

Technology and data

Beyond the hype: a pragmatic approach to legal technology adoption and better data management

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Beyond the hype: a pragmatic approach to legal technology adoption and better data management

QUICK READ

- The proliferation of legal technologies means that it is more feasible than ever to automate and streamline legal processes.
- Yet our research reveals a gap between innovation intent and the pace of technology adoption.
- While over three quarters of leaders of in-house legal functions say technology is important to the future success of their function, only a small minority are using legal-specific technologies extensively across their function.
- For example, just 8% are using contract automation tools across their function, with a further 32% saying they use it in pockets.
- Most in-house functions say they look to software-as-a-service models, or to their incumbent law firm providers, to reap the efficiency benefits of technology while minimising upfront capital investment.

The A&O perspective

Technology and smart data analytics have the potential to revolutionise the way legal functions operate, but only if the right technologies are deployed for the right legal tasks. As in-house legal functions move towards innovation maturity, Allen & Overy believes leaders will increase the proportion of their budget invested in technology. The most successful legal functions will be those that embed technology in day-to-day legal workflows. This will enhance connectivity and collaboration between the in-house legal function, its internal stakeholders, and external legal suppliers, which in turn will reduce cost inefficiencies and cut turnaround times.

This is the fifth in a series of papers that makes up *The Allen & Overy Legal Innovation Benchmarking Report*. The report explores the realities of innovation and change within in-house legal functions today. The insight in our series was developed through in-depth benchmarking surveys completed by 92 senior leaders of in-house functions immediately prior to the onset of the Covid-19 pandemic. If you are interested in taking part in the benchmark survey to see how your responses compare to the leaders in our research, you can do so by contacting: legalinnovation@allenoverly.com

Surveying the legal tech landscape

The promise of legal tech to upend the legal services ecosystem as we know it has grabbed the attention of both the legal press and industry commentators in recent years. But just how revolutionary are in-house leaders in their attitudes towards legal technology? When Allen & Overy surveyed General Counsel in 2014 for our research report *Unbundling a market* we found that the adoption of hybrid or technology-driven legal solutions was in its infancy. How much has changed six years on?

In Allen & Overy's most recent research among 92 senior leaders of in-house functions we see that functional leaders are taking a pragmatic approach to technology adoption. They are influenced not by hype but by business need. Our survey results show that technology advancement is only one of many factors motivating leaders to embrace change and innovation within the legal function. Just 24% of those interviewed place new technologies among the top three most important drivers of change within their function.

Our research reveals that most legal functions today are focused on adopting a core set of foundational technologies well rather than spreading their technology focus too thinly. The majority allocate their time and resource to using technologies that aid with document management,

information management or supplier management rather than on contract lifecycle automation or sophisticated document review technologies. These latter advanced technologies are being deployed only in pockets across the legal function or not at all.

Unlike the other areas that we have researched, when it comes to technology adoption, there is greater similarity in approach between those organisations that fall into what we call our 'engaging' segment and the other survey respondents.

Critical technologies: better visibility of legal function activity

When we asked in-house leaders to identify the technologies that were most important to their legal function, it was foundational technologies such as document, knowledge and email management that topped the list.

Figure 1 shows that three quarters (74%) of the leaders interviewed say shared document and record management technology is critically important to their legal function, with a further 24% describing this as moderately important. Knowledge management and email management are identified as critically important technologies by 62% and 45% respectively.

Other technologies identified by a substantial minority as being of high importance include those that provide improved visibility of internal or external workflows. These include team management tools, incoming matter portals, chatbots and supplier management tools, as well as contract lifecycle tools that facilitate automated drafting, internal or external review of documents and e-signing. This suggests that leaders are focusing on technologies that provide greater real-time information about the status of activity within their domain.

Interestingly, more advanced technologies such as innovation management platforms and artificial intelligence-based tools are considered less important overall to the technology mix for in-house legal functions today. For example, just 30% of leaders surveyed say eDiscovery tools that allow document review and data extraction are critically important for the legal function, with 23% describing these tools as not important at all.

Figure 1: Rank these categories of technology in terms of importance for your part of the legal function.



