Gartner for Legal, Risk & Compliance Leaders

2022 Top Priorities for Legal, Compliance and Privacy Leaders
This report is derived from the annual Gartner Legal and Compliance Executive Priorities Poll, which surveys senior legal, legal operations, compliance and privacy executives on common challenges and asks them to rank their top priorities for the year ahead.

This report is designed to offer legal and compliance leadership teams a better understanding of emerging trends and insight into what their peers are focusing on in 2022. This year, Gartner received responses from 140 legal and compliance leaders across the globe across all major industries.
# 2021 brought persistent disruption

Factors Influencing the Business and Regulatory Environment in 2021

## Disruption Landscape

<table>
<thead>
<tr>
<th>Economic Uncertainty</th>
<th>Regulatory Instability and Fragmentation</th>
<th>Shifts in Public Values and Expectations for Companies</th>
<th>Business Model Changes</th>
<th>Operational Churn</th>
</tr>
</thead>
</table>

Source: Gartner
2022 brings more of the same

Factors Influencing the Business and Regulatory Environment in 2022

Disruption Landscape

- Economic Uncertainty
- Regulatory Instability and Fragmentation
- Shifts in Public Values and Expectations for Companies
- Business Model Changes
- Operational Churn

New in 2022

- Emerging COVID-19 Variants
- Geopolitical Instability and Uncertainty
- Macroeconomic Volatility
- Labor Shortages and the Great Resignation
- Continued Supply Chain Disruptions

Source: Gartner
## Persistent disruption creates new challenges

Challenges Facing Legal, Compliance and Privacy Executives

### Legal
- Increasing demand for general counsel time
- More need for resilience as strategic plans get outdated quickly
- Legal processes, tools and templates lagging business changes
- New types of work sent to legal
- Exhaustion and disengagement increasing among legal staff
- Increased attrition limiting capacity and creating skill gaps
- Heavier reliance on legal service providers
- Evolving technology and workflow needs

### Compliance & Privacy
- More distant ethical signals from peers and managers
- Increased competition for compliance messaging
- New business strategies leading to new-in-kind risks
- Reduced effectiveness of compliance controls
- New types of personal/sensitive data emerging from COVID
- Increased volume of data flows
- New stakeholder expectations (i.e., ESG and DEI)

Source: Gartner
2022 priorities reflect the new challenges

Top 5 Challenges for Legal, Compliance and Privacy Leaders to Solve in 2022
Percentage of legal, compliance and privacy leaders selecting “important” or “highly important”

- Day-to-day demands limiting strategic effectiveness: 69%
- Complexity of third-party risk management outpacing governance and technology: 42%
- Compliance program not keeping pace with stakeholder expectations (i.e., ESG, DEI): 39%
- Privacy policies and procedures not keeping pace with changing privacy regulations: 36%
- Haphazard and inefficient tools for tracking and communicating regulatory changes: 36%

Note: Showing top 5 priorities by importance
n = 140 legal, compliance and privacy executives
Source: 2022 Gartner Legal and Compliance Executive Priorities Poll
Three key imperatives for 2022

- Own Your Time Differently to Drive Effectiveness
- Invest in Third-Party Monitoring to Reduce Risk
- Evolve Planning and Resourcing to Fit Changing Corporate Needs
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Own Your Time Differently to Drive Effectiveness

Invest in Third-Party Monitoring to Reduce Risk

Evolve Planning and Resourcing to Fit Changing Corporate Needs
Time spend can impede effectiveness

Common Pitfalls in General Counsel Time Spend

**Impulse to Get Involved**
19% of GCs spend time on work where their participation is not needed.

**Focus on the Wrong Tasks**
92% of GCs spend less time on strategic matters than they would like.

**Reluctance to Delegate**
25% of GCs spend time on work that could be completed by someone else.

**Persistent Interruptions**
54% of GCs report their planned work is frequently interrupted by urgent issues.

*n = 97 general counsel
Source: Gartner*
Step 1: Identify your key activities

Sample Activity Ranking

Your main categories and activities should account for your major responsibilities but exclude operational responsibilities (e.g., responding to emails).

