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No more CLMs:
The search for better legal tech

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Introduction

_____ Meet the challenges of modern legal teams

In-house legal teams face some tough challenges. From a lack of resources and budget, to increased business pressure to turnaround work faster, in-house lawyers are increasingly in demand.

With much of their day-to-day still focused on manually drafting, reviewing and analysing contracts, the work continues to pile up.

These tasks take up a considerable amount of their time, which could be spent on much higher-value work for the business, from supporting strategy and planning to evaluating risks.

In recent years, there's been a huge leap in software designed to support different areas of the wider business: sales teams have the best-in-class CRMs, finance teams have access to the latest accountancy and expense management software. Meanwhile, in-house legal teams have been left behind, as there is little purpose-built technology that truly delivers value, and quickly.

Legal teams want to embrace technology. The 2023 Legal Technology Report for In-house Legal Professionals proves it. Of 252 in-house legal professionals surveyed, 78% called legal tech a "must have."

But wanting new tools isn't enough. The problem at the heart of this issue for in-house legal teams isn't that they're apprehensive about legal technology, it's that there's a huge gap in the market for something that actually meets their needs.

Historically, the only option they've had is CLM systems. Through a July 2023 survey of 100 US-based General Counsels, we found that only 40% of respondents are currently using a CLM.

In short, there has been poor market penetration and weak adoption of CLMs, because they are too expensive, too slow, and they often don't actually meet the day-to-day needs of in-house legal teams. The small number that are adopting CLMs, are either stuck in long, costly implementation processes, or are finding out that the ROI is considerably lacking.

There's a huge opportunity to provide technology that delivers value from the get-go.

In this paper, we will explore:

- Current challenges facing in-house legal teams
- CLMs and how they are used
- Alternative strategies and AI-native solutions

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What do legal teams do now?

Legal departments are spending nearly 50% of their time managing contracts.

According to research carried out by Gartner, legal departments are spending nearly 50% of their time managing contracts. This comes at the expense of spending time on higher-value activities - from supporting new revenue streams, to horizon scanning for business risks and mitigation tactics.

It seems that lots of in-house legal teams are stuck in a cycle of manual tasks, often repetitive in nature, that come at a high opportunity cost.

Considering how frustrating this is for legal teams, it shouldn't come as a surprise that as part of Georgetown Law's 2023 report on the state of the legal market, James W. Jones, Senior Fellow at the Center on Ethics and the Legal Profession, highlighted "record-low productivity" in the legal industry.

Current tools

The trusty MS Word, the favoured tool of the legal profession, is not without its challenges - especially when it comes to version control and collaboration.

However, there are new ways to maximise the value of MS Word, with add-ins that enable legal teams to harness the power of cutting-edge legal technology solutions, but from the environment that they feel most comfortable working in.

There's also a lack of a centralised document repository, which makes locating contracts, clauses and obligations a constant uphill battle for legal teams.

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Gartner found that 60% of supplier contracts end up being auto-renewed without buyer knowledge. World Commerce & Contracting estimate that poor contract management costs companies 9% of their bottom line, and missing auto-renewals is one of the main contributing factors.

With documents scattered across multiple sources like SharePoint, Outlook, document management systems or personal hard drives, legal teams often have no idea where contracts are stored. This lack of centralised document storage means legal teams have very little oversight of key terms in these agreements.

With no single source of truth, it's impossible for legal teams to have comprehensive knowledge of all the important contracts, clauses and obligations under their remit, which is definitely a key reason why Gartner found that 60% of supplier contracts end up being auto-renewed without buyer knowledge.

World Commerce & Contracting estimate that poor contract management costs companies 9% of their bottom line, and missing auto-renewals is one of the main contributing factors.

Legal teams need complete visibility and oversight of their documents, but they also need to ease the administrative burdens associated with the manual, time-consuming, routine legal work that takes up the majority of their time.

CLMs haven't yet provided the real answer to the challenges outlined - creating room for new technology that will empower legal teams to work more effectively and efficiently, which has knock-on consequences for wider business performance.

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Keeping up with the wider business

AI is already becoming a key productivity driver across teams like marketing and finance. This has enabled them to move at considerable speed, benefitting from the greater efficiency that applying AI to the right use cases can unlock.