Source: Allen & Overy and Meridian West Analysis

The technology adoption gap

Although a relatively high proportion of in-house leaders say that a broad mix of technologies is critically or moderately important for their function, a much smaller proportion currently use these technologies extensively within their function.

Eight of the nine technologies in Figure 1, for example, are cited as critically or moderately important by at least three quarters of the legal functions we surveyed. Yet Figure 2 shows that five of these same technologies are being used extensively by only 15% or less of legal functions today,

and two more are used extensively by one third or less of legal functions.

Although Figure 2 shows that some legal functions have experience of using these technologies in pockets, this only accounts for a further 22% to 36% of legal functions at this stage of adoption. This suggests that in-house leaders face a challenge in broadening the appeal and adoption of these technologies from being used only in pockets to being deployed across the whole legal function.

Figure 2: Which of the following categories of technology does your part of the legal function currently use?



Source: Allen & Overy and Meridian West Analysis

Our survey reveals that the most mature in-house legal functions have made some headway compared with their peers in closing the technology adoption gap. Of those functions furthest along their innovation journey – the ‘engaging’ segment – 50% are utilising legal supplier management tools compared with just 30% across our survey population as a whole and a third (31%) are using knowledge management tools compared with 15% across all legal functions. However, the gap between the ‘engaging’ segment and the rest is nowhere near as pronounced in technology adoption

as it is in the other areas of innovation activity explored in this survey.

Figure 2 does suggest that there is openness to greater experimentation with new technologies across all legal functions, with a significant minority of legal functions either piloting new approaches or planning to introduce new technologies into the legal function within the next two years. For example, although only 40% utilise contract lifecycle technologies today, a further 16% are in the piloting phase and an additional 21% plan to introduce within two years.

Many in-house leaders therefore demonstrate increased willingness to experiment as technologies evolve. “As technology solutions and alternatives are coming onto the market and options are becoming better proven, the value-adding ability of these technologies is becoming more apparent,” says one General Counsel in an Australian asset management business interviewed by Allen & Overy. “That means it is easier to justify to the business in terms of cost and prioritisation of these new technologies.”

Technology with purpose: improved data management

As in-house leaders are faced with greater choice about the legal technologies on the market, they will need to become savvier about where to focus their effort and investment. It will be increasingly important for legal functions to have sufficient knowledge and understanding within the function to make smart procurement decisions and avoid getting bamboozled by technology hype.

However, our research shows that fewer than a third (30%) of those interviewed by Allen & Overy say they have a dedicated technology manager within their legal function. Only 35% have a detailed

technology roadmap in place which describes the future technology investments and priorities for the legal function with detailed time horizons for future adoption.

Technology investment within the legal function needs to address a clear, strategic purpose. Those in-house leaders furthest ahead on the technology implementation journey tell us they are prioritising technologies that deliver faster turnaround times for routine legal workflows, improve self-service capabilities for colleagues outside of the legal function, and enhanced data management capabilities.

With greater management and insight into their organisation’s legal and commercial data, they are looking to provide more accurate and valuable commercial intelligence back into the business. This requires investment in tools and technologies that facilitate better extraction, interrogation and visualisation of data contained within large volumes of contracts or other legal documents.



Are legal functions under-investing in technology?

If you were to follow blindly the hype generated around legal technology, it would be easy to gain an impression that in-house leaders are investing significant sums into legal technologies today. However, our research reveals that fewer than a third of legal function leaders have a dedicated budget to spend on legal technology, and consequently 65% have not spent anything on legal technology within the last 12 months.

Figure 3 shows that of those legal functions that have invested in legal related technology within the past 12 months, most spent less than USD100,000.

Only 3% of those surveyed had invested more than a USD1 million. The average spend across all organisations interviewed was less than USD150,000.

In our previous paper in this series, *The legal supply chain reimagined*, we found that legal functions spend an average of 44% of their budget on external resources. Taken alongside the findings in Figure 3 this suggests that the majority share of external budget today is not spent directly with legal technology providers but on other legal service delivery models, including law firms, contract lawyers or project-based outsourcing.

