

CT Corporation/ELM Solutions

Legal outsourcing outlook 2022

A data-driven look at the top outsourcing trends in corporate legal and corporate compliance today

Legal management and corporate compliance: Outsourcing perspectives, trends, and predictions

A combination of regulatory complexity, growing expectations and demands on legal and compliance teams is driving unprecedented change in organizations, impacting every aspect of legal and corporate compliance. For leading companies, the question is no longer if you should outsource services: A full 93% of legal departments already rely on a network of legal and compliance service providers to handle a broad range of activities.

Today, corporate legal counsel and compliance officers are more focused on what, who, and how. This timely research into the practical dynamics of legal process outsourcing provides an inside look into the views and practices of in-house legal departments and their key decision-makers.

93%

of legal or corporate compliance departments have outsourced work to external firms in the past three years.

About the research

Conducted by American Lawyer Media (ALM), with added perspectives from the experts at Wolters Kluwer, these insights can help legal operations and corporate compliance heads make more informed, strategic decisions in the year ahead. Completed in October 2021, it surveys the views and practices of 123 executives responsible for corporate legal outsourcing decisions at U.S. companies with over \$500 million in revenue.

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Why

Expansion, growth, complexity — the outsourcing imperative

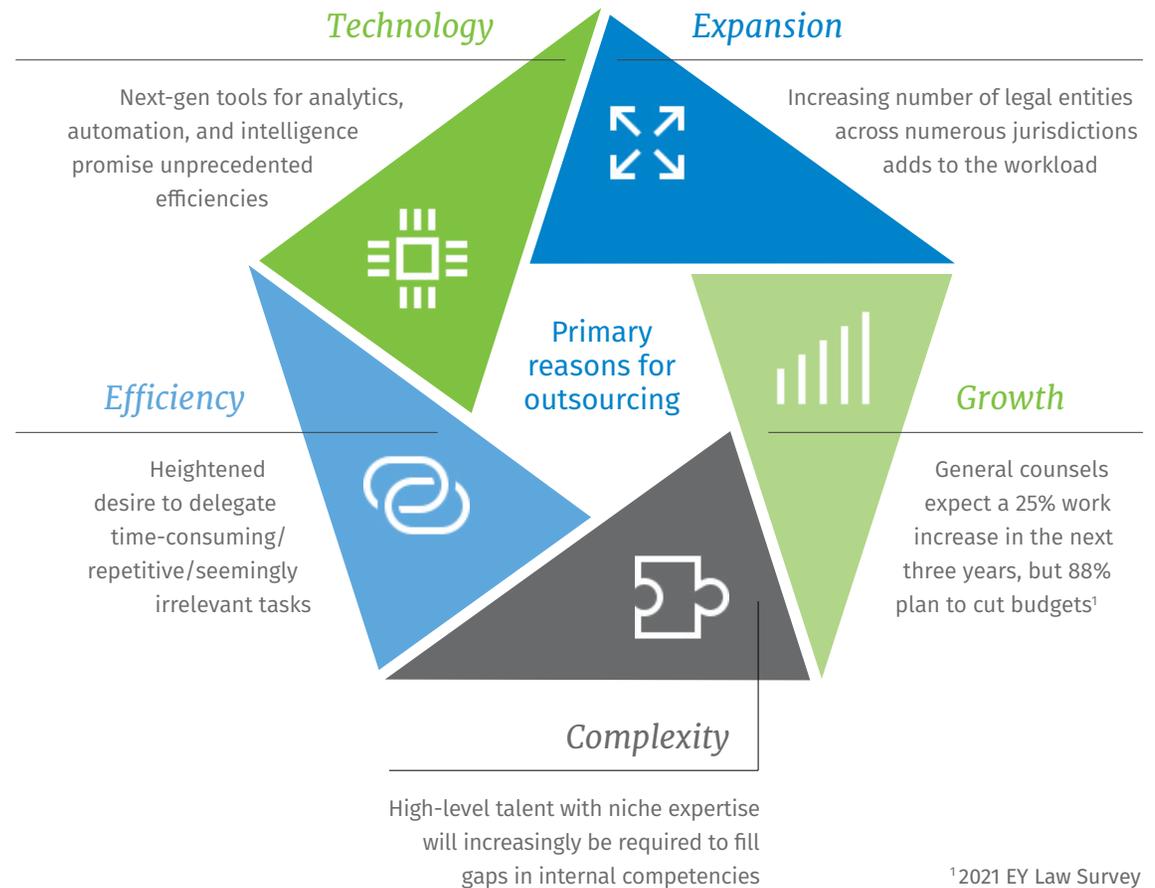


Mid-size companies ramp up.