Within the last 6 months, there have been huge leaps in the technology available to in-house legal teams.

Large language models (LLMs) are particularly adept at solving some of the key challenges of legal teams - because they can handle huge volumes of text input.

This means that for the first time, lawyers have a new window of opportunity to unlock productivity gains.

The rise of generative AI for legal is timely - as market conditions are challenging for all businesses, and with more pressure than ever before on budgets and resources, legal teams can now benefit from new AI-native products that can empower their lawyers.

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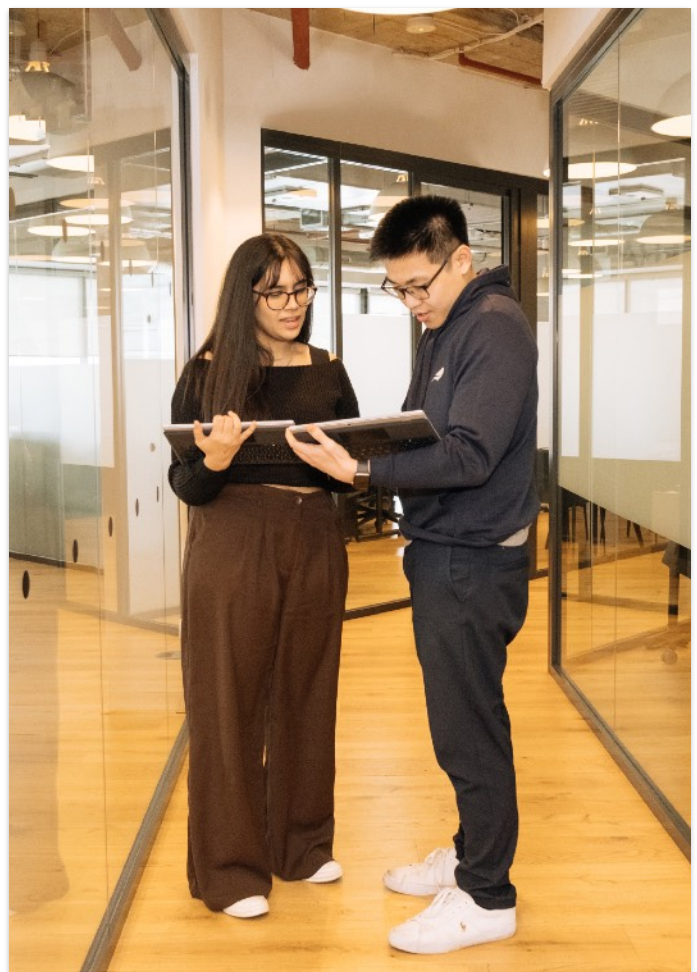
What are CLMs?

Contract Lifecycle Management systems (CLMs) have been around for roughly the last decade and a half. They are typically "enterprise" in nature, designed for large in-house legal teams, and built to be comprehensive, covering every aspect of contract management.

They usually come in a "one-size-fits-all" package, that can be time and resource-intensive to implement with the objective of unlocking productivity in legal teams in the long term.

As they're built on outdated, pre-existing technology, CLMs are unsuitable for modern legal teams, as they lack the substantial power found in contemporary, AI-native solutions. Whilst they might be advertised as cutting-edge, the reality is that they aren't designed to accommodate the latest innovations and as a result, are unable to offer the same transformative applications to legal work.

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CLM challenges

There's a number of key reasons why CLMs fail to deliver sufficient value for legal teams, such as:

A ## Not modular

A CLM is a large, all-encompassing, one-size-fits-all piece of software that isn't flexible enough to solve discrete, immediate business problems, like accelerating review of third party paper.

B ## Complex onboarding

Because CLMs are big, inflexible systems, they're very difficult to onboard, especially for teams who might want to use a part of the solution to solve a particular challenge, and implement in a steady step-by-step way. It's not easy to implement wholesale change, when an incremental approach is better.

C ## Expensive

The cost of CLMs themselves might price out a number of in-house legal teams, but the total cost - when factoring in implementation fees, support costs, ongoing consultancy add-ons means that it's challenging to test and validate technology then measure outcomes.

