

How corporate legal departments navigate through crisis today can help them thrive tomorrow

June 2020

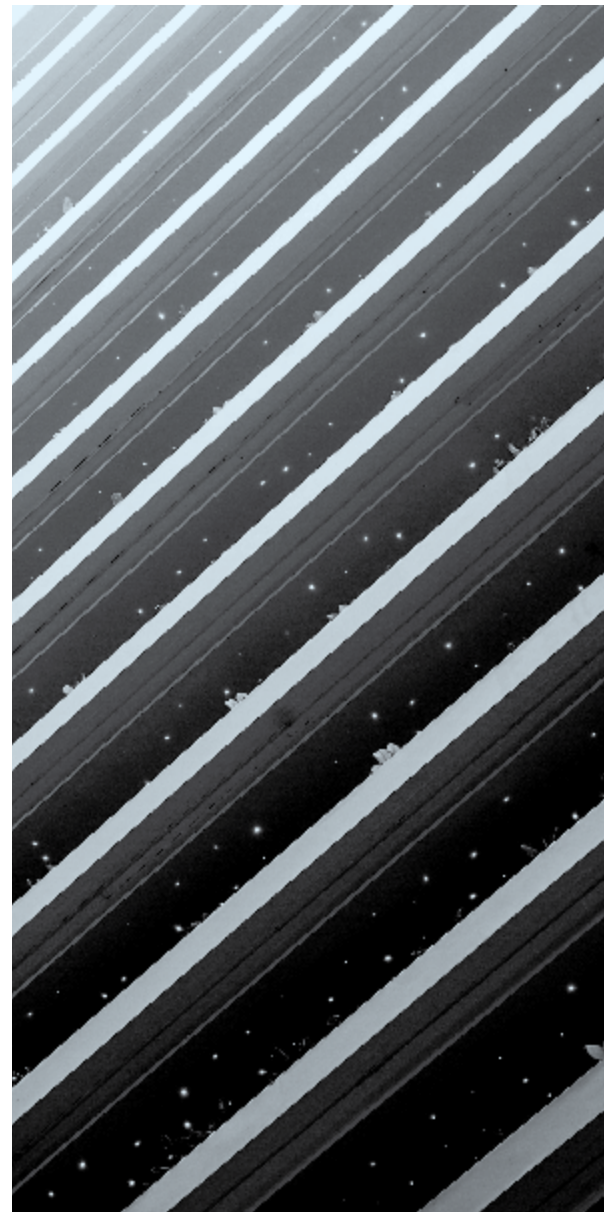


Introduction

The novel coronavirus (COVID-19) has upended traditional corporate legal department operations, forcing them to adapt to what many are calling the ‘new business environment.’ Assessing the severity of COVID-19 and pondering its long-term impact, 62% of legal executives are very or moderately concerned about how major disruptions to day-to-day business demands could affect operations.

Corporate legal departments should take decisive steps to help improve their short-term position and lay the groundwork for long-term transformation. These critical steps should include reassessing their current technology platforms. Corporate legal departments historically adopt technology at a slower pace than their peers within their organizations. However, the use of emerging legal technology (LegalTech) to drive efficiency, transform legal operating models, and enhance data capabilities is enabling legal departments to adapt to operational demands such as remote work environments and to prepare for potential long-standing changes in the way they operate.

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PwC and the Manufacturers Alliance for Productivity and Innovation (MAPI) collaborated on a survey of MAPI member companies around the recent developments in the emerging legal technologies space. More than 40 senior legal and compliance executives at large US manufacturing companies completed an online survey in Q1 2020. Eighty percent of the companies represented generate more than \$1B in revenue annually. This report is intended to provide manufacturing legal departments with a peer perspective on emerging technology trends in 2020, help you understand the changes in the LegalTech ecosystem in the past several years, and help you compare your legal department's LegalTech approach to that of your peers.



