



Pioneer users of Legal Managed Services

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22 March 2021

Recently, more corporations are looking to utilize technologies and novel service delivery models in their law departments. They continuously transform their in-house legal functions when the environment that they operate in is constantly evolving. Moreover, general counsel is given the mission from top management to control legal costs while having to deal with the rapidly changing laws and regulations.

Legal managed services (LMS) providers may offer a solution to the challenges law departments face today. LMS integrate customized legal technologies, process management and trained staff.

Over the past decade, the legal industry has been filled with anecdotal stories of corporations using non law firm providers, often utilizing technology enabled LMS models, to increase efficiency and lower cost. Up to now, however, there has been limited data available to analyze this trend. Therefore, the extent to which these services are being used and the benefits that law departments have realized as a result of adoption have not been widely investigated.

In 2020, EY published the report on a research titled "Realizing the benefits of legal managed services" (Research)¹. Our firm, LC Lawyers LLP, as a member of the EY global network, is reporting the Research in this article.

The Research was based on a survey of 1,058 senior legal practitioners from businesses in 25 countries. It showed that the forces driving law departments to use LMS varied significantly. But the key drivers leading law departments to pursue LMS included (1) cost savings targets, (2) desire to optimize internal processes due to rising volumes of work, (3) access to better quality information at comparable costs and with better productivity of internal and external resources, and (4) the arrival of new LMS products and services allowing for new technology enabled delivery models.

Not only were there significant short-term benefits in using LMS that extended beyond cost savings, but also ongoing positive impacts around technologies, human resources and the ability to continue innovating in the future. The Research showed that those law departments that used

¹ https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/law/law-pdf/ey-realizing-the-benefits-of-legal-managed-services-july-2020.pdf

LMS were (1) cost-efficient in today's service delivery, (2) able to respond to geopolitical and regulatory changes, (3) confident in building the right set of capabilities within their departments, and (4) in a better position to attract and retain talent.

The Research also identified which law departments are using external LMS providers more than others. Using advanced statistics, the Research clustered participants into three groups based on their reported adoption of LMS across six law services, namely, contract management, legal management and compliance, employment law, due diligence, document retention and records management. The three distinct groups were:

Pioneers

This group made up for 37% of the participants and primarily consisted of law departments of large and medium sized organizations. These departments were on a journey to transform their legal functions. Many had already undertaken cost reduction exercises, explored efficiencies, utilized legal technologies and insourced certain types of legal work. As part of their journey, this group had realized the benefits that new service delivery models provided and were looking for increasingly sophisticated solutions to improve the efficiency and effectiveness of their departments. They had already migrated many law services to non law firm providers and were actively looking to expand their use of LMS.

Explorers

This group made up for 35% of the participants and most came from large and medium sized organizations. These departments were aware of new models of service delivery that existed as well as the benefits from using them. The majority had tried outsourcing discrete tasks to external

providers but had not done so on a widespread basis. These firms were actively considering expanding their use of LMS but were unsure of how to proceed due to their lack of experience. Unlike the Pioneers, the Explorers are just starting their transformational journey in re-designing their relationships with their law firm partners to reduce cost and increase efficiency. However, as Pioneers continue to innovate and work with managed services providers to come up with new ways to improve the LMS model, it is expected that the LMS model will continue to improve and become easier to implement, thus giving a clearer roadmap to Explorers that are expanding their transformation exercises.

Observers

This group accounted for 28% of the participants and was largely made up of law departments of smaller organizations with businesses below US\$500 million in annual revenue. Many of these departments were not considering using LMS currently even if they were aware of the benefits. This is because smaller law departments generally have difficulties innovating and leveraging on new models. They require prepackaged solutions that are ready for use on day one and these types of 'ready-for-use' solutions were not available until recently.

Conclusions

Overall, the Research demonstrated that progressive law departments utilizing LMS, defined as Pioneers, benefited in ways that others missed out on. Not only are they more efficient today, but they are also more confident about future efficiency. They have built the right capabilities within their departments during these difficult times.

Further, these Pioneers are in a better position to attract, retain and deploy talent. They have been optimizing their operational

models and making necessary changes to internal resourcing. They are often the early adopters in shifting toward LMS. Their journey has been marked by innovation and collaboration.

Going forward, Pioneers will keep innovating and working with LMS providers to come up

with new ways to push this model. Meanwhile, the collaboration between LMS providers and the Pioneers have also paved the way for Explorers and Observers who are looking to take their next step on their journey.

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