

A hand is shown on the left side, holding a glowing globe. The globe is composed of a wireframe mesh and is surrounded by a network of white dots connected by thin lines, creating a digital or global connectivity theme. The background is a dark blue gradient.

Transforming Corporate Legal Departments for Success

AUGUST 21, 2019

Idea Innovate Consulting
Authored by: Nita Sanger

Idea
!INNOVATE CONSULTING
Transforming businesses for growth

Introduction

Many corporations are facing unpredictable events or drivers happening outside an organization which can be either negative or positive, but present greater volatility, uncertainty, complexity and ambiguity (VUCA) which makes it more difficult for leadership to make decisions. However, this provides a terrific opportunity to drive change and positively transform the business.⁽¹⁾ This VUCA environment has also impacted the legal industry, as it transitions from a lawyer-centric guild to a customer centric marketplace, with the Corporate Legal Departments (CLDs) being the primary drivers of change.

Corporate Legal Departments are now being courted by all providers in the *legal services ecosystem*⁽²⁾: Law firms, Alternative Legal Service Providers (ALSPs), Big Four, and other Service Providers. The CLDs are in turn pushing their providers, both for the business and the practice of law⁽³⁾, to be more technologically savvy and deliver a combination of legal, business and technology capabilities, to augment their expertise, and enable them to improve their efficiency and effectiveness.

While most CLDs have been focused on controlling costs there continues to be pressure from the C-

Suite for the in-house legal department to become a strategic adviser to senior leadership and support overall firm objectives. This provides significant opportunity for the department to transform the business and move from being a cost-center to a value-driver and a key partner to the C-suite. For any transformation to be successful it is critical to have the buy-in and support of the C-suite.

Burning Platform for Change

The global legal services market in 2017 was \$849 billion and is forecasted to grow to \$1,011 billion by 2021. Of this one-third of the spend will be driven by CLDs, which is ~\$283 billion (individuals as a group drive more legal spend but do not have the clout to drive change).⁽⁴⁾ The average large corporation (with revenues in excess of \$10 billion) spends approximately \$110 million on its legal department with about 60% of that going to their external legal service providers. While this spend is only 1.0% of the corporation's total revenues, it is closer to being *10%+ of the organization's total profit margin*⁽⁵⁾. The large spend on legal services along with other internal and external drivers are putting pressure on Corporate Legal Departments to further evolve and transform their business.



Source: Legal department of the future: How disruptive trends are creating a new business model for in-house legal, Deloitte 2017

