

Empowering the legal function through its own data

By Cornelius Grossmann

Following the financial crisis of 2007-2008, in-house legal departments started to grow significantly to handle an unprecedented surge of regulatory changes and investigations. While various industries have been affected, this was particularly prevalent in the financial sector.

In times when an organization is at risk, legal budgets are under far less scrutiny compared to other business departments, and board members do not want to be challenged by regulators for not providing their legal function with enough resources to keep the business fully compliant. Any new scandal or investigation has provided another good reason to support the legal function with further resources and increase its budget for third-party legal advice to help.

Sure enough, after such surge comes the period for budget restraints and challenges by the procurement functions. Not only outside legal providers, but also the in-house function were requested to “deliver more for less” when the fallout from the recent financial crisis became less severe. While regulatory change is ongoing and investigations in various industries remain at a high level, legal functions are no longer different to other central functions in business in terms of mounting cost pressures. Over the last 15 years we have seen HR functions, finance and the tax functions transforming. Transformative processes in corporate legal functions have slowly started only a few years ago, but now such development is accelerating. The rapid rise of the role of a Legal Operations director across industries just validates such development.

As a consequence of such transformative change, legal functions now strive for efficiency and the right balance between outside spend, in-house staffing and technology. There is certainly no silver bullet to achieve a successful balance, but surprisingly only a few legal functions have turned their focus on their operating models. In-house legal functions are recognizing that merely keeping pace with changing demands and expectations is no longer sufficient. Indeed, there is a growing necessity to consider new operating models to align with strategic and growth objectives of the organization, and legal functions are analyzing how technology, process and people can help facilitate their transformation journey and drive innovation.

Technology and data are essentials for any transformation into new operating models. Technology has already an impact on how legal functions source their suppliers and how they collaborate with suppliers. Collaborative platforms are deployed. Hybrid delivery models with third-party suppliers and in-house teams working on such platforms together are already proven models and signs how technology is driving transformative change.

While discussions and disputes about ownership and value of data seem omnipresent in today's business across industries, the value of the data legal functions are processing on a day-to-day has been widely underestimated. At most corporates legal data are processed in different systems which do not communicate well (if at all). Collecting all data on one operative platform should be the next step in creating even more value in the legal function.

Greater analytics of data will engineer further efficiency improvements across the organization. The information that the legal function gathers can help understand and support the pain points and speed up processes, in the legal function and in the business.

Budget constraints have hitherto driven the willingness to invest in such technologies which provide immediate efficiency enhancements and cost savings. But changing an operating model of a function should go beyond a cost savings exercise. Looking beyond point solutions, the necessary transformation of the operating model should be viewed as an opportunity to drive transparency and efficiency, integrate the legal function into the business, and make use of the data it captures. Due change management will be required for such transformative process. However, with technology and data analytics improving there has never been a better time to empower the legal function in the business.