

Deloitte.



**A changing world requires a
new approach to law**

By Deloitte Legal

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Foreword

Companies need their legal teams to keep pace with the commercial needs of the business—while at the same time, legal departments are increasingly being asked to do more with the same or fewer resources. Today's corporate General Counsel (GC) faces multiple challenges: a heightened regulatory environment, mass globalisation of business, and acceleration of technology advancements. This is resulting in increased complexity and demand from the business which is creating an unsustainable workload for existing in-house legal departments. The current business landscape creates a compelling reason for legal departments to rethink their operating model, achieve greater efficiencies and increase the value they deliver back to the business.

This paper is intended to present GCs with a variety of opportunities for transforming their operating model to a desired state.

Luis Fernando Guerra

A handwritten signature in black ink, appearing to read 'Luis Fernando Guerra', with a horizontal line underneath.

The Deloitte Approach— Legal Management Consulting

The legal world is transforming and Deloitte Legal is developing the tools to help legal businesses during this transformative time.

Deloitte's work on Legal Management Consulting (LMC) was inspired by two quite different factors:

- 1. The first was our study of the global legal market.** We interviewed General Counsel ("GCs") and conducted formal research with GCs, CEOs, CFOs, and other senior executives and identified a growing need for a much more disciplined and systematic approach to the management of in-house legal departments.
- 2. The second factor was our work during the past decade in the field of tax management consulting.** Deloitte's Tax Management Consulting (TMC) is now a global, multidisciplinary service that assists tax departments and tax directors with strategies, and advises them on operating models and technology.

Considering an in-house lawyer's need for rigour and process in legal functions, we decided to draw on our experience in tax and apply the TMC methodology to law practices. When we suggested this idea to lawyers, we uncovered a considerable overlap and synergy. When we raised the possibility of LMC during research and discussions with in-house counsel, the feedback was encouraging.

LMC is a new approach and a new discipline, developed for lawyers by lawyers and other experts. It builds on mainstream management consultancy, risk advisory services, as well as tax management consulting. LMC is a collection of models, frameworks, and systems to help in-house lawyers run their departments more efficiently and comprehensively meet their business needs. It is an attempt to capture countless person-hours of management and consulting experience into a set of services and tools. Similar to TMC, LMC focuses on operating models, technology, work-sourcing, and cost management.

Our research suggests that in-house functions are under unprecedented pressures, both internal and external, to demonstrate value, manage risk, contain costs, embrace new ways of working, introduce technology, operate globally, and align with their organisations. It is a time of transformation. It is time to transform.

External Drivers Internal Drivers



LMC is designed to help GCs manage and transform their departments in a controlled and methodical manner, to move from fire-fighting and piecemeal changes to a more structured transition.

This paper provides an overview of the issues that LMC addresses, of the solutions on which we are working, and of our thinking so far as we explore new territory in the legal services arena. The plan is for Deloitte to develop LMC together with our clients.

Measuring Value

One of the great unanswered questions in the world of law is how practitioners can demonstrate value to their clients. In tax, there is less of a challenge because tax experts can quantify savings that flow from a given tax arrangement and point to the effective tax rate as a definitive indicator of performance.

Unlike tax experts, measuring the contribution of lawyers is less obvious. How does one place a numerical value on a disaster averted, a dispute preempted or a breach avoided?

While we do not have all the answers, it is our intention in the coming years for our LMC specialists to contribute to the ongoing debate and develop practical tools to help in-house lawyers build greater, demonstrable value into their services. Our tax and consulting experience will offer some guidelines and we are already engaged with our legal risk specialists, who have long been concerned with the business benefits of avoiding rather than resolving problems. Recent work with major legal departments confirms that their tools and techniques can be adapted for other law practices. We also plan for our economists to create productivity measurements for legal businesses.

A number of important distinctions can already be identified. While we currently do not have the models to quantify the **absolute** value of lawyers' contribution, it is possible to assess **relative** contribution

through the following three potential key performance indicators:

1. To compare the legal costs (internal and external) of similar businesses
2. The costs of work done in law firms as against in-house departments
3. The costs of work undertaken traditionally by lawyers in contrast with alternative providers. (This can include new labour models or technology-based solutions)

Such comparisons are undertaken informally today on the basis of limited data. Our aim is to provide better tools for this analysis and access to superior data sets—using machine learning techniques rather than informal benchmarking.

Our research also indicates that listening more intently to the end-users of a legal service helps to identify the benefits they expect. The recipients of legal services should be asked what tangible value they expect and the legal business' contribution should be measured against those expectations, as well as more intangible ideals of legal precision. A rough and informal but practical guidance delivered early is often preferred to exhaustive legal analysis submitted at the tail end of a project. Users of legal services often seek qualitative value (reassurance, peace of mind, and confidence) rather than quantifiable value (savings and revenue).

Summary

- Deloitte's LMC team is committed to help General Counsel demonstrate and measure the value they bring to their companies
- Deloitte's LMC specialists aim to put in place practical tools to help in-house lawyers build greater value into their services
- In-house lawyers should give thought to and expressly articulate the unique value that they offer

Users also want to be able to monitor progress on their legal work. New techniques can help here—from global reporting and dashboarding, to standardisation and process mapping—each enabling greater control, increased insight, and improved levels of compliance.

In-house lawyers should also consider and articulate their value, such as their unique experience, insight, and expertise.

Strategy

We have learned that many external and in-house lawyers are wary of the subject of strategy because it often sounds like jargon and irrelevant to legal advice.

It is true that strategy is sometimes dressed up in complex terminology, but this need not be the case. Our experience from the Deloitte Tax Management Consulting practice has shown us that there is a practical approach to strategic planning which has greatly enhanced the work of tax directors and tax departments. We can use similar techniques in law.