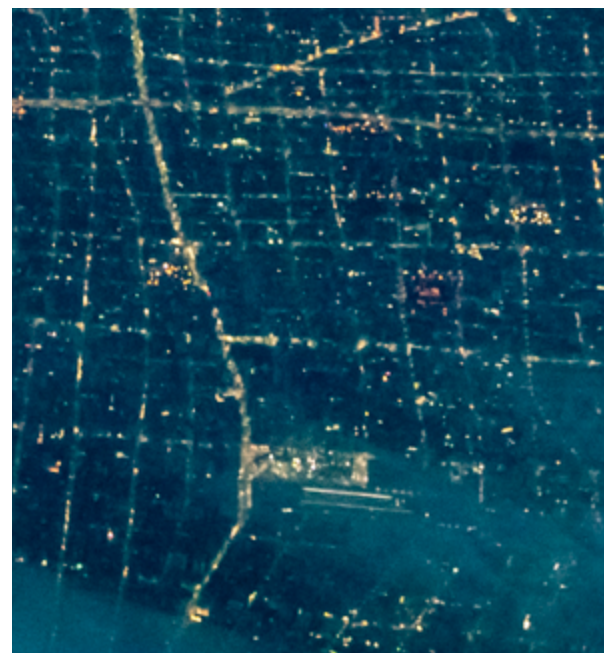
Common themes legal departments face during business disruptions like the COVID-19 pandemic

Each corporate legal department addresses technology transformation differently, but there are common themes that all legal departments face during major business disruptions.

- **Legal departments should enhance their technology infrastructure to adapt to meet extraordinary business requirements.**
Corporate legal departments taking on critical roles in their organization's response to major business disruptions should embrace the power of technology to meet changing and increasing demands. LegalTech can be used to transform the legal department into a strategic asset for the organization during a challenging time and for the long-term. It is encouraging that almost a quarter (20%) of survey respondents completed a legal department technology initiative in the last three years, and over half (51%) are currently in the process of evaluating legal technology alternatives.
- **Major events like COVID-19 increase pressure on legal departments to reduce costs, while sustaining current delivery and execution levels.** We are seeing a decrease in legal department budgets due to economic uncertainty resulting from COVID-19. Of note, over half (57%) of survey respondents said that insufficient financial resources are one of the



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top challenges to further automating activities in their departments. However, technology tools, such as LegalTech, while requiring an initial upfront investment, can help increase efficiency and drive productivity. From contract automation to enhanced practice management software, technology can help corporate legal departments deliver quality results while addressing cost containment concerns.

- **The emergence of COVID-19 demonstrates the need for corporate legal departments to assess the design of their operating model.** Some corporate legal departments are responding to budget cuts by reducing costs through the increased use of alternative legal service providers (ALSPs), Shared Service Centers (SSCs), Legal Support Center of Excellence (COEs), and offshoring for low-cost alternatives for providing systematic/routine legal services. However, less than 30% of survey respondents are using or considering using ALSP support and less than 10% are using SSC or COE support.
- **COVID-19 and events of similar magnitude require legal departments to integrate legal technology expertise into their operations.** Legal technology's user-friendly platforms have not eliminated the need for technology savvy legal professionals. But, having the most advanced legal technology is of little value if corporate legal departments do not employ staff with LegalTech expertise. Currently, only 30% of survey respondents have a designated legal technology professional within either their department or the organization's IT department.

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How are corporate legal departments using technology differently in the era of COVID-19?

- COVID-19 drives home the need for corporate legal departments to rethink their technology strategy.

Legal departments stand to benefit from adopting LegalTech — barriers are low and in-house lawyers are open to learning and using the technologies. To further illustrate this challenge, 44% of survey respondents are either ‘dissatisfied’ or ‘somewhat dissatisfied’ with their current legal technology applications, and 46% registered the same sentiment for the satisfaction with their company’s grasp of legal technology trends. Further, 37% of respondents selected ‘awareness of benefits’ as one of the top challenges to further automating activities within their legal department. These survey results indicate that:

1. attorneys within legal departments are open to learning new technologies,
2. legal departments are not up to date with the latest legal technology trends (i.e., attending trade shows or watching webcasts, etc.), and
3. legal departments are not fully aware of LegalTech’s potential benefits to their organization.



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- **COVID-19 demonstrates the need for legal departments to execute on a framework to upgrade their operating model**

Now is the time for corporate legal departments to embrace the power of technology to help them address the changes thrust upon them by the COVID-19 pandemic. Legal departments seeking to adapt to today's challenging environment should consider implementing a legal operating model if they currently do not have one. First, these departments should assess their current state by:

1. understanding their business needs,
2. evaluating their gap areas,
3. exploring their available options, and
4. identifying short-term 'quick hit' solutions to address the current crisis.

