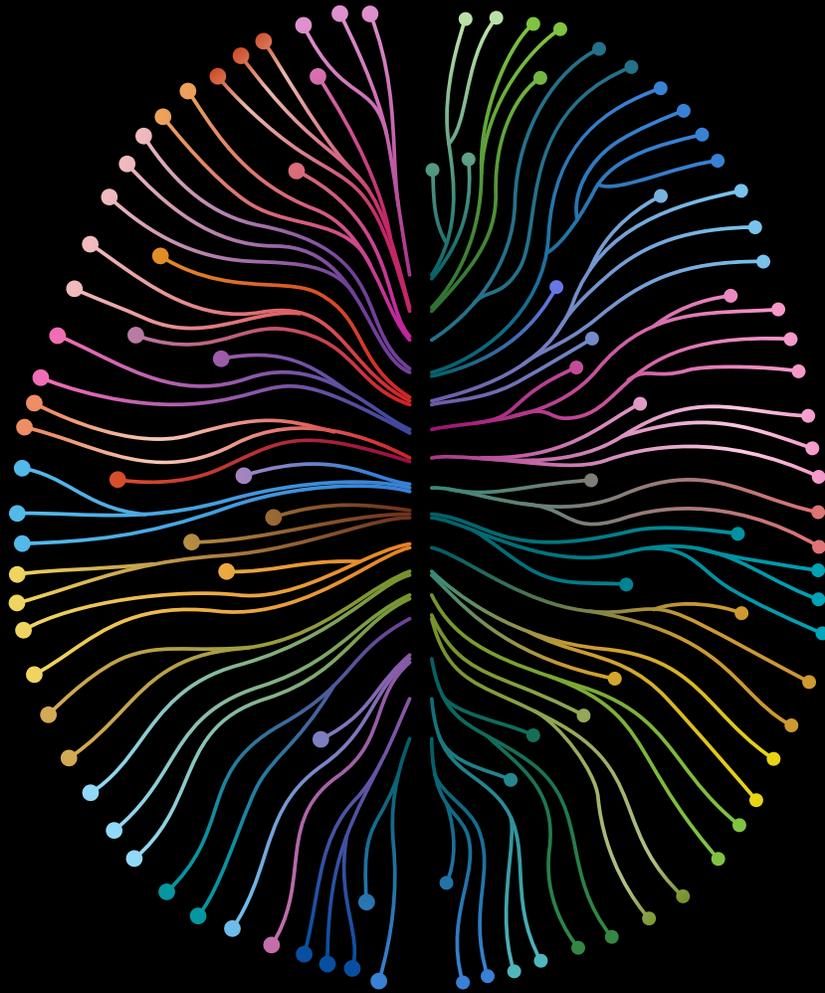


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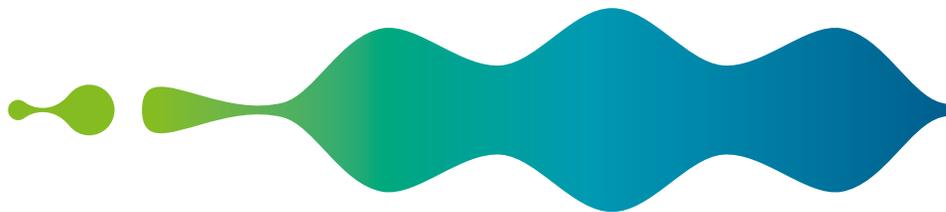