Businesses of all sizes now rely more on outsourcing, with the increase especially prevalent in companies with revenue between \$1B-\$4B. Ordering essential skillsets à la carte, when needed, empowers mid-size companies to respond quickly to shifting market conditions without the expense of full-on departments.

Why now?

Cost savings are no longer the primary reason for outsourcing. Corporate legal and compliance departments are overwhelmed with multifaceted and ever-changing drivers.



What Tech strategy, legal research, corporate compliance among top outsourced activities

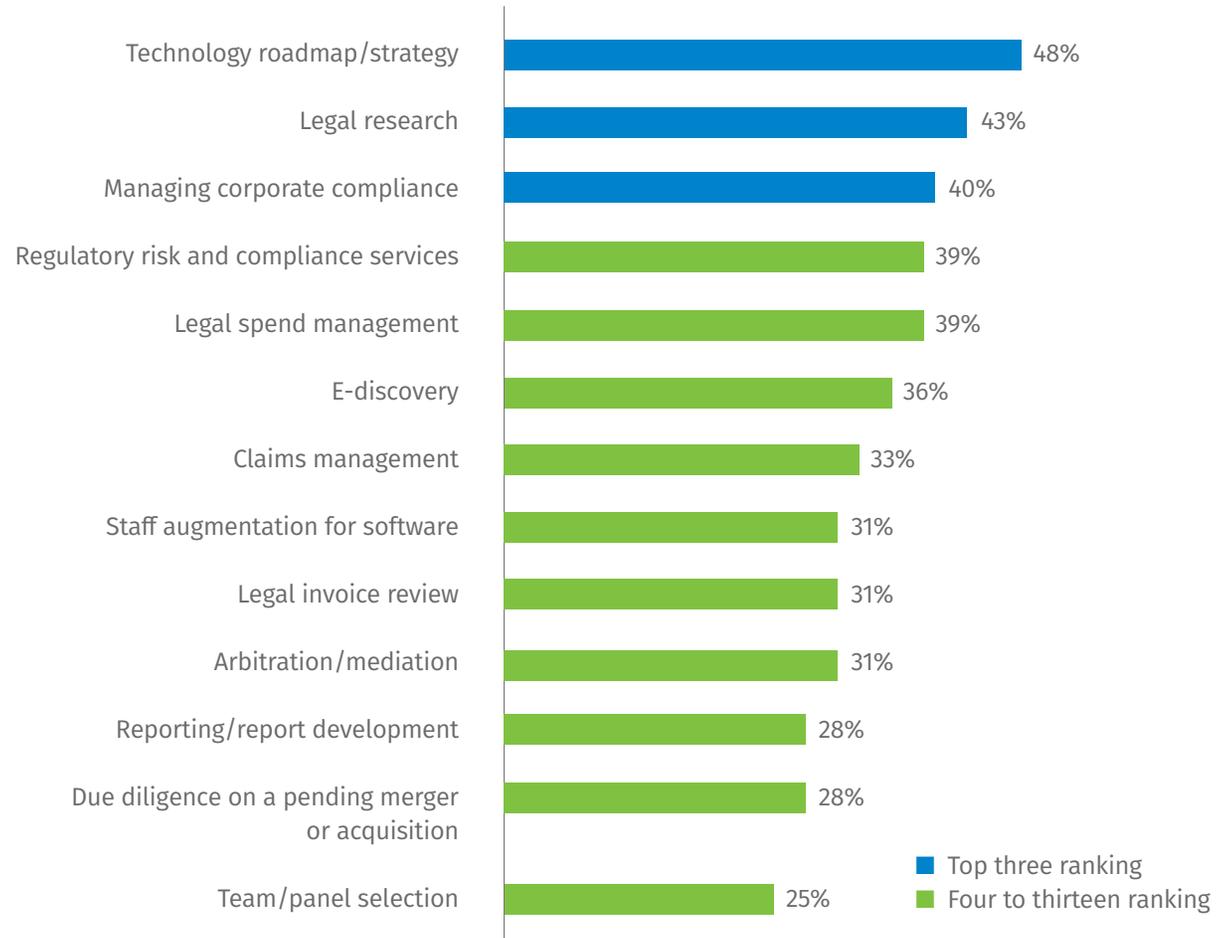
What's being outsourced?