D ## Not AI-native

Most CLMs were built a while ago, before the emergence of advanced AI systems. This means that they're now playing catch up, trying to bolt-on opportunities for their clients to get the value of AI, without having it built into their software from the ground up.

Typical CLM costs

To understand the potential impact of getting a CLM in place, here's a breakdown of what they typically require:

- Cost of software (often a long-term commitment required i.e. 3 years)
- Cost of add-ons, extra modules etc
- Cost of integrations
- Cost of implementation
- Cost of professional services to advise on implementation cost of team time
- Opportunity cost of team time not being spent on other important business tasks

CLM risks

It's hard to make a buying decision when there are so many risks to an implementation going wrong.

Knowing that legal teams have so much on their plate, being faced with an implementation that could take longer than 6 months, is not an attractive prospect.

Even if implementation is successful, because of the astronomical costs associated with getting a CLM in place, it will take years for legal teams to start seeing any ROI, which in this current economic climate is too great a risk to consider.

The initial promise of CLMs was great, but in a market where new technology is leapfrogging historic capabilities, there's a new kid on the block that might provide an alternative to generate faster and cheaper wins for in-house legal teams.

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The emergence of powerful LLMs fine-tuned for legal

LLMs have changed the game. They possess vast capabilities that enable legal teams to solve challenges that didn't seem solvable in the legal industry just 18 months ago.

These are related to several key areas of typical manual legal work, such as:

- The ability to read and analyse lengthy legal documents in a fraction of the time it takes a human
- Reliably extracting critical information located in contracts in a matter of moments
- Instantly answering contract-related questions

Having software that is AI-native is now a key requirement for any in-house legal team that wants to adopt a tech-forward approach to driving efficiency and unlocking productivity.

Working with companies that develop AI-native software means that you get the benefit of their deep machine learning and generative AI expertise. There are legal technology companies that combine this type of technical expertise with teams of legal professionals - creating "lawyer-in-the-loop" models. These types of companies are best placed to evolve their capabilities over the coming months, as foundation models evolve and become even more advanced.

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Alternative approaches
for in-house legal teams

Legal departments are spending nearly 50% of their time managing contracts.

There's a lot at stake for legal teams when it comes to finding technology that will deliver both the desired functionality and value from their investment, and with so many things to consider, they require a shrewd strategy to ensure they're making the right choices.

As advanced AI systems take precedence with their power to transform businesses, the scope for legal applications of AI is exponential. It's critical that legal teams are aware that when harnessed for the right use cases, AI has the capability to dramatically reduce the time it takes to handle routine work. This makes it a must-have for any legal team looking to solve their day-to-day challenges.

With this in mind, it's important to outline the approach that legal teams should be taking, if they are to effectively leverage technology.

1. Identifying AI-native solutions

When it comes to AI, assessing the market can be tricky for legal teams.

With so much hype around it, it's becoming increasingly difficult to separate fact from fiction when considering AI-powered solutions, as many of the companies that are claiming to have harnessed it, are not actually AI-native. So the first thing legal teams must do is be able to make this distinction.

By Ericsson's definition, "AI-native is the concept of having intrinsic, trustworthy AI capabilities where AI is a natural part of the functionality in terms of design, deployment, operation and maintenance. An AI-native implementation leverages a data driven and knowledge-based ecosystem, where data and knowledge is consumed and produced to realise new AI-based functionality or augment and replace static, rule-based mechanisms with learning and adaptive AI when needed".

For Ericsson, AI-native also "includes the pervasive use of AI and a required accompanying data infrastructure in all sub-components of an entity".

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Steps to effectively leverage AI technology

In their words, anything that isn't AI-native is merely the process of "adding on an AI-based component to an existing non-AI-based entity."

The focus for legal teams, then, must be on exploring the market to determine which companies are AI-native, and which aren't. Doing this will ensure that legal teams find a technology provider that has the necessary expertise and talent to deliver best-in-class AI-powered solutions.

2. Researching the applications of LLMs

Legal teams should also do their own research on LLMs, to draw their own conclusions on where LLMs can be applied to assist with their day-to-day work, particularly in terms of solving the challenges of manual, routine tasks and also establishing a single source of truth.

