

# How digitalising the legal function can support the transformation of the wider organisation

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Jonathan Brayne assesses the implications of digitalisation for the operations of the in-house legal function, and how it could in turn act as a catalyst for the digital transformation of the entire organisation.



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The top drivers of innovation cited by the more than 100+ senior in-house leaders who completed our [survey of in-house legal function innovation](#) included: better data, better service, improved risk management, improved client/user experience, cost cutting, aligning with the business and speed to market.

Digital transformation is the key to realising all these drivers and so warrants better understanding.

Jason Bloomberg, an IT industry analyst, writing on the [Forbes website](#) offers a helpful explanation of the confusing terminology behind the concept of digital transformation: "...we **digitize** information, we **digitalize** processes and roles that make up the operation of a business, and we **digitally transform** the business and its strategy (my emphasis). Each one is necessary but not sufficient for the next".

Applying his explanation to legal function transformation is illuminating:

**Digitisation** – His explanation positions the conversion of knowledge from analogue to digital format (**digitisation**) as a necessary foundation for any wider transformation of the legal function. Too often legal functions and law firms tackle digitalisation of their processes first and think of digitising their knowledge later – leading to long-term unsatisfactory results.

**Digitalisation** – It emphasises the importance of using digital technologies to change the processes and operations of a legal function (**digitalisation**). Thanks to organisations like CLOC (Corporate Legal Operations Consortium), the importance of streamlining legal function operations is now well understood, but our survey, [The Allen & Overy Legal Innovation Benchmarking Report](#), shows that extensive digitalisation of those operations remains rare.

**Digital transformation** – It reminds us that the legal function is a means, not an end. Its role is to support the wider business objectives and strategy of the organisation. The legal function has a crucial role to play in enabling the **digital transformation** of the business.

What does each of these ideas mean in practice for a legal function?

# Digitising the legal function's core assets

An in-house legal function is a knowledge centre. At its core, the knowledge of its lawyers, and their skill at applying that knowledge to practical situations, is all an in-house legal function offers. Yet that knowledge – its core business asset – is typically tacit or, at best, unstructured – and therefore not accessible instantly when needed. By unstructured, I mean embedded in systems, documents, contract portfolios or legal texts, but not retrievable and manipulable instantly in an automated way.

To diagnose where your legal function is on the analogue to digital spectrum, ask how much of this knowledge is available to you instantly when needed in your legal function:

## Management information about your legal function

What matters are being worked on, by whom, at what unit cost and what spare capacity remains, all broken down by category, geography and business line; what stage has each matter reached; how much effort is being expended on the matter?

## Key performance indicators (KPIs)

Does your legal function monitor and report against defined KPIs? [The Allen & Overy Legal Innovation Benchmarking Report](#) reveals that most legal functions have no KPIs or report only on spend vs budget. What about response times, efficiency improvements, the volume of matters, client satisfaction, dispute or contract outcomes and so on? Can you realistically claim a place in the senior management team or defend a legal budget if you cannot demonstrate value? If you have KPIs, to what extent is the underlying data collected manually and laboriously vs automatically?

## External provider metrics

What outcomes are being delivered by your external providers, at what cost, for what effort, over what time frame, at what quality, with what overruns – forewarned or sprung on you? Is your information such that you can compare one provider with another and budget future costs on a data-driven basis, rather than a 'finger in the air'.

## Contract and deal information

An organisation's costs and revenues form the core of its financial performance. Most costs and revenues trace their source back to a contract or a deal. Running or supporting the business on its contracts and deals goes to the heart of the role of most legal functions. So legal functions have the opportunity in a digital world to place themselves and their contract and deal insights at the heart of the organisation. Yet how many legal functions can query their contract and deal portfolios as data in a system, rather than as words in a PDF or Word document that has to be read and extrapolated by humans before its content can be recalled or understood?

## Legal risk metrics

Have you agreed key legal risk metrics, taxonomies and tolerance levels for your organisation which you monitor and report against so as to facilitate good governance and risk management, meet regulator expectations and plan risk resource?

Legal functions increasingly need all this knowledge at their finger-tips to perform their role well. Yet the range of this information is so broad that an ad hoc approach to defining and digitising the relevant data cannot succeed. And collecting the data laboriously and manually will never be feasible.

The data therefore needs to be the automated output of all the business processes adopted by the legal function.

For example:

- A work intake platform and related matter workflow tools might be the main mechanism for collecting legal function management information;
- An eBilling system into which your providers input might be the core mechanism for collecting external provider metrics;
- If your organisation concludes high volumes of contracts based on your own model contract, automating the generation of those contracts, using an automation tool which allows you to capture and tag their contents as data, might be the way to capture and digitise that data; and
- If you normally contract on your counterparties' model contracts, then training an AI platform to identify the relevant provisions within those contracts, perhaps as part of the normal contract review process, and tagging the results in a database will digitise that category of high-volume contract data.

In each case, the important point is that most of the data is gathered as part of a streamlined and more efficient work process, which legal function colleagues and external providers are incentivised to adopt because it makes their lives easier, not solely in order to generate the data outcomes. Too many data projects fail because data collection is the sole purpose of the effort and the lawyers are not incentivised to put in the effort required to gather data manually. There is no appealing answer to the question: "What's in it for me?"

If these data outputs are to be a core output of a legal function's working practices, then the first step in the digital transformation of the legal function must be to create a data model for the legal function, covering the areas above. That data model will identify the data items that are sought across all those areas and build or adopt a taxonomy for tagging those data so that, once captured, they are 'structured' and therefore searchable.