The contribution of LMC is not to come to our clients and make specific recommendations. Strategic thinking should not be outsourced to us or to any external consultants. Instead, the role of LMC is to provide a tried and tested framework for strategy work, along with guidance from our specialists, so that in-house legal departments can plan future position strategies in a clear and structured manner.

Our timeframe for strategy work is generally within the next three to five years, with a focus not on short-term fire-fighting but on long-term business health. We can help create and maintain a broad and sustainable, as well as relevant and valued, legal capability within a given business.

The purpose of strategic thinking is to set direction and priorities for an in-house department and align them with broader department strategies within the organisation. It is also essential to put in place realistic plans for the changes required. These plans should be based partly on the values and culture of the department, although they may not have been expressly articulated in the past. In large part, the strategic direction should also be driven by a robust analysis of the legal needs of the business and, vitally, the main legal risks that it faces. These risks may shift, but once the direction is set, we will work together to select a preferred operating model, and establish management responsibilities.

There are 10 elements of strategy: direction, priorities, alignment, planning, values, culture, needs, risks, operating model, and responsibilities. For each of these elements, LMC will provide tools and techniques to help in-house lawyers make choices and plan for the future and formulate a high-level strategic view.

Finally, we believe that strategy must be led directly by the leaders of an organisation. In an in-house environment, the GC or COO (with the express support of the GC) must own the process.

Summary

- The purpose of strategic thinking is to set direction and priorities for the in-house department that align with the broader strategy of the organisation
- Our emphasis in strategy work is generally on the next three to five years with a focus not on short-term fire-fighting but on long-term health
- There are 10 elements of strategy to consider

Legal Risk Management

During our research and conversations we have found that most senior, in-house counsel believe that they are in the risk management business. This correlates to some extent with our work in the tax business, where directors are often preoccupied with tax risk. But because of the more complex regulatory environment, rapid globalisation, and the diversity of legal regimes across the world, we see that legal departments face a wider range of risks.

The primary, formidable risks handled by in-house departments today involve legal compliance and reputation and seldom originate in the legal function. GCs worry that most risks arise from activities and behaviours across businesses without GC control and without management visibility. They are concerned that even their most upright employees may unconsciously breach a local regulation or set up some anti-competitive process that increases exposure for the business.

We have been struck in our discussions that, although risk is high on the list of priorities and concerns of most GCs, there are very few tools for the systematic and effective management of legal risk.

This is where LMC comes in. We applied systems and methods successfully implemented in both our tax and risk practices, and now have a framework for the identification, assessment, monitoring, and reporting of legal risks. While we do not believe that risk management can be reduced to a science, a more systematic approach, proven in other fields of business, can be mapped onto legal and compliance functions.

New skills, roles and responsibilities are required as legal and compliance departments move from reactive management of risk to risk avoidance. People skilled in preventative and precautionary services are needed to fill these roles.

New reporting lines and communication channels are required and will be consolidated globally. Operating risks should be managed, with legal and commercial risk, as well as legal and compliance risk, via the integration of systems and processes.

Summary

- Legal and compliance functions can benefit from a systematic approach to risk management
- New skills, roles and responsibilities will be needed as legal and compliance departments move from reactive risk management to risk avoidance
- New reporting lines will need to be created, and where appropriate, consolidated on a global basis

Legal Risk Management



Operating Models

Our work in tax management consulting suggests that in-house lawyers would benefit from thinking about the future shape of their departments in terms of what we call 'legal operating models'. These models specify how legal operations are organised to deliver legal services in their respective businesses. As depicted in the adjacent diagram, "The Legal Management Consulting Operating Model," this operating model includes the strategic direction of the department, the governance of the function, the tasks and services that are required, and the enablers or infrastructure that support these activities.

Of course, some kind of operating model is always in place in a legal department, whether or not in-house lawyers are cognisant of them, but our experience suggests that an operating model helps articulate an explicit direction in any business. Models bring clarity to those who work within the business and to their clients. They provide a systematic benchmarking to compare against similar businesses. An operating model helps assess operational performance (efficiency, effectiveness, and customer satisfaction), and it is a useful tool when planning any structural reorganisation.