Need for Further Action by Corporate Legal Departments

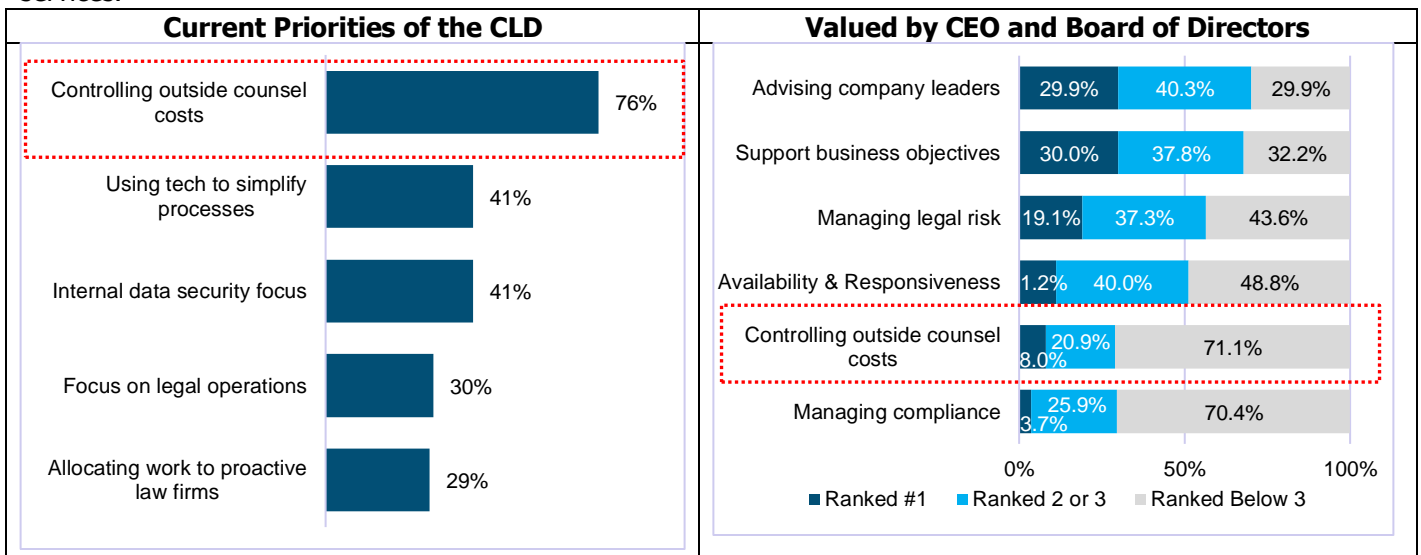
To date, most CLDs have focused on controlling outside counsel costs and leveraging technology to improve efficiency and effectiveness.⁽⁶⁾ On the other hand, the C-suite is looking for the key personnel in the CLD to act as company leaders, support the business objectives and manage legal risk. Focusing on controlling outside counsel costs is a lower priority for them. There appears to be a disconnect between where the personnel in the Corporate Legal Department spend their time, versus where the CEO and the Board of Directors perceive the greatest value from their in-house legal department.

This creates a potential opportunity for Corporate Legal Departments to increase their role as a strategic adviser to the C-suite, by automating or outsourcing the more mundane repetitive tasks, focusing on the more value-added strategic tasks, while proactively working with leadership to mitigate legal issues as the senior leaders seek to innovate and transform the organization's operations and services.

Potential Actions for Corporate Legal Departments to take

Operating in a VUCA world requires the Corporate Legal Department to take a different approach to running the business. It requires taking a more proactive approach to guiding leadership, running business operations, democratizing information, speeding up interactions and moving decision making to the frontlines of the business. To enable a CLD to do this, below are some suggested actions:

1. *Act as the strategic legal advisor to the C-suite* – According to a study, two-thirds of the world's top 1000 enterprises will adopt digital transformation as a key strategic goal and will spend \$369 billion on digital transformation by 2020⁽⁷⁾. As innovative technologies are leveraged in business operations, often the team developing the solutions, does not understand the legal and regulatory implications of the use of these technologies, until too late in the process, which can result in significant cost overruns or delays.



Source: 2018 State of Corporate Law Departments Innovation, Data and Collaboration Drive Optimal Results, Thomson Reuters, 2017, Chief Legal Officer Survey, An Altman Weil Flash Survey

The legal team needs to play a key role in advising the C-suite about the right balance between speed-to-market and ensuring legal and regulatory compliance. For instance, a start-up launched within a large services firm, took 16 months to obtain legal, risk and regulatory approval. On the other hand, the legal professional at a start-up competing with Skype advised the firm to get regulatory approval which took ~18 months by which time Skype had established market leadership.

In addition, the General Counsel should have a seat at the table as the leadership lays out the plan to transform and evolve the business, to proactively advise on any potential legal and regulatory issues that could arise. To enable the team to have the bandwidth to provide more strategic insights, it is key to automate or outsource more mundane and repetitive tasks performed by the lawyers.

