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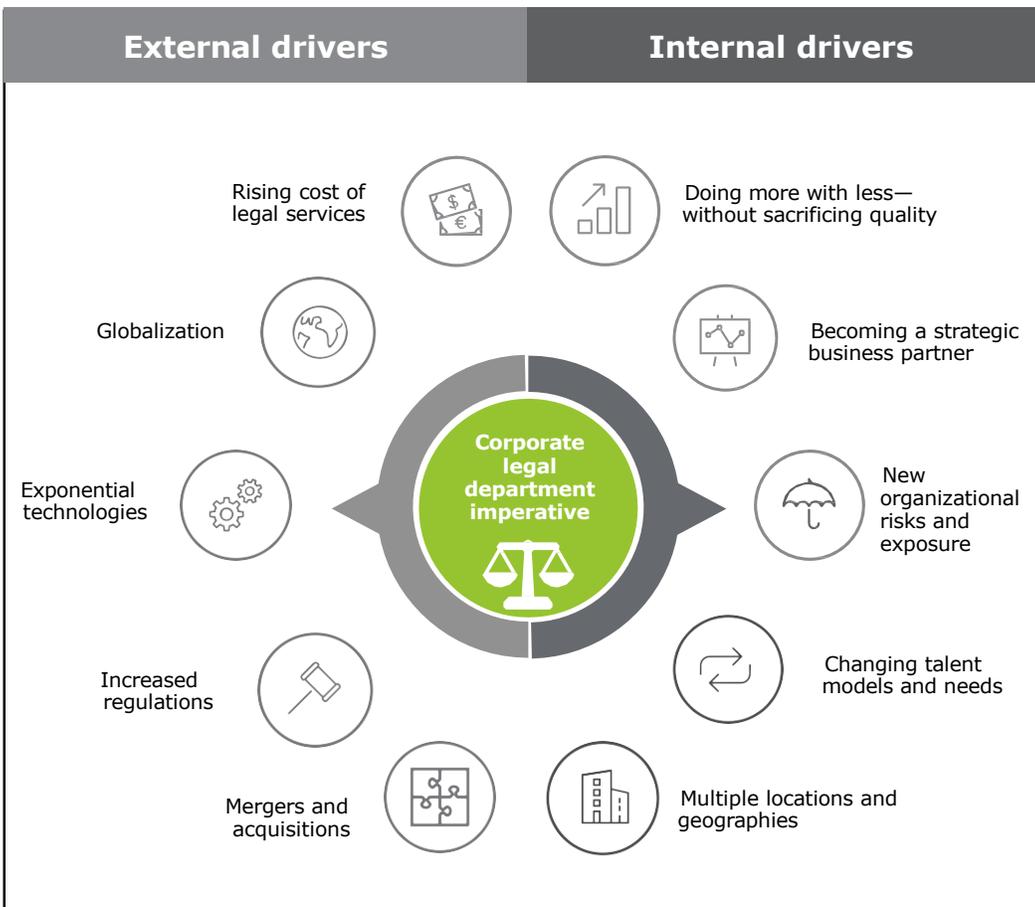


**The legal department of the future:**

How disruptive trends are creating a new business model for in-house legal

## Drivers of change

Over the past 10 years, unprecedented disruptions—including the deregulation of the practice of law and advancements in technology—have been changing the face of the legal sector.



Law firms have already begun to feel the impact of these disruptions. And corporate legal departments are increasingly being asked to reduce costs and operate more efficiently than ever before. Legal is also seeing the wall come down between its function and the business.

The notion that an in-house legal team should function like an internal law firm is giving way to a vision of the legal department that's a commercial function—a function that drives economic value for the business. Rigid silos are being replaced by more fluid structures. In-house lawyers are becoming business partners, embedded and able to work across units and specializations.

So what will corporate legal look like over the next 10 years? And how will the next round of disruptions, along with the ones already being managed today, affect the delivery and operations of corporate legal services in the future?

Consider the following potential scenarios.



## Technology

Like other corporate functions, such as human resources and finance, legal departments are already experiencing technology disruption. The “three A’s” (automation, artificial intelligence, and analytics) are just a few technology disrupters that will likely shape the legal department of the future.

Automation continues to be a major driver that’s affecting workflow. Many legal departments still rely on manual processes and paper documentation, but automation is quickly changing that. In addition to automating routine processes and digitizing

## Innovations in legal technology

 <h3>Automation</h3> <ul style="list-style-type: none"><li>• Performs research and e-discovery</li><li>• Enhances corporate and regulatory reporting</li><li>• Improves contract creation and management</li></ul> <p><i>Automation allow GCs in highly regulated industries (e.g., insurance and finance) to more effectively extract regulatory data from their agreements into their risk management systems</i></p>	 <h3>Analytics/big data</h3> <ul style="list-style-type: none"><li>• Allows for prediction of legal costs</li><li>• Assists in business intelligence and operational strategy</li><li>• Helps to find the needle in the haystack of compliance</li></ul> <p><i>Analytics can help utilize data for insights related to usage of time, strategic placement of legal staff, and likelihood of achieving a desired outcome</i></p>	 <h3>Artificial intelligence</h3> <ul style="list-style-type: none"><li>• Allows lawyers to focus on complex, higher-value work</li><li>• Reduces time required to complete laborious tasks</li><li>• Assists in decision making to improve outcomes</li></ul> <p><i>A UK-based law firm used AI technology to develop a “virtual assistant” that suggests the best order for renegotiating a series of corporate contracts</i></p>
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documentations in such areas as e-billing, technology will allow legal departments to perform more advanced tasks. For example, technologies that automate contract management processes can help legal departments create contracts more efficiently and also use automation to manage contract obligations and renewals.