Legal department transformation

Why a shift in mindset may
be the key to success



Introduction



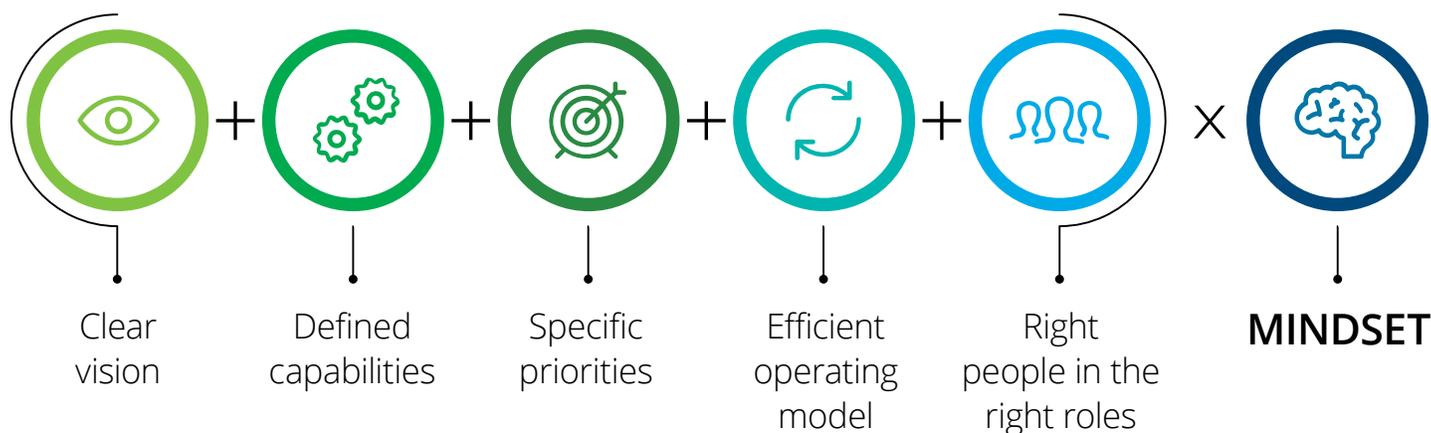
Why is it so hard to transform the legal department? When we asked that question in two surveys—one of legal executives¹ and the other of legal operations professionals²—respondents were on the same page. They cited a range of challenges, from obtaining adequate funding to difficulty demonstrating immediate return on investment.

Challenges like these can make it difficult to realize the full value—or any value at all—from your transformation efforts.

How can chief legal officers (CLOs) and legal teams address this? Start by cultivating a new mindset. It's easier to identify meaningful and effective transformation when you believe that change is within your reach. Of course, the mere belief that transformation is possible by itself is most likely not enough to enable successful transformation, but a road map for change supported by a leader with the positive mindset has the potential to deliver better transformation results.

Here's what that can look like in practice.

Transformation =



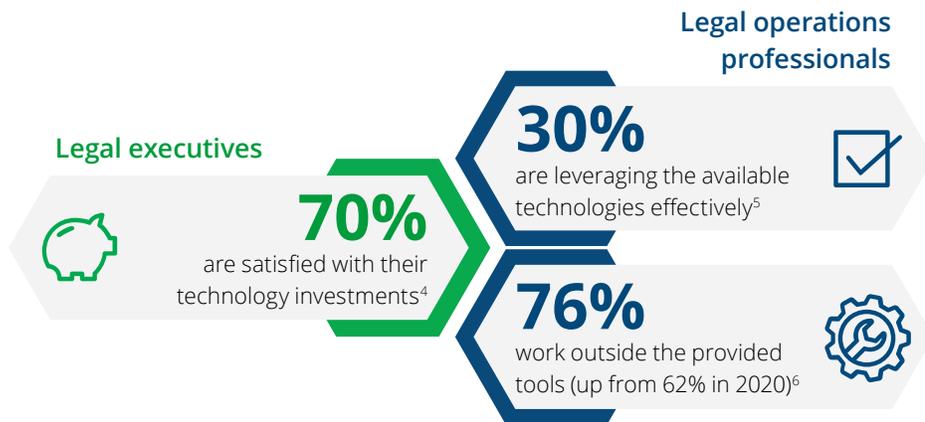
1. Find your North Star

Lawyers are skeptics by training, with a tendency to focus on what could go wrong.³ So don't expect them to go along with a transformation initiative without thoroughly understanding the purpose. CLOs need to provide a vision of how legal transformation will further the business strategy beyond just cost reduction and efficiency.