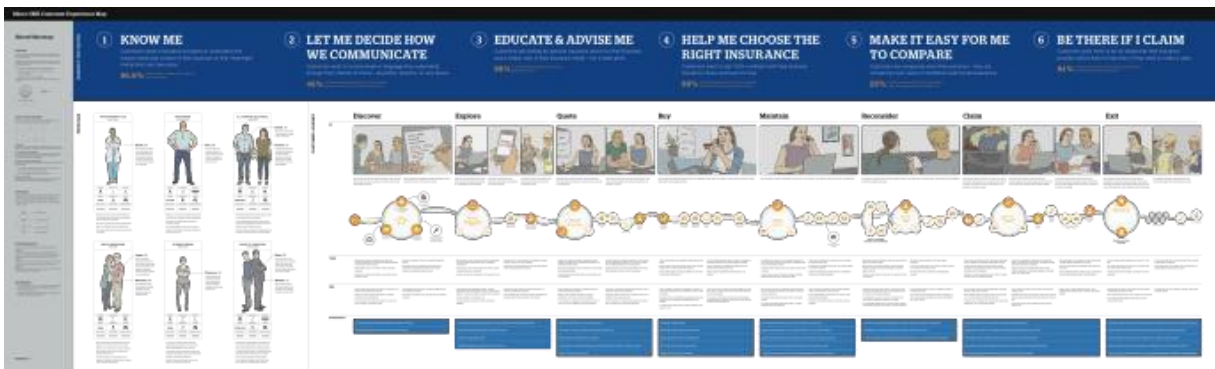
2. *Focus attention on the 80:20 rule* - Focus on 20% of the tasks or legal practice areas, where the team spends 80% of its time or money ⁽⁸⁾. Usually these are about 10-15 areas. For each of them:

- Create a detailed journey map of all the steps in the process;
- Identify the pain points/areas where there is potential for increased efficiency/reduced spend;

- Determine which tasks could be automated by leveraging technology, sent to a low-cost service provider, outsourced as a managed service, or performed inhouse.
- Complete this journey mapping and share internally with staff and with preferred law firm, ALSPs, LegalTech's and service providers so they can deliver solutions to best address the pain points.

3. *Create a single-source of truth* - Develop a single platform for all internal legal professionals in the department. This portal would be the front-end for each legal professional to go to perform all their daily tasks and should include all the knowledge management information, legal cases data, tools and solutions available across the network. This improves efficiency and increases consistency of approach. All information on the portal is aligned by the user-journey, i.e. for an M&A transaction, all tools, solutions and content, should be available at each stage of the process. At the back end, the best tools and solutions, from the leading LegalTech's and service should be added to the platform. In addition, analytics should also be added to the platform. Identify start-ups, and legal services and content providers with whom to form strategic alliances or partnerships.

Journey Map for an M&A transaction – Illustrative



For example, a Big Four practice area launched a platform for their auditors, aligned with their user journey, and supported by industry-leading tools, technologies, content and analytics, to execute on serving customers more effectively and efficiently.

Many experiments are being run by corporates in financial and legal services to test this concept.

Portal for the Desktop of each Lawyer – Illustrative



4. *Establish a service provider ecosystem to improve business process and efficiencies* - Create an ecosystem of all legal services providers, potentially enabled by the Distributed Ledger Technology, where supported by relevant business and regulatory frameworks, to:

Efficiently execute legal services – For dispute resolution and arbitration, development and execution of smart contracts; filing corporate returns, registration of intellectual property rights;

Verify and authenticate legal business operations– For document management, billing and expense management, etc.;

Improve efficiency of legal tasks performed – For maintaining chain of documents during, custody cases, M&A transactions, recording and maintaining historical case-related information, and notarizing documents.

5. *Request additional services from law firms – All law firms sit on significant amount of legal and client information. Request law firm to provide additional value-added services like industry benchmarking, knowledge management, data analytics on various type of cases, M&A deal success ratio, and other topics of interest. Leverage law firms for advice on topics that could require lawyer-client confidentiality, which other legal service providers cannot deliver.*

6. *Establish internal innovation challenges or programs – For most corporations the war for talent is going to be the biggest issue within the next few years, as professionals seek to find roles that are meaningful and challenging. It is key for the corporate legal department to provide the professionals with hands-on opportunities to innovate the business, as they are doing a lot of*

work and have the closest view on the challenges and pain points. The programs can be internal ideation session, design thinking workshops with clients, time and funding to drive innovation ideas, etc.

