

The great efficiency liberator

How legal technology can power your in-house team into the future



In-house legal teams turn to tech to spur efficiency gains

Pressures on in-house legal teams to boost efficiencies and cut costs mean legal technology has never been more important. But while some general counsel and department heads are starting to recognise the merits of adopting tech solutions, there is still a broader lack of awareness about what software is available and the benefits they can deliver.

“It is slowly coming in but it will take time,” says Karen Ngo, head of in-house at Thomson Reuters Legal for the UK and Ireland. “Lawyers don’t necessarily have the reputation for being really enthusiastic drivers for tech innovation, preferring instead human expertise. But with legal teams overstretched and under-resourced, they are now turning to technology to see how it can help, and that will continue to pick up pace.”

A Legal Week Intelligence and Thomson Reuters global survey of in-house legal professionals found that half of respondents had seen their legal spend come under greater scrutiny from their board during the past three years, underscoring the urgency for legal teams to streamline their day-to-day processes.

The necessity of using technology

“The days where we as lawyers were able to have an opacity about how we excel are gone; we have to manage budgets very tightly, we have to be able to replicate success and best practice in the same way that any other business leader has to, and doing it without technology is inconceivable,” says Bjarne Tellmann, general counsel at Pearson.

Pearson’s in-house team numbers just short of 180 and spans the globe, with the bulk of its legal operations in the UK, US and Brazil. Tellmann, along with associate general counsel Vicky Lockie, has overseen a push to expand the department’s technology footprint during the past couple of years, rolling out e-billing and matter management software, contract management software and e-signature tools, among others.

“When I first came, Pearson had a very decentralised legal function,” Tellmann says. “We had pockets that had different tools and some that had absolutely no tools, but the majority



Methodology

This research was conducted by Legal Week Intelligence in association with Thomson Reuters. Overall, 100 respondents were surveyed by phone between March and April 2016; they were mainly UK based (81%), followed by mainland Europe (8%), North America (5%), Central America (2%), Asia Pacific (1%), Southeast Asia (1%) and Other (2%). Respondents were mostly general counsel or group general counsel (44%), followed by in-house lawyers (26%), directors or other senior management (13%), compliance directors or managers (13%) and chief legal officers (4%).

had very little in the way of technology other than Microsoft Word and really basic stuff like that. Technology is critical on so many different levels — it helps improve collaboration, there are clear cost synergies and it just enhances efficiency in terms of the amount of labour saved. If you don't have the right technology, you will fall short.”

Tellmann says the adoption of an e-billing tool — Thomson Reuters’ Legal Tracker (formerly Serengeti Tracker) — has helped the department deliver huge cost savings by allowing them to drill down and identify the areas where spending can be trimmed.

“Over the last two and a half years we have reduced our legal spend by about 20% and we are targeting another 15% in reductions this year,” he says. “Much of that is dependent on our ability to understand what our costs are in real time and what the drivers of those costs are.”

Adoption of such e-billing technology is not widespread. The majority of survey respondents said they manage legal spend manually using a spreadsheet such as Microsoft Excel. A smaller proportion said they use third-party software and an even smaller number said they use bespoke in-house tools.

Different industries, different tech priorities

Some legal professionals reckon the rate of in-house legal tech adoption is often determined by the type of industry where the company is active.

“General counsel and heads of legal in more dynamic or technological industries tend to be utilising technology that is light years ahead of where, say, most companies in the construction sector are, which is very conservative and does things in quite an old-fashioned way,” says Nick Hartigan, head of legal at Kier Group.

If senior executives are reluctant to embrace new technology, “this can make the in-house job very difficult if you’re trying to improve things in an organisation where nobody is interested in change”, he says.

Hartigan, whose company also uses Legal Tracker, says he wanted a tech solution that would allow the legal department to improve its law firm management, matter management, work allocation and metric measurement. Now the software has been in place for around a year, he says the legal team is really starting to see the benefits.

