

# Market Guide for Enterprise Legal Management Solutions

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Inherent legal risks in privacy and data security extend the responsibility of enterprise legal and compliance teams. Technology solutions can optimize their capacity. This guide helps security and risk management leaders navigate various options.

## Key Findings

- Digital business is adding compliance and regulatory complexities.
- Legal analytics is an exciting category of technology that attracts proof of concept (POC) projects and the attention of investors. It includes applications of data analytics on legal spend data, and machine learning and natural-language processing (NLP) on legal content.
- The sizes of legal budgets and teams continue to increase due to elevated responsibilities. More legal work is being shifted from law firms to in-house counsel. According to the 2016 Chief Legal Officer Survey by Altman Weil, from 2015 to 2016, 41% of legal departments decreased their outside counsel spend.
- Large legal departments prefer consolidated enterprise legal management platforms.

## Recommendations

To strategize a risk management program:

- Partner with business leaders to set digital business strategy to ensure that their initiatives reflect privacy and data protection regulations and laws.
- Partner with IT, legal and compliance teams to build a technology investment plan to effectively equip these teams to support digital business initiatives.
- Start proof-of-concept projects to "test the water" on newer technology solutions such as legal analytics.
- Form a regulatory risk remediation project template that includes elements such as scoping approaches, key stakeholders, timeline and cost analysis in response to new laws and

regulations, such as the EU's General Data Protection Regulation (GDPR) or China's 2016 Cybersecurity Law.

## Strategic Planning Assumptions

By 2021, 50% of large enterprises will have invested in legal analytics solutions, up from 10% today.

By 2021, chief legal officers of large enterprises in regulated sectors will spend 25% of their time dealing with privacy and regulatory issues related to the Internet of Things (IoT).

## Market Definition

Enterprise legal management (ELM) is part of a growing category of integrated risk management solutions (IRMS; see "Transform Governance, Risk and Compliance to Integrated Risk Management") focused on supporting chief legal officers (CLOs), general counsel (GC), risk and compliance teams, corporate secretaries, boards of directors, and senior management through workflow automation, legal content management, spend analysis, information availability and collaboration.

ELM solution capabilities include (but are often focused on one or a number of):

- **Matter tracking:** Includes matter life cycle management, reporting dashboards, integration into matter intake and conflict checking systems, calendaring, and data aggregation.
- **Legal document management:** Includes document access and version control, search and retrieval, metadata management, document sharing, and integration to enterprise content management (ECM) systems.
- **E-billing:** Supports invoices or bills from external legal service providers electronically submitted in Legal Electronic Data Exchange Standard ([LEDES](#)) format for payment.
- **Legal spend management and analytics:** Includes budgeting, accounting and tax rules, consistency validation, alternative fee arrangement (AFA) management, integration to time tracking, ERP and financial systems, and benchmarking against industry statistics for advanced analysis.
- **Workflow and collaboration:** Supports the automation of legal business process management, including email integration, information sharing, approval process and security.
- **Legal contract management:** Supports the process of contract creation, execution and analysis.
- **Intellectual property (IP), patent management/docketing:** Caters to the invention recording and filing process. It tracks and manages IP-related content (patent, trademarks, annuity, etc.) and court filing schedules.