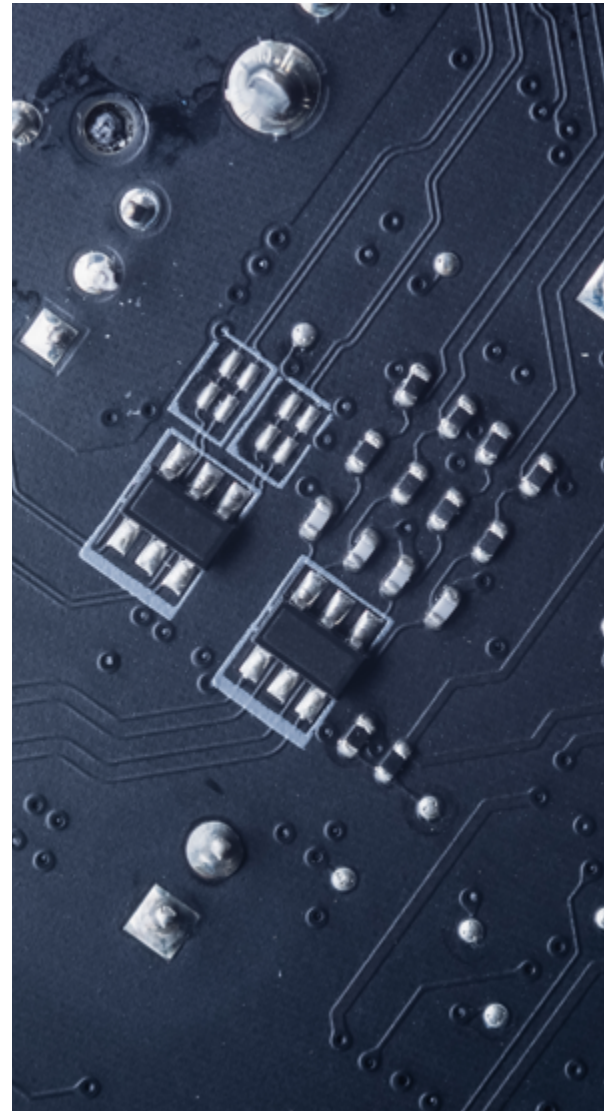
Second, they should designate a project manager to oversee the development and implementation of a roadmap execution plan that includes cost containment and risk management features. This will require some work since 71% of survey respondents reported that their company does not have a designated legal technology professional to enable that technology initiatives remain on track and progress efficiently.



- **Legal departments must accelerate digitalization in light of major business disruptions like COVID-19**

Automation is key to the way legal departments operate in the COVID-19 era and beyond. Survey respondents believe that their legal department can benefit from technology that can help automate contract drafting (47%), compliance (41%), and matter management (29%). Many vendors currently offer several technology solutions specifically designed to address these three areas within the legal department. For example, several contract drafting automation products can use preconfigured clause libraries and rulebooks to generate amendments to existing agreements, track inbound edits, and circulate the agreements for internal review and electronic signature.

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How will the pandemic accelerate legal department technology adoption for future business impact?

COVID-19 is forcing organizations to consider alternative ways to perform traditional business functions. Below are examples of how corporate legal departments can leverage the power of technology to enhance their operations during this time of crisis and beyond.

- **Automation takes on more routine tasks, allowing corporate lawyers to focus on higher-value tasks.** Corporate legal departments are using artificial intelligence (AI), machine learning (ML), and robotic process automation (RPA) to drive efficiency, develop new business models, and enhance data analysis needed to enable insightful decision-making. Imagine being able to automatically and intelligently search (using AI) all of the documents that are pegged to a particular legal document, train that tool to predict which clauses you need to amend (using ML), and finally automatically generate amended documents based on predefined clauses and workflows (using RPA) - all with minimal attorney intervention. This harmonization of various technologies enables in-house attorneys to focus less on the routine day-to-day tasks, and more on the high value tasks. Unfortunately, only 46% of survey respondents report that their companies have adopted automation technologies (e.g., RPA, AI).



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- **Legal departments adopting innovative plans can benefit most from the changing technology landscape.** Legal departments that previously embraced the power of technology generally have been well positioned to experience minimal disruptions resulting from events like COVID-19. Establishing and implementing a legal operating plan confirms that legal departments can pivot and adapt to dramatic changes impacting their operations. Legal departments that start earlier can benefit from their knowledge and understanding of the many powerful capabilities of legal technology, and how their departments can stay ahead of the curve as new technology is released. Despite these benefits, 41% of survey respondents said that their legal department has no documented roadmap or plan.
- **Legal departments can see cost savings as legal technology begins to perform simpler, more routine tasks.** The enhancement of a legal department's technology capabilities can drive efficiencies. Tasks that used to take an attorney an hour to complete, now can be performed by LegalTech within minutes. While legal technology is not perfect, and there continues to be a need for attorneys to verify the results of technology's output, legal departments that train their attorneys on new legal technologies can reduce costs and enhance results.