“Our own internal discipline and organisation has improved, our interaction with our suppliers and our law firms is much better now, we have a far more scientific record of what we do

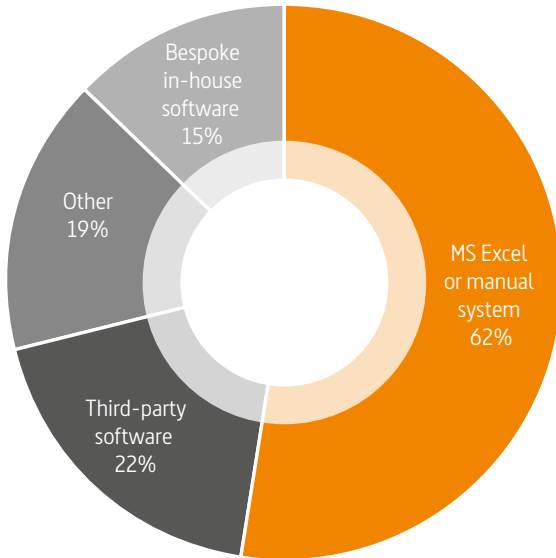


63%
still manage legal
spend manually using
a spreadsheet such as
Microsoft Excel

Key findings

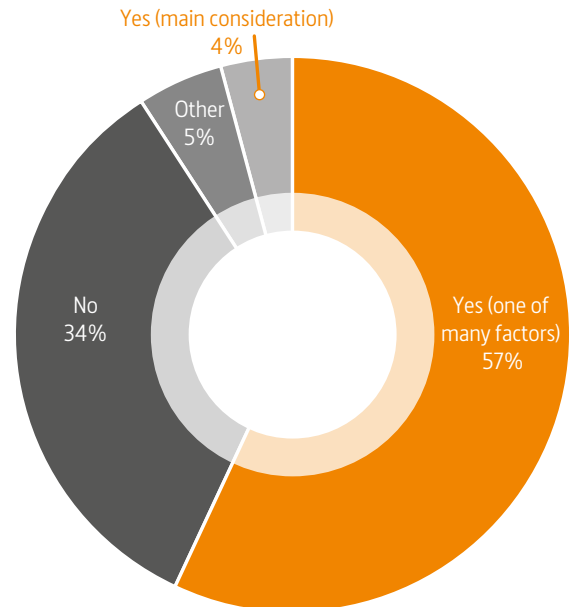
- » **63%** of respondents use Microsoft Excel or spreadsheets to help manage their legal spend
- » **Nearly half (49%)** of respondents say legal spend has come under more scrutiny from the board
- » **61%** say data is either one of or the main consideration for influencing strategic directions their company takes
- » Insight on tracking individual matters against budget and law firm performance against budget are seen as ‘extremely valuable’ by respondents
- » More staff and a bigger budget for outside counsel would help in-house departments be more efficient
- » Time and budget are the two biggest constraints to innovation
- » **85%** say technology will have a positive impact on their department over the next five years.
- » Matter management software tools and automation are seen as the technologies that will have the greatest effect on the legal industry in the next five years