7. Other potential actions - Since innovating the business is not the core function of the Corporate Legal Department, collaborate with various external experts to execute on these actions. Also, if the departments can partner with other players in their industry to solve some of the challenges facing the CLDs in their space, it is likely to be more effective.
 - a. *Creating a corporate venture fund* - In industries where it is permissible to invest in start-ups, establish a corporate venture fund to invest in LegalTech's working on solutions to address key industry pain points. Many large conglomerates, including some leading financial providers, have successfully launched venture funds, to support innovation in the industry.
 - b. *Establishing incubators or accelerators* – Fund program(s) at an accelerator or incubator with LegalTech start-ups focusing on agile experiments for the business. Some large financial institutions are already running these programs for their legal businesses.
 - c. *Creating an industry sandbox* – Work with industry bodies such as Corporate Legal Operations Consortium (CLOC) or Association of Corporate Counsels (ACC) to establish an industry sandbox to experiment on different solutions, with professionals from CLDs acting as advisers to guide the start-ups, providing non-confidential data to run the experiments and then potentially testing out the solutions in the business. Many regulatory bodies globally are running sandboxes, some of which are focused on FinTech and RegTech.

- d. *Running or sponsoring a legal industry hackathon* – Run or sponsor legal industry hackathons to get access to ideas and solutions developed by the participants to rapidly solve business challenges with the optionality to work with the teams to test and scale their solutions for internal use. A leading global legal information service provider used this approach for accelerating growth by sponsoring a legal industry hackathon and getting access to all the solutions developed during the event.

There are many other potential actions that the Corporate Legal Departments could take to drive innovation and business transformation. The General Counsel needs to pick the action or actions they see as appropriate, and the best fit.

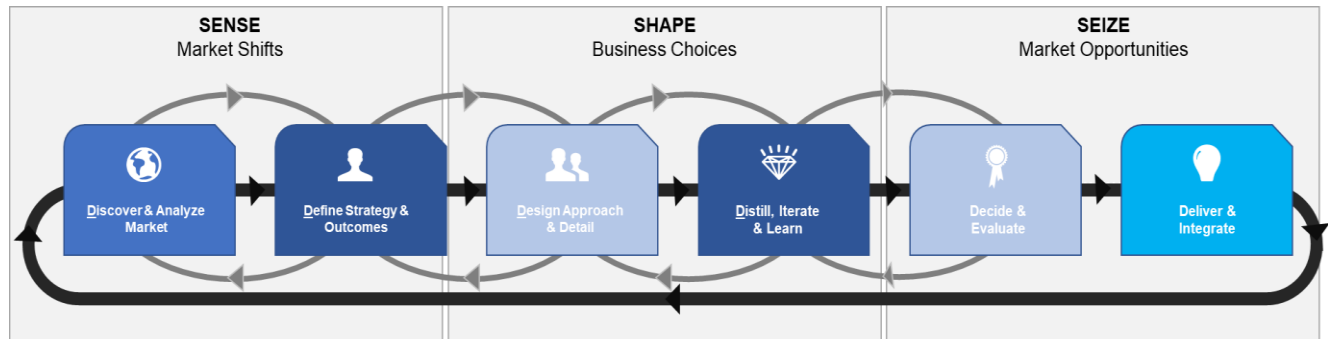
Approach to Business Transformation

Realize that business transformation is a complex, messy and iterative process and each organization's journey is unique. No one size fits all. One approach for business transformation is to follow the 6D's - Steps in a Business Transformation ⁽⁸⁾:

1. Discover and Analyze Market;
2. Define Strategy and Outcomes;
3. Design Approach and Detail;
4. Distill, Iterate and Learn;
5. Decide and Evaluate; and
6. Deliver and Integrate.

