



**The legal operating system:**  
**Game-changing innovation**



*Thomson Reuters Legal Department Operations Index 2020*

**For lawyers in corporate legal departments and private practice, the pressure to work more efficiently, communicate and collaborate more effectively, and deliver greater strategic value continues unabated. The obstacles impeding this type of optimal performance, however, continue to grow higher.**

The coronavirus pandemic, for example, has exacerbated the challenge. Before COVID struck, corporate law departments' top priorities were greater efficiency and effectiveness. During the pandemic, however, data from the [Thomson Reuters 2021 State of Corporate Law Departments \(SCLD\) report](#), highlighted that their workloads surged and budgets shrank, making operational improvements more challenging to achieve (even while increasing their importance).

Belt-tightening in corporate law departments impacts law firms, of course, because around three-fifths of in-house legal budgets, on average, are spent on external counsel. In law departments where controlling costs was the primary objective, a [recent survey by Thomson Reuters](#) found, 89% intended to spend less on outside counsel and four in 10 planned to move more work in-house.



## Operational efficiency is paramount

In this do-more-with-less environment, operational efficiency is essential for law departments — and also for the law firms striving to stay competitive on price and retain work. For in-house legal leaders, three of the top four priorities are controlling outside counsel costs, using technology to simplify workflow and processes, and focusing on legal operations overall, according to the [2021 Legal Department Operations \(LDO\) Index](#) from Thomson Reuters.

### Top Legal Department Priorities

*More than 50% of Legal Departments ranked topics below as “high priority”*

1. Controlling outside counsel costs	87%
2. Using technology to simplify workflow and manual process	74%
3. Focus on internal data security	73%
4. Focus on legal operations	59%

Source: Thomson Reuters 2021

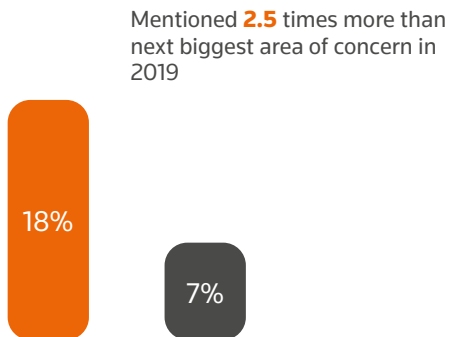
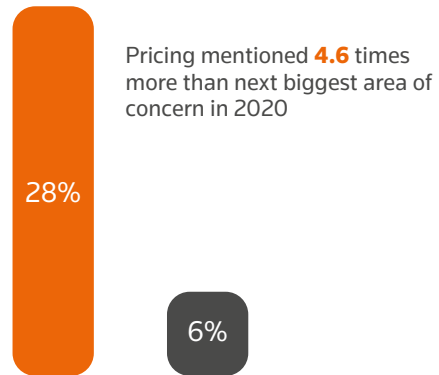
*Thomson Reuters Legal Department Operations Index 2021*

The pandemic intensified these needs while impacting workloads for corporate law departments and their outside counsel in different ways. Much of the increased demand for legal services within companies “involved novel issues that had to be handled by in-house counsel themselves as it required an in-depth knowledge of their businesses and a very quick turnaround,” said the [2021 Report on the State of the Legal Market](#) from Georgetown Law and the Thomson Reuters Institute. “As a result, some of the ‘business as usual’ legal work of their departments — including many transactions and litigation matters — had to be put on hold. This contributed to a drop in demand for law firms.”

### Law firms adapt

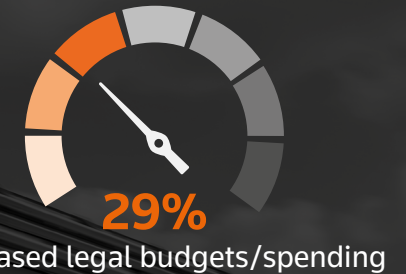
In response, law firms stopped or significantly reduced discretionary spending and cut lawyer headcount for the first time in over a decade. According to data from the [Thomson Reuters State of the UK Legal Market 2021](#) report, law departments pushed hard for more competitive pricing from law firms. In 2020, despite the downturn in demand, most firms increased their rates and — by cutting costs and increasing leverage — their profits. In the US, 60% of law firms sought and received government financial support in 2020, mostly Payroll Protection Program loans from the country’s Small Business Administration.

**Gap between competitive pricing and next biggest area of concern for corporate legal departments**



Thomson Reuters State of the UK Legal Market 2021

While law firms struggled to compete, corporate legal teams struggled to keep up. Their workloads increased **nearly 60%** — but only one in 17 departments received bigger budgets to tackle the work.