By developing a greater understanding of LLMs and their legal use cases, it will be much easier for legal teams to immediately realise their benefits and deliver value from their tech investment.

3. Getting hands-on with technology to test and experiment

Where possible, legal teams should look to trial systems before committing to investing in them.

A chronic challenge within the legal technology market is that legal teams often have no chance to trial CLM systems, which means that even if they commit considerable sums of money towards them, they can't get their hands on the technology for months.

This creates a host of blockers to implementation, where people lose excitement for new technology and interest wanes, and when it comes to onboarding, having no experience with a system makes this fundamentally more difficult.

4. Cost/benefit analysis

In the current economic climate, being fiscally responsible is of paramount importance to legal teams, especially with the added pressure placed upon them by their comparatively high departmental budgets, so there's an obvious need to ensure they invest wisely in technology.

The first way to address this need is to perform cost-benefit analysis on any new systems that are being considered. It will become clear, for instance, when looking at CLMs, that the higher costs they demand won't be reflected in any immediate benefits, given their challenging implementations and the additional internal resources they require to get over the line.

5. Understanding ROI in year 1

Additionally, legal teams have to realise a genuine return on investment from their tech spending, and this means generating real value from day one. If an expensive CLM takes months, or perhaps a year to be implemented, then there's very little immediate returns that legal teams can expect from this.

Even once implemented, it's likely that achieving any ROI will take years, due to the initial costs and the fact that whilst the implementation drags on, many problems remain unsolved and work will continue to pile up.

6. Adopting an iterative approach

With their volume of work already at tipping point, it's critical that legal teams have a clear idea of the amount of time and internal resources that getting technology in place will use. They can't afford to be spending long periods of time focusing on technology, and certainly don't have the luxury of being able to wait months on end for a new system, as the work doesn't just stop at their convenience.

With all of that in mind, we believe legal teams should adopt a modular approach to technology. This means they can focus on solving discrete every day challenges and get immediate results, without being committed to an all-or-nothing implementation that takes considerable time to deliver any kind of viable return on investment.

What are the discrete challenges that a modular approach could solve?

Modular technology enables in-house legal teams to adopt an iterative approach to solving challenges.

You can start with the most pressing problems - where solving these challenges would have the highest impact for your team.

You should optimise an approach that enables you to start using the software straight away, so you can test and draw your own learnings. You should also consider an approach where there aren't excessive implementation costs or add-ons to get started.

This approach is most effective from a change management perspective - building a series of wins and learnings that enables the whole team to see the benefit of the changes.

Here's a summary of some of the specific problem areas that could quickly be solved with a modular approach:

- Reviewing third party paper with speed and accuracy
- Finding a consistent and fast approach to drafting routine agreements
- Quickly retrieving information buried in contracts
- Reducing time on ad hoc tasks (drafting memos, emails etc)

