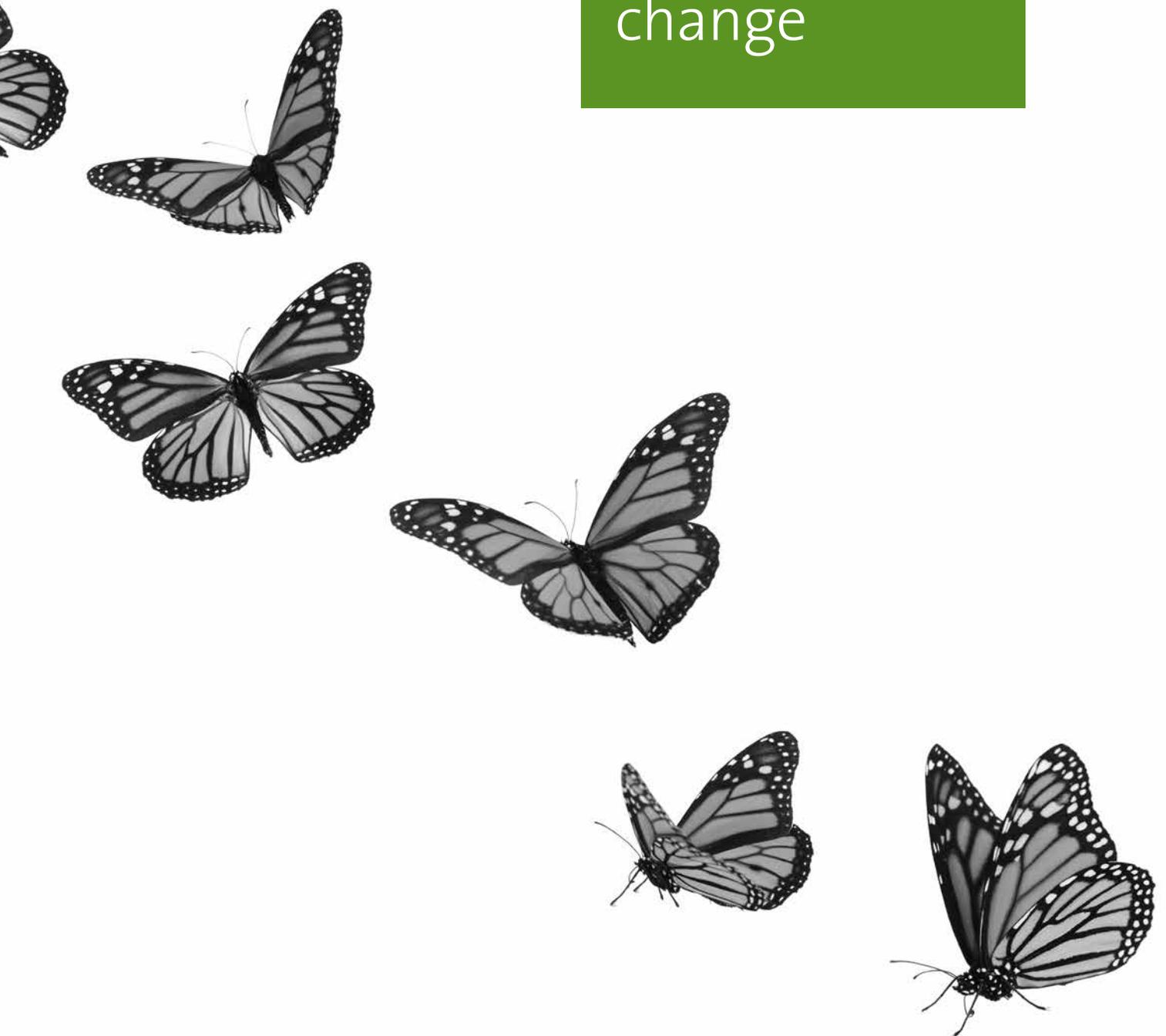


ashurst

Riding the
winds of
change







Riding the Winds of Change¹

Legal Innovation and Efficiency in Action

A potent combination of sustained cost pressure and rising workload is driving a new era in how the in-house legal function operates and organises itself.

We are in a world where specific action is essential to rebalance the cost and resource equation. Lacklustre growth for many industry sectors, coupled with an ever-growing burden of regulatory scrutiny and complexity are also reshaping the priorities and role of the in-house legal function.

To understand the impact of these trends and how organisations are meeting these challenges, over the past 12 months we have conducted a series of in-depth interviews with CFOs, other members of the C-suite and GCs² across a range of prominent global businesses.

Our analysis provides a unique insight into how legal teams are using smarter technology, integrated with more efficient ways of resourcing and managing legal matters to meet their challenges.