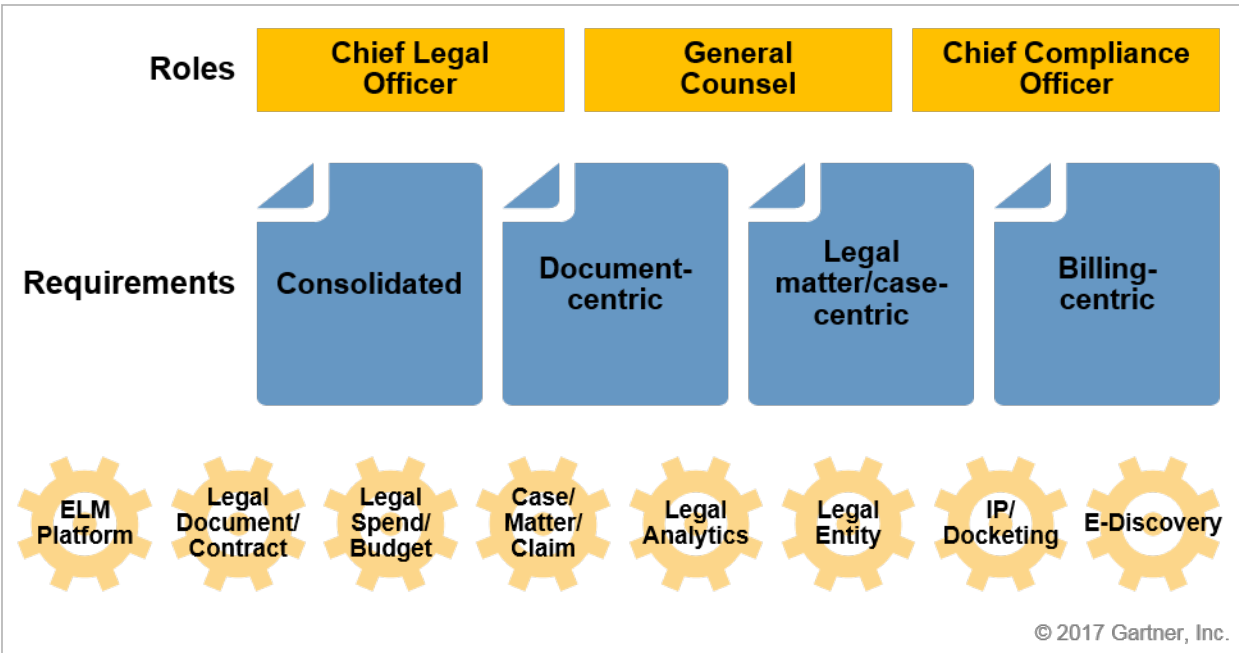
- **Legal entity management:** Aggregates data and provides reporting on a company's domestic and international subsidiaries.
- **E-discovery:** Supports a process to identify, collect, process, analyze and review electronically stored information for responding to an investigative event.

Gartner prefers solutions that cover the first five capabilities as ELM "consolidated" or "platform" solutions. Solutions addressing only one or a few capabilities (for example, legal contract management plus analytics, or only e-discovery) are referred to as "point" solutions. These usually can be deployed as on-premises, hosted or SaaS solutions. Pricing structures correspond to each deployment model. During implementation, data integration into primary internal enterprise systems (such as ECM, ERP, email systems and IRMS) is typical. Certain point solutions (such as IP, patent management/docketing) may include data feeds from external court systems.

### Market Direction

CLOs or compliance and risk teams fulfill legal and compliance duties through internal resources, as well as by leveraging external law firms and legal processing outsourcers. ELM solutions can automate and facilitate the tasks and processes related to these duties. The ELM market includes various capabilities to meet the needs of different target audiences (see Figure 1).

Figure 1. Eight ELM Capabilities



Source: Gartner (February 2017)

ELM solutions primarily support the roles of CLO, GC, chief risk officer (CRO) and chief compliance officer (CCO). Their common requirements can be grouped into four categories:

- **Consolidated projects** prefer single platform solutions with functionalities of matter, legal document and e-billing management, legal spend analysis, and workflow capabilities.
- **Document-centric projects** focus on legal document management, and often include contract management.
- **Matter- or case-centric projects** focus on tracking legal matters (such as litigation, investigation and claims) by linking documents, communication, financial, resource allocation and other content to a matter/case.
- **Billing-centric projects** require legal CRM tools that focus on invoice and payment data. Legal spend analysis is often included as well.

Enterprise legal projects with different requirements can be mapped to the relevant solutions, depending on capability range as well as targeted buyers (see Table 1).

Table 1. ELM Requirements and Solution Capabilities

	ELM Platform	Document or Contract	E-Billing Spend/Budget	Matter/Case Claims Management	Legal Analytics	Legal Entity Management	IP/Docketing	E-Discovery
Consolidated	✓							
Document-centric	✓	✓			✓			
Matter-centric	✓			✓			✓	✓
Billing-centric	✓		✓		✓			
Other	✓					✓		

Source: Gartner (February 2017)

## Market Development

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### Legal Analytics

Gartner uses "legal analytics" to refer to a category of ELM solutions that help group and monitor the fast-evolving legal artificial intelligence (AI) trend, as well as technologies that apply advanced analytics. A large number of startups in this category are catching the market's attention (see the Legal Content Analytics and Legal Spend Analytics categories in the Representative Vendors section of this report). Leading law firms (for example, [Linklaters](#), [Pinsent Masons](#) and [Dentons](#)) are actively exploring the potential of these newer technologies by running POC projects.

