

Deloitte.



**Going beyond risk and
compliance**

Enabling the Legal function to
embrace digital transformation
Executive summary 2018

Overview

Deloitte Legal Management Consulting team has been working closely with in-house Legal teams as they transform their operations. Forward-looking General Counsels (GCs) and their teams are developing or refining their strategies to align with the strategies of their organizations and adapting their operating models as a consequence. A key enabler of this transformation is making better use of advances in technology to maximize efficiency, reduce cost and free lawyers' time to work more closely with the organization as a trusted business partner.

This survey of in-house professionals found that in general Legal has already started this journey, is embracing the opportunities that technology offers, but can do more before the function is truly transformed.



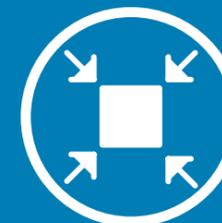
Disruptive innovation

Disruptive innovation is compelling companies to reinvent their business models

Businesses worldwide are facing unprecedented levels of change as a result of technological developments, increased regulation and globalization. These changes are affecting the work that the Legal function undertakes and the expectations placed on Legal by the businesses they serve.

resourcing models such as shared service centers and outsourcing to promote efficiency and standardization. Together these initiatives allow Legal to add value by proactively contributing to the organization's strategy and growth.

In response to these pressures the General Counsels of high performing companies are optimizing the Legal function by setting a strategy aligned with the wider organization, refining processes and workflow, and introducing new tools that exploit current advances in technology. They are combining these with alternative



External factors:

At Deloitte Legal we see five global trends that are driving changes in the way that legal services can be delivered. Globalization and shifts in the business landscape present new risks that Legal needs to manage. Technological advances offer Legal the prospect of a changing workload through automation, analytics and Artificial Intelligence. At the same time technology is transforming business models requiring new legal solutions to these and other complex business challenges. And all of this is happening against a backdrop of rising cost pressure.



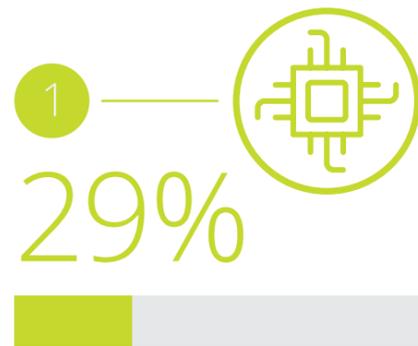
In the enterprise:

Legal is facing increased pressure from within the organization to do more work with the same or less resources, undertake new responsibilities, and contribute as a business partner to the organization's strategy. As Legal increasingly strives to provide integrated global services, the GC and their team need to examine how the function is positioned internally, which processes could be better defined, what technology should be selected and implemented, and ultimately how to demonstrate the value that the Legal function adds to the business

Our findings

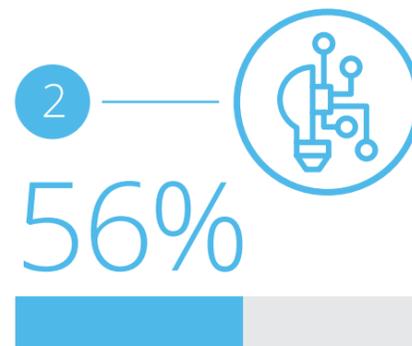
Against this background, technological advancements enabling digital transformation offer new ways of working and open up substantial opportunities for Legal teams to create additional value to the organization. In collaboration with Oxford Economics, Deloitte commissioned a global survey, "Oxford Economics Global Legal Department Technology Trends Study," administered to Legal function, operations and procurement professionals with a focus on Legal's technology readiness and adoption.

Are the Legal teams of today sufficiently prepared for rapid technology adoption to keep pace with a fast-changing world?



Despite only 29% of respondents disagreeing with the statement that "Our Legal department takes a conservative approach to new technology adoption," this conservatism does not stand in the way of Legal exploring new technologies now or in the future.

Are Legal teams harnessing the power of innovative technologies as an enabler to create value?



Respondents recognize that technology will have a major positive impact on driving efficiency in risk management and compliance — enabling Legal to focus on higher value activities. Yet only 56% of respondents say their department is investing today in such technology.

How ready are GCs and their teams to become trusted business advisors that proactively contribute to the company's overall strategy?



81% of respondents believe "The attorneys in our Legal department have the right skills and expertise to add strategic value within our organization".

Forward-looking organizations prepare to take the leap:

Performance and risk monitoring and contract lifecycle management solutions take the lead. At Deloitte, we have seen an increase in our clients' Legal teams proactively looking to buy or build solutions that enable globally consistent delivery of legal advice in a user-friendly format for their business. Underpinned by technology platforms, these solutions allow for the real-time reporting of performance and risk monitoring. Highly regulated industries — particularly the financial sector — appear to be taking the lead in exploring and adopting these solutions.

