

LexisNexis In-house Advisory Board

The legal function of the future



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On 5th April 2017, the LexisNexis In-house Advisory Board met to discuss how to prepare for the in-house legal department of the future. The roundtable session focused on the new demands teams face and the changes in process and technology required to continue to successfully deliver services. General counsel are key instigators for change in the operations of a legal team. By sharing practical advice, the session aimed to give an understanding of the tools GCs need to plan ahead for change.

The session was led by Juan Crosby, a partner in PwC's Technology & Sourcing legal practice. Juan is experienced in advising clients to help create the right mix of people, process and technology for the legal function to deliver an effective service.

Key topics discussed and covered in this paper:

- Introduction to market changes
- Key trends for in-house legal
- Becoming a strategic business partner
- Designing an operating model
- Implementing transformation
- Legal technology: re-designing conventional activities – contract digitisation
- Adopting legal tools: what are the challenges?
- The future: recommended next steps

“Legal teams need to get to grips with change in order to manage risk proactively.”

Introduction to market changes

The session opened with a discussion about the current drivers for change in the market. Examples given included:

- **Regulatory and political change:** Increasing regulation, growing expectations, new products and markets. E.g. the changes from Brexit that ripple through to in-house teams; banks struggling to keep up with regulation and respond quickly to changes.
- **Consumer trust:** Demand from consumers for increased transparency. The impact of reputational risk. Issues around managing customer data.
- **Digital disruption:** E.g. contract technology, Robotic Process Automation (RPA), AI and Blockchain.

Legal teams need to get to grips with change in order to manage risk proactively. Only by doing this can they help the business develop new opportunities.

Of course, it isn't just external changes that make an impact – there are also internal challenges which result in teams having to deal with additional work and pressure:

- Increasing need to support business strategy, EOM and growth agendas.
- The business expects improvements in the effective management of existing legal services, but doesn't explore how to achieve this nor provide the necessary budget.
- Budget pressures mean functions must reconsider how they deliver and add value to a dynamic business. The pressing reality for GCs is that they won't get more budget. They are expected to be business partners and support new products and services, but the challenge is how to achieve this without extra resources.

Internal changes mean that legal teams need to be managed much more effectively to realise the same value to the business, taking into account increased costs every year (e.g. from wage rises) and reductions in budget.

“As demand upon their time increases, legal functions need to make changes to free up resource and to continue to provide an effective and efficient service.”

Key trends for in-house legal

Juan Crosby outlined to the Board the key trends highlighted by PwC’s surveys:

<p>1. Pressure to do more with less</p> <ul style="list-style-type: none"> • More than half of in-house teams facing increased regulatory demands • Almost all are under pressure to reduce cost • Over half of in-house budgets spent on external providers, reducing this is key 	<p>2. Consolidating supply and offshoring</p> <ul style="list-style-type: none"> • On average in-house teams work with hundreds law firms, reducing this is key • With around a quarter of spend a candidate for offshoring, this is a key consideration 	<p>3. Disaggregation of services</p> <ul style="list-style-type: none"> • In-house teams are unbundling work and picking the best firms to do packets • Teams are doing more in-house and setting up their own delivery centres • Greater use of lower cost new entrants both directly and via incumbent firms
<p>4. Spend is under professional review</p> <ul style="list-style-type: none"> • In-house teams’ relationship only approach to buying is in decline • Legal spend is increasingly the focus of procurement professionals who can often achieve upwards of 10% spend reduction • But top legal procurement teams still spend most of their time on RFPs 	<p>5. Rethinking their operating model</p> <ul style="list-style-type: none"> • In-house teams are now rethinking where work is undertaken • Some are moving to a de-federalised model placing legal teams within the business • Some are creating competency centres for specialist legal services • Others are appointing COOs to bring an operational efficiency focus 	<p>6. Technology opportunity</p> <ul style="list-style-type: none"> • Many are seeking to use technology to drive standardisation and automation e.g. automated document production and contract digitisation • Some are mandating use of particular technologies in the delivery of services e.g. eDiscovery and AI tools

As demand upon their time increases, legal functions need to make changes to free up resource and to continue to provide an effective and efficient service. The discussion flagged up several key areas of focus:

- **Quality and efficiency:** Legal teams are becoming aware that they are over-engineering certain areas, i.e. providing too much support when in some cases ‘good is good enough’.
- **Supporting future vision:** Working closely with wider business stakeholders is crucial to ensure that the legal team is focusing on what is most valuable to the company, especially if budgets and resources are tight. They must be completely aligned to business objectives and the future vision of the company.
- **Cross-functional working:** In some organisations, legal and procurement are aligned and work efficiently, but this isn’t always the case with other departments, such as finance and compliance. Cross-functional working benefits the overall business by ensuring all teams are working towards the same outcome.
- **Working differently:** GCs need to look at how work is allocated and who does that work. This can mean changing long-established practices and demands effective change management.
- **Technology and external providers:** Is the technology the legal team uses effective? If using external service providers, do they challenge their own service models to drive success?
- **Capabilities and resource allocation:** Does the legal team have the right staff and the necessary skill sets?

“To increase and secure their future value to the business, in-house legal need to be more strategic.”

Becoming a strategic business partner

Legal functions are being challenged to think more strategically about what role they play and how they can add more value to the business. For many companies, this will mean changing the way they work, aligning more closely with the goals and needs of the business, and continually refining the way they deliver legal advice and services.

In-house teams are often in a highly reactive, support-based role: they respond to requests for advice and opinion with only a low-level understanding of business strategy and pay little attention to the business value of tasks. To increase and secure their future value to the business, in-house legal need to be more strategic. They need to be able to help the business go to new markets; make connections across the business; proactively anticipate and be highly responsive to change; measure what they do against the business' goals; and regularly explore new ways of working.

The Board went on to discuss how transformation into a strategic business partner can be achieved. Important areas that were flagged included:

- **Legal function and team structure assessment:** Shift the organisational structure from a pyramid to a diamond shape. Use technology and sourcing to streamline low-level work.
- **Change resource and skill mixes:** Employ more diverse skillsets to bring more capabilities into the team (e.g. change managers, technologists, Chief Legal Officers, etc).
- **Take on new roles driving business:** E.g. play a leading role in 'new market entry teams'. Become perceived as a profit driver rather than a cost centre.
- **Shift legal work to other functions and locations:** Use near-shore and off-shore hubs to support traditional legal work. Look at the activities undertaken by the legal team: should they be performed in London or can they be performed in other areas to drive down costs?
- **Capture legal knowledge** to enable other parts of the business to self-serve and free up lawyers' time.
- **Triage legal work (internal and external):** Stop lawyers doing low-value and repetitive work. Develop a clear process for how work is resourced.
- Many in-house teams don't have an **efficient system for capturing requests**. A good step change is to use a portal to track incoming work and ensure a request can't be submitted without the required information. The portal can highlight where demand is coming from and allows the assessment of whether other parts of the business are using legal resource sensibly.
- **Simplify and standardise contracts:** Create a consolidated approach on common issues and centralise/standardise local contracts. Why have 85 types of agreements when 15 is all that is needed?
- **Intelligent automated contract generation and management:** Employ legal technology to digitise, create, manage and track contracts.