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- **Corporate legal departments need to proactively manage cybersecurity risk to safeguard digitized data.** Corporate legal departments are adopting new technologies to streamline and enhance their capabilities. However, the related increase in digitized data is causing cybersecurity concerns around the resulting vulnerability for data breaches of sensitive, non-public, or other information by unauthorized parties. Nearly one-quarter (20%) of survey respondents said that managing data privacy and security is one of their legal department's top challenges when it comes to information, document, and data management. Legal departments should focus on cybersecurity risks with the greatest potential to have a significant negative impact on their organization. A data breach or cyber-attack can have many adverse legal and reputational consequences. It is imperative that legal departments develop cybersecurity protocols, leverage existing IT safeguards, and establish governance procedures to confirm that their information is safe from digital harm.

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It's critical for legal departments to stay ahead of the technology curve during the COVID-19 era

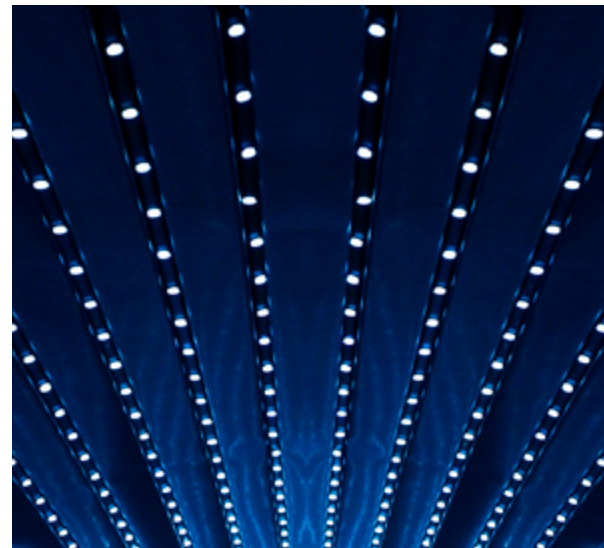
New technologies are being introduced regularly and providers can demonstrate proof of concept pilots to help determine whether their tools are a good fit for a particular legal department. The first step in determining which technology is best suited for that department is to understand what functions (e.g., invoicing, operations, matter administration, etc.) are best suited for automation or a technology enhancement. Another way for legal departments to stay up-to-date on ever-changing technology capabilities is to subscribe to webcasts and attend legal technology trade shows. This will confirm that they have the most current information about technologies presently available, the capabilities of each technology, and projection for legal technology.



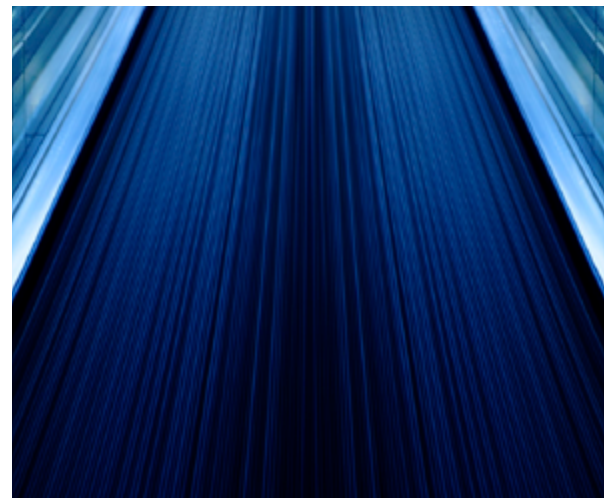
Closing

Legal professionals should adapt to new technologies and be prepared for challenges today and beyond. They also should possess transformation and management expertise and be comfortable with, and even liberated by, disruptive technology and innovation. Combining these technology and legal technical skills can enable tomorrow's legal professionals to add strategic value to the organization.

Legal professionals of the future will likely possess different aspirations, career goals, and ambitions than today's professionals. Embracing new technologies can help advance the careers of many legal professionals, as well as create new opportunities for corporate legal departments to add value across the enterprise. Assisted by cutting edge legal technology and streamlined processes, corporate legal departments will likely create capacity for more strategic activities and enhance the value of their operations.



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About MAPI

Founded in 1933, the Manufacturers Alliance for Productivity and Innovation is a nonprofit organization that connects manufacturing leaders with the ideas they need to make smarter decisions. Its mission is to build strong leadership within manufacturing to drive the growth, profitability, and stature of global manufacturers. For more information, visit www.mapi.net.

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Our thanks to the
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