Which of the following do you use to manage your external legal spend?*

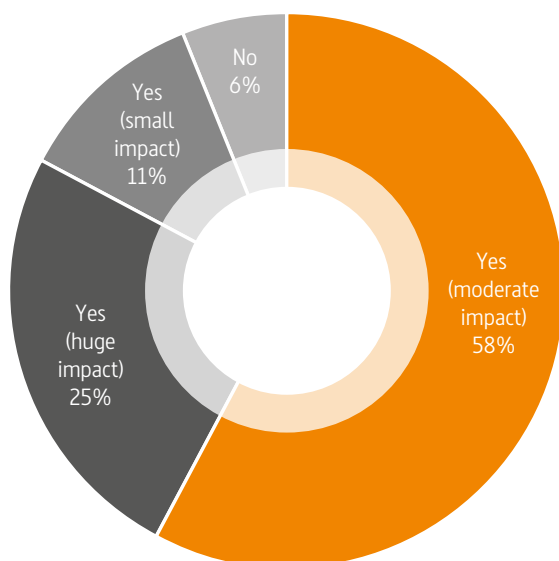


*Respondents could select more than one answer

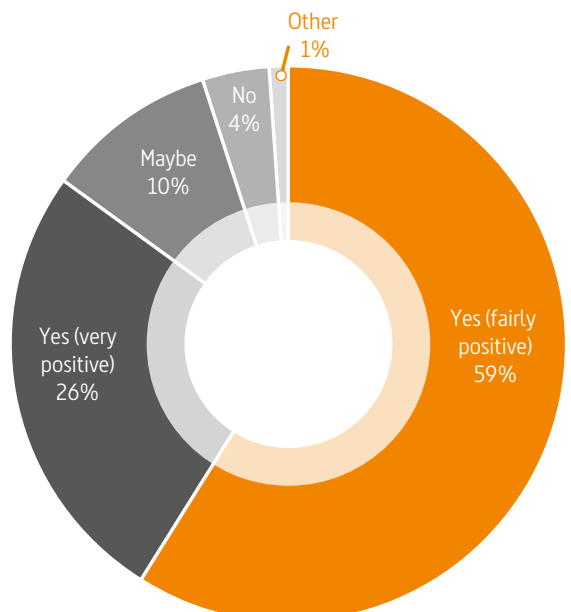
Do you use data to influence strategic decisions?



In the next five years do you think technology will change the way you work?



Do you think technology will have a positive impact on your department during the next five years?



with whom, we have budget functionality, we have accruals functionality, we have detailed reporting functionality; so from a financial and cash management perspective we're very advanced in the information we have," he says.

Transparency pays dividends

Adopting such technology also enables legal departments to gather more data about how they are performing, allowing them to make more informed strategic decisions. More than half of survey respondents said they use data in some way as part of the decision-making process.

"We've got much more analytics now," says Hartigan. "It enables you to analyse what you're spending, with whom, how much you're saving on rates, how much you're saving on capping from fixed fees, where your expenses are going, the proportion of partner to associate time, all sorts of things that unless you put in a lot of manual effort you'd never be able to replicate through spreadsheets."

Hartigan says this helps them to identify and smooth out any blockages in their day-to-day processes, such as noting who is taking too long to approve invoices, or if there are more systemic issues to fix, such as having a disproportionate level of litigation in a particular area or if certain law firms are charging more than others.

"Essentially it's a tool to help keep an eye on the macro picture and facilitate more informed decisions about what we're doing," he says.

Kerry Phillip, legal director at Vodafone Group Enterprise, says she has already introduced matter management software so the company's legal department has greater visibility over what the team is working on — something she says is vital when you have a roughly 85-strong team spread across the world.

Now Phillip is overseeing the installation of a contract lifecycle management platform, which she says will provide more detailed analysis on what contracts are problematic, or the frequency that certain clauses need negotiating, and then use that information to make decisions accordingly.

"We introduced a fairly simple matter management tool that allocates legal tasks throughout the team and it's been transformational"

Maurice Woolf
General counsel, Interoute



57%
use data in some way
as part of the decision-
making process

"I know the answers already but to have the data behind it actually makes a difference," she says.

But being able to gather a greater quantity of data is only one part of the solution — knowing exactly what data is needed and how to interpret it is just as important.

"We're getting so much information that we're struggling to capture the gold nuggets in the midst of the barrage of noise and that's my challenge right now — isolating what I really care about and measuring that and tracking it in real time," says Pearson's Tellmann. "What I would like to see is a more seamless interface between



the different tools and a dashboard, so having something that is very simple and can filter all of the data that's coming in at you in a way that's more useable."

Not everybody recognises the value of gathering data to measure performance. Around a third of survey respondents said they do not use such information to make strategic calls. Others simply caution about reading too much into what the data is signalling.

"You can't be religious about the data," says Maurice Woolf, general counsel at Interoute. "It doesn't provide you with the answer but it gives you an indication of where you need to look to improve things."

Scalable technology for legal teams of all sizes

Woolf — who heads up a legal team of around a dozen at Interoute — says that while his team is small and lacks the resources of larger departments, they have adopted technology such as matter management and contract management software to make them more efficient.

"It is worthwhile for general counsel to have an IT strategy in mind that looks at the problems they've got and prioritises them and bit by bit knocks them off through the adoption of technology," he says.