It can be especially effective to help legal department leaders understand [what transformation can do for themselves and their teams](#). The specific value may look very different for the head of litigation than it does for the leader of the intellectual property function, for example. Too often, CLOs skip this step, which often leads to confusion and in extreme cases can cause resentment and even outright opposition to transformation.

Strong communication is critical, too, both to define the "North Star" of legal transformation and to address differences of perception that may exist between the CLO and the rest of the legal team. An example of this last showed up recently in the Deloitte surveys mentioned earlier. In one, most legal executives (defined as the highest legal executive within a company and those who report to the highest legal executive) reported satisfaction with their technology investments. In the other survey, legal operations professionals had a different perspective.

A tech disconnect



Mindset tip
Evaluate transformation objectives against what the legal team needs in order to provide a better experience to the business. Be sure to identify the transformation benefits ("what's in it for me") for each of your leaders. From there, communicate often the vision, objectives, progress, and wins. Stay focused on the "why."

Setting the transformation agenda



Here are some common high-level objectives for legal department transformation:

- Enable the business strategy
- Reduce the cycle time of business requests via technology (e.g., automated nondisclosure agreements, workflow-based query resolution)
- Empower the legal department with connected, user-friendly technology
- Clear unnecessary administrative, low-value, or low-risk tasks from lawyers' schedules
- Provide business and sales teams with time-bound turnaround times for their requests (e.g., legal queries, contract negotiations, other transactions)
- Rightsize and right-source so that in-house lawyers can focus on work that enables the business
- Reskill team members to focus on aspects of legal work that automation and artificial intelligence (AI) can't address
- Provide lawyers with a career path and development opportunities
- Reduce overall year-over-year costs

2. Understand your capabilities



Once you've identified your North Star and communicated it to the team, the next step of a transformation is to understand what kind of work your legal department does. Here, it's important to get granular and identify specific activities so that you can assess and truly understand where team members are spending their time. By breaking down the work into its component parts, and creating a work taxonomy, it's also possible for legal leadership to clearly identify their priorities within the work.

On the following page, a honeycomb chart shows a high-level sample taxonomy of what we typically find in corporate in-house legal departments.

The chart represents each practice or specialty area as a group of activities. To better enable transformation, consider going a level further in your analysis of certain areas that have more mature technology and/or automation capabilities (e.g., commercial transactions or contracting, eDiscovery, legal operations). Make sure you understand the processes that are in place and the tools, technologies, and resources that are in use. This makes it easier to identify opportunities for strategic sourcing based on the impact to risk and competitive advantage.