The actual actions taken by each corporate legal department would be determined by where they are currently in their transformation journey.

The Six D's for Business Transformation



Conclusion

The role of general counsel has significantly changed in recent years from a support function into becoming a strategic adviser to the C-suite. The position has evolved to include being a legal advisor, risk and crisis manager, corporate conscience, and strategic business partner and this has put pressure on the corporate legal department to continue to evolve and transform their area of the business; many of the actions discussed in this article have been tried and tested at various corporations to drive business transformation. The Corporate Legal Department must determine what works best for them and is aligned with their vision of becoming a key partner to the C-suite.

Note: This article was originally published in Corporate Counsel magazine on August 20, 2019 and can be found [here](#).

Sources:

1. How VUCA Is Reshaping The Business Environment, And What It Means For Innovation, Forbes, May 9, 2018
2. <http://www.lbw2019us4.legalbusinesslibrary.com/index-h5.html?page=1#page=64>, An Industry in Transition: Legal Services Market of the Future, May 2018
3. Business of Law Definition: The providing of a combination of legal, business and tech capabilities, to augment customer (both corporate and law firm) expertise and improve their efficiency and effectiveness, including services such as legal project management, and business analysis. Practice of Law Definition: The giving of legal advice or of representation of another as an agent in a court of law or through rules of court, or in the preparation of legal documents or in dispute or contractual negotiation. The exercise of the profession of barrister, solicitor, attorney or lawyer.
4. Tech change driving forecasted \$1011 billion global legal services market, The Global Legal Post, 7 June 2018
5. The general public thinks the average company makes a 36% profit margin, which is about 5X too high. According to this [NYU Stern database](#) for more than 7,000 US companies (updated in January 2018) in many different industries, **the average profit margin is 7.9% for all companies and 6.9% for more than 6,000 companies excluding financials.**
6. BTI Legal Spending Benchmarks, Chief Legal Officer Survey, 2017, Altman Weil Flash Survey, The General Counsel Excellence Report 2017. To date, the actions taken by CLDs to improve efficiency and control costs, that have proved to be most effective have been using Alternate Legal Service Providers for bringing on contract or temporary workers, using lower level professionals and outsourcing the lower end repetitive tasks. There is still a gap between the actual usage and efficiency derived from the use of ALSPs, which shows that there is potentially further upside to be gained from using ALSPs to improve the performance of the department. Interestingly, technology tools have been used extensively to improve efficiency with little further upside expected from the adoption of additional tools
7. <https://blog.workato.com/2017/11/fortune-500-digital-transformation/#.XRfU0-hKiUk>
8. BTI Legal Spending Benchmarks, Chief Legal Officer Survey, 2017, 2015 ACC Global Census. The practice areas where the CLDs are spending the most with their external legal service providers are in: Dispute Resolution, Intellectual Property, M&A and Labor & Employment. The practice areas of spend are consistent in US and Europe.
9. Proprietary approach developed by Idea Innovate Consulting to transform businesses.

About the Author

Nita Sanger is the Chief Executive Officer of Idea Innovate Consulting, a boutique consulting firm focused on transforming services businesses (in legal, financial and professional services) for growth, helping them be successful in a volatile, uncertain, complex and ambiguous (VUCA), business environment. She has 20 years of experience working with global large and mid-sized corporates and start-ups and scale-ups in financial, professional and legal services. Nita focuses on setting the vision and strategy for the business and then operationalizing the strategy to achieve desired results and ensure exponential growth. Nita has also established and advised multiple start-ups focused on disrupting the services sector. She brings domain expertise in the application of various technologies to transform the business, i.e. Artificial Intelligence / Cognitive, Internet of Things, Blockchain, Crowdsourcing, Crowdfunding, Analytics, etc. Nita is a blockchain enthusiast and has written and presented on the impact of blockchain on various businesses. She can be reached at nsanger@ideainnovate.com