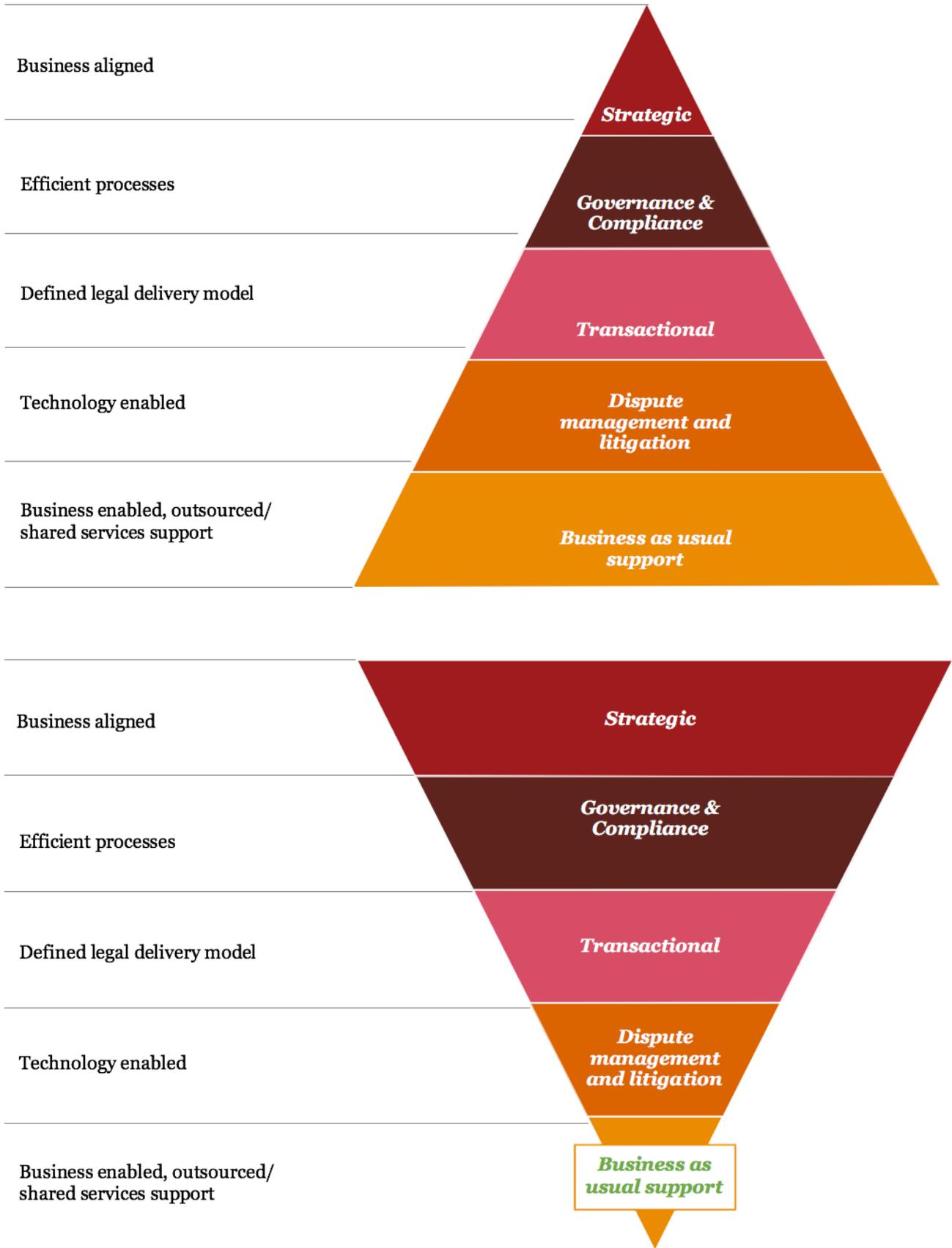
"Making incremental changes can ... get traction for building a business case for more extensive changes."