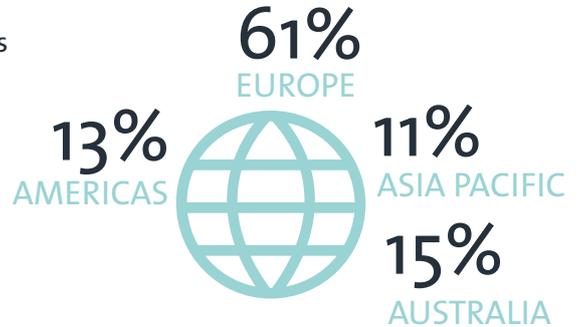
¹ This article is based, in part, on a report of the same title published by Ashurst LLP.

² The insights in this article represent the combined views of C-suite individuals, GCs and Senior Legal Counsel. For simplicity, this group is referred to as 'GCs' throughout

Methodology

We spoke to major international businesses across multiple sectors

In-depth and detailed conversations with both GCs and the C-suite.



More for less?

In Technology, Resources and Process

67%

of GCs are becoming more innovative in their use of technology.



62%

are taking steps to improve the project management skills of their teams.



63%

of in-house teams are currently unbundling legal matters.



67%

prefer to instruct a 'one-stop-shop' legal adviser for complex matters.



Novel Strategies

are delivering material improvements

74%

of GCs have already achieved efficiency through improvements to resourcing, technology and the process of managing matters, but all acknowledge there is further to go.

Many prominent international businesses with a combined turnover of almost

\$1 trillion

Insights captured from a range of industry sectors, including:

- Aerospace & Defence
- Consumer, Food & Retail
- Financial Institutions
- Mining
- Pharmaceuticals & Healthcare
- Power & Utilities
- Technology, Media & Telecommunications
- Transport

Dual Challenges

With greater workloads and squeezed budgets

83%

of GCs face pressure to improve the efficiency of their function and reduce costs.



88%

of GCs believe they are taking a more strategic role in decision making.



Increasing regulatory burden is the most prominent challenge facing GCs



All GCs and their teams report that workload is increasing faster than their budgets.



56%

of companies report that overall budgets for the legal team have been cut over the last 24 months.



24%

report that their in-house legal team's headcount has been reduced.



Caught between a rock and a hard place

The past two years have seen a rapid evolution of the role of the in-house legal function. The success of GCs and of the legal function is increasingly judged by their ability to balance ever increasing workloads, tightening budgets and growing pressure to deliver greater efficiency and value.

Over the past 36 months, 56% of companies report that overall budgets for the legal function have been cut, resulting in widespread reductions to both internal and external legal spend. The pressure of managing a growing workload with flat or declining budgets has been compounded by reductions to internal headcount for 24% of companies.

GCs are responding to this challenge by thinking creatively about how to improve their approach to resources, technology and the process of managing legal matters to meet the legal needs of their organisations most efficiently.

GCs concur that three major 'macro-trends' are behind the growing pressure faced by in-house teams:

- (a) Greater focus on operational efficiency;
- (b) Increasing regulatory burden; and
- (c) Greater demand for strategic input.

83% of GCs and their teams report a need to improve cost efficiency, in many cases as part of an organisation-wide initiative to improve operational efficiency.

More and more, GCs regard greater efficiency in the legal function as the key that will enable them and their teams to engage with crucial regulatory and strategic issues.

Our research reveals the top three strategies GCs are adopting to drive greater efficiency:

1. More innovative use of technology.
2. Increasing efficiency of resources, including unbundling matters (i.e. breaking down the process into component elements of advice and/or process).
3. Strengthening the process of managing legal matters, including project management skills.

When implemented together, these three strategies can support each other in a 'virtuous circle', producing greater efficiency improvements together than in isolation.







Technology

Two-thirds of in-house counsel are focusing on innovative use of technology as the cornerstone of their strategies to support smarter working and greater efficiency for the in-house legal function.

Three main benefits underpin the rationale for organisations' focus on technology – all closely linked with delivering more for less:

1. Greater cost and time efficiency.
2. Improved document management and generation.
3. Better recording and reporting of key metrics.

The greatest barrier to adoption of technology is a lack of knowledge of what tools are available.

In-house counsel widely believe that legal teams require greater support both to understand the benefits of technology tools and to select the right solutions for their organisation.

Unbundling

63% of GCs reported they are now driving efficiency through unbundling of matters to achieve greater efficiency and cost savings. This is accompanied by a growing willingness among GCs to outsource to deliver essential aspects in a more cost effective manner.

However, a number of GCs worry that unbundling could significantly increase the workload for the in-house team, particularly if one or more providers are unfamiliar with the working processes of the client. Several GCs also question whether disaggregating matters maybe counterproductive by reducing economies of scale and driving-up project management time and therefore costs.

As a direct reflection of those concerns, our research reveals that of the many approaches taken by GCs to manage external advisers, over two-thirds believe that instructing a 'one-stop-shop' for complex matters is the most effective. A one-stop-shop firm is defined as one which provides both high-level, bespoke legal advice combined with a different delivery model for those more recurring and lower value elements of matters.