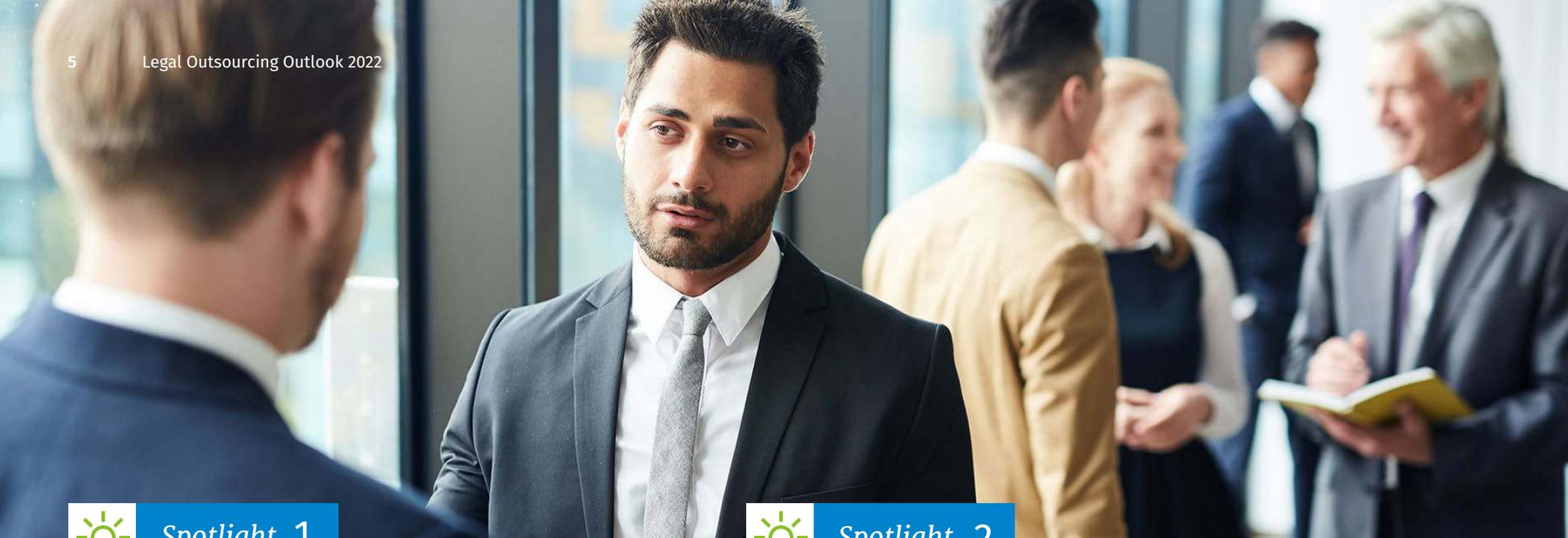
Staffing is struggling to keep pace with work volume. Given the rising number of legal entities worldwide and a swift increase in available tech options, it's unsurprising that tech strategy, legal research and corporate compliance management lead the list of most outsourced activities in 2020-21.



Activities outsourced in the past year

More than four-in-ten legal/corporate compliance departments outsourced technology strategy, legal research, and corporate compliance last year.





Spotlight 1

Tech strategy

Technology and automation can help legal and compliance departments manage increased workloads while adding efficiency to day-to-day operations. Artificial intelligence (AI) in legal research parses thousands of cases, regulations and opinions, while AI-powered legal invoice review streamlines legal spend management and allows attorneys to focus on more value-added work. Capable of far more than simple keyword searches, AI now quickly sifts through mounds of data to effectively monitor context, concepts and tone.



Spotlight 2

Corporate compliance management

The complexity of corporate compliance is compounded by fluctuating regulatory changes spanning numerous jurisdictions.

Corporate compliance programs must be integrated enterprise-wide, from monitoring external regulations and internal policies to comprehensive employee training. Constant changes to regulation and jurisdictional guidelines only add to the complexity. Organizations may manage as many as 13 entities in North America alone, with dozens more in other regions. Specialized licensing, compliance, and due diligence tasks will progressively be outsourced to save in-house teams time while addressing high-volume, low-critical processes.

Not surprisingly, more companies plan to increase outsourcing with Corporate Compliance Providers and Legal Technology Providers over the next three to five years than any other type of partner.

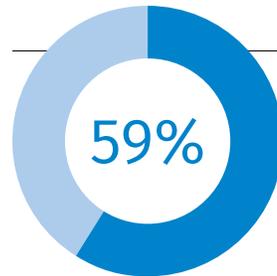
Who

Companies look beyond traditional outsourcing partners

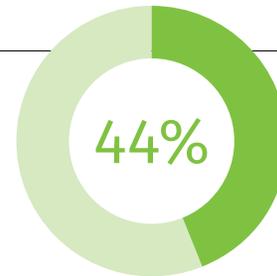
Outsourcing to whom?

With tech strategy and corporate compliance being the most frequently outsourced activities of 2020–21, such vendors are unsurprisingly in demand. Outsourcing expanded across the board. However, legal technology providers, enlisted by more than half of all legal and corporate compliance departments, proved in highest demand.