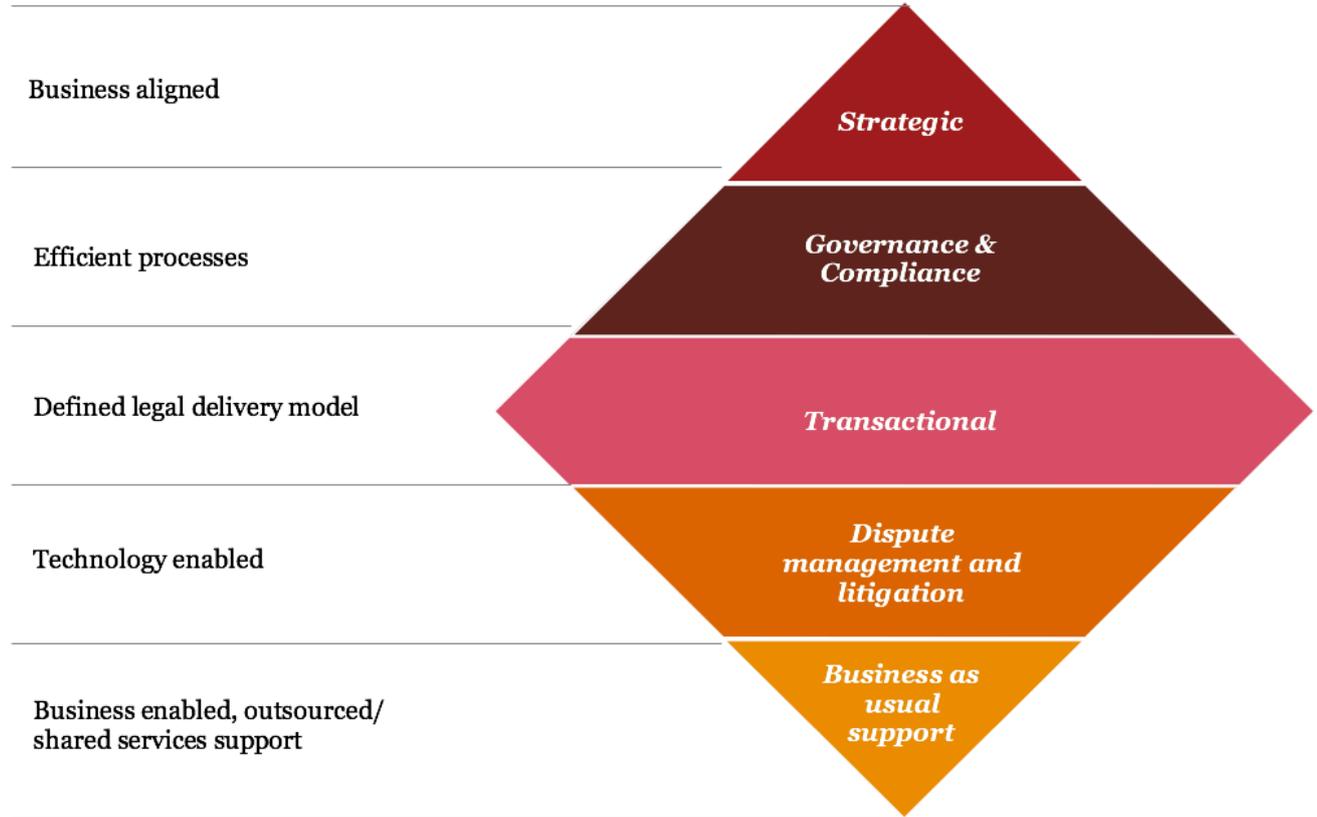
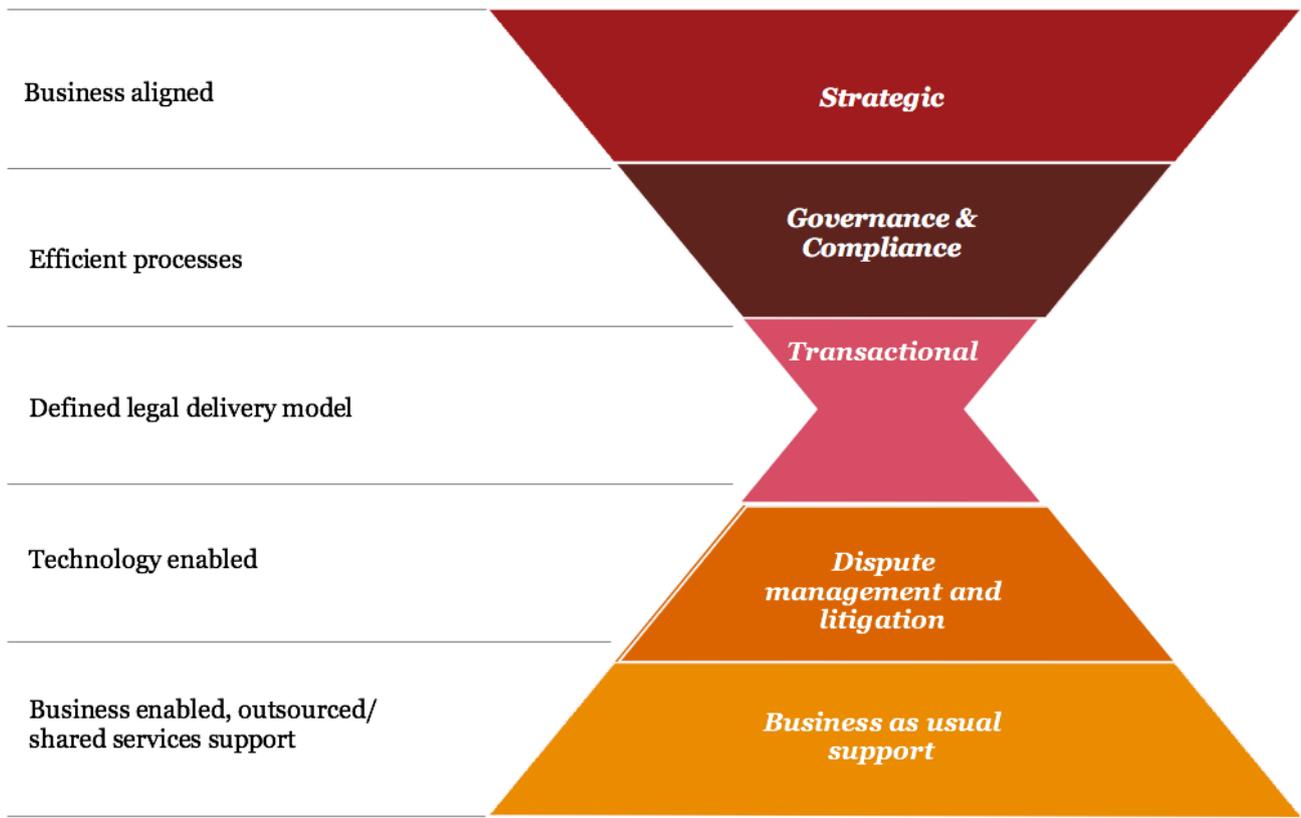
Designing an operating model