As more processes within the legal department lend themselves to automation, we expect artificial intelligence to be part of the next wave of transformation and

disruption. This isn’t to say that we’ll have robots replacing humans in the legal department. But machine learning can be applied to legal tasks. For example, the use of technologies to solve legal problems may become increasingly routine. While the regulatory issues related to machine learning and legal problem solving will still need to be addressed, it’s not hard to imagine that the legal department of the future will have some aspect of machine-guided prognosis or support for legal tasks or issues.

Finally, and perhaps most interestingly, will be the application and evolution of analytics in the legal department. Analytics has already made its presence known in

the area of managing legal expenditures. More technology platforms are offering legal departments ways to view and assess their data regarding spend and operations. This increased transparency has helped companies better manage their use of outside providers and identify opportunities to transform internal operations. But the next frontier may involve using analytics in more predictive ways.

As sensing technologies become more commonplace, companies may look to

their legal departments to predict areas of exposure and risk—in advance of an issue occurring. Imagine a technology that can tell you with near certainty when and where your company will be exposed to significant product litigation and why. That technology is still in its infancy. But it has the potential to reshape the legal department as well as the entire legal landscape.



### Service delivery

The legal department of the future will also look different—perhaps drastically so—with respect to service delivery. We’re seeing evolutions and revolutions in globalization, sourcing/shared services, and internal legal professional needs. And we expect to see more in the future.

In close coordination with the evolutions in technology, we’re already seeing the blurring (and, in some ways, the removal) of global borders in legal departments. In the past, legal departments operated in silos vis-à-vis their company counterparts across functions (i.e., legal and IT) and countries. Many legal departments have already started to explore the move away from a decentralized delivery model to a more centralized model that leverages their true global structure. Although local in-country knowledge is required for particular legal matters, legal services could be delivered effectively across the globe (where organizations are authorized by license, law, and regulation to do so). In the future, companies may choose to have a central location for their legal department with the ability

to serve globally, where permitted by license and/or legal/regulation.

Sourcing is another area that’s likely to look different in the future. We’ve already seen shifts to lower cost providers for legal process outsourcing, as well as the strategic use of outside counsel law firms for more specialized legal matters. But there’s also been a move to insource more legal work where possible.

What does this mean for the legal department? It’s likely that legal departments will continue to use sourcing—and they may adopt a more mature approach to sourcing that we’re now seeing in other corporate functions. Legal departments may also look to more lower-cost providers onshore and explore opportunities to centralize their internal functions in shared service centers/centers of excellence.

In addition, the concept of crowdsourcing has begun to take hold in legal areas. The use of crowdsourced technologies, which would allow legal departments to benefit from the collective legal knowledge of the crowd (both internally and externally), could become an asset

to legal departments.

Finally, internal service delivery could look very different as well. Law schools are already focusing on training lawyers in areas beyond traditional law, such as business, process, and program management. Law departments are also beginning to focus more on productivity. But legal provides a unique spin on productivity, as it still has the task of protecting and defending the company from risk and liability. What legal departments of the future should realize is that these two concepts—productivity and the unique nature of legal—aren’t competing ideas. They’re an opportunity for synergy. As lawyers and other legal professionals become more adept at process and program management, they may be able to increase productivity and also more effectively mitigate the risks facing the company.

## Emerging Trends in Corporate Legal Service Delivery

- A shift in the perception of the legal function from **a cost center to a profit driver**
- **De-federalization** of the central legal department into the business
- **Greater collaboration** with other functions, with some legal departments merging with other functions
- **Growth of competency centers** for particular legal specialization for business/ industry
- **Re-structuring** the legal department to reflect the needs of the different parts of the business, rather than the company’s structure itself
- Greater, smarter use of **technology**



## Operations

Perhaps the most transformative change—increased reliance on legal operations—will come on the heels of the technology and service delivery evolution. This change could include the evolving role of legal operations professionals, further segmentation to serve the business needs, and the increased role of knowledge management in the legal department.

We're already witnessing the nascent evolution of legal operations in the corporate legal world. In recent years, we've encountered an increasing number of legal departments that are focused on the topic of legal operations. And we're seeing more legal operations professionals (both attorney and non-attorney) than ever before in corporate legal departments.

Beyond the organization itself, there's a growing focus on the overall legal sector as it relates to legal operations. (For example, see the growing presence of legal operations consortiums and committees within the ABA and other areas.)