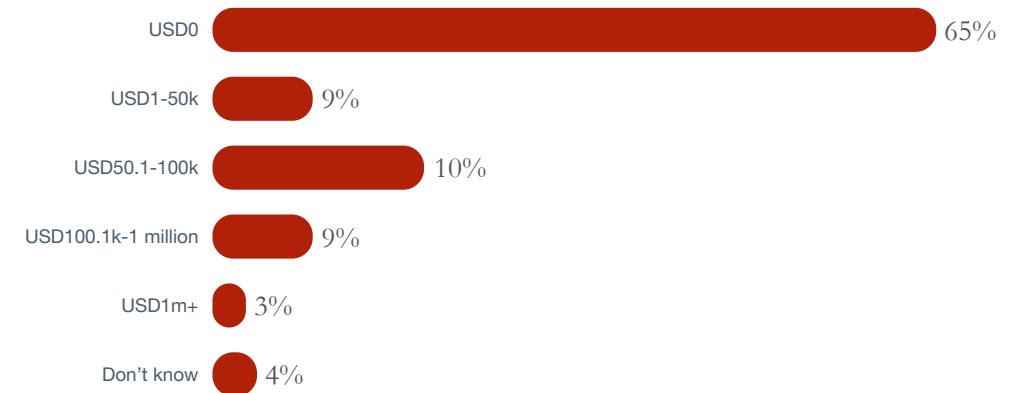
In-house leaders are reluctant to spend directly on technology but are keen

to reap the benefits. Some functional leaders tell us they are waiting for the legal technology market to mature before making significant investments. "I want to be able to buy an off-the-shelf platform that multiple point solutions can plug into," says the COO for the legal function at one global financial institution in our survey. "Spending significant sums of money in an environment where we need to knit together multiple platforms is a significant risk. We would rather wait for the platform to develop so that we are ready to respond when the technology ecosystem is sufficiently evolved."

Other leaders tell us they are looking to their relationships with incumbent legal suppliers to harness the advantages of legal technology. They expect their law firm providers to invest in new technologies because they are better positioned to achieve economies of scale.

The view of one Belgian banking sector General Counsel is common among the leaders we interviewed: "We would like our law firms to adopt more technology to become more efficient and provide better value for money. Investing in platforms with standardised documentation would be a real benefit too."

Figure 3: What is your estimate of your part of the function's spend on legal related technology over the past 12 months?



Source: Allen & Overy and Meridian West Analysis

Legal technology: build or buy?

For those legal functions that are open to exploring new technologies, it can be daunting to know where to start. Is it smart to buy off the shelf, or to build your own custom solution?

Our research shows that the first port of call for most legal functions is to look at what generic technology options already exist within their organisation. 73% of the leaders surveyed say they have utilised non-legal specific technologies already licensed elsewhere in their organisation to address their legal-specific needs. This makes good sense since the technology is already installed and paid for. However, those interviewed

say it is sometimes not responsive enough to the particular needs of the legal function and therefore fails to garner adoption.

Just 39% of those interviewed have built their own solutions in-house by integrating multiple applications or software into a bespoke solution. Without the support of specialist internal technologist or data managers, the build option is not practicable for many of the in-house functions we surveyed.