There is no one right operating model to use – it will depend very much on the organisation. The first thing to consider is whether the current team is right and sustainable for your context and appropriate for the company strategy. Is the team as effective as it could be? Are the best lawyers with excellent experience spending all their time on NDAs when they could be focusing on higher level work? Can commodity based work be outsourced to free up resource?

There can be the attitude that 'if it's not broke don't fix it', but GCs need to shake things up if the team is to stay ahead of the game. If something has always been done one way it doesn't mean it's the best way. It is important to challenge processes and by challenging them find the optimum approach.

To help find the most suitable model, Juan Crosby shared with the Board several different operational approaches (the shape showing where resource is concentrated):





By standardising processes, work can be pushed down to lower levels rather than take up the time of more expensive lawyers. This can mean using lawyers with a lower PQE, trainees or paralegals, or the business can be encouraged to self-serve where possible.

Transformation doesn't need to be instant wholesale change. Incremental changes can make a significant difference and get traction for building a business case for more extensive transformation.

A Board member gave the example of how introducing e-signatures freed up their team's time so that they could start implementing other changes. Making incremental changes to an operating model provides the opportunity to use the lessons learnt to inform the next stage of change.

“Building a business case is crucial and enables legal to demonstrate what success looks like ...”

Implementing transformation

Making changes to established structures and processes is not quick or straightforward. The Board raised the question of how to find the time and resource to instigate a transformation without bringing in a consultancy to do the work.

It was agreed that transformation is not something that can be achieved without a dedicated resource working to implement the changes. It needs to be someone who can commit to driving the project and who is senior enough to tap into and influence the senior leadership team.

Budget is also a major issue. The Board members noted that getting budget depends on what the driver for change is. If the whole organisation is going through transformation, then it is more likely that legal will be given the time, space and budget. However, if legal want to implement a project independently, it can be harder to convince the business of the need for change. Building a business case is crucial and enables legal to demonstrate what success looks like in terms of the benefits to the business – and, on the flip side, what failure would look like. Focusing on a drive to cut costs and budgets can pave the way to getting buy-in from the rest of the business.

“Technology can simplify the lifecycle of a contract and make the process more efficient.”

Legal technology: re-designing conventional activities – contract digitisation

Contracts are one of the more routine tasks that can benefit from automation. Technology can simplify the lifecycle of a contract and make the process more efficient. By digitising contracts, data can be collected and metrics and issues displayed visually. This provides direct insight into the contract portfolio, helping identify risk and financial impact and highlighting opportunities for improvement.