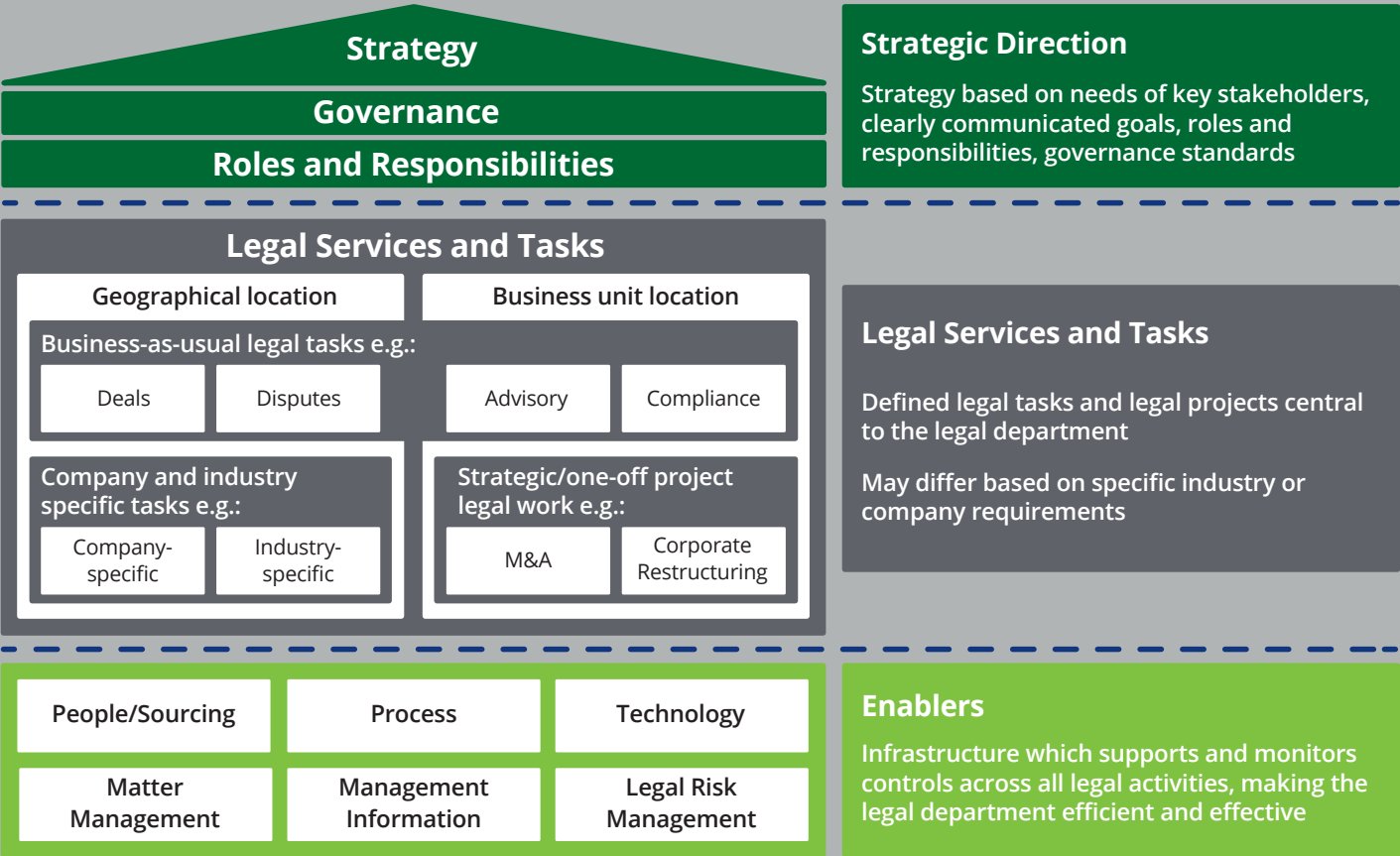
There is no optimal operating model for in-house legal departments. However, standard models are beginning to emerge, whether organisations in-source or outsource, centralise or decentralise, on-shore or off-shore, or whether or not they integrate legal and compliance. We believe it is now possible to identify some best practices in relation to operating modes, taking into account the broader needs of an organisation.

Our research found that many GCs and legal COOs are anticipating a transformation in the operation of their departments during the next few years. New service delivery models, often based on technology, are gaining approval and are as likely to challenge in-house lawyers' work as much as external law firms'. In-house lawyers are incrementally beginning their 'transformation journey', representing a move from one operating model to another.

Summary

- In-house lawyers would benefit from thinking about shaping their department in terms of 'legal operating models'
- A legal operating model consists of four key components:
 - The strategic direction of department
 - The governance of the function
 - The tasks and services to be delivered
 - The enablers or infrastructure that support these activities

The Legal Management Consulting Operating Model



Legal Process

Law schools generally train lawyers to focus on the unique circumstances of each clients' case, which includes a set of specific needs. Clients of law firms are increasingly looking for standardisation of processes where lawyers deal with tasks that are broadly similar to work undertaken in the past. Indeed, lawyers are often selected precisely because of their past experience, with an expectation that this experience leads to greater efficiency.

A related discipline has emerged over the past few years: legal process analysis. This involves thinking about legal work and managing legal work in a process-oriented way. This parallels the approach we have taken in tax over the past decade.

Legal process analysts will be key people in any LMC practice. They specialise in scrutinising the way that legal work is done and mapping the tasks involved as well as the flow of the work. They look for bottlenecks and inefficiencies and

overcome them, sometimes by making modest changes to the process maps, and often by completely redesigning legal processes. For in-house legal departments that are looking for increased efficiency and quality, legal process analysts may well be the first port of call. Methodically and systematically, they assess and improve the way in which work is conducted.

The same mind-set is needed when legal work is unbundled and broken down into component parts before the work is allocated to the most efficient source(s) (see Sourcing Strategy). The first step in unbundling is an analysis of the current tasks and flows.

Another benefit of process analysis is that it provides a basis for legal project management. Analysis of legal work involves articulating milestones and time scales, which can be monitored and measured.

Summary

- Legal process analysis involves thinking about and managing legal work in a process-oriented way
- Legal process analysts will be key people in any LMC practice
- Deloitte's LMC team will include process analysts and project managers

Sourcing Strategy

Until 2010, in-house lawyers faced a relatively simple choice when deciding how to resource a deal or a dispute. They either conducted the work themselves or instructed an external law firm, sometimes opting for a mix of both. The balance and blend of internal and external work transformed, and it was fashionable for companies to have large in-house legal departments with a small amount of work done by external firms. Next there was a shift towards much leaner internal teams, and currently we seem to be going through a period of increasing in-house functions. It is not clear if these patterns are cyclical.

A more significant change in the world of in-house counsel, in our view, is the move away from the two-provider set up. There are now many options beyond in-sourcing and law firms. There are two broad categories of alternative sourcing, with one based on human labour and the other on technology.

Various new labour models have emerged in law: outsourcing, off-shoring, sub-contracting, near-shoring, paralegal work, and many others. The common idea is to have some of the work that is routine and repetitive delivered at a significantly lower cost, achieved based on lower costs of personnel, property and operations. Sometimes, these lower-cost resources are still part of the business; on other occasions, the work is passed along to third party providers, such as legal process

outsourcers. Technology-based solutions take this one step further. Certain routine work, such as document review and repetitive drafting, can already be done better and at lower cost by automated systems.