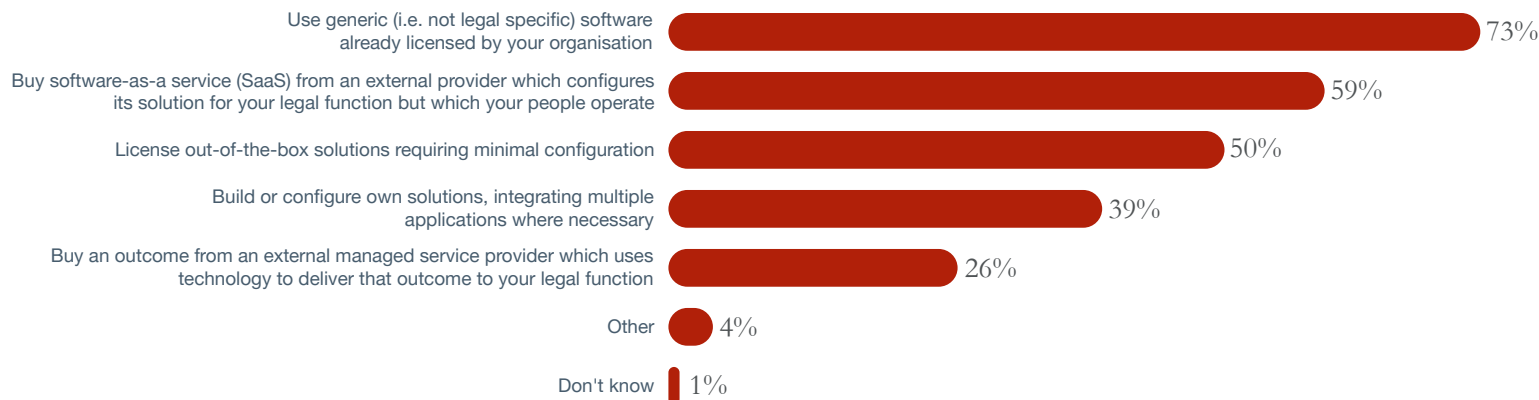
When utilising external technologies, there is a slight preference towards using software-as-a-service (SaaS) model over licensing out-of-the-box technology solutions

(59% have used SaaS models compared with 50% for out-of-the-box solutions).

The benefit of SaaS model service for in-house functions is two-fold. First, that it can avoid the need for upfront capital investment. While most legal functions have extensive freedom to buy services in return for fees, they typically find it harder to obtain budget to make significant capital investments in technology implementation. It is perhaps surprising, therefore, that only 26% of legal functions have contracted tech-enabled managed services as a way of accessing technology without making capital investments.

The second benefit of the SaaS model for in-house teams is that the burden of ensuring good service provision is on the external technology provider, not the legal function or the internal IT department. External providers take responsibility for ensuring their technology is always accessible, that features are regularly upgraded, and that storage and processing power is scaled up and down according to demand. These things are much more difficult to achieve for those in-house functions that choose to build technology solutions internally.

Figure 4: Which of the following approaches to sourcing technology does your part of the legal function currently use?



Source: Allen & Overy and Meridian West Analysis

Legal technology: how to move to your next stage of maturity

Regardless of your starting point, here are three ideas to help your legal function move to its next stage of legal technology maturity.



1: Define your use case for future technology investment.

Do you understand what legal and business problems you are trying to solve through greater investment in technology? Start with the problem, then look for the technology. Before committing to significant external spend, audit what technologies are being used elsewhere in your organisation and how they might be repurposed at little cost for the legal function.



2: Identify opportunities to get more value from existing data.

Smarter application of data captured by the legal function can support business colleagues in their commercial decision-making. Does your function's legal technology investment include the appropriate tools to undertake good data analysis, for example, of your organisation's contract portfolio? Do you have the right capabilities to extract, interrogate and visualise data for your internal stakeholders?



3: Build confidence among your team to encourage the adoption of new technologies.

As we have seen elsewhere in this series, lack of technology mindset and skills can be a major barrier to the successful adoption of new technologies. When plotting your legal technology roadmap do not neglect the investment of time and resource required to hire non-legal specialists (for example, technology managers, data scientists or process engineers) and to train up internal team members so they feel confident and comfortable deploying new technologies in practice.

A&O services

A&O has experience across the legaltech ecosystem through its own accelerating use of **LegalTech** and through **Fuse**, its tech innovation space. Fuse is available to all clients wishing to explore legal technologies and their application to in-house legal.



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Methodology

The insights in the series of papers that makes up **The Allen & Overy Legal Innovation Benchmarking Report** were developed through in-depth benchmarking surveys completed by 92 senior leaders of in-house functions. Respondents held senior legal or operational roles (e.g. General Counsel, Head of Legal Operations) within their respective organisations. Organisations spanned 18 different countries globally. 60% of those surveyed came from organisations with a global annual turnover of more than USD5 billion. Participants represent a broad cross-section of industry sectors, with 81% identifying themselves as belonging to a highly regulated sector.

Please note that due to rounding, percentages in some charts may not always appear to add up to 100%

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