The ability to interrogate the data once it is digitised changes the speed and the cost of the contract process. Traditionally, a contract arrives, the lawyers start to build out the piece of work, ask the business for further information and allocate resource from the legal team. This stage can be streamlined by introducing a portal or online tool for submitting work. The business is required to answer a set of questions upfront and from these a contract can be generated automatically using predefined fields and set standard clauses. The time saved is measurable so legal can report metrics back to the business and demonstrate the value of the process.

An automated contract process ensures you always have the most up-to-date clauses, which is very important in terms of company risk and driving consistency. It also enables the business to increasingly self-serve because the legal knowledge is captured in the system (although they can't do anything without legal approval if it is outside the risk profile). This frees up the legal team to do higher level, more important work.

Another impact of technology is that you may not need the same legal expertise previously required for certain types of work. When a process becomes automated, what skill set do you need to support the remaining legal work? Can you outsource to a low-cost centre that is trained specifically on the contract process? The real skill of the legal team is in the contract negotiation and the risk assessment, not in the drafting of standard contracts and clauses.

One Board member highlighted the cultural challenges that can arise. The legal function is often divided into 'commoditised' (e.g. procurement, which is process driven), 'non-commoditised' and compliance, so that you end up with a back-end team, front-end team and compliance. They don't necessarily all work together and the 'non-commoditised' team can be resistant to changing their way of working. The 'commoditised' back-end feel underappreciated, the front-end feel like rock stars, and compliance think they're the smartest. The legal team becomes segregated. The concern is that the function ends up being segmented by personality – those who prefer to work on their own versus social people on the other side – and this can create conflict.

"It is important to focus on the process first rather than have the software drive the process."

Adopting legal tools: what are the challenges?

The cost of technology is a major issue, but how receptive a business is to new tools can also depend on the maturity of the organisation. Those that are less mature may need a variety of tools to help them gradually transition from a traditional model to a sophisticated AI model.

Adopting technology can be difficult where information isn't in a good enough format for the systems. For example, old contracts in paper format make it difficult to adopt a contract management system without spending a considerable amount of time capturing paper contracts in a usable format. If contracts haven't been stored centrally on the system and are saved on individuals' desktops then it can be a struggle to locate them.

When considering the adoption of legal technology, the Board agreed that it is important to focus on the process first rather than have the software drive the process. An analysis of the end-to-end process is essential to clarify the issues that need tackling. With the issues identified, the most effective tool can then be selected to address them.

The future: recommended next steps

To be in the best position to serve the business in the future, legal teams must plan how to respond to the challenges they face:

- 1. Understand the perception of legal and focus on valuable work through business stakeholder engagement:**
 - a. Review the company's strategic vision to agree an approach to priority areas.
 - b. Take the proposed approach to selected markets for testing.
 - c. Discuss and gather feedback on priorities.
 - d. Refine strategic growth support plan.
- 2. Improve legal effectiveness and efficiency through activity analysis:**
 - a. Set criteria for the value of work, capability needs, etc, and map these with the business.
 - b. Discuss current activity and delivery profile to define the 'as-is'.
 - c. Identify common and/or extremely low-value/non-core activities.
 - d. Develop a plan to bridge the gap between 'as-is' and 'to-be'.
- 3. Understand the external cost base and how it can be improved through 3rd party spend review:**
 - a. Gather external spend data across legal.
 - b. Assess locations and individual provider usage by work type.
 - c. Identify candidates for alternative sourcing and/or consolidation.

4. Understand how new technology and existing technology can free up resources through technology opportunity review:

- a. Review previous work and demand levels.
 - b. Identify how you could use the technology.
 - c. Business cases and implementation plans.
 - d. Implement.
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About Juan Crosby

Juan Crosby leads PwC's UK Legal Technology & Sourcing team and has over 15 years' experience advising on large global technology and business process outsourcings and outsourcing strategy. Juan also advises on legal functions of the future: what is the right mix of people, process and technologies, what in-house legal should make versus buy, and how technology can transform the activities traditionally undertaken by lawyers to deliver a more effective solution for the business.

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The LexisNexis In-house Advisory Board

The Advisory Board meets 4 times a year to discuss a pre-agreed topic. This paper was produced as an overview to one of these discussions. You can view additional papers [here](#).

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