One great challenge now for in-house lawyers is to achieve the best balance of internal and external resources, along with a balance of people and machines. This challenge applies both to individual projects as well as to their departments. For particular projects, there is an additional possibility: that of unbundling work, so a specific piece of work might be sourced in a variety of ways. When this happens, solid project management is called for, to ensure all strands are brought together effectively.

For many years now, we have advised tax departments on the various ways they might resource their departments and source their projects, from single-source supply through to much more exotic combinations of providers. We have developed techniques for identifying the best options for particular clients and we are adapting these for use with in-house lawyers to assist them on settling on their sourcing strategy.

Summary

- There are two broad categories of alternative sourcing: human labour and technology
- New labour models have emerged in law including: outsourcing, off-shoring, sub-contracting, near-shoring, and using paralegals
- Technology-based solutions are already available for routine, repetitive work
- Unbundling work is another way to outsource parts of a project

Legal Services—Potential for Alternative Sourcing

Contracts & Transactions		
Contract Review	Contract Due Diligence	M&A / Joint Venture
Negotiation Support	Contract Drafting	Contract Management

Corporate Governance		
Annual Meeting	Subsidiary Management	Global Policy
Corporate SEC Matters	Corporate Policy & Procedure	Board Reporting

Intellectual Property		
Patent / Copyright Research	Patent Drafting & Review	IP Portfolio Management
Infringement Analysis	Patent Proofing & Docketing	Cease & Desist Notices

Litigation		
Matter Specific Legal Counsel (e.g. Civil, IP)	Discovery Services	E-Discovery Compliance
Legal Opinions	Drafting Pleadings & Briefs	Database Creation & Maintenance

Regulatory & Compliance		
Government Affairs	Regulatory Support	Environment Health & Safety
Material Regulatory Matters	Regulatory Inquiries	Regulatory Reporting

Support Services		
Statutory / Case Law Research	General Business Support	Document Management
Legal Billing Services	Paralegal & Secretarial Services	Immigration Support

Potential for alternative sourcing: Low Medium High

Selection

The selection options facing General Counsel are more complex than in the past. Historically, there were two main decisions for any given matter: can we do it ourselves and, if not, which firm should we hire? As we say in the previous section, there is now a bewildering array of possibilities: law firms, alternative providers, technologies, and often a blend of these.

Over the years, we have advised innumerable businesses on their sourcing and selection strategies—on the best set up for everyday work and on the particular needs of special projects. We are applying the lessons learned in strategy consulting as well as in tax consulting by developing selection methods specifically for legal departments. Although the providers are very different, our basic tried and tested methods for vendor selection and RFP management seem to work well when applied to the range of legal services suppliers now available to the in-house community. We recognise and welcome the involvement of expert procurement specialists, and when appropriate, online auctions and price comparisons.

Our conversations, both with law firms and with General Counsel, suggest that many have reservations about the use of panels. Some express doubt about the use of panels under any circumstances. Others are comfortable with the concept of a panel, but believe that the panel selection process is generally too cumbersome and

time-consuming. This is a challenge that Deloitte LMC is committed to addressing. Our early conclusion is that panels can be useful, but are often used when less formal methods would suffice. Another preliminary view is that panel methodology could be greatly improved.

Closely related issues here are Alternative Fee Arrangements (AFAs) and spend management. We have encountered a wide variety of approaches to charging but are not convinced that these billing models deliver the scale of savings that GCs tell us they need. Many AFAs are simply variations on hourly billing proposals and do not, in our view, offer a sufficiently different proposition. The savings that in-house departments require are more likely to be based on alternative methods of delivering service (new labour models and technology) rather than new pricing models.

On the question of spend management, our research suggests that the use of e-billing systems delivers tangible savings. Much more popular in the US than the UK, these systems are rarely easy to introduce. In particular, technology departments, especially in financial institutions, are often resistant to integrating the technology into their systems. Deloitte LMC is equipped to tackle the technical and cultural challenges here.

Summary

- Deloitte LMC is committed to addressing the time-consuming process of panel selection
- Often panels are used when less formal options would suffice
- There is room for improvement in the overall panel methodology
- Deloitte LMC is prepared to tackle the technical and cultural challenges that arise from Alternative Fee Arrangements (AFAs) and spend management

Technology

For several reasons, lawyers are seldom considered advanced technology users. In-house lawyers suffer from several common constraints. The technology departments of most businesses have limited experience with legal technology, nor are they interested in such technology. Only a small number of legal departments have their own technology experts. Moreover, few publications or organisations help GCs through the maze of options. In the end, most muddle through using generic applications used in their businesses, alongside some homegrown systems and various tools provided by law firms.

It used to be like this in tax departments. In response, our tax management consultants set about introducing some discipline into tax technology. Our LMC team is doing the same for legal departments. We are creating a map of all relevant categories of systems, a database of available packages, and a framework to help in-house lawyers assess and specify their requirements and decide whether to build or to buy. They can also select the most appropriate suppliers, ensure timely and effective implementation, and initiate targeted training. Many lawyers find technology rather bewildering, but we intend to introduce systems that make a difference, through training and process planning.

The business impact of legal technology can be profound through:

- cutting the costs of routine work (for example, document review in litigation and due diligence exercises, as well as corporate compliance tasks),
- increasing quality and consistency (for example, when using document automation),
- managing the department's workload (e-billing systems),
- sharing insight and know-how (social networks),
- managing contracts efficiently (contract lifecycle management, document automation and blockchain), and
- implementing risk management (AI-based document analysis).

Many of these technologies are well-established. We are also adapting some of our more popular tax technologies for legal use—such as our workflow and deadline tracking systems and our global risk management tools.