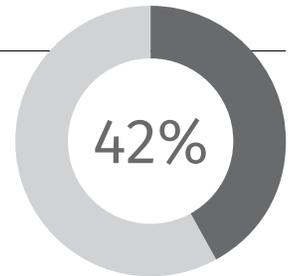
Whom do corporations rely on today?



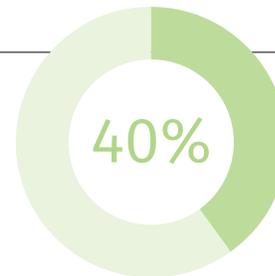
Legal technology provider



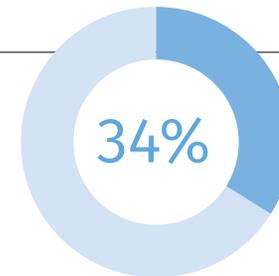
Mid-size or regional accounting/consulting firm



International/national law firm(s)



Mid-size or regional law firm(s)



Big 4 accounting firms

What type of provider is right for you?
Depending on what you are outsourcing, some in-depth findings include:



Chief Legal Officers prefer outsourcing to more specialized providers rather than law firms.



Manufacturing companies were more likely to use mid-size accounting and law firms, while tech companies were more likely to use legal technology providers.



Experienced outsourcing respondents were most likely to increase usage of legal technology providers.



Matching the right provider based on needs.

In the end, corporations choose different providers for distinct types of work.

Top three initiatives handled by provider type

■ Number 1 ■ Number 2 ■ Number 3

Legal technology provider



Mid-size or regional accounting/consulting firm



International/national law firm



Mid-size or regional law firm



Big 4 accounting firm





Insight

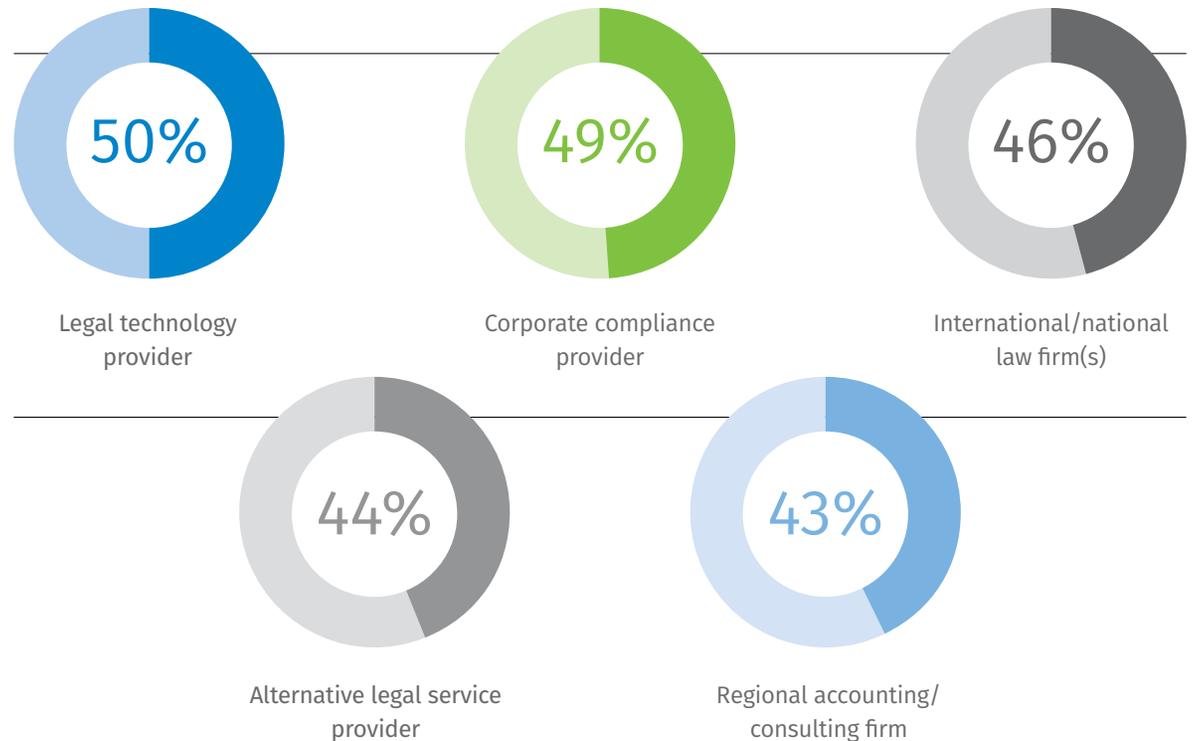
Explore all options.