Contracting and contract lifecycle management is another key area where innovative solutions are being adopted by internal Legal teams. Technology solutions that allow for contract automation, document management and analytics — as well as the opportunities introduced by blockchain-based technologies coupled with new delivery models for legal work — are emerging as new expectations of clients from their legal service providers.

Despite encouraging levels of awareness and signs of adaptability, survey respondents have revealed that there is still progress needed before the Legal function fully embraces digital opportunities. When they do this, Legal will be able to revamp its approach to risk management and compliance, thus becoming more agile, more integrated and more value-driven, playing an integral role in the delivery of corporate strategy.

Are the Legal teams of today sufficiently prepared for rapid technology adoption — keeping pace with a fast-changing world?

Companies want their Legal functions to become more digitally savvy and:

- Have the highest data privacy standards
- Be resilient against cyber risks
- Stay ahead of the curve in a heightened regulatory environment

Yet, beyond risk management and compliance, they want Legal to become more:

- Integrated
- Cost-efficient
- Growth-focused
- Globally proactive

Agile and forward-thinking companies are disrupting legacy methods and approaches and embracing digital transformation.

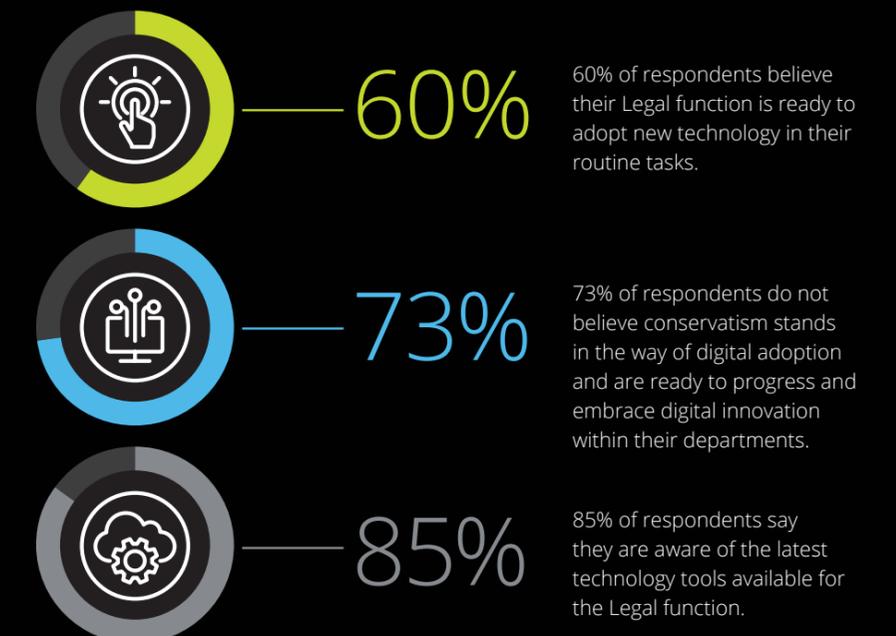
Deloitte sees clear examples at global businesses in the technology sector where the Legal function is at the forefront of legal innovation. They are experimenting with advances in artificial intelligence, robotic process automation and distributed ledger technologies to improve efficiencies and drive more value and insight from their data, improve processes and the transparency and accuracy of the transactions they support while limiting litigation risks.

Legal functions are ready for digital:

Today's level of readiness to adapt to new technologies and become more agile

To transform Legal, GCs and their teams must:

- Shift from being technology-ready to technology-enabled
- Be open to emerging technologies to increase efficiencies in risk and compliance management
- Rethink the management of Legal and its processes
- Become more responsive and adaptable to meet emerging business challenges



Are Legal functions harnessing the power of innovative technologies as an enabler to create value?

Advanced technologies can make risk management and compliance more efficient and cost-effective. These technologies free up time for Legal to rethink their operating model, become more connected to other corporate departments and contribute to creating stronger value for Legal and the whole organization.

Legal's core missions of risk management and compliance involve a number of time consuming, repetitive tasks that leave little time to focus on innovation, strategy and value creation. These can often be alleviated through legal technology solutions that leverage process automation, artificial intelligence, and advanced analytics.

- 34% believe so in consumer goods and services
- 70% in energy and resources
- 76% in financial services
- 57% in life science and healthcare
- 76% in insurance
- 53% in manufacturing
- 54% in real estate
- 84% in telecommunications



Recurring tasks and data management constraints keep Legal teams from creating value at their organization, a statement shared across sectors.

50-68%

Between 50-68% of respondents, depending on the sector, say automation and process design could help reduce costs significantly and create efficiencies.

