



# Reimagining the legal function report 2019

How legal functions are approaching a seismic operational shift

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working world

“

We believe that the legal function has a unique opportunity to respond to challenges it faces while increasing strategic value to the wider business at the same time.

Cornelius Grossmann  
EY Global Law Leader

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# Executive summary

EY's legal operations survey of 1,058 senior legal practitioners from businesses in 25 countries around the world demonstrates the pressures that legal functions are currently under and how these are driving a change in operating models.

In one of the most comprehensive surveys ever undertaken on the legal function, responses revealed that having to balance an increase in demand against a squeeze on costs, while remaining compliant with a complex and ever-changing regulatory environment, poses a significant challenge. At the same time, legal functions are struggling to capitalize on technological advances and are having difficulty attracting and effectively utilizing legal talent.

As a result, many legal functions acknowledge that their operating model may well have to change. Respondents indicated their options included the increased use of technology and alternative providers in order to meet these challenges, usually for routine or lower-value legal work.

This survey, which was conducted by Euromoney Thought Leadership Consulting on behalf of EY Law, covered legal functions in primarily large businesses across a range of sectors, including financial services, life sciences and health care, telecommunications, media and technology (TMT), transportation, consumer products and retail, as well as in the government and public sectors.



Five key trends emerged from the survey response data.

### Cost pressures and demands for transparency are driving change

It is evident from our survey that legal functions are having to do more with less.

While the vast majority of businesses surveyed plan to reduce legal function costs over the next 24 months, they will have to achieve this in the face of an increase in demand for management information.

These opposing forces are likely to squeeze legal function operations further, a factor that becomes more pronounced when considering the level of cost savings expected by respondents, with larger legal functions seeking to make the most significant cuts.

### A need to capitalize on technology

Responses to our survey indicate that the legal function is in danger of falling behind other functions, such as HR, IT and Finance, and missing out on the benefits these functions have realized from their moves to modernize. This is particularly true in larger legal functions, with the vast majority believing that other functions in the business have benefited more from innovation.

Our survey also highlights that there are a number of barriers to implementing innovation in the legal function, not least day-to-day operational pressures and budget constraints.

### Confidence around the regulatory environment

Legal functions report being largely confident about having a readiness plan to comply with future regulatory challenges, including new privacy and disposition rules, third-party data requests, and regulatory events, such as US tax reform and base erosion and profit-shifting (BEPS) measures.

Confidence about readiness is lowest for Brexit planning – which is arguably unsurprising as, at the time the survey was conducted,<sup>1</sup> this was the one area about which there was the greatest lack of certainty.

While companies with an annual revenue of over US\$500m (and beyond \$20b) had similar levels of confidence across all areas, confidence was significantly lower in those with revenue of less than \$500m. It will be interesting to assess how confidence changes as regulatory activity and enforcement increases in future.

<sup>1</sup> October and November 2018, by Euromoney Thought Leadership Consulting



### Challenges in attracting and deploying talent

Our survey points to particular increasing challenges facing the legal function with regard to talent.

Not only are businesses encountering difficulties in finding appropriate staff – they are also struggling to deploy them as effectively as possible. Furthermore, on average, businesses appear to be exhausting a considerable amount of time and effort on routine or “low-value” tasks.

Employees in larger legal functions are more likely to spend their time carrying out these types of work, suggesting that scale also brings challenges in terms of added layers of compliance and process management.

### Re-evaluation of operating models

Considering the above backdrop against which legal functions are currently operating – as well as broader factors not within the scope of this survey – it is understandable that many are continuously evaluating their operating model. This is especially true in the areas of outsourcing and procurement.

Our survey shows that while a considerable number of businesses are already outsourcing a range of legal function processes, such as legal entity management, a larger number would consider doing so.

Procurement models are also shifting, with increased consideration given to alternative legal service providers (ALSPs) and legal process outsourcers – this is particularly true among smaller legal functions.

