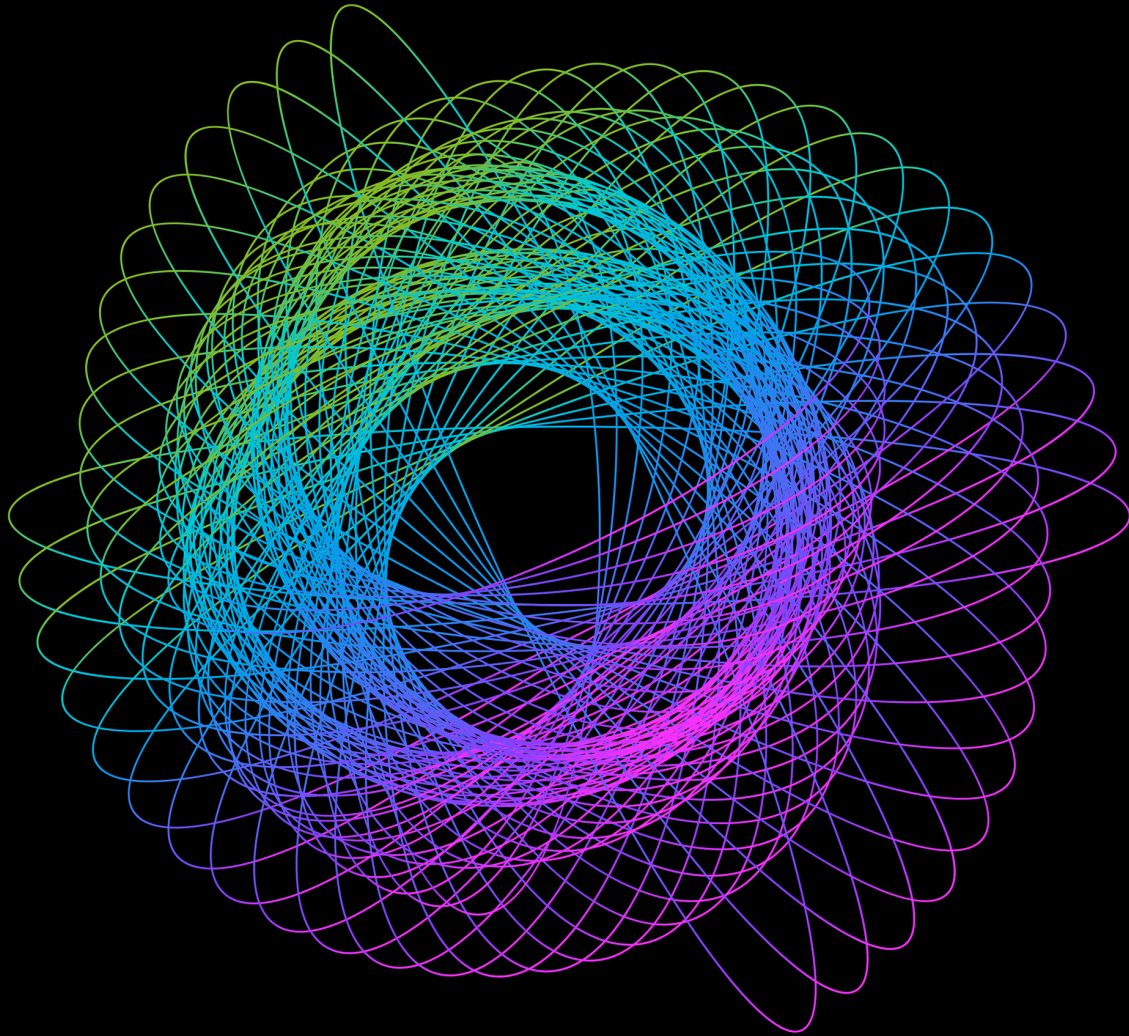


Deloitte.