Regardless of the motivation for outsourcing, it behooves legal/corporate compliance departments to remove their blinders before partnering with the first briefcase offering to help. Many legal and corporate compliance outsourcers offer a variety of services, so rather than establishing an assortment of third-party vendors with varying rates and skillsets, consider adopting a more holistic approach with one or two providers who can effectively complete the totality of requisite work.

Planning ahead: More work, more needs.

93% of companies expect outsourced corporate compliance work to stay the same or increase in the next three to five years.

Respondents anticipate an increase in their need for outsourced legal/corporate providers in the next 3-5 years



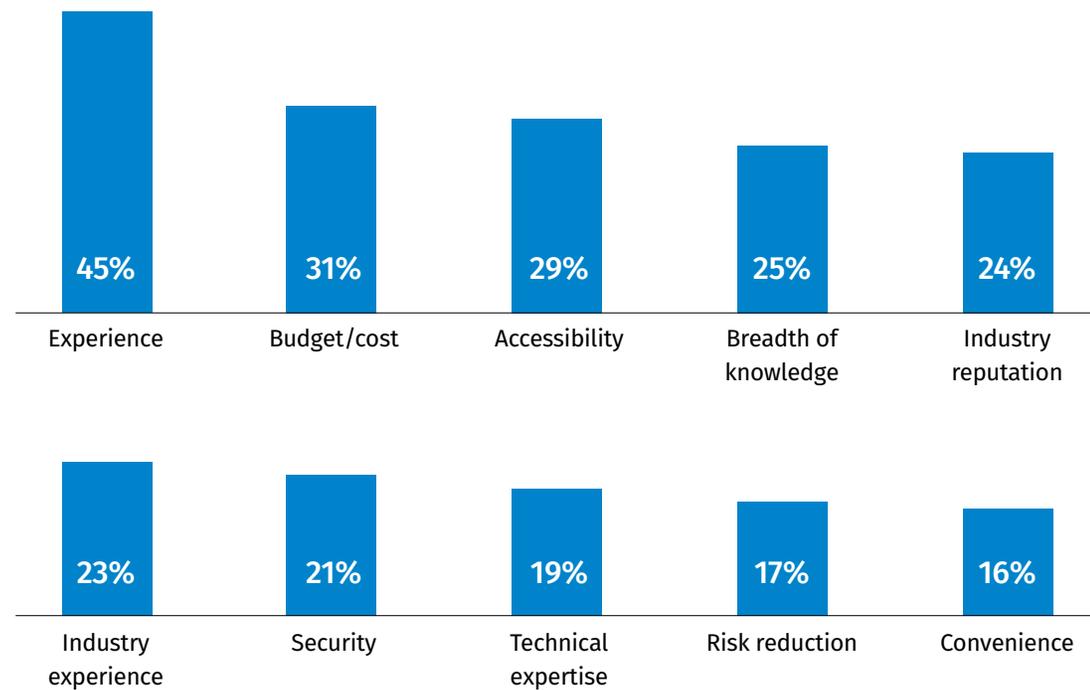
How

Unpacking selection criteria

What matters most?

Critical factors about when outsourcing providers for legal/corporate compliance work, but experience, cost, and accessibility rise above all.

