



The Legal function:
Finding opportunity on
the road to recovery

With COVID-19 vaccines being administered at different paces around the world, it is clear that nobody expects a return to the “old normal”. Everyone is keen to reopen their markets and operations, but governments and businesses also know that the next few months (possibly years) will be bumpy as markets grapple with concerns about second and third waves of the pandemic, and the efficacy of vaccines against new virus variants. Expect rolling disruption to remain the norm.

From the start of this crisis, the pressure on the legal function has been immense. Resources have been stretched and processes have been disrupted as offices and legal professionals navigate through lockdowns. At the same time, the business is now making massive decisions that will have immediate and long-term legal and structural implications. From contract renegotiation, supply chain restructuring, and the need for new policies related to return to work, through to increased litigation and M&A activities, the legal function is now seen as an essential part of the businesses’ strategic planning.

That has left most general counsel (GCs) with two significant near-term challenges. The first is to simply keep basic operations going. Out of necessity, many legal departments have adapted to virtual working and collaboration tools. Yet most GCs recognize they are still far from ‘virtualizing’ their office environment. The natural flow and informal coordination that happens in an office environment no longer exists. Virtual working necessitates more formal project management and coordination activities such as team calls, workplans, progress meetings, and reporting to ensure assumptions are not made, steps are not skipped, and expectations are aligned. All of this has made the GC’s ability to meet basic compliance deadlines and requirements more difficult than before.

The second big challenge is to deliver on heightened expectations. Everyone is looking towards a life “after COVID-19”. The business is keen to understand what has changed and what the new landscape will look like. They also recognize contracts, legal structures and negotiation skills will play a pivotal role in helping their organizations survive and thrive after the crisis has abated. While Legal is getting a stronger voice at the table, this is also creating increased pressure for GCs to remain resilient.

FOCUSING ON IMMEDIATE PRIORITIES

Rather than simply waiting to see what changes the business will make, the leading legal departments are embracing the crisis as an opportunity to drive much-needed transformation in their operating models. They recognize that their current ways of working are no longer fit-for-purpose in a virtual and rapidly-evolving environment. They understand they will need to rethink their technologies and cost structures if they hope to continue delivering on their ever-expanding list of objectives.

Our work supporting leading legal departments around the world suggests there are three key priorities that all GCs should be focusing on as they support their organization's evolution.

1

Leveraging the digital acceleration. The lessons learned from the COVID-19 crisis suggest this is an opportune time for the legal function to take serious steps towards digital transformation. The leaders are assessing the pain points they experienced over the past few months and working with the broader organization to leverage existing digitization initiatives that can accelerate virtual collaboration and help solve data and digital problems across the enterprise. Use of the Cloud is increasingly important across the organization and for legal departments to ensure secure access to all the information and repositories necessary to complete work remotely.

2

Getting the work done (effectively). Everybody is being asked to do more with less; the legal function perhaps more than most. That is causing many GCs to fundamentally rethink their value proposition and operating models. In some cases, legal functions are finding ways to reduce the workload by automating manual processes and leveraging new technologies. More often than not, they are recognizing their own resource constraints and are looking for ways to relieve themselves of the tactical workload entirely. This crisis has proven work once thought could only be done onsite, is now able to be done remotely. This is opening the discussion around the possibility of outsourcing some activities. Companies are reevaluating their panel of external providers. This is often being driven by purchasing managers and operations consultants rather than GCs.

3

Contributing to business strategy. As executives and businesses make the decisions required to ensure their organization's recovery, the top GCs and legal functions are getting closer to the decision-making process and providing the insights required to drive strategy. They are helping the organization manage contract disputes and negotiate changes to debt and financing arrangements. They are supporting due diligence and helping drive strategic M&A activity. The leading legal departments are working hand-in-hand with the business to design and enable the new business strategy.

WHERE DO WE GO FROM HERE?

Over the past few months, Deloitte Legal has been working (for the most part, virtually) to help GCs and their legal departments respond to the immediate crisis, recover their operations, and plan for a future. While most GCs seem to understand their immediate priorities, the scope of the transformation required has many legal professionals wondering where to start.

So, what should GCs be doing over the near-term in order to develop the digital and strategic capabilities required to support the organization into the future? Deloitte's collective experience suggests there are five key steps that every resilient GC and functional leader should be considering.

KEY STEPS

- Get close to the business: Understand the evolving priorities of the business and how the legal function can contribute to achieving its short- and long-term goals.
- Use broader technology changes: Identify and leverage business-critical changes that can help advance the digitization of the legal function at the same time.
- Reassess the operating model: Determine how you will cope with increased complexity, volume, and pace without increasing headcount or investment allocations.
- Deliver insight: Proactively deliver the data and analysis that the business needs as they continue to pivot and evolve the organizational strategy.
- Control the risks: Consider how the risk profile of your team and business operations have changed in a virtual and distributed environment. Develop appropriate controls and monitoring activities to identify and mitigate risks materialising.

Finding opportunity in the midst of forced disruption. While the COVID-19 crisis has certainly created significant hardship and disruption around the world, it has also catalyzed GCs to rethink the way they serve the business. Indeed, rather than discouraging the leading legal functions from progressing their transformation journeys, the COVID-19 crisis has sharpened minds and accelerated timelines.

At a time when budgets are tight, the leading legal departments are the ones advancing their own digitization journey by leveraging the business-critical change happening in other parts of the business. More than simply coping with today's environment, they are using these forced changes as an opportunity to also advance the transformation needs of their legal department.

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For more legal leader perspectives from around the world visit www.deloitte.com/resilientGC. This COVID-19 resource center will be refreshed frequently with up-to-date tools and information.



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