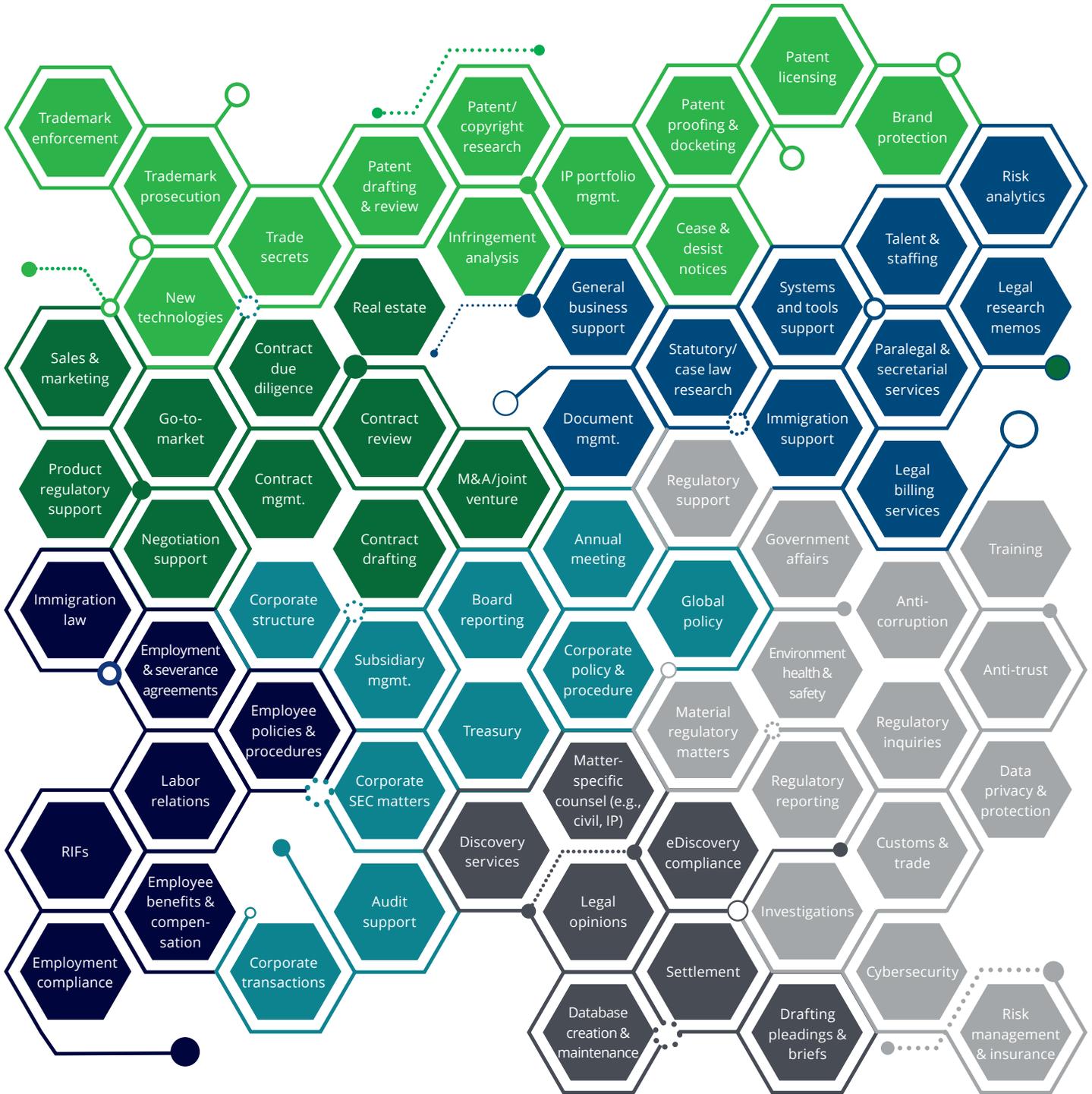


Mindset tip

At this stage of your transformation effort, focus on the work itself—not the people doing it. It doesn't matter if the person currently doing the work isn't the right fit, or if no one is assigned to a grouping of tasks. It's only important to identify the work that needs to be done (the people part comes later).

A legal capability framework

Specialty areas



Practice area key

- Intellectual property
- Contracts & transactions
- Corporate governance
- Litigation
- Regulation & compliance
- Labor & employment
- Support services

3. Determine the appropriate placement of work

Next, think about the work you *should* be doing and what your alternatives are for everything else. One approach is to use a simple service delivery framework like the example below, with value along one axis and complexity along the other.

In general, more standardized work can be automated, sent to a managed service provider or other outsourcing option, or handled in a center of excellence. High-value, specialized work often remains in-house, although some exceptions may exist (bet-the-company litigation, for example).

Not every legal department will map its priorities in the same way. That's OK. With the wide range of alternative legal service providers, managed service offerings, and specialty law firms in the legal ecosystem today, you can be thoughtful and creative about where work gets done.