Most critical factors when selecting an outsourced provider

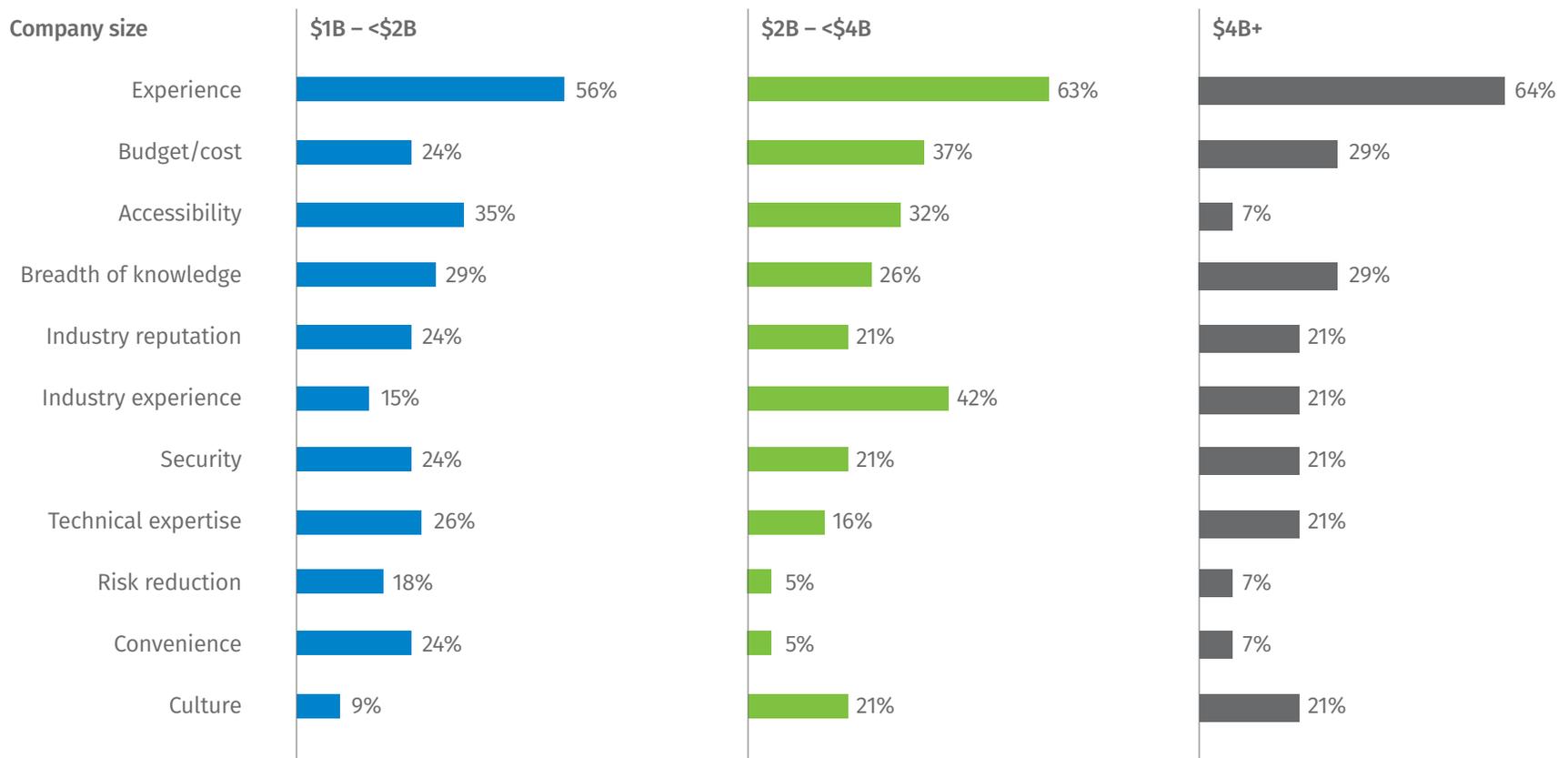


Outsource provider selection criteria varies by size of buyer.

All legal/corporate compliance departments value experience, which respondents believe to be nearly twice as critical as security, technical expertise, and risk reduction. Other factors vary by company size: e.g., large departments primarily outsource for cost savings and access to

external talent while prioritizing affordable industry experience. Smaller legal/corporate compliance departments, on the other hand, value convenience nearly four times more than their larger counterparts.

Factors when selecting outsource providers, based on company size





Insight

Nearly half of all legal/corporate compliance outsource providers were sourced through colleagues, industry consultants, or past employment, underlining the heightened value placed on industry experience.

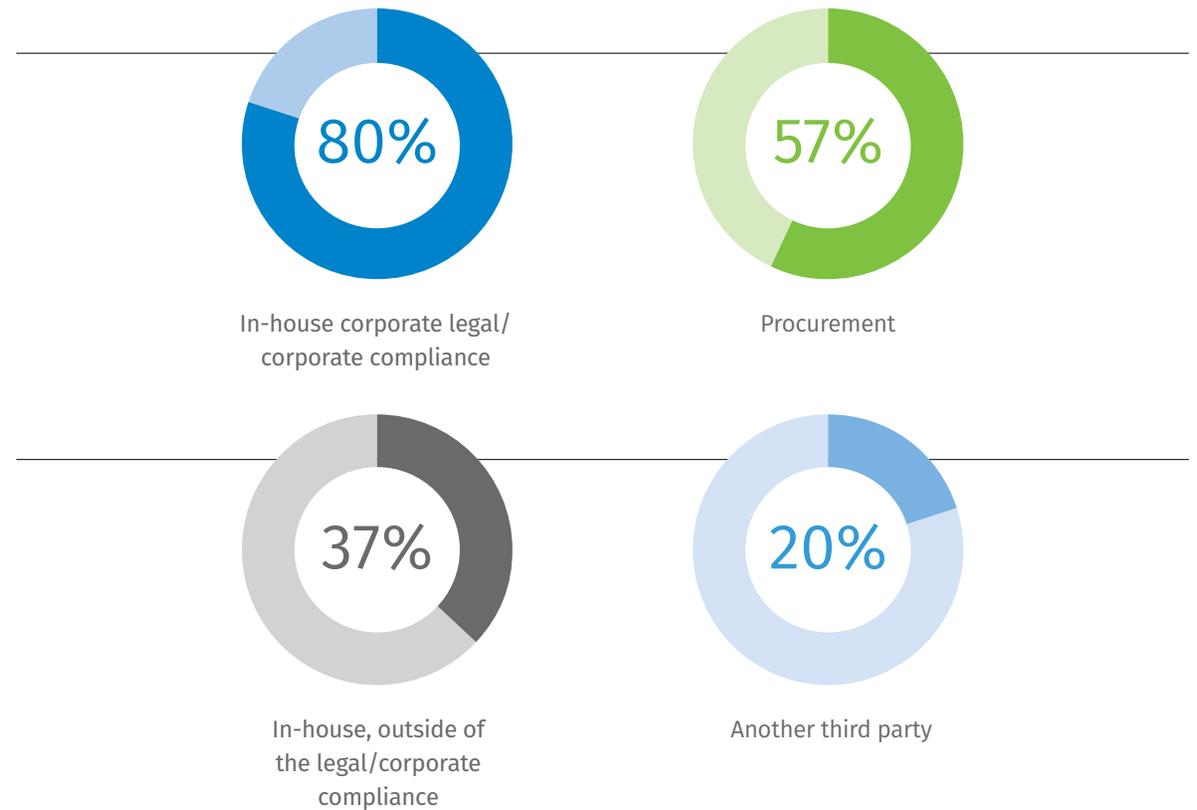
How departments find outsource providers