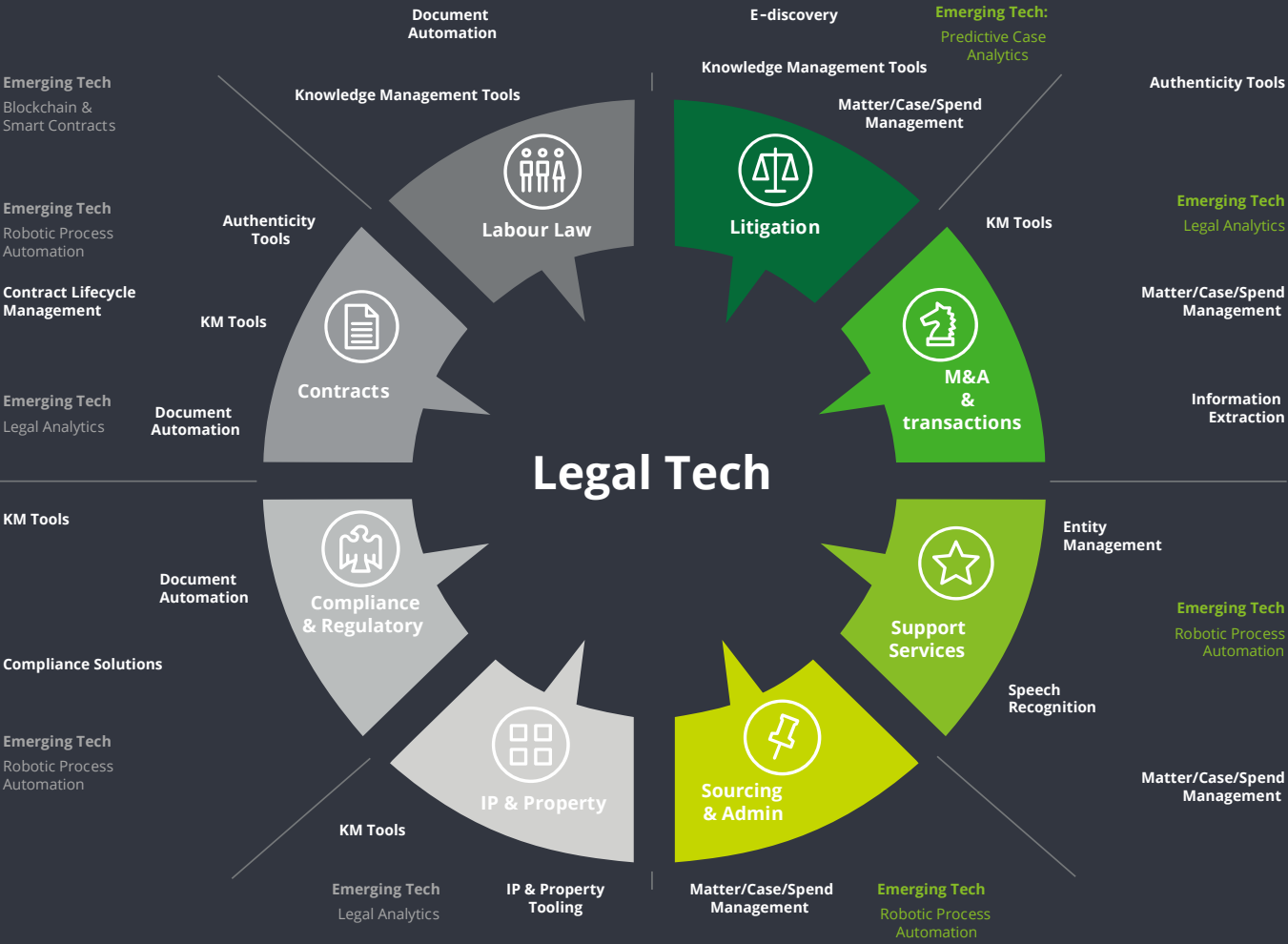
There are two complementary ways of assessing what technologies are best suited. One is to start with the business imperative, such as cutting costs and focus on technologies that can meet that need. The other is to look at the work of the department and consider the technological impact for each main category—deals, disputes, advisories, compliance, and operations.

Summary

- Technology is playing an increasingly important role in the delivery of legal services
- The legal environment is shifting from human labour to technology use, providing an opportunity for LMC clients to become the leading users of technology
- Deloitte LMC aims to introduce legal technology systems that make a difference

We are sensitive to the cultural challenges of change. The successful introduction of most systems requires adaptation to working practice. Indeed, unless lawyers are prepared to work differently, the full benefits of a new system are often not realised. Our experience with busy professionals tells us not to rush the changes in one big bang—the measured incremental introduction of new systems is often more productive than attempting “big bangs”.

Legal Tech for the Legal Department



What seems certain is that technology will play an increasingly important role in the delivery of legal services. Many of the current changes in the legal world involve using less costly forms of human labour.

In the near future, machines will take on more and more legal tasks, initially the routine work and, in due course, some more complex tasks. Law firms are increasingly recognising this shift, as are the many legal tech startups. It is time for clients to become the leading users.

Data

Deloitte formerly stressed the importance of three building blocks for all organisations—people, process and technology. We said that the most successful businesses are those with a blend of the best of each of these building blocks. We now add a fourth dimension: data. In the last few years, technologists and businesses have realised the value of their data and related fields of expertise—‘Big Data’, predictive analytics, data science and machine learning. There are now techniques which help us sort through and derive value from the data we have in our systems.

In law, it has been recognised for a long time that stored data could be of value, for example, in both benchmarking and knowledge management. The new wave of systems has greater potential for the practice of law. These systems do not just operate on structured data (like spreadsheets and e-billing systems). Instead, they are able to make sense of unstructured data, such as emails and word-processed documents.

One case study here is the field of ‘technology-assisted review’ (sometimes referred to as e-disclosure and predictive coding systems), where a technology-based solution is used to manage large quantities of documents in litigation. These systems can now out-perform junior lawyers and paralegals in reviewing document sets and isolating those most likely to be relevant.