Taking legal department
modernization to the
next level

Legal operations holds the key

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Taming the final frontier of enterprise modernization

Many organizations are making strides toward modernizing the legal department for improved efficiency, cost-effectiveness, and alignment with business strategy. Deloitte's recent in-depth, one-on-one interviews with legal executives¹ have revealed that the legal department is recognized as one of the last areas of the enterprise to undergo operational and digital transformation and that the importance of catching up with other areas, such as finance, HR, supply chain, and IT, is generally acknowledged and needed.

The discrete modernization initiatives that have been launched often involve the implementation of technology point solutions for areas such as contract management, matter management, and e-billing. This tactical approach to technology implementation is one of the main barriers of true modernization, and it indicates that some legal departments may not have an overall technology strategy or road map.

Moreover, while many organizations use advanced technology solutions within specific areas of the legal department, our discussions revealed that they may struggle to provide a holistic and integrative approach and therefore may not be as far along with modernization as they might have previously believed. When asked about key capabilities that indicate legal department maturity and sophistication (figure 1), more than a few executives acknowledged that they "aren't there yet." Why not?

While every organization's facts and circumstances are different, five distinct barriers to legal department modernization emerged from our discussions. This point of view identifies those barriers and shows how they are often closely entwined. We also show that the data needed to break down these barriers and prove the case for effective modernization resides in legal operations—the people, processes, and technology that drive value in the legal department.

"By focusing on people, processes, and technology to measure maturity, legal executives can gain needed insights to make important decisions about legal department modernization."

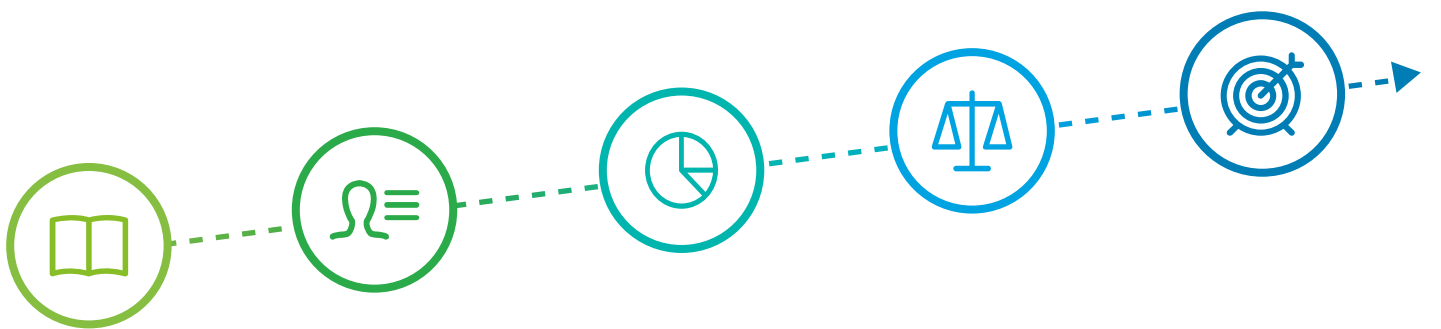
Mary Shen O'Carroll
Director of Legal Operations at Google and president of CLOC

1. Deloitte engaged legal executives from a range of industries in a series of in-depth conversations about legal department modernization. All participants had "legal operations" as part of their title or primary responsibility, and all were highly educated and trained professionals who may or may not have a law degree, but have significant operational experience in legal departments. This includes a keen understanding of the business environment, the complexities it presents, issues that often arise, and the speed at which change takes place.

Figure 1. Legal modernization maturity

Legal operations maturity curve

Transformation is a big concept. Effective evolution requires sustained and intentional progression.