In recent years, AI has been a major force energizing the technology market. "Legal AI" — that is, use cases applying AI for delivering legal services — may be a good term to capture marketing campaigns promoting AI's potential effect on how legal services can be delivered. Much of the promise by vendors today is too greatly hyped or too broad to resonate with typical enterprise legal team buyers.

The maturity of legal analytics solutions varies. For example, legal spend analytics has been available and adopted by large enterprises for some time now, whereas NLP-based text analytics are still in the early stages of being market-tested.

### Internet of Things

In addition to its numerous benefits, the IoT is causing legal and regulatory uncertainties to both its providers and adopters. For example, how will ownership and liability be shared and transferred when there is no human face-to-face contact in a sales transaction? Or, what is considered patentable where processes and interactions are conducted and brokered via parties that are all machines? Who is responsible for a consumer profiling case rooted in shared and collected machine data?

As more enterprises adopt and invest IoT-related product development and projects, more legal and regulatory ambiguities will emerge. A legal framework for IoT (information governance, legal liabilities, etc.) is urgently needed. Until such a legal framework is available, the CLO becomes the go-to person for legal and regulatory advice.

As a result, new legal practices emerge and will continue to expand to help businesses navigate the risks and opportunities in the still-maturing IoT landscape during the entire product life cycle.

### Merger and Acquisition

The ELM market had a number of merger and acquisition (M&A) activities in 2016. Mainly, large vendors acquired more technology assets. For example, Mitrastech completed the acquisitions of Viewabill, CMO Software and Hitec Laboratories; and Wolters Kluwer acquired Enablon. CMO Software, Hitec Laboratories and Enablon were pure-play vendors in the governance, risk and compliance space. This pattern not only indicates that ELM vendors are moving into the risk management market, it reflects that enterprise buyers wish to manage all risks (legal, IT, operational,

etc.) in an integrated manner (see "Transform Governance, Risk and Compliance to Integrated Risk Management").

## Market Analysis

The impetus for ELM solution investment varies, but improving the efficiency and effectiveness of legal/compliance department functions is the one typically cited by Gartner's clients. Depending on the size of an internal legal or compliance department, buyers will have different budgets; some may focus on supporting only a limited area of legal management functions. For example, organizations may focus only on IP management, contract and legal content management, or just e-billing plus legal spend analysis. But increasingly, large and global buyers desire one solution for managing all the aspects of legal matters.

Many organizations still leverage Excel spreadsheets and email or other homegrown solutions to facilitate their legal matter management and legal department functions.

Two evolving factors could drive higher adoption of ELM solutions:

- Since the global economic downturn in 2008, more enterprise legal work has been shifting from law firms to in-house counsel. According to the [2016 Chief Legal Officer Survey](#) by Altman Weil, from 2015 to 2016, 41% of legal departments decreased their outside counsel spend. The same survey shows a consistent pattern for the past seven years.
- Digital business is adding compliance and regulatory complexities. In 2016 alone, regional and national data privacy and protection laws, such as EU's General Data Protection Regulation (GDPR) and the new [2016 Cybersecurity Law](#) in China, have triggered new sets of risks and legal issues.

## Chief Legal Officer in the Driver's Seat

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Two main factors have been elevating CLOs' responsibilities:

1. **The aftermath of data breaches:** Data breaches have become a new reality for all businesses. Companies that have experienced data breaches often face consumer class action lawsuits after the breach. The basis for such claims could stem from breach of a contract, negligence, poor business practices and liability for privacy violation. In addition to lawsuits, data breaches may also trigger regulatory scrutiny and enforcement. Many can result in severe fines and sometimes jail terms for the executives responsible.
2. **Data privacy and cybersecurity laws:** Among others, GDPR and the 2016 Chinese Cybersecurity Law have significant impact on global organizations. Often, the impact assessment itself requires an enterprisewide project. Deadlines as well as the risk of incompliance for these types of regulations and laws are non-negotiable. CLOs may be expected to clear uncertainties for business leaders in terms of compliance. Many companies have begun their GDPR remediation projects. CLOs are often assigned as a key stakeholder, or co-lead the assessment and action planning effort.