Another illustration are the systems that have recently been developed to undertake similar document analysis but for due diligence exercises. These applications of technology are becoming mainstream. It remains for in-house lawyers to be more confident about asking their external advisers to use them. Substantial cost savings will follow.

Perhaps the greatest potential for the latest data techniques in law is in the area of risk management. We envisage using data science techniques across huge bodies of data from many organisations to identify the markers and signals of legal and compliance risks. Some of this data will belong to our clients, some will be public data, and some will be our own data. The results of this data analysis will help us deploy systems to provide and, in real-time, early warnings of impending legal problems.

Our experience in tax (which, admittedly, relates largely to numerical data) along with our risk work, shows us that specialists are needed for sophisticated data analytics. Over the past few years, Deloitte has been recruiting data scientists. Our LMC team will deploy these experts to work with in-house legal departments to use data to derive value and prevent risks.

Summary

- A new range of techniques have been developed which help us derive value from the data we have in our systems
- Stored data can be of value in law for benchmarking, for knowledge management, and for applying analytics can help with proactive risk management
- Deloitte’s LMC team will deploy data specialists to work with in-house legal departments

Roles

The role of the General Counsel has changed over time and differs across jurisdictions. As legal and compliance work increasingly attracts the interest of boards and investors, the GC is becoming a more central figure in commerce and industry. GCs also seem to have become the custodians of the reputations of their businesses, perhaps not in the standard job description, but most notably when disaster strikes.

Consistent with Deloitte’s analysis of other members of the C-suite, LMC identifies four roles of the GC (and if all four roles are played by the GC, we do generally regard the GC as a board-level position).

- **Role 1: Ambassador**
The first role is that of an ambassador, the internal and external personification of legal issues and legal risk. In major matters, this is the person who leads discussion with counterparties, regulators, public authorities, and external counsel; who builds respect and trust with key stakeholders; who is the first point of contact for leaders who need legal help; and who develops relationships across their organisations.
- **Role 2: Strategist**
Second is the strategist. This person rises above the turmoil of daily legal service to ensure long-term stability in legal support for the business. The strategist is involved across the life cycle of strategic initiatives—new markets and products, acquisitions, investigations, disputes, and more. The legal strategist sits next to the CEO.

- **Role 3: Steward**
The third role is that of the steward. Much of the responsibility here is for risk management, but, in this capacity, the GC also protects the reputation of the business and oversees compliance, contracting and governance.
- **Role 4: Operator**
Finally, the operator fulfils a role to run the legal department as a business and is responsible for operations, technology, data, innovation, process, project management, as well as supplier selection.

These four roles can only be undertaken successfully if GCs have a deep understanding of the markets in which they operate and a complete familiarity with the culture, values, strategic direction and potential risks of their businesses.

One of the most significant recent developments in the world of in-house departments is the growing number of appointments of chief operating officers, also known as directors of operations or chiefs of staff. GCs who create these roles are often frankly acknowledging that in many legal departments it is not possible for one person to be ambassador, strategist, steward, and operator. COOs take on the role of operator and so are responsible for the day-to-day running of the business. This is a development that Deloitte welcomes.

Summary

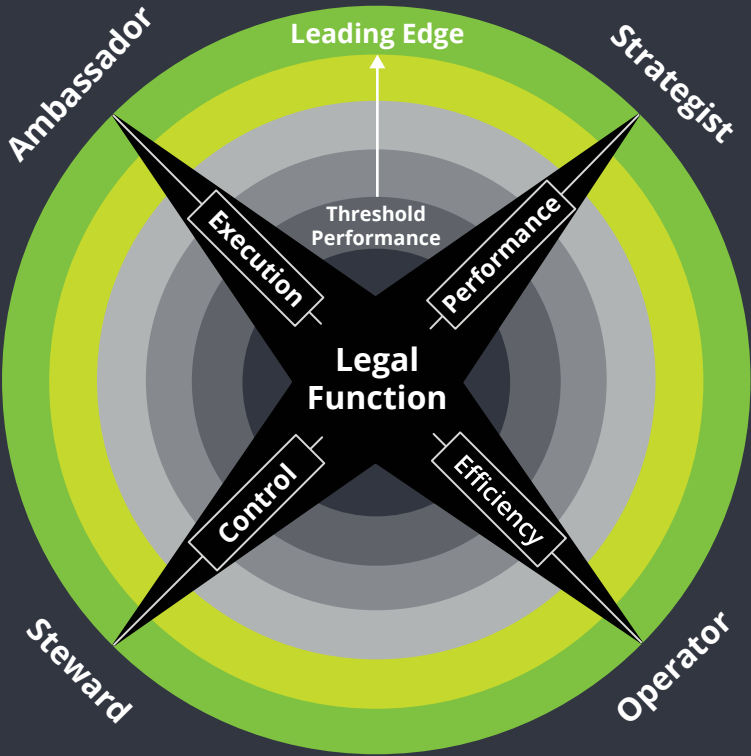
LMC identifies four roles of the General Counsel:

1. Ambassador
2. Strategist
3. Steward
4. Operator

We also welcome collaboration amongst COOs from legal departments, the best example of which is CLOC (Corporate Legal Operations Consortium), a rapidly expanding community of COOs that has come together to share best practice, to educate, and collectively drive change in the way that legal services are delivered.

Four Roles of General Counsel

Represents the legal position of the company internally and externally



Provides leadership in determining strategic direction and aligns with business strategies

Protects and preserves the assets of the organisation

Balances costs and service levels to fulfil responsibilities

The four roles of General Counsel can only be undertaken successfully if they have a deep understanding of the markets in which they operate. It is also imperative that they have a complete familiarity with the culture, values, strategic direction, and potential risks to their businesses.