Who decides?

Outsourcing decisions were most often made by in-house corporate legal/compliance departments, but procurement, lines of business, and other third parties can play a role.

Manages vendor selection process



**Sectors outsource differently,
with subtle but meaningful variations.**



Financial service respondents were more likely to rely on recommendations from colleagues.



Manufacturing respondents were more likely to rely on professional network relationships and conferences.



Technology respondents were more likely to rely on industry publications and webinars.

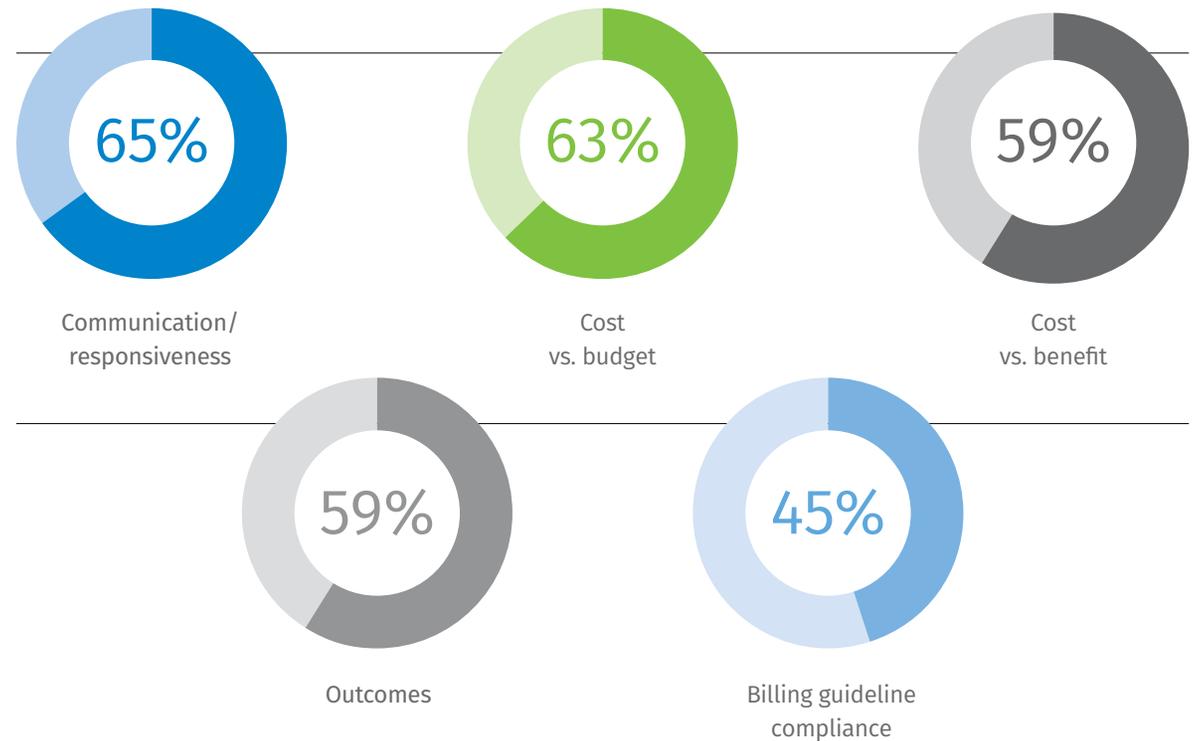


Experienced outsourcers considered legacy relationships to be less important than internal bandwidth, convenience, and industry reputation.