56%

However, only 56% of respondents say their Legal function is investing in technology to improve efficiency and cut costs despite a number of Legal departments already identifying where technology can alleviate recurring tasks in five key areas:

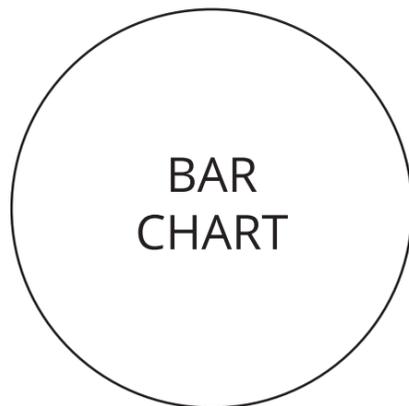
Producing standardized templates: 30% completely technology-driven vs 65% highly-driven

Automating first-draft requests: 25% completely technology-driven vs 64% highly-driven

Tracking and managing anomalies: 41% completely technology-driven vs 50% highly-driven

Applying analytics and issuing alerts: 65% completely technology-driven vs 19% highly-driven

Consolidating executed contracts and creating a centralized repository: 39% completely technology-driven vs 57% highly-driven



How ready are General Counsel and their teams to become trusted business advisors that proactively contribute to the company's overall strategy?

Our survey shows that Legal can play a proactive role in supporting the organization's overall business strategy by breaking out of the narrow legal silo and becoming more connected to other corporate departments and operating units—proactively driving economic value for the business.

Breaking down the Legal department silo:

72%

72% of respondents believe their attorneys have tools that give them an organization-wide view of contracts, compliance and risk management

75%

75% of respondents agree that the Legal function can play a big part in corporate strategy in the next three years, with new technologies opening the door for this shift

84%

84% of respondents see a future Legal department with globally standardized templates

86%

86% believe their Legal functions have data platforms that facilitate collaboration with other functions across the organization.

As a whole, Legal will become strategic, replacing rigid silos with more fluid structures so that in-house lawyers can transition to "business partnering," which allows Legal to participate in the achievement of the organization's objectives.

At Deloitte, we have started to see tangible examples of Legal driving value beyond cost optimization across their organizations. Some Legal functions are spearheading innovation by looking at proactive and pre-emptive risk management, leveraging advances in artificial intelligence, analytics and risk-sensing technologies to complement and enhance traditional compliance programs.

In the future...

By 2021, technology will have a major positive impact on the global visibility of compliance and risk management processes and transform many of Legal's day-to-day tasks.

Respondents predict this transformation in:

- Compliance and other recurring legal tasks
- Contract lifecycle management
- Performance metrics
- M&A due diligence
- Visibility into risks across functions and business lines.

Once Legal makes the necessary investment in technology, they will quickly reap a return on investment, reduce risk management tasks, and transform Legal's role within the organization to add value as a business partner.

Going beyond risk management and compliance to become more value-driven

In some cases, growth still takes second place to risk management:

73% of companies with 0 or negative revenue and profit growth say their Legal teams focus on risk vs 65% of those with 15%+ revenue growth

73%

At the same time, the survey indicates that Legal functions are becoming increasingly conscious of the potential to go beyond their traditional role of managing risk management and compliance, and become strategic, value-creators.

93%

93% of respondents in companies with 15% or higher growth say their Legal team has the expertise to add strategic value to the organization

94%

94% of respondents agree their attorneys have the right skills and expertise to add strategic value within the organization, as technology will help them play bigger roles in corporate strategy.

46%

Although 46% of respondents believe that the C-suite has a limited view of how Legal can become more strategic. Many Legal functions have made advances, but there are more challenges to overcome before they become fully technology-driven.

Growth and value creation will be achieved through legal technology applications that leverage process automation, artificial intelligence and advanced analytics, which will shape the Legal function of the future.

Data cutout: Point #4

The Legal function of the future will have an elevated role in the development of multinational corporate strategy

Legal is showing signs of readiness for digital transformation. In future Legal will go beyond risk management and compliance to become more relevant to their organizations as creators of value.

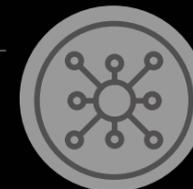


Invest in technological solutions to alleviate recurring risk management and compliance tasks to optimize efficiency and costs—and ultimately create tangible economic value for the enterprise.

Become agile to enable Legal to become anticipatory, more proactive, and more innovative.



Switch from a “status quo” mindset, look beyond legacy models to the opportunities of the disruptive digital environment.



Break open the legal silo to allow integrated “business partnering” across departments as Legal becomes a key contributor to support corporate strategy, the organization’s reputation and its sustainability.

Call to action

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