Predicting the Future

No one can forecast the future of in-house legal departments with scientific certainty. Nonetheless, when based on solid research, extensive data, experience from related fields and centred on sound theory, some views and predictions will be more reliable than others.

A key component of LMC is horizon scanning, thinking ahead and helping clients to identify important trends to anticipate likely developments. Deloitte aims to lead the way in legal forecasting, based on robust methods. We will no doubt miss some innovations, but we plan to provide a road map for improved process and strategic navigation.

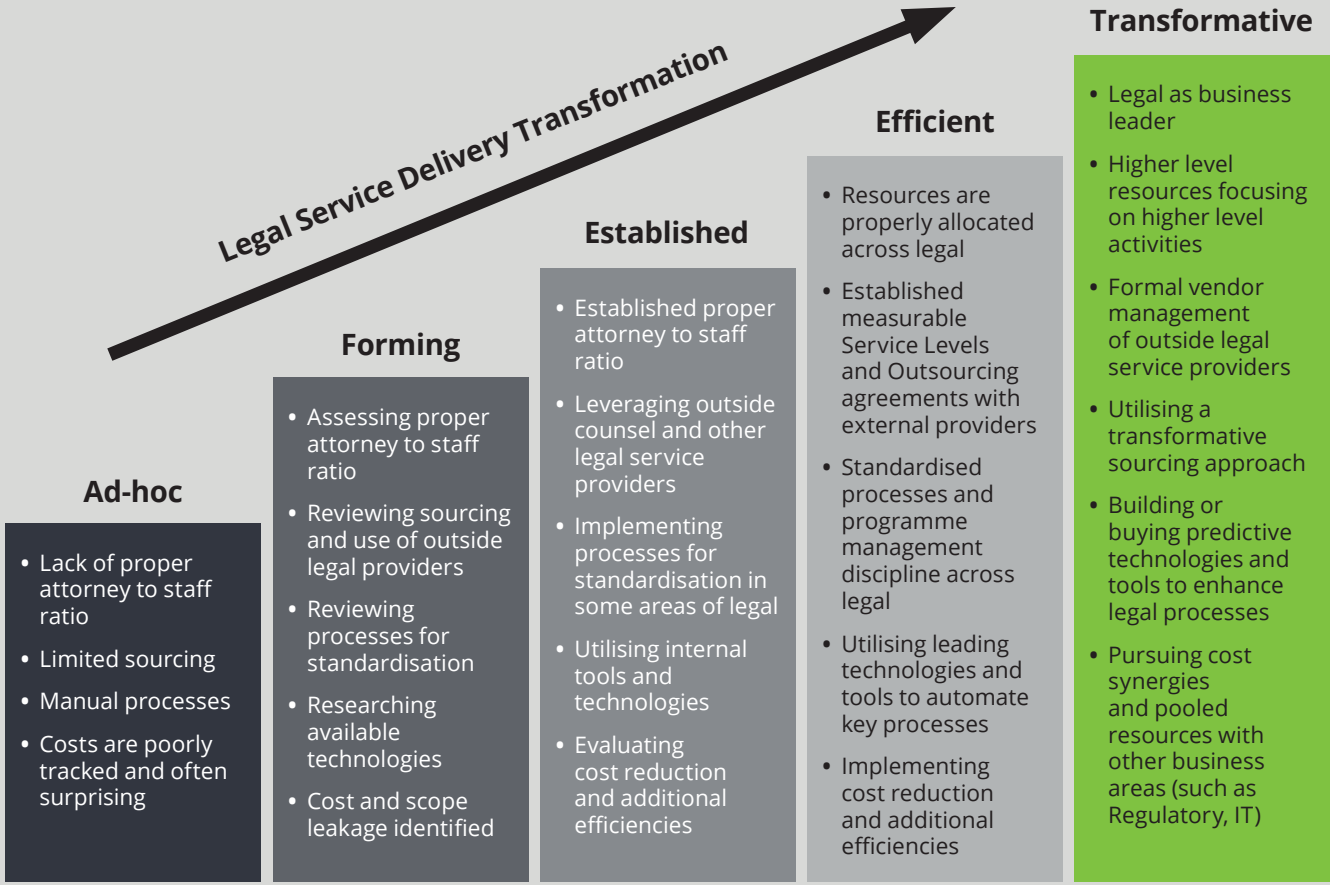
More than this, the LMC philosophy is not simply to try to predict and then accept the future. It is to work with clients in creating the future. In-house lawyers are the customers and, in our view, should be driving much of the change in the legal market. The collective influence of the in-house community is huge and we believe this influence can be harnessed in driving the industry toward the more widespread use of the techniques and technologies discussed in this paper.

One of the jobs of Deloitte's LMC team will be to monitor multiple well-known variables, such as whether legal departments should include compliance functions and determine the balance between internal and external provisions. We will also focus on more advanced issues, many of which are discussed in this paper—such as the use of legal process analysis, the uptake of project management, the deployment of legal technology, the exploitation of data, and the move from traditional reactive fire-fighting to more proactive legal risk management. These are developments we will strongly encourage, and monitor continuously with regular reporting.

In thinking about and shaping the future, our increasing emphasis will be on what businesses actually need rather than on what lawyers think they need. The long-term strategic health of in-house legal departments will depend on their ability to help identify and then satisfy their clients' actual needs better than other providers.

Summary

- A key component of LMC is horizon scanning
- Deloitte aims to lead the way in legal forecasting
- Deloitte's LMC team will monitor, report on, and encourage improvements within legal departments



Managing Change

This paper is a call for change and a transformation in the way that legal departments are managed. It is also a call for the introduction of new technologies with different ways of sourcing legal work, and a call for alterations in operating structures with an allocation of new roles and responsibilities.