<table>
<thead>
<tr>
<th>Work Categories</th>
<th>Activities</th>
<th>Comparative Advantage</th>
<th>Strategic Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal department work and management</td>
<td>Draft supplier agreements</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Manage material litigation</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>Corporate strategy and execution</td>
<td>Design crisis management response and strategy</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

Source: Gartner
**Step 2: Find what’s important**

Model for Determining Which Work to Focus On

Assess the strategic importance and your comparative advantage regarding each activity identified in Step 1 by asking yourself the following questions:

**Task’s Strategic Importance**
- Does this work relate to the organization’s strategic objectives?
- How important is this activity to helping the organization achieve its strategic goals?
- Does the organization need to develop the underlying capability to conduct this activity?

**My Comparative Advantage**
- Do others possess the skills, tools and experiences necessary to complete the task?
- Does the work require specific expertise that I possess?
- Does the work require an executive or enterprise-level perspective?
- How urgent is this task?

Source: Gartner
Step 3: Delegate the rest

1. Equip staff to handle the work
   Provide training, tools and guidance to ensure legal staff have the skills and insights necessary to accomplish the tasks.

2. Identify the right person
   Consider each staff member’s seniority, skills and expertise when determining where to delegate work.

3. Delegate early
   Delegate appropriate tasks as soon as they reach your desk to ensure adequate time for completion.

4. Set the right expectations
   Communicate expectations and desired outcomes to reduce the escalation of work and questions to your desk.

Source: Gartner
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The diversity and complexity of third parties are increasing

Forecast Changes for the Third-Party Network

- Increase in the number of third parties within the network: 76%
- Increase in the number of fourth and fifth parties within the network: 66%

n = 683
Source: Gartner
The current approach is point-in-time focused

Effort Allocated to Identifying and Monitoring Third-Party Risks
Percentage of Effort Legal and Compliance Leaders Allocate to Third-Party Risk Activities

- 73% Due Diligence and Recertification Efforts
- 27% Ongoing Monitoring Efforts

n = 256 legal and compliance leaders
Source: Gartner
The point-in-time approach fails to capture risk

Third-Party Risks Appearing After Due Diligence and Before Recertification

83% of legal and compliance leaders told us they identified third-party risks after due diligence and before recertification.

31% of those risks resulted in a material impact.

92% of legal and compliance leaders told us those material risks could not have been identified through due diligence.

n = 256 legal and compliance leaders
Source: Gartner

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Point-in-time misses ongoing changes

Changes Affecting Third-Party Risk After Due Diligence and Before Recertification

In 54% of relationships, our business strategy changed.

In 53% of relationships, the third party’s personnel or operations changed.

In 50% of relationships, the scope of our relationship with the third party changed.

In 49% of relationships, our business’s risk appetite changed.

n = 256 legal and compliance leaders
Source: Gartner
Solution: The shifts we must make

Implementing an Iterative Approach to Third-Party Risk Management

Typical Third-Party Relationship Life Cycle

Due Diligence
- Reduce Effort
  - Streamline Due Diligence to Focus on Critical Risks
    - Reallocate resources devoted to exhaustive due diligence and streamline processes to focus on critical risks.

Ongoing Monitoring
- Expand Effort
  - Establish Internal Triggers to Monitor for Change
    - Monitor your third-party network with triggers throughout the business to signal changes in the third-party relationship.

Recertification
- Reduce Effort
  - Create Controls and Incentives to Monitor for Change
    - Embed controls and incentives to manage high-risk third parties and improve ongoing monitoring.

Source: Gartner
Example: An ongoing understanding of third-party risks

Comprehensive Monitoring of Third-Party Risk

Illustrative

Source: Albemarle Company
Example: Clear risk identification guidelines

Third-Party Monitoring Guidance for the Business
Excerpted

**Guidance on the Effective Monitoring of Customers and Third Party**

- Sanctions Violations Risk
- Potential Bribery or Corruption Risk
- Money Laundering Risk

**Monitoring Interactions With Third-Party Sales Representatives**

- A third-party sales representative is evasive or resistant to Albemarle's due diligence process
- A third-party sales representative is located in an offshore jurisdiction
- A third-party sales representative fails to disclose the use of a new subcontractor
- A third-party sales representative refers to their customer contacts as "my friends" or some similarly vague term
- A third-party sales representative suggests that commissions or discounts will be used to "take care" of employees at a customer level

**Flags that are unique to business interactions, and emerge only in interactions between the third party and the business over the course of the relationship.**

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"In addition to guidance on monitoring of third-party sales representatives/customers, we have also developed/are in the course of developing similar guidance for (i) employees responsible for managing vendors (fraud/overbilling as well as corruption risk); (ii) members of the procurement team conducting tender processes, to enable them to identify bid rigging and other signs of collusion; (iii) employees involved in community projects & commercial sponsorships (corruption): and (iv) employees participating in industry associations (antitrust)."