Woolf, for instance, spotted that his team was having issues around matter management — lawyers were spending too much time phoning other lawyers until they could find the answer they were looking for, which meant work was not being picked up quickly enough.

"We introduced a fairly simple matter management tool that allocates legal tasks throughout the team and it's been transformational," he says.

Overhauling attitudes, conveying benefits

Picking the right technology is one hurdle to overcome, but persuading stakeholders outside of the legal department to fund new technologies can be an even bigger challenge.

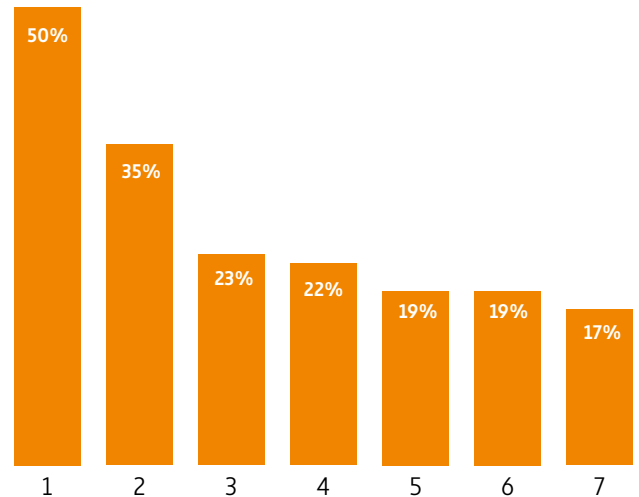
Pearson's Tellmann says the key to convincing senior executives to rubber stamp tech projects is to make sure they understand that it is an investment that will pay off.

"If you portray it as a cost that will yield some kind of amorphous efficiency you're not going to get very far, so what I did was co-opt the winning suppliers and said we've chosen you but we need to get this approved, so I want you to show what savings we will accrue as a result of investing in this technology," he says. "I then presented that data to our leadership and that made a huge difference because they could see the return on investment and what we're going to save over time."

Vodafone's Phillip says she had to embark on a similar campaign to win support for the contract lifecycle management platform she is implementing.

"Traditionally, the legal team is pretty low down the pecking order when it comes to IT investment but because we presented

Which metrics do you use to measure the legal team's success?*



1 = Lessons learned by matter

2 = Spend vs. budget

3 = Other

4 = Spend by matter type and/or business unit

5 = Outside and inside spending as a percentage of company revenue

6 = Litigation exposure over time

7 = Outside counsel evaluations

*Respondents could select more than one answer

a business case that showed the investment paid for itself within the first year, we were able to get it approved," she says. "I spent a lot of time talking to the CEO, the CFO and every stakeholder you could think of about why this was a fantastic business opportunity, and that's how we got the investment."

Other factors besides budget approval can impede the adoption of legal technology. The survey found that the biggest constraint was simply having insufficient time to innovate.

"In-house lawyers are really time-poor and challenged on every front," says Thomson Reuters' Ngo. "They're so busy keeping up with their day jobs that they don't really have the bandwidth to be able to step back and think a little bit more strategically about what they need versus what's out there, or to talk to people who might have adopted technologies to find out how easy it was to implement or how useful it has been for the business."

This is a particular challenge for smaller in-house teams, which are already stretched and do not have the headcount to spare for projects that might take a significant amount of time to integrate.

“A company like ours has very limited resources in terms of people and if it takes a lot of work and you have to carve out time to implement systems that are sometimes overly complicated, it can be tricky,” says Matthew Wilson, legal director at Uber for the UK, Ireland and the Nordics, whose UK team is made up of four people. “Ultimately, getting something in that is really effective and makes you more efficient is totally worth it, but if the setup of that system is overly complicated then it’s very off-putting. The products we develop are intuitive and our internal systems and tools need to be too.”

Attitudes among in-house lawyers can also be a barrier to adopting legal technology, often because it means overhauling traditional working practices.

“Lawyers are quite a tough crowd to please on the technology front and some can be resistant to technology,” says Nick Finnie, head of legal operations and IP management at Novartis. “I don’t think the technology itself is that difficult but transforming either a paper-based or an attorney-specific workflow into a centralised system is really difficult because it’s easier for them to continue working the way they are used to.”