AD HOC

- Lack of appropriate attorney-to-staff ratio
- Limited sourcing
- Manual processes
- Costs poorly tracked and often not understood

INITIAL

- Assessing suitable attorney-to-staff ratio
- Reviewing sourcing and use of outside legal providers
- Reviewing processes for standardization
- Researching available technologies
- Cost and scope leakage identified

DEFINED

- Established attorney-to-staff ratio
- Leveraging outside counsel and other legal service providers
- Implementing processes for standardization in some areas of legal
- Utilizing internal tools and technologies
- Evaluating potential cost reduction and additional efficiencies

PERFORMING

- Resources are properly allocated across legal
- Established, measurable service levels and outsourcing agreements with external providers
- Standardized processes and program management discipline across legal
- Utilizing leading technologies and tools to automate key processes
- Implementing cost reduction and additional efficiencies

TRANSFORMATIVE

- Legal as business leader
- Higher-level resources focusing on higher-level activities
- Formal vendor management of outside legal service providers
- Utilizing a transformative sourcing approach
- Integrated automation technologies and advanced analytics to proactively address business strategies
- Pursuing cost synergies and pooled resources with other business area(s)

Five barriers to legal modernization

From our interviews with legal executives, a clear picture emerged about challenges they face in carrying out modernization efforts. In particular, these five barriers stood out:

Barrier 1: Consistent, sustained investments in modernization are hard to come by

This barrier came up in many of our interviews, but none more poignantly than in a conversation with one legal executive who initially believed that their organization had a solid project plan for modernization, including various assessments, and that executive buy-in was strong. Yet in answering a list of questions about the various proposed initiatives, including technologies they were trying to implement, it became clear that many had been cut from the budget.

Barrier 2: Functional silos are pervasive and disruptive

Litigation, discovery, corporate strategy, mergers and acquisitions, contracts, and ethics and compliance often operate independently, and their responsibilities can be both wide-ranging and complex. Leaders of these areas can be protective, and modernization efforts, especially those involving technology deployments, may be carried out in isolation from corporate IT or even other areas of the legal department. Integration of legal technologies is often non-existent which prevents a clear line of sight across modernization efforts and impedes leadership's ability to leverage successes and innovations across legal functions and activities.

Barrier 3: Metrics are often missing or inadequate

In many legal departments, leadership has a general understanding of what their legal professionals are working on at any given time. However, workflows are typically not structured or governed across each function in a way that enables effective use of key performance indicators (KPIs) or metrics to evaluate, among other things, individual and team performance; whether the most effective resources are being applied to high-risk, high-value activities; and how effective legal budgets are being allocated internally or externally.

Barrier 4: Confusion reigns around knowledge management

Many organizations apparently mistake content or document management for knowledge management. The distinction between them has become much clearer as many legal professionals have worked from home during the COVID-19 pandemic. Gone were "water-cooler conversations" through which insights and knowledge have long been shared among legal professionals. The tendency to reinvent the wheel from one project to the next—a longstanding challenge in legal departments—has been exacerbated by the virtual work environment. And, the walls of the previously described departmental silos have only grown higher and thicker during the pandemic as legal professionals focused on getting a handle on remote work and keeping pace with day-to-day demands.

Barrier 5: Change management is often overlooked

Reliance on established precedents for decision-making and weighing the resulting risks of those decisions are traits that are deeply embedded in the professional DNA of most lawyers. So, for many, there is little appetite for change, and legal modernization is a concept fraught with potential risks. Change management is a discipline designed to address such concerns by clearly and consistently articulating the vision for and benefits of modernization and helping build buy-in and support through frequent communications. However, it is an often-misunderstood discipline and considered an unaffordable luxury.

"By understanding not only the activities being performed by legal professionals, but also key performance indicators associated with those activities, leadership can more effectively prioritize the functional areas needing modernization."

Mary Shen O'Carroll
Director of Legal Operations at Google and president of CLOC

Barriers often overlap and are interdependent

Individually, the five barriers described above can be daunting and disruptive. Combined, they would almost certainly prevent a legal department from making tangible, sustainable progress toward modernization goals.

Ironically, clues about how to tear down these barriers and organize a cohesive modernization effort typically reside within the legal department. These clues often reveal connections and interdependencies between the barriers. For example:

- If legal decision-making hinges on precedent and risk management, yet modernization assessments and road maps lack adequate and convincing details or proofs of concept, how can executive buy-in and support be expected, either near-term or over time?
- When siloed areas of legal departments don't go the extra mile to integrate their technologies and processes with data intelligence from those of other areas, how can they develop key performance metrics that might highlight potential operational improvement opportunities or, conversely, already-achieved modernization successes that might bolster their business case for additional funding and support?
- If lawyers don't accept that certain repetitive, manual activities—often performed anew with each subsequent case—can potentially be automated so they can focus on higher-value activities, how can real progress toward legal modernization ever be accomplished?