That data model will in turn inform all process and technology decisions that the legal function takes. The data outputs will be a key requirement in any technology procurement process. If a legal function embarks on digital transformation with no clear data model, it is likely there will be no coherence to its later data gathering efforts and there may be data that it subsequently discovers it cannot collect.



# Digitalising the legal function's processes

In digitalising legal function processes, the biggest opportunities tend to be those involving repetitive or high volume tasks.

[The Allen & Overy Legal Innovation Benchmarking Report](#) reveals that, among legal technologies, contract lifecycle technologies currently generate the highest levels of experimentation among legal functions: 69% of survey participants are using those technologies in pockets or piloting them, or planning to do so in the next two years.

So digitalising the high-volume contracting process in your organisation, whether that is business line contracting to generate revenues or procurement contracting to manage costs, is likely to offer 'low-hanging fruit'.

Not only will it reduce lawyer and contract executive time spent on undemanding and repetitive tasks, it can also serve to collect data about:

- the contents of your organisation's contract portfolio, which will make the legal function and its data-driven insights a welcome presence at the senior executive level; and
- the inefficiency within your contracting processes, which will allow the legal function continuously to shorten the contracting cycle and improve the customer experience.

But technologies will only output this data if designed to do so, which illustrates the importance of developing your legal function's data model before you procure technologies in the contracting space.

There is a growing range of technologies on the market which:

- automate contract drafting, for those organisations which contract off their own model contracts;
- use AI tools to support lawyers in their review of contracts drafted by their counterparties; and
- streamline, through digitalised workflows, contract negotiation, signing, storage and performance.

The practical challenge for legal functions is that no technology provider appears to offer a single solution which includes best of breed in all these functional areas. So legal functions face a choice: either integrate more than one technology application into a coherent platform, to get best of breed; or adopt a single platform, but accept that performance of certain tasks may be unsatisfactory.

I have dwelt on the contracting process to illustrate a point, but it is not the only repetitive or high volume area of legal function work. [The Allen & Overy Legal Innovation Benchmarking Report](#) reveals that other high-volume or repetitive activities which survey participants are digitalising either 'extensively' or 'to some extent' include: company secretariat (72% of participants); litigation and eDiscovery (64%); regulatory compliance (57%); strategic transactions (50%); intellectual property (41%); and, to a lesser extent, employment work (29%) and corporate real estate (26%).

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# How a digital legal function contributes to the wider organisation

By digitising its knowledge and digitalising its processes, the legal function positions itself to maximise the contribution it makes to the digital transformation of its organisation, whether that is by delivering better data, better service, improved risk management, improved client/user experience, cost cutting or speed to market.

The ability of the legal function to deliver on these metrics also aligns the function with the wider business and makes it an active contributor to the objectives and strategy of its organisation, leaving behind the often unfair suggestion that it is a brake and a cost centre.

Some examples of how this might work:

- Faster contracting cycles increase speed to market and lead to earlier revenue recognition.
- Better contract and deal portfolio data result in insights which create commercial opportunity and reduce risk: how has a particular negotiation challenge been addressed in similar, recent deals? What correlations are there between profitable contracts and their terms or between loss-making contracts and their terms? Even if the legal function does not ‘own’ its organisation’s contracting processes, it is the guardian of contract content and can make itself the most easily accessible source of truth in that field.
- Empowering business colleagues to ‘self-serve’ in generating contracts, by using playbooks and contract automation platforms designed by the legal function, increases the agility of the business by reducing its dependence on direct, hour by hour support from the legal function.
- Digitising the legal knowledge needed to answer frequently asked questions from business colleagues and embedding that knowledge in chatbots or other ‘self-serve’ tools allows business colleagues to act without the bottleneck of needing specific legal advice on each occasion. Often those questions consume a disproportionate amount of lawyer time and generate limited client goodwill: questions around data privacy, cross border data transfer, restrictions on marketing financial or health products, rules around customer gifts and entertainment and so on.
- A dashboard showing, at a glance, legal function KPIs that demonstrate value or legal risk metrics within acceptable parameters can position the legal function at the heart of the management team.

– Access to organisational and deal information – as data, not words – equips lawyers to respond fast to those senior management questions about the organisation’s corporate, tax, deal, pension, incentives or other structures which typically come to the legal function in its capacity as the institutional memory, but which consume time and energy searching through documentation in analogue format and piecing a complex picture together.

However, to realise the benefits of digital transformation, both the legal function and its internal business clients will need to embrace new mindsets. For example:

- In most areas of technology adoption for lawyers, we are confronted not by a binary ‘human or machine’ choice, which tends to engender job insecurity, conservatism and resistance, but rather a ‘human + machine’ proposition. There is plenty of evidence, in fields like medicine and law, that ‘human + machine’ can deliver better outcomes than either human or machine alone. Approaching change with a mindset that embraces it as an opportunity, rather than resisting it as a threat, is important.
- Perfect is the enemy of good. The truth of this aphorism is apparent across many aspects of digital transformation. Adopting technology today which achieves 80% of your objectives is generally better than achieving 100% at some uncertain time and cost in the future – but requires lawyers to adapt their unrelenting quest for the perfect outcome. Settling on template contract terms which are sufficiently even-handed for all parties that they can be accepted without negotiation increases speed to market and accelerates revenue recognition – but requires lawyers and business negotiators to move away from the traditional, adversarial, win / lose approach to contract negotiation.

If your organisation is not currently engaged in digital transformation, it will be soon. That initiative presents an opportunity for the legal function to revisit its role in the organisation and reinforce, or reposition, itself as a welcome and essential enabler.

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