They see the two major benefits of this approach as: (i) low project management burden for the in-house function (including in day-to-day communication and budgeting) – freeing them to devote more time to other aspects of their role and (ii) greater confidence that the firm 'gets the job done' especially for complex and multijurisdictional matters – this is mentioned by almost 50% of GCs.

To maximise the benefit from unbundling matters, GCs are starting to develop innovative approaches to classifying different elements of a legal matter – an approach that helps in-house teams to unbundle and manage projects efficiently.

However, only a third of in-house teams have started to adopt a more refined approach to classifying matters by assessing them not only by legal practice and jurisdiction, but also by their importance to the business and/or the level of legal expertise they require. Most of those GCs are looking to develop this further.









Project Management

62% of senior in-house counsel are taking steps to improve the project management skills of their teams. The key benefits are improved internal productivity, and an enhanced capability to coordinate external advisers, unlocking greater flexibility in how matters are disaggregated.

More than one-third of GCs report that their organisation currently conducts formalised, in-house project management training for their teams, with another 19% of respondents engaging external advisers to provide this.

38% of GCs currently have no plans to improve their in-house project management training, although the majority of this group would like to do so. The main barriers faced by GCs include budget restrictions and time constraints. Only a few senior in-house counsel are confident that their team's project management skills need no further improvement.

Further Benefits

Driving greater efficiency has shown other benefits:

- (a) **Strategic input:** GCs are more engaged with the overall strategic decisions taken by the business and their implementation. In many cases, this has supported organisations to strengthen their governance procedures and meet growing regulatory demands for in-house legal involvement in strategic decisions.
- (b) **Leveraging wider operations:** GCs are leveraging broader operational initiatives to deliver efficiency. These strategies help GCs to do more for less, improving their organisations' bottom line without compromising the quality of the legal advice they provide.
- (c) **Better integration:** this all leads to better organisational integration of the legal team, giving them a deeper and more nuanced understanding of their business' strategy, and most importantly how they can best support it.



Addressing your most significant challenges directly

Within Ashurst, we have created Ashurst Advance as an integrated platform to deliver innovation and efficiency in the delivery of legal services.

The team comprises legal project managers, legal technologists and legal analysts. Ashurst Advance is committed to sharing its expertise in resources, process and technology openly with clients. Each of the capabilities can be translated directly into efficiency opportunities in clients' own legal teams. We already work directly with many of our clients to address their most complex internal challenges.

For further information on potential areas of direct collaboration, please contact:



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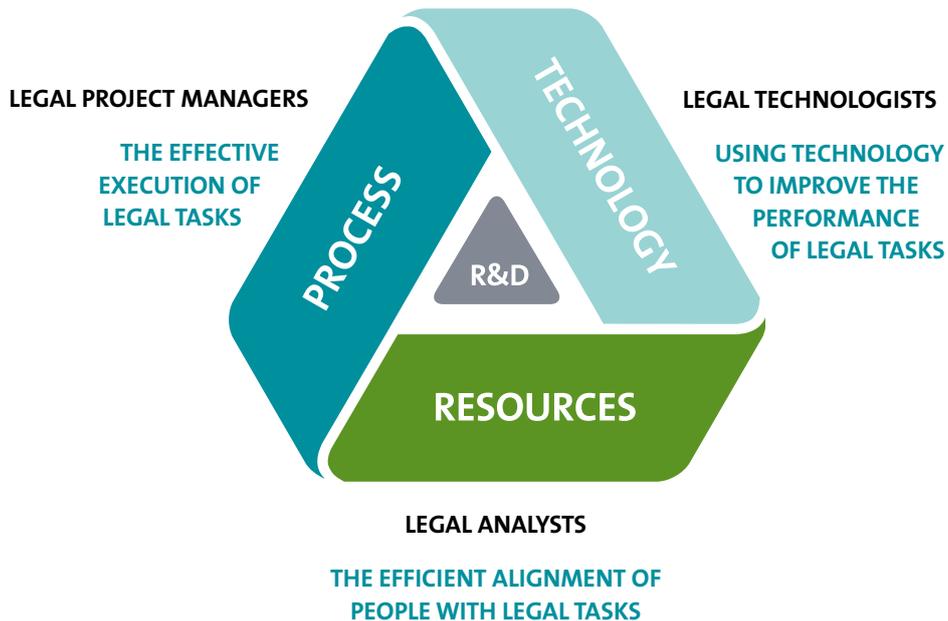
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“Our uniquely integrated offering brings together resources, process and technology to create a service that is smart, efficient and different.”

MIKE POLSON, DIRECTOR OF ASHURST ADVANCE

Within Ashurst, we have created Ashurst Advance as an integrated platform to deliver innovation and efficiency in the delivery of legal services, working alongside Ashurst legal teams and directly with clients.



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