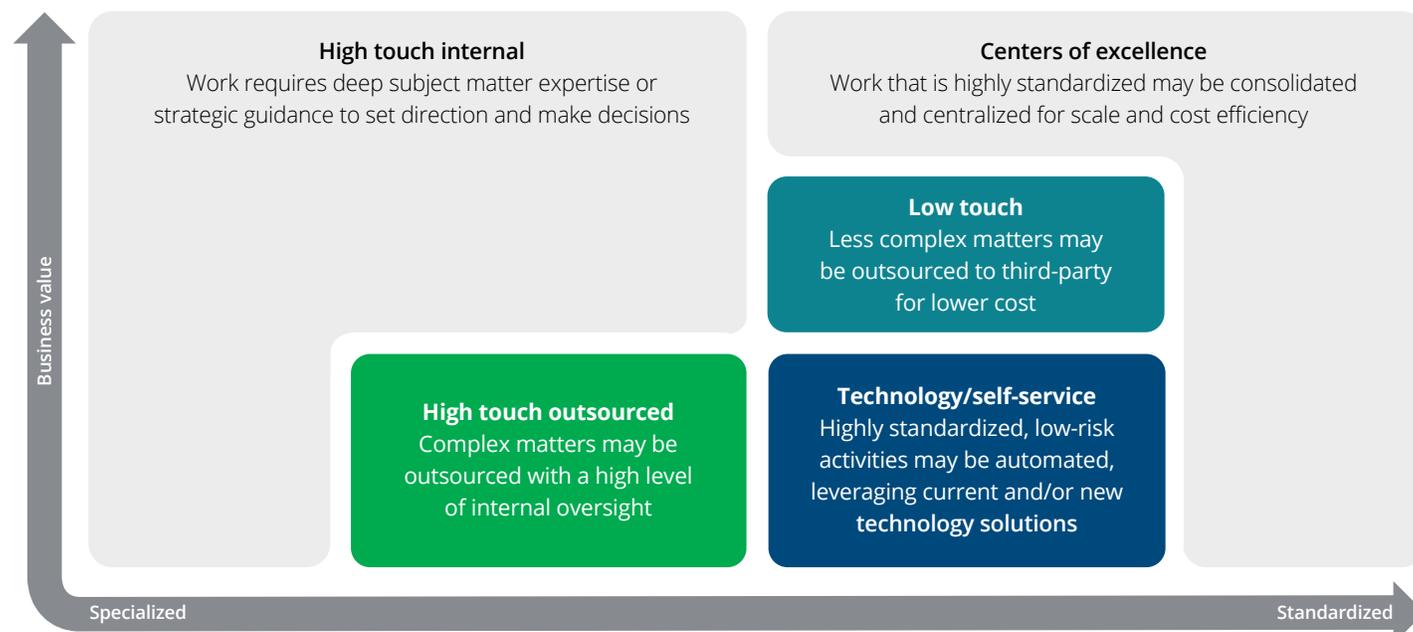
This kind of strategic sourcing can improve legal department efficiency. Beyond that, it can free more time for legal professionals to learn new things, solve hard problems, and strengthen relationships in the lines of business—all of which could raise the legal profile as a leading operation.

Breaking down silos



A common challenge to transformation is that technologies are often implemented in silos, limiting their benefits and sometimes hampering seamless automation. As a CLO, before implementing legal technology, get in contact with the IT function and talk to different businesses to avail yourself of technology that other parts of the organization have implemented already. This kind of integration can enable interdepartmental technologies for easy flow of data and potentially solve for another significant tech-related challenge: [clean data](#).

Service delivery framework with example opportunities for strategic sourcing





Managed services for legal teams



Efficient use of managed services providers, or MSPs, can be part of an effective transformation.

MSPs handle day-to-day business processes via agreements that are often in place for multiple years. For legal teams, managed services may include (among other things):

- Contract management (think regular nondisclosure agreements, master service agreements and statements of work, contract administration, and workflow or contract life cycle management tools).
- eDiscovery.
- Electronic document review.
- Legal operations (such as e-billing, reporting, and data analytics).
- Paralegal support.