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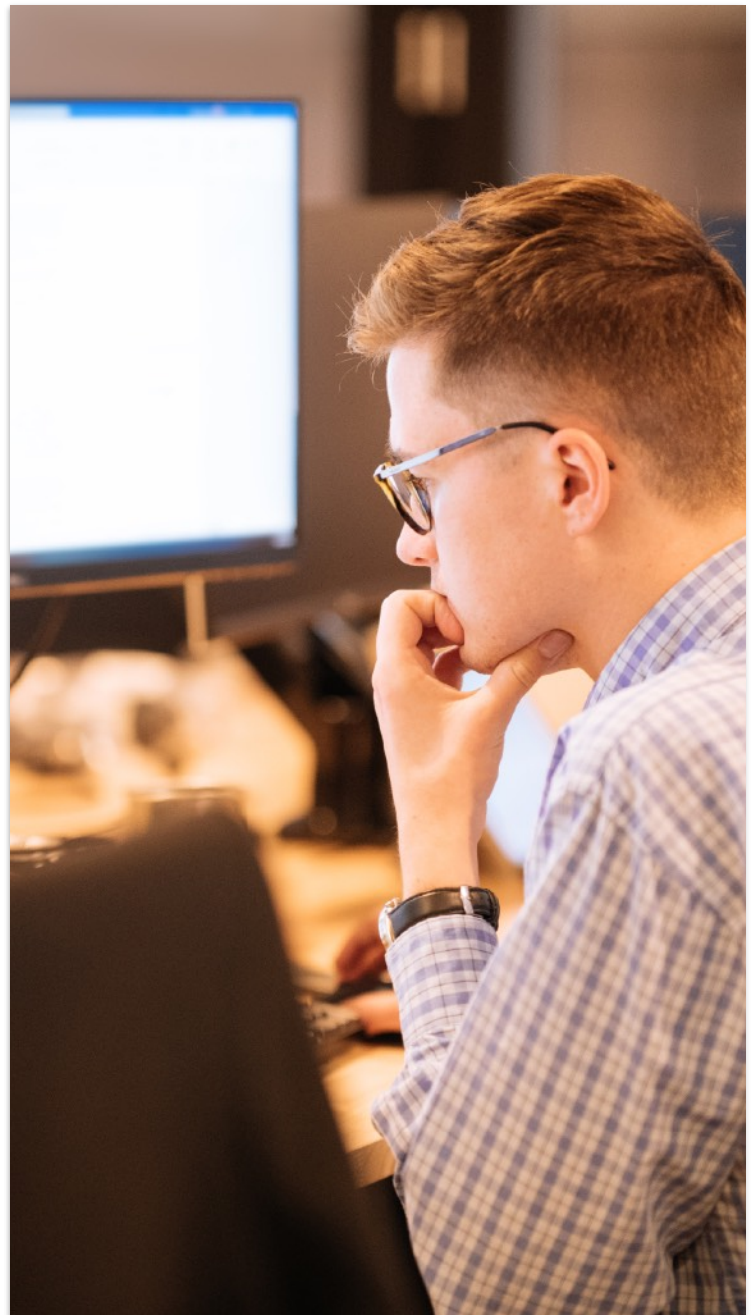
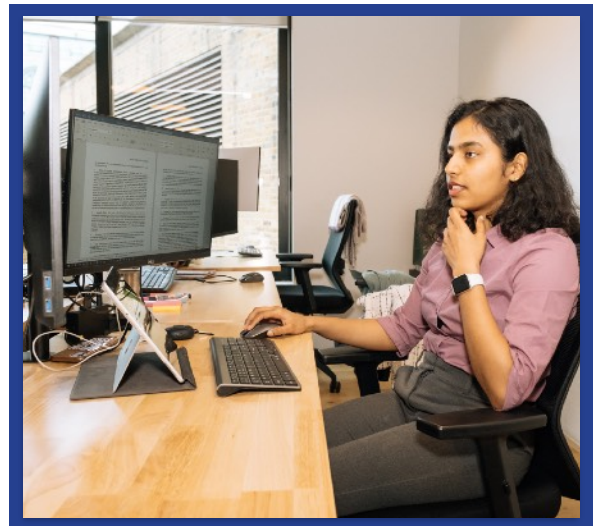## Modular software solves contract challenges

Third party paper

Reviewing third party paper is a time-consuming task. More time is required on review as the risk is greater when the contract hasn't been drafted by your team. Combing through it to ensure that the terms are commercially sensible takes time and effort.

Whilst there has been legal technology to support contract review on your own templates for some time, third party paper has always been a challenge. LLMs have changed that dynamic, as they can consume, understand, label and suggest edits for contracts in seconds, even if they haven't seen the document before.

Drafting

When considering how long it takes to draft a new agreement, it's even more difficult when around this manual work, is a repetitive, back and forth approvals process that results in legal teams waiting around for sign-off.

With contract tools that can store pre-approved contract templates and auto-populate terms through forms, alongside built-in approval workflows offering the oversight and control that legal teams require, this heavy workload will be greatly reduced.

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Version control

Most legal teams will know the challenge of version history - they've probably all seen a document or two with a title that looks something like FINAL(FINAL)_DRAFT_V28 (1).docx. It's safe to say that it can be difficult to keep track of versions without a bit of help from technology.

Tools that can easily manage version control, version history and provide complete audit trails remove the risk of human error or confusion in the process.

Retrieving information in contracts

Traditionally, with no single source of truth, it's incredibly difficult, if not impossible, to have the required oversight of information buried deep in contracts.

