Making Change

The Push for Digital Transformation in Corporate Law
Executive Summary

Lawyers are trained to balance downside risk against upside potential. Therefore, it’s not surprising that the corporate legal space has mitigated risk in the adoption of new technologies for its function, even more so than other highly regulated industries such as financial services, healthcare, insurance, and telecommunications.

However, the legal industry’s stance regarding some of the latest technologies is shifting, based on the fact that the upside benefit of adopting these technologies now outweighs the downside risk. The maturation of nascent technologies and the efficiency gains achievable through low-risk cloud platforms and alternative legal service providers (ALSPs) is creating a sense of urgency and excitement about the latest wave of digital transformation in the legal sector.

Legal tech solutions, from legal artificial intelligence (AI) tools to cloud-based document management and data reporting platforms, offer decision makers an abundance of solutions fit for low-risk adoption. Proven technologies and ALSPs now enable in-house legal teams to improve the efficiency of processes and produce higher-quality end products.

Historically, the cost and time requirements of handling high-volume, recurring legal work represented a significant pain point in the legal industry. For decades, companies lacked an ideal way to negotiate and manage routine legal work, but new solutions can streamline the process and provide access to specialized legal talent for specific document types.

Ultimately, embracing digital transformation with some of the latest established legal technologies can drive major value for companies. Yet, 81 percent of corporate legal departments are not prepared to support digital initiatives at their organization, according to new research by Gartner¹. Throughout this white paper, we’ll explore how the legal industry is unlocking value through digital transformation efforts and provide actionable steps for implementing digital transformation initiatives at your company.
The latest wave of legal technologies stands to offer significant value to in-house legal teams. To understand how companies can effectively implement these technologies as new digital transformation initiatives within their legal function, we need to first examine why the legal space is slower to adopt new technologies relative to other industries.

The legal profession is tasked with mitigating downside risk, while securing as much upside benefit as possible. Even with this mindset, high-profile events like the 2016 data breaches at Cravath, Swaine & Moore and Weil, Gotshal & Manges highlight the threats technology poses to the legal industry. More importantly, they underscore the need for legal professionals to exercise caution when adopting new technologies.

When it comes to cloud computing and other technologies, we have now reached a point where the upside benefit is significantly greater than the remaining risk, enabling the legal industry to embrace these new technologies.

As additional technologies emerge, the legal world will continue to adopt and adapt at the appropriate time. The emergence of advanced encryption, automated security scans and updates, and other capabilities significantly reduced the risks associated with cloud technology. Consequently, corporate legal teams are implementing value-added, cloud-based tools in a low-risk context.
The legal industry is booming. As noted by the 2018 AmLaw 100, many law firms experienced significant gains despite tough market conditions this past year.

Despite the industry’s success, certain pain points and inefficiencies still exist — and there are signs that the legal profession is eager to solve them with innovative new technologies. According to a survey from Thompson Hine, more than half of counsel have asked for innovation from their law firms.

The legal industry is poised to implement new digital transformation initiatives, and the latest wave of digital technologies has proven capable of providing low-risk solutions that can add tremendous value. The industry’s confidence in low-risk digital technologies is evidenced by its optimism about emerging legal technologies like legal AI. According to HBR Consulting, 54 percent of legal professionals feel optimistic that AI will augment their careers or lead to the emergence of a new career path within the legal field.

ALSPs often marry technology with the work of human professionals, positioning them to play a fundamental role in in-house counsel’s digital transformation plans. Some of the world’s leading companies are relying on outsourced legal services to deliver substantial value in the form of improved quality of work output, streamlined processes, and cost savings.

Furthermore, a recent study by Thomson Reuters found that 25 percent of corporations are planning to increase their investment with ALSPs, up from 16 percent two years ago.

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The Next Wave of Digital Transformation in Corporate Law and Its Benefits

Advances in certain technologies have reduced risks and produced enough upside efficiency gain to justify their inclusion in digital transformation efforts. For example, in the corporate legal space, ALSPs effectively address workflow pain points, while mitigating the risks associated with the use of new technologies.

As the legal industry turns its attention to adoption, there are several solution categories in particular that can offer significant benefits:

**Legal Contract Management Systems**

Multiple drafts of an agreement flow through the course of a negotiation, making it difficult for traditional systems to effectively track versions. Legal contract management solutions change the entire agreement workflow for the better.