In today's business world, everyone wants their queries to be resolved in a timely manner. A client-first orientation is critical to address this business demand, especially as deadlines get tighter and the timing to start business transactions becomes more urgent. Typically, the benefits of legal managed services include service level agreement-backed turnaround times with stringent quality measures for legal requests.

Legal teams may see less friction with the business as timelines are known to everyone. At the same time, in-house lawyers may gain more time for strategic tasks. Perhaps most importantly, the long-term nature of the relationship allows an MSP to closely align to the legal department strategy in ways that more transactional providers often can't.

Still another benefit of using an MSP is the ability to quickly ramp up and down in response to demand. That can be a boon to legal departments at year end, before the holiday season, or any other time when there's a surge in workload.

Mindset tip



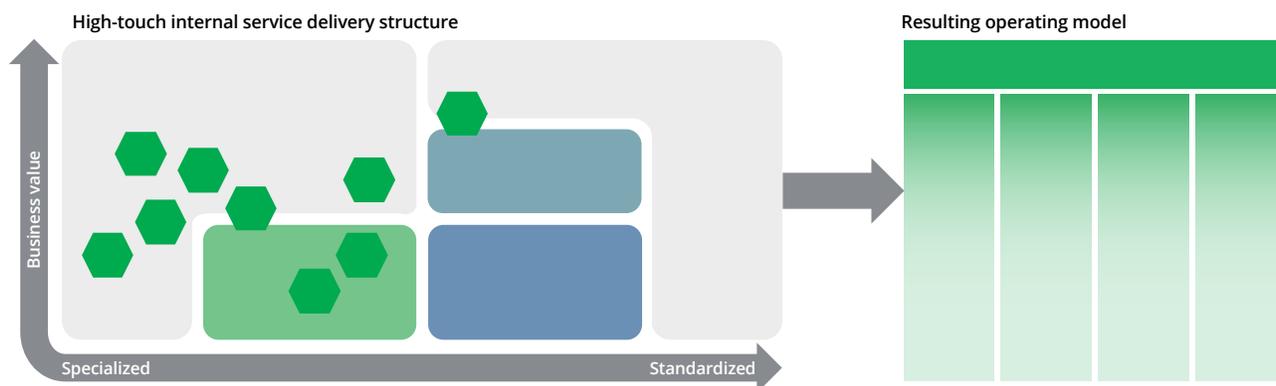
Apply the 80-20 rule when completing the service delivery framework so you don't get bogged down in the exceptions. Nondisclosure agreements, for instance, can get very complicated. But most of the time, they're standard and simple. Map to the common occurrence, not to the exception.

4. Set up your operating model

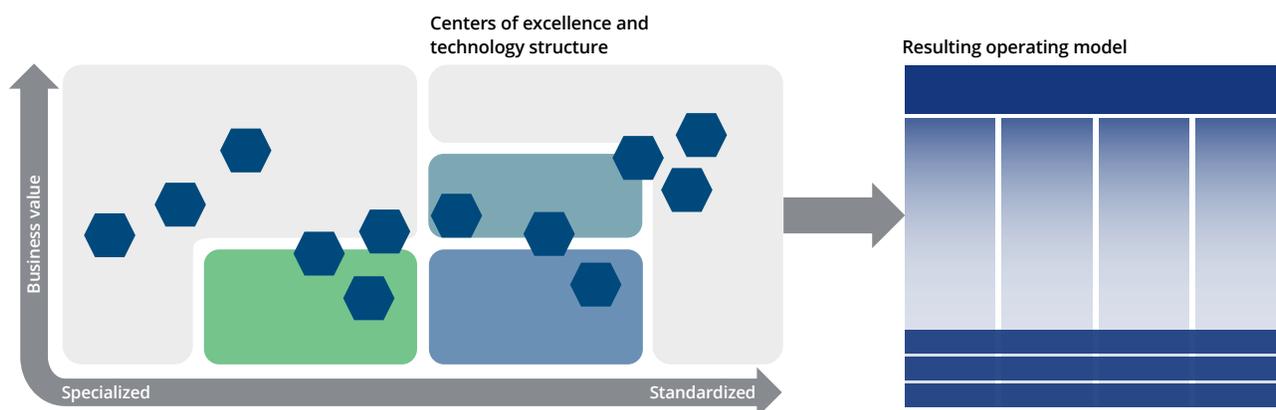
Now it's time to design your new operating model. An operating model is a visual representation that aligns the legal department's work with its capabilities to deliver legal services effectively in a timely manner. Think of it as a way to [organize legal service delivery](#) (as opposed to people or job positions).