Androw McBride, Chief Compliance Officer

Source: Albemarle Corporation
Example: Differentiated guidance for relationship managers

Distributor Management Playbook and Supplemental Training Provided to Relationship Managers
Excerpted

- **Prescriptive Actions**

  **Formal Business Review**

  **Built-In Compliance Checks**
  - **Commercial tier** is used to determine the frequency of interactions and type of training for distributors, as well as ensure compliance interaction.
  - **Compliance risk tier** is used to determine the frequency and type of compliance monitoring and interactions.
  - **Combination of both tiers** leads to more frequent compliance check-ins by relationship managers and the compliance team.

  **Red Flag Training**
  Because this distributor is based in Latin America and works with government tenders, there is a higher risk for collusion. To manage risks in this relationship, you will also be supplied training to help you:
  - Distinguish risky behavior from genuine competition.
  - Spot possible forgeries.

Source: Adapted from Olympus Company
Example: Interactive monitoring of key distributors

Compliance Conversations Between the Relationship Manager and the Distributor
Excerpted

Source: Adapted from Olympus Company
Three key imperatives for 2022

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Getting the plan right matters

Key Benefits of Effective Strategic Planning

1. Properly aligns legal and compliance’s goals and strategic objectives with those of the company.

2. Clearly defines the purpose of the legal and compliance department and establishes realistic goals and objectives.

3. Ensures effective use of the department’s resources by focusing on key priorities.

4. Provides measurements of progress and establishes a mechanism for informed change when needed.

Source: Gartner
The strategy must support the most critical goals

Sample Process for Building a Strategic Agenda

Corporate Goal

The goal is clear, outcome-oriented, and challenging but realistic.

Compliance’s Goal

Objectives describe how a goal will be achieved.

Objectives

Activities are the tasks needed to complete in order to meet the objective.

Activities

Metrics are the numerical values that measure the performance of activities or behaviors.

Metrics

Assess Current State of the Department

Strategic planning requires a realistic assessment of the current state.

Source: Gartner
Gartner tool: Legal and Compliance Score

Functional Activity Map for Legal and Compliance

The Legal and Compliance Functional Activity Map can help you prioritize department investments by assessing the function’s current performance across core objectives.

Source: Gartner
Top Urgency Drivers (one or two)
1. Digitalization is accelerating legal and compliance risks.
2. Legal drag is inhibiting firm growth.

Legal Initiatives (four to seven)
1. Establish a global counsel shared services center to reduce overall costs.
2. Implement a contracts management system to enhance functionality and improve efficiency of key processes.
3. Develop no less than three contract templates for commonly used agreements.
4. Work with IT to create a breach response plan that fits within the current incident response plan.
5. Develop a training calendar for key legal and compliance risks; roll out at least two new training sessions by the end of 20XX.

Critical Underlying Beliefs and Assumptions
1. The company will achieve x% revenue growth in 20XX.
2. The regulatory environment will not change considerably.
3. There are no plans for acquisitions or divestitures that will shift current priorities.

Statement of Legal Strategy:
To help achieve company goals of improving profitability and customer loyalty by providing streamlined compliance and legal services and innovations that reduce compliance and legal risks and enable cost and operational efficiencies

Statement of Legal 20XX:
Top Four to Seven Metrics Describing Initial State
• Legal’s cost as a % of revenue: 1.2%
• Percentage of contracts turned around within designated time frame: 87%
• Increase in client satisfaction score relating to contract turnaround year-over-year: 0.5 pts
• Total outside counsel cost savings due to department efficiencies: $200K
• Decrease in percentage of code violations year-over-year: 7.5%

Statement of Legal 20XX:
Top Four to Seven Metrics Describing End State
• Legal’s cost as a % of revenue: 1.0%
• Percentage of contracts turned around within designated time frame: 90%
• Increase in client satisfaction score relating to contract turnaround year-over-year: 0.5 pts
• Total outside counsel cost savings due to department efficiencies: $100K
• Decrease in percentage of code violations year-over-year: 5%
Three key imperatives for 2022

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Invest in Third-Party Monitoring to Reduce Risk

Evolve Planning and Resourcing to Fit Changing Corporate Needs
Actionable, objective insight

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