When legal process outsourcing providers perform contract management, in-house legal teams achieve increased efficiency and productivity because they can organize and access a high volume of agreements in an easy-to-use system and track the status of active negotiations in real time.

**Contract Data Extraction Solutions**

The emergence of data technologies creates exciting opportunities to improve the efficiency of negotiations and achieve better client outcomes. Reliable contract data extraction solutions allow companies to effectively leverage business and legal data to generate reports about trends in key terms, contract volume, deals with counterparties, and more.

Using a contract data extraction platform, legal teams select key terms to track across documents. Aided by AI, the platform then allows key terms of an agreement to be entered as data points that can be used to identify trends across document types. This added layer of insight can lead to faster, more favorable outcomes at lower costs in future agreements and allow companies to more effectively manage their compliance obligations.
Legal Managed Services

The rise of the remote work model in combination with cloud-based software enables processes in which in-house legal teams can engage with outsourced legal services for the completion of certain legal work (e.g., NDAs, joinders, engagement letters). Networks of experienced freelance corporate attorneys who specialize in specific document types can effectively serve your business as dedicated, outsourced members of the team.

The legal managed services model makes it possible to assign highly specialized work to the best talent, regardless of their location. Access to an expanded pool of attorneys with narrow specializations results in a higher quality of work and ultimately, better legal outcomes.

The use of legal process outsourcing service providers also means that time-strapped in-house attorneys no longer have to choose between outsourcing high-volume, routine legal work to costly traditional law firms or allocating the work to internal resources, taking their focus away from other responsibilities. Instead, they can turn to a remote team of highly skilled experts to negotiate and manage routine agreements.

While each of these solution areas is compelling on its own, companies achieve the most benefit from an integrated, end-to-end solution incorporating all three of these areas into their digital transformation plans. Piecemeal solutions can limit an enterprise’s ability to leverage a strategic and efficient approach to process improvement. Integrated solutions streamline the process and are frequently the best option for achieving key digital transformation outcomes.
Get Started: Actionable Steps for Implementing Digital Transformation in Corporate Law

Process is particularly important when implementing major digital initiatives. Here is a general roadmap that we have seen companies generally follow to successfully execute digital transformation initiatives:

1. Identify the Opportunity
   Develop a digital transformation plan that identifies key areas of opportunity for legal tech to transform your company’s legal processes. Inefficiencies in legal workflows may be an obvious starting point, but interviewing team members, both attorneys and non-attorneys, can also be useful for identifying inefficiencies. Likewise, examining metrics of broken processes, such as dollars or staff hours spent dealing with an inefficiency, can uncover additional opportunity areas.

2. Carry out the RFP Process
   Create an implementation plan that determines which opportunities to prioritize and the solutions your team plans to evaluate. Finding a solution for legal workflows likely involves partnering with a tech solution vendor. To identify the strongest partner and solution, conduct a search and RFP process with outside vendors. The RFP process should include a security assessment to evaluate potential partners’ existing infrastructure.

3. Launch
   Following the selection of a partner, bring employees up to speed and launch the solution in collaboration with the vendor and internal stakeholders. Counsel should function as a partner to the vendor, and invest the time necessary to make the implementation a success. Onboarding for a new tool isn’t comparable to downloading a new app on a smartphone. In-house legal teams should be open, communicative, and willing to commit to an agreed-upon amount of time for the process.

4. Measure
   When launching, establish key performance indicators (KPIs) to measure success and optimize the solution as necessary. Digital transformation is about true process evolution and improvement, not about spinning a new solution’s results. Be honest with the team about early KPIs. If they’re slow to build, be patient and give the ramp-up process a chance. But if the solution isn’t solving the team’s pain points after a period of time, there is no shame in returning to the drawing board.
Conclusion

The time is right for players in the corporate legal space to adopt some of the latest technologies into their legal processes. With more than half of all law firms operating from the cloud, it’s clear that the industry is already embracing digital transformation.

Routine legal work processes stand to benefit substantially from a comprehensive solution utilizing legal contract management, contract data extraction, and outsourced legal services. Companies that have completed digital transformation initiatives to address recurring agreements are reaping the benefits in the form of increased work quality, time savings, and cost savings.

Ready to learn more about how InCloudCounsel’s ideal solution for routine legal work can play a key role in your digital transformation plan?

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