For many companies, the role of the legal operations professional is relatively new, and this role will continue to evolve. Legal

departments could increase the emphasis on legal operations in the future and either create a formal legal operations lead role or consider doing so at some point soon. Historically, the relegation of this professional role was limited to addressing the efficiency of legal department operations. But in the future, this role should evolve to become the connective tissue between legal and the business. Often, these roles are filled with individuals who possess a unique legal skill set (JD, attorney, other legal experience) and have business savvy (MBA, management consulting).

With the continuing evolution of legal operations professionals, the very face of legal operations within the legal department itself is likely to further segment and specialize to meet the demands of the business. As a result, the new wave of legal operations professionals should be well-positioned to help legal better understand the business and to help the business better understand legal. More than operational effectiveness, this role should begin to evolve to provide legal with an opportunity to become a more effective and well-received corporate citizen—moving legal departments toward becoming more proactive, integrated members of the corporate community embedded with and

collaborating with the businesses they serve.

Finally, as knowledge management within the legal operations community continues to evolve, it should enhance legal operations both within the company and throughout the entire legal sector. In the future, knowledge management should help legal operations teams collaborate more effectively with their operations counterparts throughout the company. There are lessons learned and opportunities to share that can be gained from other corporate functions and applied to legal. Similarly, within legal itself, knowledge management and sharing among the operations teams and the legal delivery teams can provide a more cohesive and effective service to the business. As we're already seeing today, the legal operations community is growing within the legal sector. When it comes to operational effectiveness, there may be plenty to gain from sharing leading practices with other companies.

With the proliferation of legal operations and like-minded professionals, the legal department of the future won't only rely on its internal operational leading practices. It will also be able to tap into the leading practices of its peers and others across the industry.

### Evolving role of in-house counsel

Technical to strategy

Perimeter to the core business decisions

Internal-facing roles to an outward-facing role

Fewer functions to more functions

Reactive to preventive

*From independent to integrated and more technologically savvy*



### The future of corporate legal

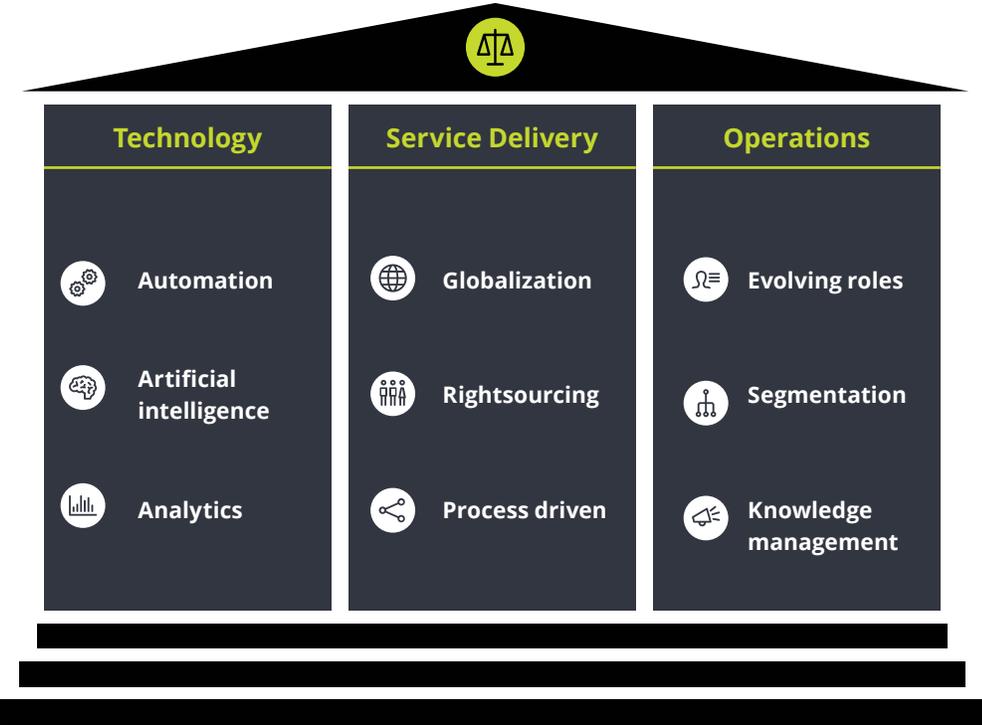
So what might corporate legal look like in 10 years?

There are many factors that will impact how deeply and broadly corporate legal departments embrace the changes facing the industry. There will be regulatory hurdles to overcome before legal departments can fully realize the benefits of evolving technologies. There will be internal resistance to changing traditional service delivery models. Most important, there will need to be an acknowledgment of the evolving role of the legal department—from traditional, reactive lawyers to a strategic business unit composed of top legal minds and strategic, process-savvy operators.

The best way to predict your future is to create it. Legal departments can determine their destinies and decide if and how they choose to embrace innovations in technology, new service delivery models, and increased operational efficiencies. No matter what future a legal department envisions for itself, it will need to start forming a strategy and vision for how to get there today.

For corporate legal departments, the future is now.

### The legal department of the future



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