare the hourly rates of vendors and any current AFAs in place to determine objectively fair pricing so they don’t get overcharged.

It also helps to point to [how law firms stand to benefit](#) from AFAs. To start, they give law firms a competitive advantage when submitting RFPs. Additionally, the average amount of AFA revenue across [Am Law 200 firms](#) has continued to increase since 2018.



Creating data-driven vendor management processes



Legal ops was hyper-focused on optimizing spend throughout COVID-19, moving **more work in-house** and digging into their return on investment with remaining external vendors. It makes sense that general counsel listed vendor management as their top priority in [Deloitte's 2021 State of Legal Operations survey](#).

“While many legal departments relied on trusted law firm partners to help interpret the regulatory changes in the early months of the pandemic, they see increasing the specialization of their teams and bringing that work in house as more cost-effective long-term solutions.”

Rob van der Meulen, [Gartner](#)

Despite the admitted importance of [vendor management](#), there’s a disconnect: only **27%** of departments surveyed by CLOC said they formally review law firm performance. Without clear guidelines for evaluating how well vendors are doing, legal departments can’t accurately determine the value of their return on their investment.

However, advanced legal technology can help legal ops teams get formal vendor performance reviews going to ensure they’re making the wisest spend choices. Legal departments can use comprehensive software to track relevant vendor metrics.

For example, legal ops can easily measure these key vendor data points (and more) with a centralized, real-time legal platform:

- Compliance with billing guidelines
- Average lifecycle time per closed matter
- Accruals
- Staffing diversity
- Spend totals

As noted by a respondent in Deloitte’s 2021 [survey, objective vendor criteria](#) lets legal ops “shift to a data-driven strategy in how we allocate work to firms and vendors instead of relying on relationships.”



Facilitating more diversity and inclusion



Stronger diversity leads to **stronger work quality** and keeps businesses competitive. However, the legal industry has historically lagged in this area. While the **American Bar Association** notes that “in-house counsel senior leadership has shown a greater increase in diversity than law firms,” racially and ethnically underrepresented professionals made up only **11.5%** of Fortune 1000’s general counsel in 2020.

With legal ops' buying power comes the power to catalyze more D&I in law firms. As noted in the [Blickstein Group's 13th Annual Law Department Operations Survey](#), "Real change won't happen until financial incentives become stronger. If law departments want to promote diversity, they need to make sure that their law firms are walking the walk. That means taking steps up to and including firing law firms that fail to meet diversity goals—and law firms need to believe they will."

As budget constraints from the pandemic lessen, legal departments looking to [increase their headcount](#) are determined to attract and retain diverse talent. "Implementing a Diversity & Inclusion program" was the top 2021 priority for legal ops members surveyed by [CLOC](#).

For teams looking to get their D&I program off the ground, Bloomberg identified three common processes to build diversity in 2021:

- Internal diversity training
- More remote work opps
- Changing recruiting patterns

Legal ops teams are also turning to hard data to [strengthen diversity](#), with 71% of teams surveyed by [Bloomberg](#) noting they have or plan to track diversity metrics. While race, gender, and sexual orientation were listed as the most common criteria, some teams are also measuring areas like neurodiversity to be as inclusive as possible.

Besides creating a more diverse workforce in-house, legal departments that are committed to D&I must hold external vendors to the same standards. [CLOC](#) finding that D&I was one of the top three metrics legal ops teams were using to formally evaluate vendor performance.

Teams can use vendor data to objectively determine if vendors are aligned with their organization's values – and can take action if they aren't. Legal departments can get this specific vendor diversity information during the RFP process and by asking current law firm partners to complete the [ABA Model Diversity Survey](#). This data can then be stored and updated in a centralized legal solution.

Three companies leading the way in keeping vendors accountable for D&I

- [Intel](#) will only hire vendors where at least 21% of the firm's U.S. equity partners are women and at least 10% are underrepresented minorities.
- [Uber](#) uses a preferred counsel program to track vendor progress in advancing their D&I goals and "evaluates which attorneys are being placed on projects that will help increase their experience and seniority."
- [Novartis AG](#) requires that at least 30% of billable associate time and 20% of partner time is completed by women, racial and ethnic minorities, and LGBTQ+ individuals. If these staffing guidelines aren't met, the company withholds 15% of the total matter amount.

Legal ops must get out of its comfort zone in 2022

COVID-19 reinforced the necessity for legal ops to evolve to stay viable. The global crisis highlighted the negative impact of inefficient processes and outdated technology, giving stagnant teams (and C-suite members) more incentive than ever to change. This year is the time for legal ops to rally departments to embrace change and reach new levels of growth. Not only will this help legal departments prove their value, but it'll help the company's bottom line. Whether it's bringing on spend management software, increasing collaboration across departments, or starting formal vendor and diversity programs, these new actions will separate the most successful legal ops teams from the ones that fall — and stay — behind.





About SimpleLegal

SimpleLegal provides a modern legal operations management platform that streamlines the way corporate legal departments manage their matters, track and interpret spend, and collaborate with vendors and law firms. SimpleLegal combines e-Billing and spend management, matter management, vendor management, and reporting and analytics into one comprehensive application to optimize legal operations and the management of the entire legal department.

For more information visit: www.simplelegal.com