That potential resistance means those tasked with introducing new legal technologies need to map out exactly how they intend to win over potentially reluctant end users.

“Getting people to adopt any piece of technology that changes the way they work is essentially a change management project and it needs change management expertise if it is to be done effectively,” says Stephen Shapiro, group company secretary and deputy general counsel at SAB Miller. “In a global organisation that operates across multiple markets, cultures, jurisdictions and languages, you need to think long and hard in the design phase about how to get people to embrace and use new technologies.”

This also means that any technology that is adopted has to be developed in a way that encourages lawyers to use it and makes it clear how it will help them do their job better, Shapiro says.

Transforming in-house teams

But technology is going to become increasingly important regardless of the level of resistance among some staff. A

“In-house teams who haven’t started adopting technology are going to be way behind. What we’re doing by becoming more automated and digital as a team is getting ready for what comes next”

Kerry Phillip

Legal director, Vodafone Group Enterprise



83%
said technology
will have a huge or
moderate impact on the
way they work during
the next five years

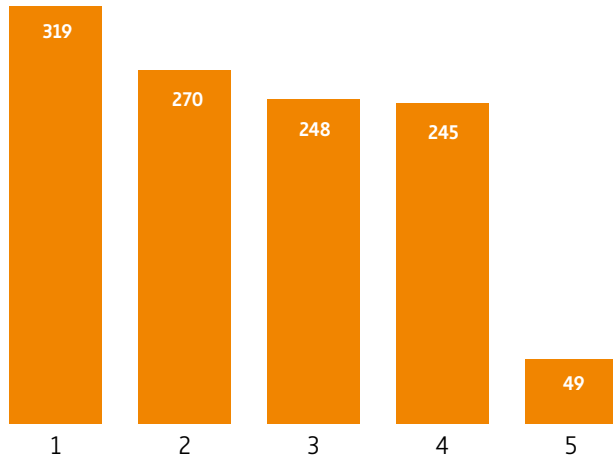
quarter of survey respondents said technology will have a huge impact on the way they work during the next five years and almost 60% said it would have a moderate affect. Only 6% of respondents said technology will not change the way they work.

“In-house teams who haven’t started adopting technology are going to be way behind,” says Vodafone’s Phillip. “What we’re doing by becoming more automated and digital as a team is getting ready for what comes next.”

Some reckon that next phase of legal tech has the potential to be



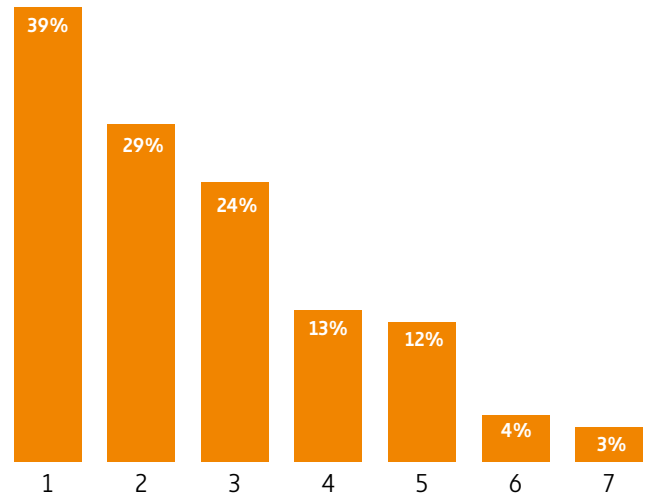
Which of the following assets would be most helpful to you in running your legal department better?