Intellectually, most GCs may find our arguments compelling, but will rightly see a series of obstacles to the brave new world we predict. The reality is that most legal departments are already stretched to their limits, with little capacity for bringing in new management structures. Changing an in-house function sounds like trying to change clothes while riding a bicycle. GCs say that if they could press “pause” on daily functions, this would allow them to manage change. It seems there is no time for strategy and planning, and still less for transformation programmes. Additionally, some of their in-house lawyers might be conservative and resistant to changes in working practices. There is also the argument that there is no budget for change.

In working with tax departments over the years, we have helped address similar obstacles. One clear lesson is that radical, beneficial change rarely happens spontaneously. To change from being a traditional legal function to a department that is geared—in technical and human capabilities—for the next 10 years requires a structured and managed process. Another critical success factor is that one

of the department leaders needs to be given clear responsibility for change and the rest of the senior team must offer unconditional support for the process of change.

Following our chapter on 'Roles', it makes sense that this individual is the COO of the function and he/she should have the time to devote to the initiative. It also helps to have an external catalyst, either someone from within the business, but beyond the immediate department, or an external individual or organisation. An external participant can nudge the project along and call regularly for progress reports, expediting implementation.

It is also vital that leaders provide a clear vision for any transformation programme, within an easily understood statement of where the initiative is heading. The vision must be underpinned by a clear business imperative (if there is no relevant benefit to be secured from change, there is little point in the upheaval). In turn, there should be a strategic plan, supported by project management.

For many lawyers, this type of structure may appear excessive. In our experience, if this kind of approach is not adopted, the transformation is likely to fail, disappoint, take too long, or not get started in the first place.

Summary

- Changing from a traditional legal function to a department that is geared for the next 10 years—in technical and human capabilities—requires a structured and managed process
- To transform successfully the way legal departments are currently managed, there must be unconditional support of change from senior leadership
- It is critical for leaders to provide a clear vision for the transformation programme

Supporting Research

Many of the arguments and techniques presented in this paper are based on research. Some of this work has been undertaken by or for Deloitte directly. Deloitte Legal commissioned a study of 243 global legal services purchasers in 2016.

Many of these purchasers felt that their own roles and businesses had changed and become more complex, as well as more resource-constrained. Just under half (44%) said they found “doing more with less” the most challenging part of running or working in their corporate function. They expected the service provided by external advisers to also evolve, but these expectations were not currently being met in a number of crucial areas. As a direct result, the expectations of legal services

products and services are changing.¹ We have also been influenced by research that has been undertaken by other individuals and organisations, such as Richard Susskind, Mari Sako, and the Dutch Association of GCs.

We believe that Legal Management Consulting should be an evidence-based activity, rooted in the real world.

We have also found less formal sources to be invaluable—face-to-face meetings with in-house counsel, discussions at seminars and events, the published commentary of GCs. In combination, the structured and more anecdotal evidence offers an evolving picture of the legal market.

Research and data, however, can only take us so far. They can point us, for example, to historical best practice and they can enable us to compile case studies of interesting and outstanding achievement. However, they cannot give rise directly to innovation. If we are copying the best practice of others, we are clearly not innovating.

Fresh ideas and entirely new approaches come from the imaginative and creative activity of human beings. At Deloitte, we do not pretend to have an endless store of groundbreaking solutions but our aim—by acting as experts and enablers, armed with LMC techniques—is to help our clients think and work differently.

We are conscious that many exciting new research methods are evolving today, most notably in the fields of ‘big data’ and predictive analytics, and are exploring ways in which these can further our understanding of the legal world. Deloitte is investing heavily in these emerging fields (not least in audit and tax) and we are gaining confidence in our ability to take large data sets (our data, client data, public data) and identify trends and patterns that traditional techniques could not.

Further research in many directions is no doubt needed. We must keep refreshing our thinking and tools in light of experience. Deloitte will undertake some of this research. Some research, again, will no doubt be undertaken by other businesses and universities and we will monitor these carefully. Where we think there are gaps in our understanding, we will fill the gaps ourselves or encourage research to be conducted, perhaps in universities or the Deloitte University.

1. Deloitte Global Study of Major Global Purchasers. www.deloitte.com/legaltrends

Epilogue

Today's corporate legal department faces multiple challenges: a heightened regulatory environment, increased workloads, the acceleration of new technological advancements and growing demands from within the business. Companies need their General Counsel (GC) and legal departments to keep pace with the commercial needs of the business—while at the same time, legal teams are increasingly being asked to do more with the same or fewer resources.

Personally, I believe that these developments do not present organisations with roadblocks—I see the current business landscape as an opportunity to transform an area of the business and to extract more value for the company. Changing regulations, technological disruption and globalisation create a compelling reason for legal departments to change their operating model, achieve greater efficiencies and increase the value they deliver back to the business.

In this paper, we introduced a Deloitte approach to helping GCs overcome the challenges that legal departments are facing today. In developing this approach, we brought together leading experts in law, operating model transformation, business and technology to focus on how business could modernise the way legal needs are addressed. The philosophy of LMC builds on a multidisciplinary and integrated approach that includes three essential components: mainstream management consultancy, risk advisory services and expertise in legal department operational management.

Deloitte pioneers change and stays at the forefront of a world that is in a state of perpetual transformation. Our teams stay abreast of market and industry trends and continuously develop new, technology-enabled offerings and services to meet your needs. Research and development are a part of our DNA—and we are committed to staying ahead of innovation trends by making continuous investments in the future of work and technology.

At the foundation of Deloitte's integrated service delivery model is over 2000 legal professionals around the globe providing counsel when and where it is needed locally. Deloitte Legal professionals have a reputation for listening to the unique needs of the individuals we support each day—focusing on what is most important in order to make an impact that matters. Legal Management Consulting is just one example of how Deloitte Legal is delivering the future of law, today.

Luis Fernando Guerra

Contacts

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