To that end, you have another decision to make on top of the capabilities and priorities you mapped out in steps two and three. That is the extent to which activities should be centralized or decentralized. Your answers to this question will help you decide what your operating model looks like.

The legal capability taxonomy and the service delivery framework can help you work through these questions and define the optimal sourcing of work. For example, the figure below shows how a high-touch internal service delivery structure could drive either a business-unit-aligned or capability-aligned operating model.



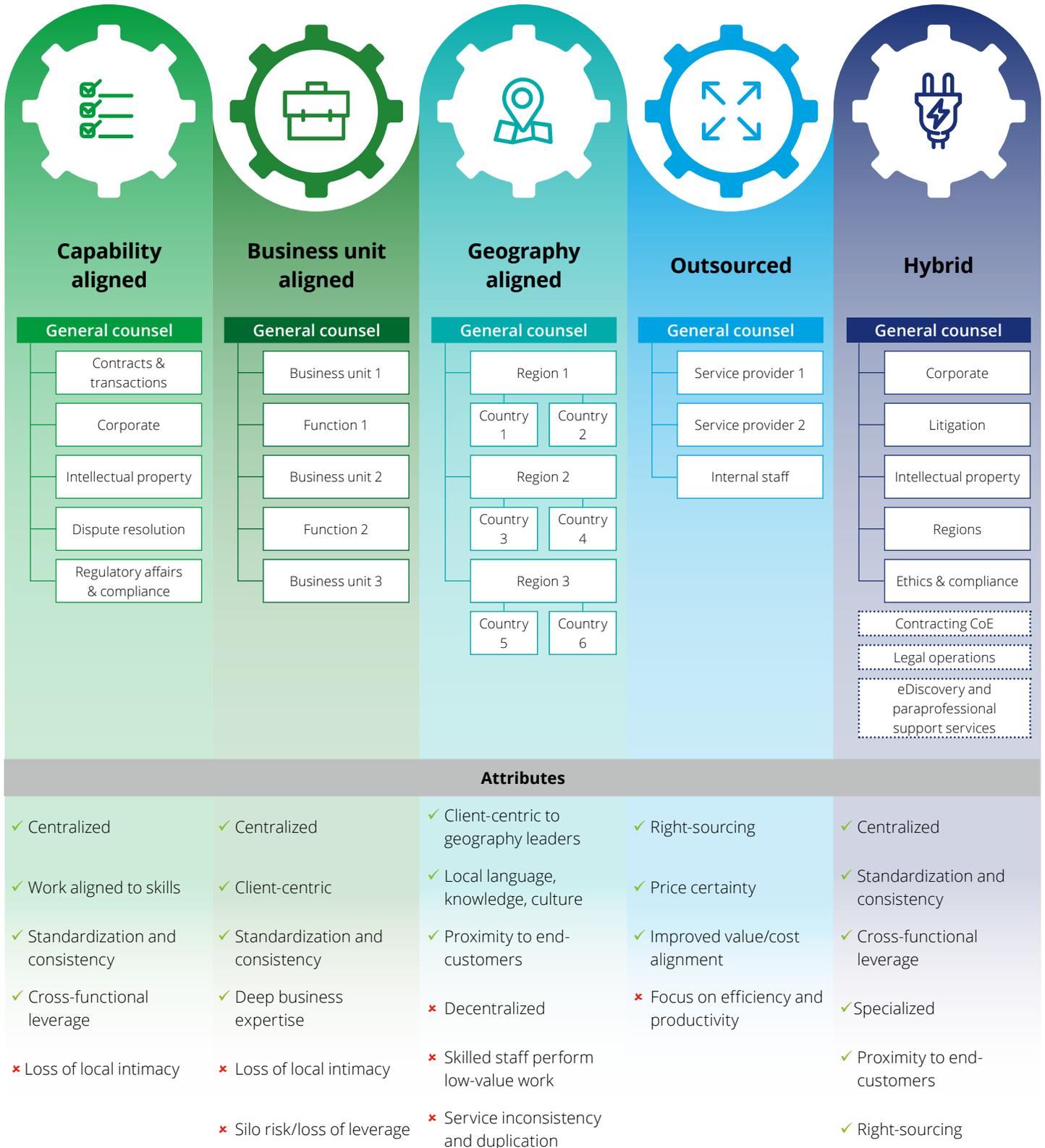
On the other hand, a structure that makes more use of centers of excellence and technology-based self-service can support a hybrid model with a greater degree of centralization, standardization, and cross-functional leverage.