Thomson Reuters State of Corporate Law Departments 2021

“The proportion of corporate legal departments that cited what they considered to be expensive, uncompetitive, or insensitive pricing increased by more than 50%,” according to Thomson Reuters’ 2021 State of the UK Legal Market study. “This [sentiment] became paramount and those firms that may have been insensitive to clients’ cost pressure likely saw the quality of their client relationships significantly erode.”

Complicating these operational challenges, the pandemic forced in-house legal teams and law firms to work remotely. This increased operational complexity, the need for new processes, and reliance on technology to enable collaboration and digitise and integrate the management of contracts, documents, matters, budgets, compliance obligations, and vendor and client engagement.

## Law departments focus on legal operations

Senior in-house leaders are clearly taking steps to invest in operational efficiency. In 2021, four out of five corporate law departments had dedicated legal operations functions, up from 56% in 2017. Additionally, about 80% of new hires in 2020 were for legal ops roles, according to the Thomson Reuters SCLD report. “Legal operations specialists are increasingly seen as the driving force behind [the success of corporate legal teams,] often ensuring that legal departments have the right tools and resources,” the study noted.

Further, the expanded use of legal operations professionals is no longer happening only at large corporations; it’s increasingly occurring at smaller companies, too. “The continuing expansion of this trend is almost certain to result in more detailed oversight of the work of outside counsel, as well as better internal coordination of the work of legal departments themselves and a more sophisticated use of technology,” noted the 2021 Report on the State of the Legal Market.

## Technology maintains strategic importance

Technology spend is another sign that law firms and corporate legal departments are committed to improving their operational efficiency. In a recent survey from Acritas, 84% of law firm partners said they expect their firms to increase investments in technology. On the corporate side, 30% of law departments say they are increasing their spend on technology and many say they are focused on making better use of the technologies they already have on hand.

The top five most important legal technologies cited by corporate law departments are:

- E-billing, spend, and matter management software.
- Contract management solutions.
- Legal research.
- Document management.
- Legal hold software.



Dedicated legal operations	Large	Medium	Moderate	Small
NO	5%	12%	26%	56%
YES	95%	88%	74%	44%

*Thomson Reuters Legal Department Operations Index 2021*



And the top five technologies that law departments said they don't currently have want to procure are:

- Document management.
- Legal business intelligence.
- Contract AI for analysis, risk assessment, or due diligence.
- Contract management.
- Legal workflow automation.

## A shared fate and a new paradigm

Clearly, law firms and their corporate law department clients have a shared fate, including financial challenges that cannot be sustainably addressed by budget cuts and rate increases. Equally clear, their strategy is to continue investing in legal operations and technology to streamline work, deliver greater efficiency, and free lawyers to provide more strategic guidance and greater value.

There are signs that the budgetary restrictions that have limited progress on this front may be easing. Thomson Reuters' 2021 report on the [State of the Legal Market in Europe](#) found that, by mid-2021, in-house legal teams were increasingly optimistic about future budget allocations. They are undeterred, however, in their pursuit of greater efficiency as a long-term strategy.

"This increased optimism among clients does not reduce their cost sensitivity, and clients see a continued need to drive efficiency with the money they are spending," the report states. "In fact, when asked about the biggest challenge they face in the coming 12 months, six in 10 clients highlighted challenges around operational efficiency, compared to a global average that's close to 50%."



## The legal operating system

A new paradigm for legal technology is an integrated, end-to-end operating system, such as Thomson Reuters® HighQ. These systems:

- Integrate legal technologies (including third-party applications) in a single platform.
- Automate time-consuming, manual tasks and workflows and connect content across the platform.
- Improve communication and collaboration among dispersed teams and between in-house legal teams and their law firm partners. They also help corporate law departments engage with the internal stakeholders by making it easy to share progress updates on matters and reports quantifying law department performance.
- Support essential day-to-day functions like contract management and complex projects including task and event management, document collaboration, data visualisation, document analysis, and document automation.

## Solving in-house challenges

The best legal operating systems help law departments in a variety of ways.



**Contract management:** Contracts are important business assets, however, in many companies they're not managed efficiently, transparently, or collaboratively. This results in poor process visibility, slow turnaround times, delayed execution, lost contract value, and increased business risk. A legal operating platform can automate contract creation, review, approval, and execution and simplify contract drafting and collaboration. It also can find, track, and manage contracts and their provisions.



**Legal service requests:** In-house teams often struggle with manual processes, inconsistent and incomplete service requests, and the inability to collate, track, and analyse intake data. This slows response times, impedes project reporting, and adversely impacts the law department's reputation. An integrated platform can centralise and standardise the legal intake process, analyse demand, deliver more responsive services — including "self-service" contract assembly and legal guidance.