- Effective change management relies on facts and clear communications to convince people that a new way of working will be beneficial. Yet if siloed systems and processes persist, and a legal department has inadequate knowledge management, how can the facts and communications needed for change management be developed?

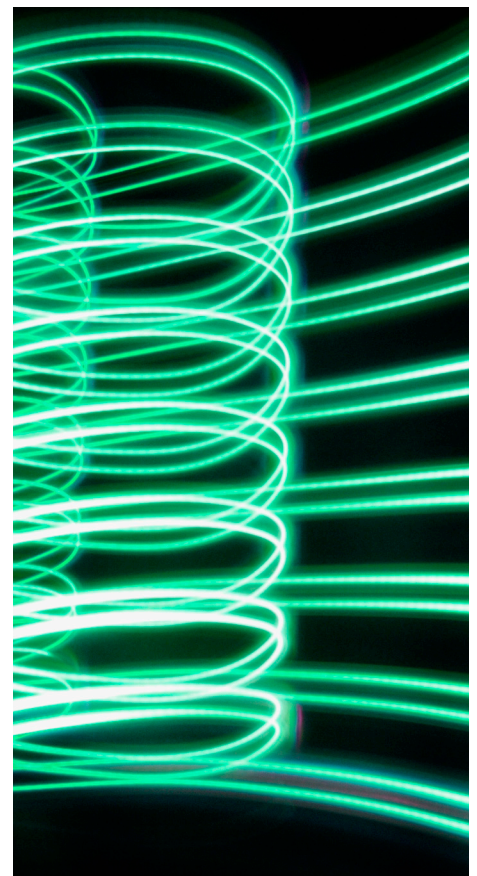
Where can such clues be found? The answers lie within legal operations—the engine that drives value for the legal function. Legal operations comprises the *people, processes, and technology* of the legal department:

People. Those who do the work—i.e., who does what; where they sit in the organization; and whether the tasks they perform represent the highest and best use of their time, responsibility, and skills

Processes. How the work gets done—i.e., how tasks are executed step by step and how the product of those tasks flows from one person or group to the next

Technology. The tools that support the work—i.e., what current technologies are being used; what insights the data from those systems can provide about performance, cost management, and operational efficiency; and what additional technology tools might be adopted to enhance legal department productivity, cost-effectiveness, and alignment with business strategy

The data that is available through legal operations can offer insights on how to provide the right legal resources at the right time; demonstrate that work is being done by the right roles most cost-effectively; increase productivity and speed; and help show that high-quality legal work aligns with business strategy and risk appetite. With such data, the legal department can begin to position itself as better partner to the business and, in the process, prove the case for legal modernization.