## "Matter Management" Solutions Target Either Corporate Legal Departments or Law Firms

Matter (or case) management provides a centralized approach for corporate legal teams and law firms to track information related to a legal matter. Typically, CLO is the direct "owner" of a legal matter while a law firm is contracted by the CLO to provide legal services for the matter. Although working on the same legal matter, the CLO and the law firm would have different responsibilities. A matter management solution could be designed and marketed with one type of user (either the CLO or the law firm) in mind. Therefore, there are two types of solutions in the marketplace: enterprise-legal-department-focused and law-firm-focused.

However, at the core, these solutions are similar in their ability to track the life cycle of the matter. Furthermore, some larger in-house legal departments (over 100 legal users, for example) or certain legal departments of special organizations (i.e., regulators) function and operate similar to a law firm. Hence, evaluation of a matter management tracking system could include both types of solutions. Increasingly, some vendors market and sell a single solution to both enterprise legal departments and law firms.

## Innovations — Legal Spend Analytics and NLP on Legal Content

Technologies that can collect, correlate and generate statistics on billing information (mostly structured data) allow CLOs to monitor and control legal spend. Legal spend analytics as a concept does not necessarily qualify as "innovation." But information availability, comparability and process limitation have led to CLOs' inability to gain meaningful insight on their legal spend. Newer technology solutions that leverage better analytics engines (this is where the "innovation" label does apply) can overcome some of the existing limitations. With increasing cost-cutting pressure on CLOs, interest in leveraging legal analytics technology to analyze legal spend information continues to rise.

Technologies that can analyze unstructured legal content (such as legal contracts) can provide better and more precise search clustering by leveraging natural-language processing and machine learning capabilities (see the NLP for Legal Practices technology profile included in "Hype Cycle for Legal and Regulatory Information Governance, 2016"). Riding on the wave of legal AI, a large number of vendors market their solution as such. This segment of the market is in its early stage; market hype exists and creates more confusion than solid use cases. However, as large firms use POC projects to test these early solutions, uses cases such as contract and court decision analysis will mature faster than others.

## Large Legal Departments Prefer Consolidated ELM Platforms

The CLO or GC often serves as a hub for providing and facilitating legal services in responding to both internal and external requests. Large legal departments may have 200-plus users and support a high volume of transactions (totaling up to millions of U.S. dollars) per year. Point ELM solutions, such as supporting only e-billing and legal spend analysis, lead to siloed systems of record. Gaining the view of a "single pane of glass" on a legal matter is difficult.

A better strategy is moving toward a platform solution that can support all different aspects of a legal matter. But such systems often incur higher costs and longer implementation. Deployment



models such as SaaS can solve some of these challenges. Platforms with better pricing structures and improved designs (such as configurable modules for different use cases) have become more competitive in supporting large global companies.

### Size of Legal Budgets and Departments Continue to Increase

According to the 2016 Altman Weil CLO [survey](#), four times as many legal departments expect to hire in-house lawyers compared to the ones planning to decrease internal legal staff, continuing a consistent trend; since the survey was devised seven years ago, far more legal departments have increased in size than have decreased. The same trajectory of more increases than decreases is also true for other types of legal staff, such as contract lawyers, paralegals and support staff.

The survey data also shows that from 2015 to 2016, 50% of legal departments expanded their internal legal budgets. But only slightly over 25% of companies reduced their in-house legal spend. Furthermore, this has been consistent over the past seven years.

The trends highlighted in Altman Weil's survey are consistent with Gartner's finding that CLOs have been taking on more responsibilities as enterprises innovate in the digital era and the legal and regulatory landscapes continue to evolve.

### Representative Vendors

*The vendors listed in this Market Guide do not imply an exhaustive list. This section is intended to provide more understanding of the market and its offerings.*

The vendors listed below (see Table 2) deliver most of the capabilities described in the Market Definition section. Some solutions focus more on matter management, or on legal contract/document management, while others focus on e-billing and spend data analysis. These vendors often differ on architectural, technological or go-to-market elements. As a result, client organizations are advised to ask vendors about their critical capabilities, scalability and delivery models.

