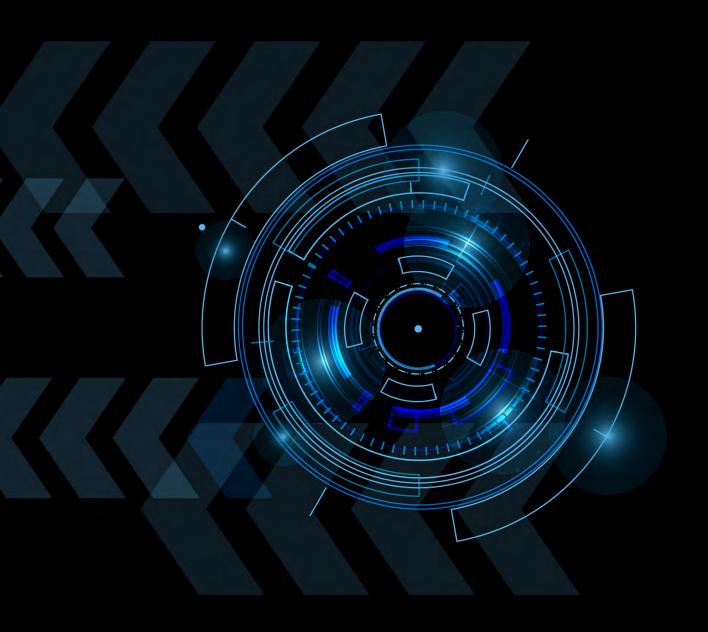# Deloitte.

Increasing Value and Productivity through Modern Legal Service Delivery Models

The sea change in the legal industry that has been foreshadowed for well over a decade may finally be underway showing that leading legal departments are seeking better, faster, and value driven service delivery. While most legal work is still done in traditional models and under traditional hourly business agreements, a recent survey indicates real momentum for new approaches. According to the 15th Annual Blickstein Group Law Department Operations Survey[1], done in collaboration with Deloitte, more than 30% of law departments expect their spending with alternative legal service providers (ALSPs) to increase in the next 12 months, and none expect their spending to decrease. It's becoming clear that more in-house legal departments are deploying ALSPs (as just one example of new legal service delivery models), and there is seemingly more openness to adopting alternative sourcing than perhaps ever before.

Additionally, leading practices among legal departments recognize that not all legal services are homogenous in terms of business value created, contribution to strategic goals, complexity and risk profile. They also recognize that Legal departments in the future must make deliberate resourcing decisions on what work is best performed where, how, and by whom. This entails a clear-eyed assessment of business priorities, availability of investment, cultural preferences and changing needs for capital costs vs. operating costs.

One perspective on legal work is categorizing it into three general buckets: Cream, Core, and Commodity. A "bet the company" piece of litigation might be classified as "cream," meaning it is worthwhile and necessary to engage bespoke services from top attorneys at leading law firms to mitigate unacceptable risk or take full advantage of a complex opportunity. Other legal work, including third-party subpoenas or e-discovery document reviews, may be seen as a "commodity" because it can be done in largely the same way every time with less

expensive resources with reduced risk. Often overlooked, however, is a third, and likely the largest, bucket, which is every day – or "core" – legal work. We define core legal work as the bread-and-butter matters that in-house counsel and their law firms do that keeps the company running on an ongoing basis. It may occasionally vary or escalate but is mostly predictable and repeatable.

It is not sensible business practice to charge for – or pay for – all legal work as if it is bet-the-company litigation. That may make the "core" work ripe for disruption. As the legal ecosystem becomes more diverse and better funded, alternatives to the traditional methods of providing legal services – namely, tailored service by hourly billers at law firms – have become more prevalent. Simply put, organizations are finding new ways to get legal work done. These alternative legal service delivery models include automation and self-service, flexible staffing, and offerings from ALSPs.

MOVING UP THE VALUE CHAIN
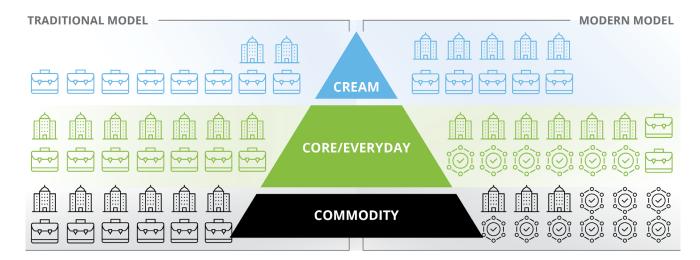## A Look at the Distribution of Legal Work by Type

Legal Service Providers Law Firms Law Departments

TRADITIONAL MODEL   MODERN MODEL

CREAM

CORE/EVERYDAY

COMMODITY

THE TAKEAWAY: In the modern model, the use of technology and legal service providers who leverage it effectively means less work outsourced to expensive law firms and more time for in-house law departments to handle strategic "cream" work.

1. https://blicksteingroup.com/ldo-survey/

The Difference Between Delivery Models and Billing Models

Alternative legal service models are not the same as alternative billing models, also known as alternative fee arrangements or AFAs. While most alternative delivery models typically make sense with an AFA in place, "time-based" AFAs are sometimes applied to work done under traditional models.

These time-based AFAs are predicated on the number of hours it takes a firm to do the work at a specified unit price. And while those hours are repackaged for the client into a different commercial model, the providers are still selling time. (For more on time-based and value-based AFAs, please see our recent publication, "Value-Based Pricing: Aligning the Cost and Value of Legal Services.")[2]

New legal service delivery models, however, may require services to be delivered using some novel combination of people, processes and technology, which can reduce the time spent on a matter. A value-based AFA, based not on inputs such as time but on outputs and results, may make more sense. When legal processes are delivered in new ways, it is often logical to bill them in new ways, too.