**Document management:** Many law departments have no system to securely store, share, and collaborate on contracts and files. Sensitive documents may be stored in siloed devices and systems lacking security protocols and shared via email. This increases risk, reduces productivity, and impedes the effective, efficient delivery of legal services by making documents harder to find and inaccessible remotely, creating version conflicts and poor audit trails. A legal operating system, on the other hand, integrates with third-party apps such as Microsoft Office, Outlook, and G-Suite and centrally stores documents so lawyers can securely access, update, and share them from anywhere.



**Matter management:** As corporate legal workloads increase, in-house lawyers rarely have access to accurate matter, spend and status metrics. The lack of a central repository of matter data and standardised processes makes matter management manual, prone to errors, and inefficient and leaves lawyers flying blind without real-time matter status reporting or visibility into legal spend. A centralised, integrated platform stores all matter information and collaboration tools in one place and enables team members to monitor and workload, activity, and spend; identify and mitigate risk; and streamline management reporting.



**Vendor management:** In-house legal teams' engagements with law firms and other legal services vendors may be strained by infrequent financial reporting and cost overruns, poor visibility into matter status and risk, the inability to effectively monitor and track performance, little or no task of resource oversight, and over-reliance on email for communication and collaboration. The best legal operating systems, however, measure performance, manage relationships, enable collaboration, and ensure legal services are consistently delivered efficiently and with full transparency.



**Knowledge management:** On many legal teams, information and content are siloed across devices and systems, difficult to share and find, and inaccessible by lawyers working remotely. A legal operating system incorporates a central repository for departmental knowledge, which advances operational efficiency and collaboration with outside counsel and other service providers.



## Solving law firm challenges

A legal operating system also can successfully address challenges facing outside counsel.



**Client engagement:** Law firms want to deliver the ideal client experience but may lack tools to manage engagement, collaboration, and legal service requests — resulting in manual workstreams that increase errors, response times, and operational inefficiency. Client communication is hampered, there is no way to collate or analyse intake data, and experienced lawyers are left to manage low-value, routine tasks. An integrated operating platform provides clients with access to content and projects on the firms' network, provides clarity and transparency, and enhances client relationships and the law firms' reputation.



**Document collaboration:** Law firms need, and their corporate clients expect teams to collaborate securely on documents from anywhere on any device. Too often, however, sensitive documents are siloed, inaccessible to remote workers, shared via email, and not adequately secure. In this type of environment, managing versions and maintaining audit trails is difficult. A legal operating system, however, provides secure file sharing, improved project management, version control and audit trails — which results in less risk, greater efficiency, and stronger collaboration with clients.



**Legal project management (LPM):** Law firms want to simplify and unify their LPM methodology to enhance budget predictability, efficiency, cost-effectiveness, and visibility into workload, resource management, matter status, and project management. This requires a solution that brings together people, files, knowledge, data, tasks, timelines, and notifications.



**Transaction management:** Law firms may lack a secure, centralised repository for storing and managing all the documents, diligence, signatures, checklists, tasks and data related to M&A, property, and other deals — leading to poor visibility into the workstream, a lack of standardised processes, slow turnaround times, delayed execution, lost transaction value, and increased business risk. Add efficiency and transparency with a centralised, secure place to manage all documents, tasks and data. An effective legal operating system, on the other hand, can deliver real-time status reporting, automate and streamline workflows, accelerate deal execution, and mitigate risk.



**Portfolio management:** To capture, store, and search all information and files related to their portfolio, from private equity investments and real estate assets to trademarks, law firms need a platform that provides flexible data capture, detailed reports and auditing, advanced permissions, and enterprise-grade security.



**Litigation management:** An effective legal operating system automates routine tasks, tracks, and manages disputes, and simplifies collaboration. It gives lawyers anywhere, anytime access to the essential documents and details of a case and a place to manage tasks and store and track disclosures, evidence, depositions, and invoices.



**Compliance management:** Law firms too often rely on disconnected, inconsistent, and manual processes to monitor, track, and manage their regulatory obligations and to help their clients remain compliant and navigate the ever-changing risk landscape. An operating platform that includes a central repository of compliance information enables them to control and simplify the compliance process, monitor changes, manage data, and minimise business risk.

## Bringing it all together

As legal workloads will continue to grow, old ways of working will increasingly fall short. In-house legal departments and law firms have wisely built their strategies around expanded teams of legal operations specialists and increased investment in technologies that automate processes and drive greater efficiency. The next step on this journey is a legal operating system — a digital workplace that brings together this human expertise and technological capability to streamline operations, save time, reduce costs, and improve performance.

### HighQ: the modern, adaptable legal work solution

Thomson Reuters® HighQ is a solution for secure document exchange and team collaboration. Used by some of the world's leading law firms, investment banks, and corporations, HighQ enables enterprise-grade document management with the best corporate social tools. Securely exchange critical business information and collaborate with colleagues, customers, and partners in one unified space.

Learn more about [HighQ](#)