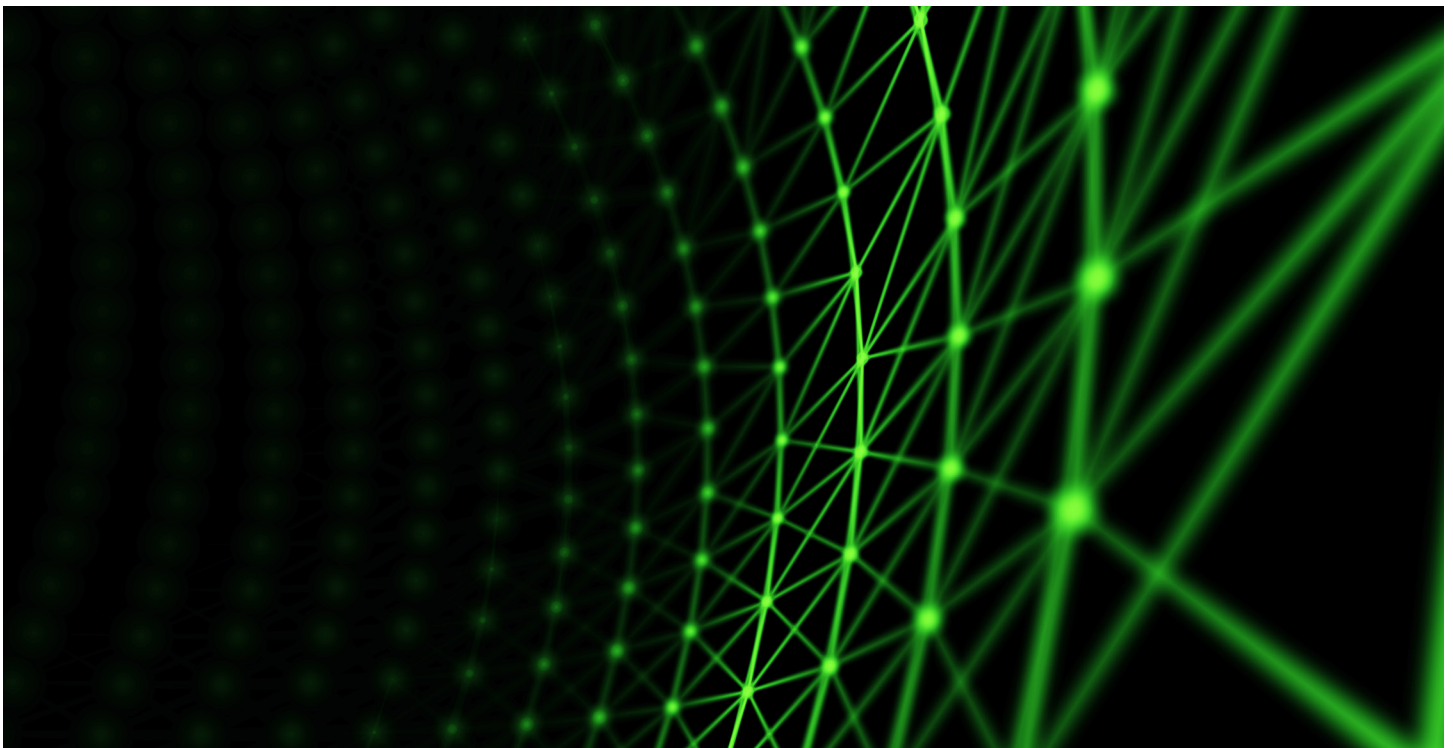
Where to start

Data is the foundation for everything legal modernization hopes to address, including process improvement, technology enablement, automation, service delivery, vendor management, and operating model refinement. By gathering, centralizing, and analyzing clean, accurate, and timely data about legal operations, decision-makers can build a clear picture about where modernization efforts will be most impactful. They can determine how and when to execute initiatives in an iterative or broad-based manner, with each project building on its predecessors. And they can develop insights on how to foster buy-in and, ultimately, adoption among key stakeholders both within the legal department and across the business it serves.

The data collection and analysis process should focus on practical and tactical information about the activities being performed, the processes governing those activities, and the enabling tools. This information can be gathered in a variety of ways, such as through online surveys, outputs from selected administrative systems, and existing documentation.

Also important is the scope of data collected and analyzed. Limiting the focus to a specific functional group will only address part of the puzzle, so an organization is usually better served by expanding the effort department wide. Doing so can enable reuse of the data, fuel agile decision-making, and promote the development of actionable insights that can be leveraged on future modernization projects.

Moreover, by having the detailed picture that data collection and analysis provides, legal executives can make informed decisions about whether to take a “big-bang” approach to modernization or an approach that focuses more modestly on low-hanging fruit and then builds toward more ambitious projects over time.



Summary

As the final frontier of operational and digital transformation for many organizations, legal modernization is happening. Our interviews revealed that it's real and it's gaining momentum. However, it also faces serious barriers that are likely to place significant demands on legal executives, their departments, and the broader organizations they serve. Legal executives can benefit from an investment in assessing upfront the current state of its people, processes, and technology.