A centralised contract repository will enable legal teams to consolidate all their documents into one searchable library. Legal teams can locate important information with just a few clicks, whilst considerably de-risking processes, as they won't miss any key obligations or terms. Comparing clauses and precedents across all their contracts enables legal teams to have a detailed overview of their agreements.

Clearly understanding the problem you're looking to solve, and then finding a solution that can solve that exact problem, delivering fast results and learnings is a great example of an iterative approach. Modular software supports this kind of step-by-step progress, instead of demanding a wholesale change in processes.

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Looking ahead

___ The future is modular, AI-native legal tech

This paper has explored some of the key considerations for in-house legal teams when looking at technology to improve efficiency and productivity.

The rapid development of AI-powered technology is finding new ways to solve problems every day, making the future very exciting for legal teams. But what does this future really look like?

It starts with a modular, iterative approach. Legal teams should no longer be committing their time or money to long-winded, resource-heavy CLM implementations that don't deliver ROI.

This all-or-nothing approach is too long and too risky, so meeting functional needs from day one with something modular will give legal teams

the immediate impact and return on investment they need to relieve their heavy workload and internal pressures.

AI is the word on everyone's lips, and for good reason. LLMs have the potential to make routine legal work faster and simpler than ever before. It was inconceivable 2 years ago that you could reduce the time to review a contract by over 80% with technology. And now that reality is here.

LLMs and legal work are a match made in heaven. Legal teams struggling with consistently high-demand for the low-value, repetitive tasks that eat up their valuable time need something to ease the burden, and LLMs are the solution to this.

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Corporate legal departments will become the "department of solutions" when empowered by this new era of technology, gaining significant productivity and efficiency gains in the areas where they're most needed, facilitating a new way of working where legal truly does move at the speed of business.

To get the most out of LLMs and their legal applications, it's important that legal teams utilise "lawyer-in-the-loop" models, where they combine the technical prowess of LLMs with the expertise of in-house legal professionals to really hone in on the areas where LLMs excel or where lawyers are better suited.

Whilst we've touched upon some of the tasks LLMs are suited for, such as reading and analysing text, there's also the introduction of generative AI-focused contract copilots that will be a major part of any AI-native software going forward.

AI copilots are like having your own virtual legal assistant, who can perform a variety of helpful, time-saving tasks in a matter of seconds to further expedite the day-to-day work of corporate legal teams, including:

- Explaining, summarising, translating clauses and contracts
- Drafting email explainers, memos and reports
- Suggesting edits based on company positions

- Finding information buried in contracts
- Quickly comparing clauses and identifying variations
- Finding specific terms/obligations and setting reminders

Embracing this technology will truly empower legal teams to do more, faster, and unlock time to pour their focus into the high-value work that's much more in-line with their skills and expertise.

Corporate legal departments will become the "department of solutions" when empowered by this new era of technology, gaining significant productivity and efficiency gains in the areas where they're most needed, facilitating a new way of working where legal truly does move at the speed of business.