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2. https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-value-based-pricing-aligning-the-cost-and-value-of-legal-services.pdf

Alternatives for Core Legal Work

Most attorneys, of course, look at work through a legal lens. Different areas of work may not seem to have much in common from that perspective. Negotiating contracts and drafting pleadings, for example, may require completely different legal expertise. They may not even be in the same type of practice, as contracts are a commercial enterprise and pleadings are part of litigation. When looking at legal work through an engineering lens, however, the processes behind a lot of core legal work may actually be quite similar, and, therefore, ripe for disruption.

Electronic discovery may be one of the most obvious examples of a legal process that went through this type of disruption. When the troves of electronically stored information became too big for review by traditional methods, e-discovery providers, many of whom have evolved into today's ALSPs, were engaged to provide process, technology enablement, and flexible staffing models. At this point, many consider e-discovery and document review work to be fully commoditized. And from a legal perspective, it may look nothing like higher-level work that sits in the "core" (or,

everyday) bucket. But many engineers look for process commonalities, and through that lens, a great deal of the core legal work law departments do every day may be ripe for process orientation, technology enablement and updated staffing models. From this perspective, more work fits into that "core" legal work bucket.

Here are three alternatives to the traditional or hourly billing model for delivering legal services. When implemented strategically, they can drive much more than just cost savings.

1. Productization and Self-Service

Deploying a combination of people, process and technology in new ways is driving much of the innovation in the legal marketplace. One way to describe their coalescence is "productization." The concept of productizing legal services may be unknown or off-putting to many in the legal realm who may infer a more commercialized approach based on "products" that do not allow them to utilize their specific expertise. To many businesses, however, productization is simply the packaging of people, processes, and technology to solve a problem and deliver value at scale, and it is one of the most important components of success.

In software companies, for example, a key ingredient to success is the ability to identify use cases that have become so commonly needed that a standard solution can be implemented at scale across many customers. A software company that fails to focus on productization and instead must build bespoke solutions for each customer may inevitably find it difficult to scale and grow. Similarly, this failure to find standards limits the amount of work that legal departments can deliver to their internal clients.

One strategy that legal teams can employ is to focus on processes that are supported by no-code or low-code platforms that empower customers to create workflow automations on their own or in partnership with process experts (or "legal engineers"). In many ways, this is a win-win for legal teams. They can leverage tools with the flexibility to solve their unique challenges while still taking advantage of technology to support standard, best practice processes and workflows. These same tools can also enable a self-service model that empowers the consumers of legal services to do some things for themselves instead of relying on direct involvement from legal.

2. Disaggregation

Under the traditional model, law departments typically send some work to their firms and keep some for themselves. But newer service delivery models can provide clients with more options—and more flexibility. Projects can more effectively be disaggregated and split among a variety of providers, separating the work that must be done by lawyers from work that can be done by other professionals. For example, rather than sending all M&A work to a large firm, a more sophisticated client might negotiate the final agreement in-house, sending the regulatory or antitrust work to a big firm and the due diligence to an ALSP. However, such a strategy typically requires a higher level of project management to ensure task clarity and that work is done by the right resource, in the proper sequence, and done to the appropriate standard relative to the risk involved. This will also require some rebalancing of the workforce in line with the strategy.
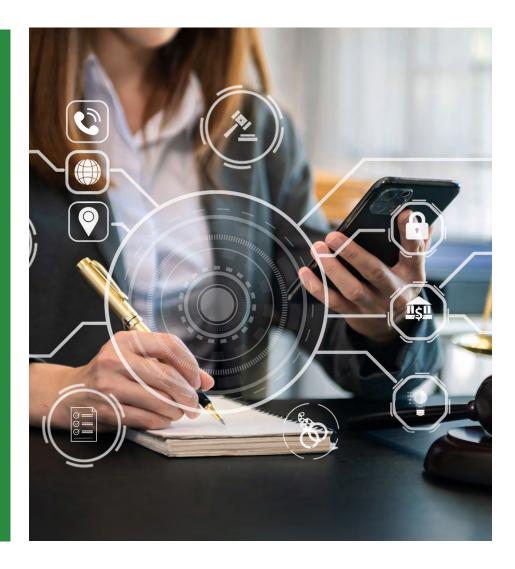
3. Alternative Legal Service Providers

ALSPs are businesses that deliver work products under the direction of the legal function. Some are onshore, some are offshore, and some are even embedded inside a law firm or have teams embedded in corporate legal departments. ALSPs come in different varieties that include, standalone boutique organizations, and specific offerings from broad-based consulting organizations to integrated services. Over the past decade or so, new technologies and providers have disrupted the traditional service model, creating new options for the handling of core and commodity work. Taking the burden of more routine work away from in-house and law firm attorneys is not just a cost-reduction play. It allows them to focus on higher-value work like managing risk or overseeing important litigation. It also creates a career path for some attorneys and legal professionals who can specialize in other work under more robust project management protocols.

Of course, one size does not fit all. An efficient way for law firms and legal departments to implement a strategy for managing legal work may be to create a sourcing framework which enables them to identify and design a hybrid approach to delivering legal services. While this may seem obvious, implementing such a strategy is not always simple. It typically requires the resources, openness, and desire across the legal department and its firms to not only design but also adopt new practices. With the right focus on change management, however, the application of new service delivery models can provide enormous value to a legal department and the larger enterprise.

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