What keeps providers on the short list?

Corporations most commonly measure outsource provider performance based on communication, cost vs. budget, and cost vs. benefit.

Outsource performance metrics



What's next

Trends and challenges for the year ahead

Looking forward

Given a constantly evolving set of client expectations and legal technology offerings, three outsourcing trends in legal/corporate compliance are likely to emerge.

1

The rising tide of outsourcing will continue upwards, with legal technology providers, corporate compliance providers, and international/national law firms fueling the wave.

2

The global AI legal technology market is expected to generate more than \$37 billion by 2026. Legal/corporate compliance departments will be hungry to outsource to vendors with AI expertise as technology further streamlines data management, filing, and storage. Data volumes will expand in line with legal/corporate compliance departments realizing the value of AI to manage tasks.

3

Managing cost will continue to be the greatest outsourcing challenge faced by legal/corporate compliance departments, followed by unmet expectations and subpar vendor technology.



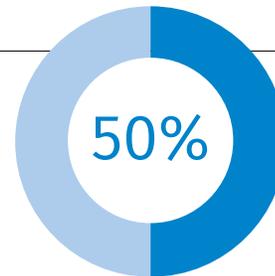
Spotlight

Managed services

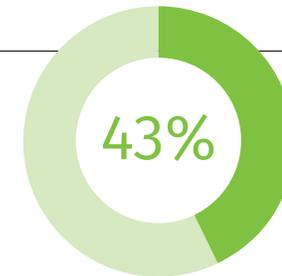
The emergence of managed service contracts means that corporations can lock in pricing over extended time periods, helping to control cost. These services are available across legal invoice review, licensing, corporate compliance, and legal tech stack management.

Legal/corporate compliance departments have historically tended to outsource low-level back-office support functions but are now regularly outsourcing at director level for IT, marketing, finance, and compliance without the burden of offering full-time compensation.

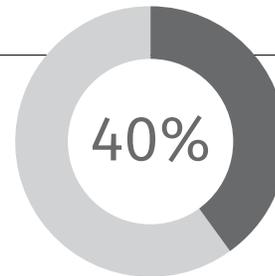
Top challenges when outsourcing legal/corporate compliance work



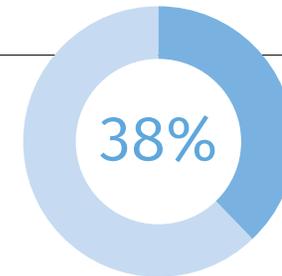
Cost



Expectations being met



Subpar vendor technology



Communication



Wolters Kluwer: A legal outsourcing partner to rely on

Outsourcing can differentiate your department and improve capacity without increasing overhead. Delegating time-consuming and mundane tasks allows for attention to more meaningful work, so you have more time to dedicate top-notch service to clients and generate stronger profits.

Wolters Kluwer can help.

Serving legal professionals in law firms, general counsel offices and corporate legal departments with data-driven decision-making tools, Wolters Kluwer streamlines legal and regulatory research, analysis, and workflows to drive value to organizations.

Find out more.

To learn more about how we can streamline your compliance workflows, contact a CT representative or visit wolterskluwer.com/en/solutions/ct-corporation

To learn more about our enterprise legal management solutions, and managed services offerings, visit wolterskluwer.com/en/solutions/enterprise-legal-management

About Wolters Kluwer

Despite uncertainty creating unrest across many industries, for decades Wolters Kluwer has streamlined legal and regulatory research, analysis, and workflow to drive value to organizations, ensuring more transparent, just and safe societies.

We provide trusted outsourcing services through two accomplished Wolters Kluwer entities:

- **CT Corporation** is the premier provider of legal entity management, corporate compliance, and due diligence solutions. Over 130 years of market expertise and a vast network of compliance professionals enables CT to manage and support complex legal and compliance requirements on behalf of its customers.
- **ELM Solutions** provides market-leading legal spend and matter management, contract lifecycle management, and analytics solutions for corporate legal and insurance claims departments. Our managed services expertise, advanced technologies, and proven best practices help you improve efficiency, control legal spend, and optimize your legal operations.

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Wolters Kluwer can help.

To learn more about how we can streamline your compliance workflows, contact a CT representative or visit [wolterskluwer.com/en/solutions/ct-corporation](https://www.wolterskluwer.com/en/solutions/ct-corporation)

To learn more about our enterprise legal management solutions, and managed services offerings, visit [wolterskluwer.com/en/solutions/enterprise-legal-management](https://www.wolterskluwer.com/en/solutions/enterprise-legal-management)

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