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Introducing Robin AI

Robin, the AI Contract Copilot

Sign up for a free Robin AI account and start flying through your contracts.
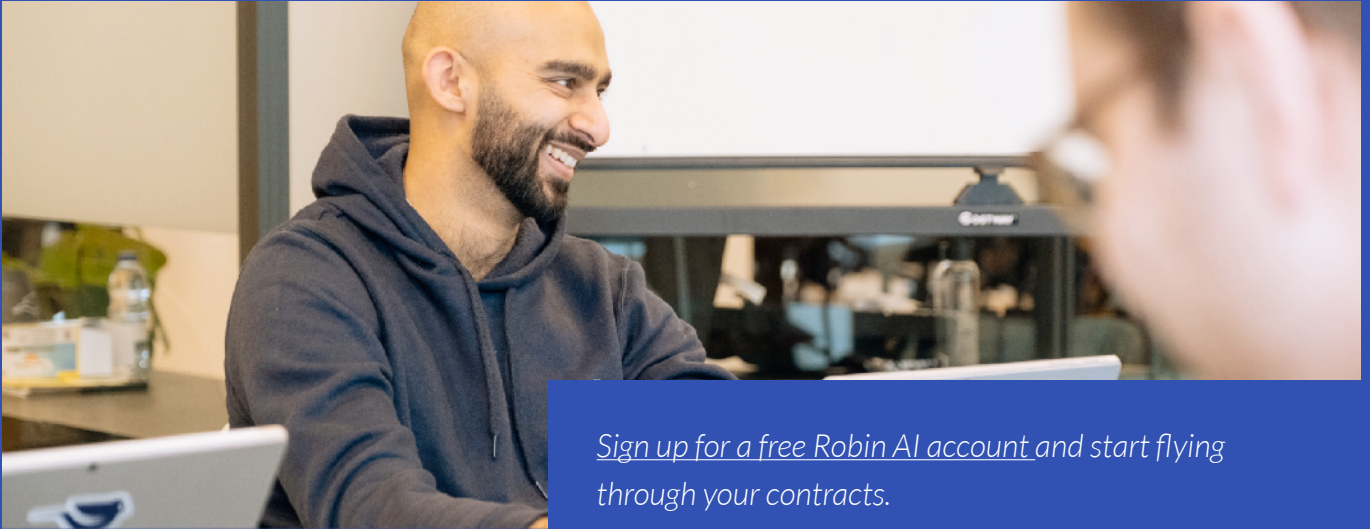
Robin AI are a team of legal, AI and machine learning experts that combine the knowledge of human lawyers and the power of AI-native technology to provide a purpose-built, modular platform that's designed to enable legal teams to fly through their contracts.

Our modular approach and white-glove onboarding service ensures that legal teams can realise the benefits from day 1.

We help to create a single source of truth for contract data, streamline processes and harness LLMs where they're most effective, providing legal teams with the means to re-define their day-to-day work and focus on the areas where they make the most impact.

More importantly, we provide cost-effective solutions, with clear pricing and fast set up. There's a free version of our platform available for anyone to try out, so legal teams can test the technology for themselves to understand the applications and benefits.

In-house legal teams have more technology available to them than ever before. As such, there's ripe opportunity to make the most of innovative new approaches that leverage LLMs, by building partnerships with cutting-edge software companies that are enabling great efficiency and productivity gains from day 1.

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Summary

Get the value you need from modular, AI software

Many legal teams around the world find themselves under increased pressure and high-demand for low-value, repetitive legal work.

It's clear that CLMs aren't the solution they promise to be, and not the direction that legal teams should be going in.

With the huge amount of resources they require, the time they take to implement and the risk that even once implemented they aren't suited to what legal teams actually need, it's so difficult to realise value from these kinds of investments and justify the associated costs.

There are certain issues like reviewing third party paper that at one time seemed impossible to solve, yet with the development of LLMs, technology is accelerating every day. The tremendous value of generative AI copilots that are designed specifically to assist with tasks that eat up legal teams' time is something that can't be understated and looking forward, will undoubtedly change a considerable amount of day-to-day legal work for the better.

Crucially, what this means for legal teams is spending less time on the tedious repetitive work and more time on the exciting business strategy work.

However, with so much hype blurring the lines between fact and fiction when it comes to "AI-powered" solutions, legal teams need to understand the key differences between AI-native and AI bolt-ons. This will have a major bearing on the effectiveness of the technology to develop its future capabilities as AI continues to evolve at a rapid pace.

AI-native ensures that AI is a core part of the system and has perfected AI techniques for managing this type of work, whereas bolt-ons offer limited functionality and are mostly a way of using the popularity of AI as a business marketing tool.

Taking the modular approach allows legal teams to harness technology that will be the most effective for them, without having to go through time-consuming, complex implementation exercises that bring a whole host of challenges. From day 1, intuitive technology delivers the immediate benefits that legal teams require, so they can focus on their higher-value work that's much more valuable to the business.

All in all, a modular, AI-native contract platform is exactly the type of technology that legal teams should be looking at if they're to truly move at the speed of business.

Sign-up for a free Robin AI account today and see for yourself what the future of legal work looks like.

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Your dedicated AI Contract Copilot. Meet Robin.

We enable businesses globally to fly through their contracts. Our software is AI-native and modular so that you can solve discrete contract challenges and receive value from day 1.

Move at the speed of business and <u>set up a demo </u>with our team today.