Mindset tip

Consider the number of direct reports you have. Too many can create inefficiency and be a drain on your time and ability to execute on your responsibilities in the C-suite. Less can be more when it comes to direct reports.

Common options for an operating model



5. Align people with roles

Now that there's a model in place, you can begin to align specific people with roles. It's common for some leaders to leave their role in the new structure. They may be elevated, reassigned, or take roles outside the legal department. There may also be opportunities to fill gaps in expertise or leadership through external hiring. These can be difficult decisions, but after intentionally moving through the first four steps above to develop strategic direction, the need for shifts in roles may be necessary.

A legal function "dream team" may include:

- A lean in-house legal team.
- A trusted technology partner (internal or external).
- A managed services provider with flexible resources, language capabilities, and time-zone support capabilities if required.
- Specialized law firms that are flexible and ready to work with your technology and managed services provider.
- A consultant who can integrate and manage all the above.



Mindset tip

Don't forget that others external to the legal function may struggle with new processes or temporary inefficiencies as the legal team adapts to the transformation. Keeping a service orientation can help to maintain strong relationships during the transition.

Change is inevitable

Transformation is challenging for many executives, and CLOs are no exception. But legal departments often face certain realities that can make transformation a smart move.

First is the push for budget reductions, which is likely to continue in many organizations. Second is the potential for companies to formally assess legal teams for quality, turnaround time, ease of doing business, and more.

Whether your function is facing one of these drivers, or others, change is practically inevitable. By adopting a transformation and service delivery mindset, CLOs can get ahead of these trends and elevate their legal team's reputation for delivering complex, sophisticated, and valuable work.



Mindset tip

Consider adding new, differentiating capabilities to the legal team, such as technology or data analytics. Another important capability is project management, which 57% of legal operations professionals say doesn't exist within their legal teams.⁷ And remember, not all of the legal function's work needs to be done by lawyers. Ask yourself: Is there a lower-cost resource that can do this work well?



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Endnotes

1. Deloitte, "A tale of trust and transformation: Highlights from the 2022 CLO and CCO strategy survey," 2022.
2. Deloitte, "2022 State of Legal Operations Survey," 2023.
3. Larry Richard, "The mind of the lawyer leader," *Law Practice*, September/October 2015.
4. Deloitte, "A tale of trust and transformation."
5. Deloitte, "2021 State of Legal Operations Survey," 2021.
6. Ibid.
7. Deloitte, "2022 State of Legal Operations Survey."

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