



Digital transformation for the legal and compliance functions

Five questions about the capabilities that help define digital transformation

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Advancements in digital technology are prompting organizations to reimagine the way they do business. Legal and compliance groups are no exception, as many embrace the need for, and benefits of, digital transformation.

Identifying the barriers to transformation and ways around them can be a good first step in launching legal and compliance groups on their digital transformation journey.

Next is understanding the capabilities that are involved. Here are five questions for legal and compliance leaders to consider.

Why is process digitization a necessary first step of digitalization?

The information required to complete a process can be on paper or other physical media such as files on hard drives. It can also reside in disparate software applications such as email and spreadsheets. And, of course, a good deal of information often exists within people's heads. Digitization of a process can facilitate the creation, capture, and flow of information in electronic format in a seamless fashion through applications, converting the various types of information into an electronic format that can help the process be carried out more efficiently.

Consider the following example scenario. Ellen, a senior attorney at ABC Co., runs her company's global compliance assessment process. ABC must comply with a wide range of regulations and controls; so to assess compliance, Ellen polls employees with hundreds of questions across various business functions operating across the globe. After collecting the responses, Ellen analyzes them and reports her findings to ABC's chief risk officer.

Ellen's tools, such as email and spreadsheet software, are mostly digital. However, the process itself is not, forcing Ellen to toggle between applications and data sources to extract the information she needs, synthesize it, and tidy it up for analysis. ABC could eliminate much of this work by digitizing the process end to end, making information available in a consistent, non-redundant way. Digitization can also enrich the quality of datasets—survey respondents, for example, might select from numerous options to answer a question, offering more nuance for Ellen to formulate in her conclusions.

Where does workflow automation come in?

Automation is a capability that can handle repeatable tasks, eliminating or minimizing the need for human intervention. Workflow automation refers to automating the sequence of events in a business process such as the aforementioned compliance assessments or, in a legal department, matter management. If **63 percent of in-house legal work is routine**, as Gartner has found, then automation of certain tasks and processes can free significantly more staff time for legal and compliance activities that require judgment and deep subject matter knowledge.

Extending the previous example, ABC's compliance assessment process could be automated to distribute the annual survey, remind respondents to complete it, and tabulate the responses—all activities that Ellen currently handles manually. With automation, Ellen could receive risk-based alerts and action items based on the responses coming in. She could even automatically generate reports on results of compliance assessments.

One of automation's benefits is the audit trail it can create. By capturing data at every step of the process, organizations can gain more insight into who touched the process at what stage, reinforcing accountability and ownership. Like digitization, automation can also enrich datasets—not just from enabling data entry; automation can reduce the error rate typically associated with manual processing.

Is there room to add value with data analytics?

Analytics—the generation of insights from data—can be a struggle for many legal and compliance functions because the information they work with tends to be largely unstructured. Instead of issuing invoices, they interview people. Rather than log inventory, they take in messages from ethics hotlines.

Also, data sources may not be consistent. Other enterprise functions may be able to draw from an enterprise resource planning system that manages their day-to-day activities. However, legal and compliance functions often gather much of their data from wherever an investigation takes them: email applications, network servers, hardcopy files, and more.

Digitization and automation, the first two dimensions of digital transformation, can help to change this equation by organizing the data from legal and compliance processes in a way that is conducive to data exploration. In addition, these two dimensions can generate new data to support insights that may not have been possible before. The analytics capability this enables is valuable enough to merit attention on its own.

Deep insights can be generated by correlating information across transactions, personal interviews, and email chatter. In these cases and others, increased digitization can help legal and compliance uncover previously-hidden patterns and glean meaningful insights that help tell the whole story.



How much does user experience matter?

User experience (UX) determines someone's inclination toward using a given system. If digital transformation creates a solution that appeals to attorneys, paralegals, and other legal and compliance professionals, they are more likely to accept it and convince others to do so as well. If the appeal is absent, users could potentially avoid the solution, setting it up for failure despite its other merits.

Mobile apps are another approach, where users can pull up dashboards and underlying data on their handheld devices, wherever they happen to be.

The aim of UX is to make users' lives easier than they were before. From speed to navigation and system performance, the experience should be "friendly" enough for a nontechnical person to understand it. A simple rule of thumb is this: If the solution is less painful than the status quo, users will likely take it up. That means it must be as intuitive as possible to fit in and keep legal and compliance professionals from reverting to old manual ways.

Why is change management important?

Change management can help legal and compliance professionals understand and embrace the effects that technology will have on their roles. In other words, it brings the human element to a digital transformation effort.

An effective change management approach acknowledges that rewards are not enough to motivate change. Instead, employees must understand how digital transformation can help address their needs for autonomy, growth, and meaning. From a tactical perspective, this involves:

Using an evidence-based approach.

Before launching a transformation effort, spend some time to understand what users want and the most effective way to communicate with them.

Framing the change appropriately.

Express it in terms of what the legal and compliance team will gain, such as process efficiencies or professional development opportunities.

Becoming the change. Include end users in solution design so they can own some parts of the change that is about to come.

My take

By approaching digital transformation along each of its dimensions, legal and compliance leaders can gain clarity around what it has to offer. The next steps, then, are to:

- **Think big.** Consider ways that digital transformation can help the legal and compliance functions provide valuable services to the organization.
- **Start small.** Choose a manageable, measurable process for a pilot project.
- **Scale smart.** Carefully evaluate how and when to expand the digital transformation effort.



Digital transformation for the legal and compliance functions

With that, digital transformation can enable legal and compliance functions to adopt new risk and compliance frameworks that allow organizations to remain competitive in a tech-enabled market environment.

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