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The Digital Transformation of Enterprise Legal Services Delivery

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There is a lot of buzz about “digital transformation” in the marketplace. Let’s define what it means for legal. The “digital transformation” of legal services involves the application of technology-enabled efficiencies, process optimization and appropriate resource mix to the delivery of legal services to maximize client value, both in terms of costs and business impact. This is not a new concept or one that would be unfamiliar to businesses or other professions, such as Finance, HR and IT. However, in response to current legal costs and its perceived disconnect to value, the need to transform the delivery of legal services has now arrived to the legal industry. Clients are increasingly demanding improved legal services, whether from outside



or in-house counsel, at lower and more predictable costs.

The digital transformation of the delivery of enterprise legal services will not be limited to less complex, more commoditized work. Technology, process

and a diverse resource mix can significantly impact the litigation process, IP patenting and monetization, and commercial transactional support (across all levels of complexity) among other practice areas. Thus, this

transformation will not be driven by legal services providers that base their delivery models simply on a combination of process standardization and labor arbitrage of commodity work. It will be driven by elite legal services providers that possess the key attributes needed to enable this digital transformation.

What Are the Key Attributes Needed by Industry to Drive Transformation?

In 2018, digital transformation of the enterprise legal services delivery model requires the intensive application of technology-enabled efficiencies, the optimization of processes and workflows at every level of service delivery, more flexible and value-based approaches to the pricing of solutions and services, and a recognition that business is now often conducted globally by teams working around the clock. To be able to deliver this value proposition, a legal services provider must possess the following key attributes:

- **Technology:** The future of enterprise legal services delivery is all about doing things better at lower cost. To achieve this, services will need to be thoroughly technology-enabled. Innovative

legal services providers will sometimes invest strategically in proprietary technologies where there is a market gap. More often, they will partner with best-of-breed providers to embed the most effective legal technologies. Both approaches require bold investment in people, process and technology and effective change management.

- **Resource mix:** Innovative legal services providers will deliver compelling solutions with a mix of resources including consultants who can optimize processes and workflows, attorneys and other legal professionals who have proven they can effectively provide the specific services and expertise required. These resources include project managers who can ensure timely and effective deployment of solutions, and data analysts who can provide transparency, insight and ongoing assessment of performance to drive improvements and measurable results.

- **Portfolio of solutions:** Legal spend in most large companies is determined by a mix of litigation- and compliance-driven costs, commercial contracting support, the development and maintenance of an IP portfolio,

and investment in a variety of high-cost functional specialists. It is very difficult for traditional law firms and law departments to invest in the kinds of end-to-end solutions that today's complex global marketplace requires. Legal services providers that can assemble and effectively manage a broad portfolio of service offerings can deliver substantial savings.

- **Global delivery centers:** To meet the legal needs of today's global companies, an elite legal services provider will invest in resourcing across multiple geographies, with a strategic mix of low- and higher-cost delivery locations aligned with the unique business requirements of their client mix.

- **Training:** Innovative legal services providers will also invest in and deliver world-class training platforms to ensure that they can staff solutions that achieve immediate and long-term cost reduction and improve the quality of services. Under current models it is not difficult for a legal services provider to be more cost-effective than a law firm in providing high-value legal services, but it must also be cost-competitive with in-house legal support services.

• **Pricing predictability/flexibility:** Innovative legal services providers aren't burdened with the historical cost structure of traditional law firms. They willingly embrace process and technology innovation and, accordingly, are entirely comfortable with variable, results-based cost models. A well-funded legal services provider can provide maximum pricing predictability and flexibility, and structure agreements to meet both the short-term and long-term cost needs of their clients.

• **Access to capital:** Unlike law firms (that have little to no retained earnings) or in-house law departments (that are internal cost centers), legal services providers have access to the capital required to invest in appropriate technologies, solution teams, training, facilities and other resourcing.

• **Governance structure:** Legal services providers are run like a corporation and have the ability to move quickly to address market needs, align employees and make long-term investment decisions.

These key attributes listed above will be difficult for law firms or in-house law departments to replicate—at least in the near term. Law firms struggle

with access to capital and complicated governance structures. In-house departments, while adding great value, are corporate cost centers and will struggle to make necessary investments in technology. They also struggle with the change management process.

Competitors or Legal Ecosystem Enablers?

While in 2018, an elite legal services provider is best positioned to enable the digital transformation of enterprise legal services, their doing so can also be beneficial to the overall legal ecosystem, including not only for law firms and law departments, but also the legal education system.

For example, a forward-looking law firm could forge a close alliance with an elite legal services provider to deliver better overall E2E legal solutions to its clients. This is particularly true if the law firm lacks the capital or know-how to timely create these solutions on its own.

Corporate law departments are at times even more limited in the technology investments they can make. If a legal services provider has a cost-effective, high-quality, technology-enabled commercial transactional support solutions,

there is no compelling need to build these capabilities in-house. This just adds to the fixed costs of the legal department and creates less flexibility to transition to newer technologies. The in-house lawyer will still have the ability to oversee the work product and make all key decisions.

Finally, truly innovative legal services providers can also contribute to the future of legal education by offering exceptional training and employment opportunities to new law graduates. In addition to substantive legal training, such programs will give prospective lawyers a thorough understanding of the key legal technologies and workflows that are enabling new models of enterprise legal services delivery.

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