The insights provided by such an exercise can help them design a modernization program that aligns with business strategy and delivers on expectations for service excellence, cost efficiency, and resource optimization.

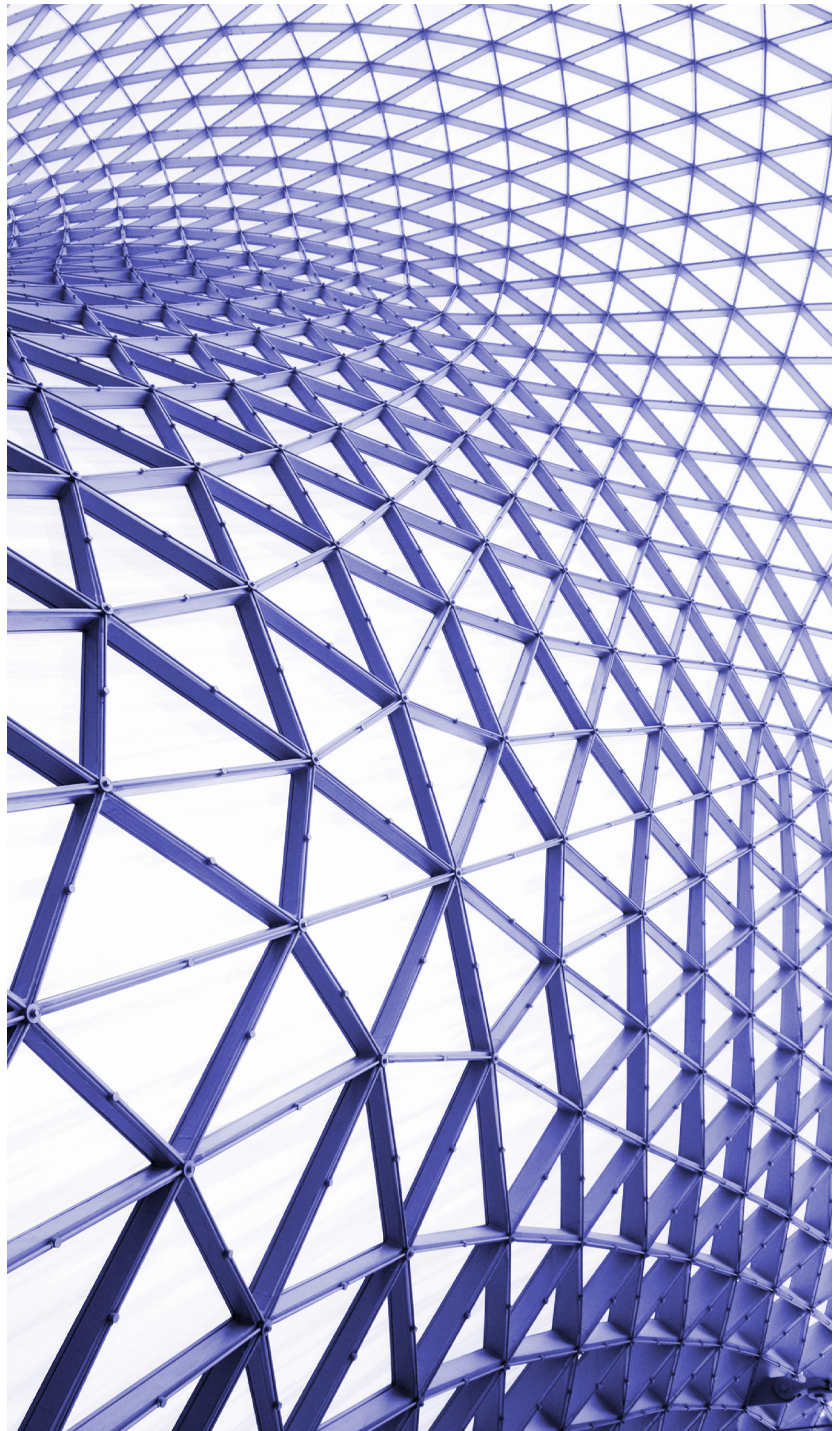
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