- 1 = More people
- 2 = A bigger budget for outside counsel
- 3 = More clarity on costs
- 4 = Software or other tools to help me manage the day-to-day running of the department
- 5 = Other

*Score is a weighted calculation. Items ranked first are valued higher than the following ranks, the score is the sum of all weighted rank counts

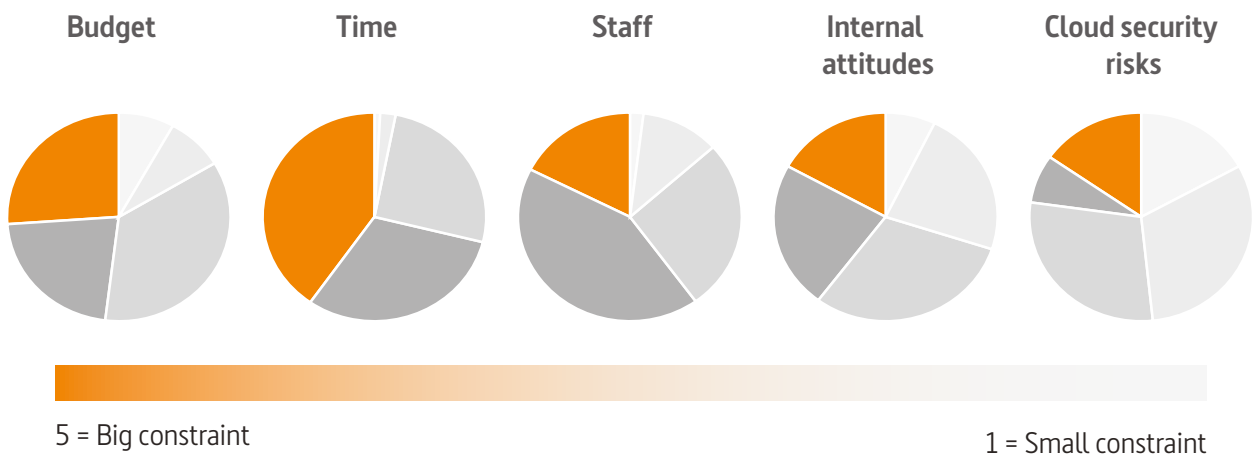
How do you access metric information?*



- 1 = I don't report on metric information
- 2 = Someone produces these for me
- 3 = I use Excel
- 4 = I don't have access to metric information
- 5 = We have reporting software tools
- 6 = Other
- 7 = It is difficult for me to find this information

*Respondents could select more than one answer

How big a constraint do the following factors place on your ability to innovate?



transformational. Kier's Hartigan says the development of artificial intelligence could disrupt the legal industry, but only if greater strides are made in what the technology is capable of delivering.

He notes that what distinguishes great lawyers from average lawyers is not their knowledge of the law but the way they apply that knowledge through a combination of logical and lateral thinking – something that AI might struggle to replicate.

“However, if the development of AI accelerates and AI can start performing tasks that demonstrate some sort of higher subjective cognitive function, then that would truly be a game changer for what people can do from a technological perspective in the law,” he says.

Interoute's Woolf is hoping to see more intelligent search tools being developed that allow lawyers to search more effectively, so instead of getting a long list of potential articles they get more relevant results.

Pearson's Tellmann says it is difficult to call how technology will change but he believes the adoption of such solutions is going to become more widespread.

“The complexity of what we're dealing with, the pressures on cost and the need for GCs to be increasingly procurement experts as well as legal experts is only going to increase over the next five years,” he says. “Demand for technology that will give you greater insight into what you're spending, how you're spending it and how your team is using [its] time is going to grow.”

And while the survey found that having more staff or a bigger budget for outside counsel would be more preferable than technology to help run a legal department more efficiently, cost pressures might ultimately mean those preferences are irrelevant.

“Legal teams will always prefer more money or more people but the change is that legal is increasingly being viewed as just another line function within a company and every other line function has to go through good procurement practices and spend control, so they will need to adapt to this,” says Novartis's Finnie. “When spending has to be controlled more tightly, the creativity and the drive comes in.”

“Although it is not easy to keep pace with developments in legal tech, it is important to understand what is available on the market, through conferences and recommendations from peers”

Karen Ngo

Head of in-house, Thomson Reuters Legal, UK and Ireland



71%
say time is one of the
biggest constraints
on innovation

That means legal teams will need to invest more time in thinking about how technology can help them become smarter and more efficient, and to ensure they are not straggling by using outdated practices.

“Although it is by no means easy to keep pace with the developments in legal tech, in-house lawyers do need to try to understand what is available in the market, through conferences and recommendations from their peers, so that they are able to bring in the right technology when need and opportunity coincide,” says Thomson Reuters' Ngo.





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