Table 2. ELM Sample Vendor List

Vendor Type	Sample Vendors
<b>ELM Platform</b>	doeLEGAL, Legal Suite, LexisNexis, Mitratesh, Onit, SimpleLegal, Thomson Reuters, Wolters Kluwer
<b>Legal Contract/Document Management</b>	ContractRoom, HotDocs, LegalSifter, OpenText, Optimus BT, PactSafe, Seal Software, Xerox
<b>IP/Docketing</b>	Anaqua, CAPGlobal, Denemeyer, IPfolio
<b>Legal Content Analytics</b>	AtlaSense, Brainspace, eBrevia, CPA Global (Innography), Kira Systems, Legal Atlas, LexisNexis (Lex Machina), Manzama, Neota Logic, Ravel Law, Ravn, ROSS
<b>Legal Spend Analytics</b>	Elevate Services, GC Hub, Consilio (Sky Analytics), Sterling Analytics, Mitratesh (Viewabill)
<b>Legal Entity Management</b>	Berkman Solutions, Blueprint OneWorld, Computershare, Corporatek, CT Corp.
<b>Claim/Case/Matter Management</b>	Aderant, BlueVault, CaseFleet, Clio, Fulcrum GT, HighQ, LawBase, MyCase, Orion, Rocket Matter, Thomson Reuters (ProLaw, MatterSphere)
<b>E-Discovery</b>	AccessData, Catalyst, Everlaw, Exterro, Guidance Software, kCura, Microsoft, Nuix, Veritas, ZyLAB

Source: Gartner (February 2017)

Also see "Market Guide for Contract Life Cycle Management," "Magic Quadrant for Enterprise Content Management" and "Market Guide for E-Discovery Solutions."

## Market Recommendations

Security and risk management leaders and their teams should consider the following recommendations for ELM solutions in any legal/risk/compliance management projects they initiate or support:

- **Select a proper ELM solution:**
  - Diagram current legal services processes, including business entities and data sources.
  - Gather information on legal matter growth and legal spend for the past three or five years to identify trends.
  - Project future legal service needs and estimate costs.
  - Determine whether current technology solutions and processes are sufficient for the next three to five years. If not, create a business case on a new project to architect and evaluate new solutions.

- Share the business case with — and gain support from — the CTO, CFO and CIO.
- Require vendors and implementation partners to demonstrate their capacity, scope and manner of offering, and customer support.
- Demand clarity on product support and development roadmaps when shortlisting recently consolidated vendor solutions.
- **Learn new legal technologies:**
  - "Dip your toes into the legal analytics water" by running POC projects on some of the new technologies.
  - Identify efficiency-enhancing opportunities by evaluating current legal spend and metrics against industry benchmarks.
- **Treat new legal and regulatory risks as part of IRMS:**
  - Create a detailed project plan, including key stakeholders and milestones, in your assessment and action planning for meeting the requirements put forth by the EU's GDPR, China's Cybersecurity Law, or other similar relevant and impactful regulations on your business.
  - Require all external providers (law firms, cloud vendors and legal service providers) that are part of the "legal service food chain" for legal departments to adhere to a set of data and privacy protection standards in information sharing, communication and collaboration.
  - Validate audit criteria, and make sure these providers meet risk and compliance controls.
  - Include legal services in overall integrated risk management charter and assessment scope, which will enable strategic mindset building for ELM.

## Gartner Recommended Reading

*Some documents may not be available as part of your current Gartner subscription.*

"Market Guide for Enterprise Legal Management Solutions"

"Hype Cycle for Legal and Regulatory Information Governance, 2016"

"Predicts 2017: Audit, Compliance and Legal Management"

"IT Planning Guidance for Legal Professionals: The Gartner Legal IT 2020 Scenario"

"Transform Governance, Risk and Compliance to Integrated Risk Management"

## Evidence

The analysis and advice provided in this document are built from constant scanning of the market, as well as from the aggregation of analysts' experience and ongoing interactions with end users and technology providers. We used a range of sources to feed our perspective on the topics discussed in this document:

- Gartner customer inquiry and conversations
- Discussions between Gartner analysts with expertise in key technologies as well as vertical markets
- Previous Gartner analysis of ELM and related technologies

Gartner analysts also leverage secondary sources of information, including surveys, financial earnings and media reports.

[2016 Chief Legal Officer Survey](#) by Altman Weil

[2016 Law Department Survey](#) by HBR Consulting

J. Croft, "[Legal Firms Unleash Office Automations](#)," Financial Times. 16 May 2016

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