The survey results and analysis detailed in the following chapters confirm that legal functions are facing pressures from all sides, and those pressures are all compounding to create an environment that is driving change.

Responding to the survey findings, Cornelius Grossmann, EY Global Law Leader, commented: “In light of the responses we received and the trends that emerged in this *Reimagining the legal function report 2019*, we believe that the legal function has a unique opportunity to respond to challenges it faces while increasing strategic value to the wider business at the same time.”

These include:

- ▶ Putting the legal function alongside others when senior management is discussing strategic value and enhancing participation in company-wide transformation initiatives
- ▶ Accepting that the need to innovate must be met head on
- ▶ Recognizing that legal function talent could be more effectively deployed
- ▶ Ensuring regulatory challenges are anticipated and not underestimated
- ▶ Utilizing technology, alternative providers and new operational thinking to optimize the way the legal function delivers legal and compliance advice for the wider business

# Chapter 1: Cost pressures and demands for transparency are driving change.



Our survey provides evidence to back up the generally acknowledged proposition that legal functions are being challenged to do more with less.

While 82% of businesses surveyed plan to reduce legal function costs over the next 24 months, nearly 9 in 10 respondents (87%) reported that their legal function had undergone either a large or moderate increase in demand for management information over the past five years.

### How has demand for management information on your organization's legal function changed over the last 5 years?

Region	Overall	Asia-Pacific	Europe	Latin America	North America	Middle East/India/Africa
Large increase	31%	24%	28%	33%	34%	42%
Moderate increase	56%	62%	56%	63%	55%	45%
No change	12%	14%	16%	5%	10%	12%
Moderate decrease	0%	0%	0%	0%	0%	1%
Large decrease	0%	0%	0%	0%	1%	1%

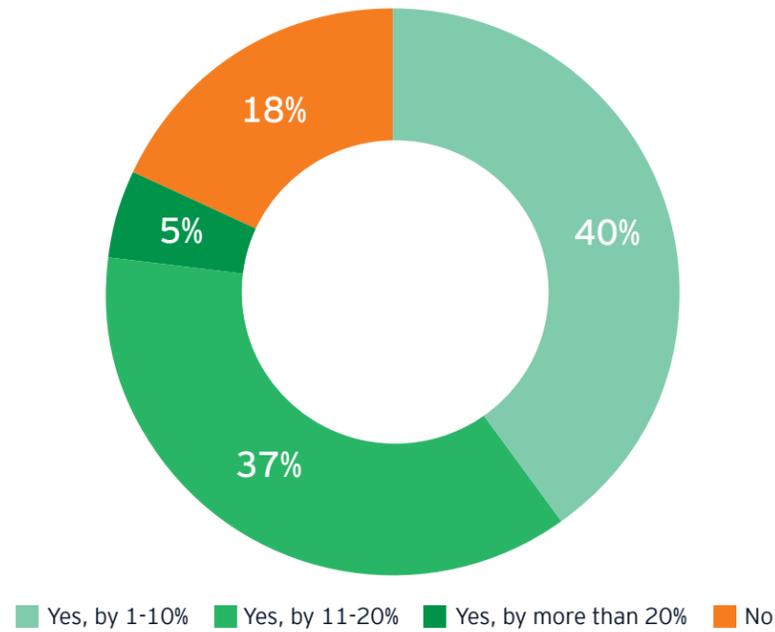


The remaining 13% indicated that there had been no change in demand. Overall, fewer than 1% of respondents reported that there had been a decrease in management demand.

These opposing forces of increasing demand and cost reduction are likely to further squeeze legal function operating models. This becomes more pronounced when factoring in the level of cost savings anticipated by respondents.

Forty-two percent plan to reduce legal function costs by more than 10% – with the average across all respondents being a reduction of 11%. However, 13% of businesses plan to cut costs by 16% or more – this is a sizable reduction, which is likely to have a significant impact on how the legal function operates.

### Are you expecting a reduction in legal function costs in the next 24 months?



### Global variations

When examined by global region and by size of legal function, some other significant findings emerge.

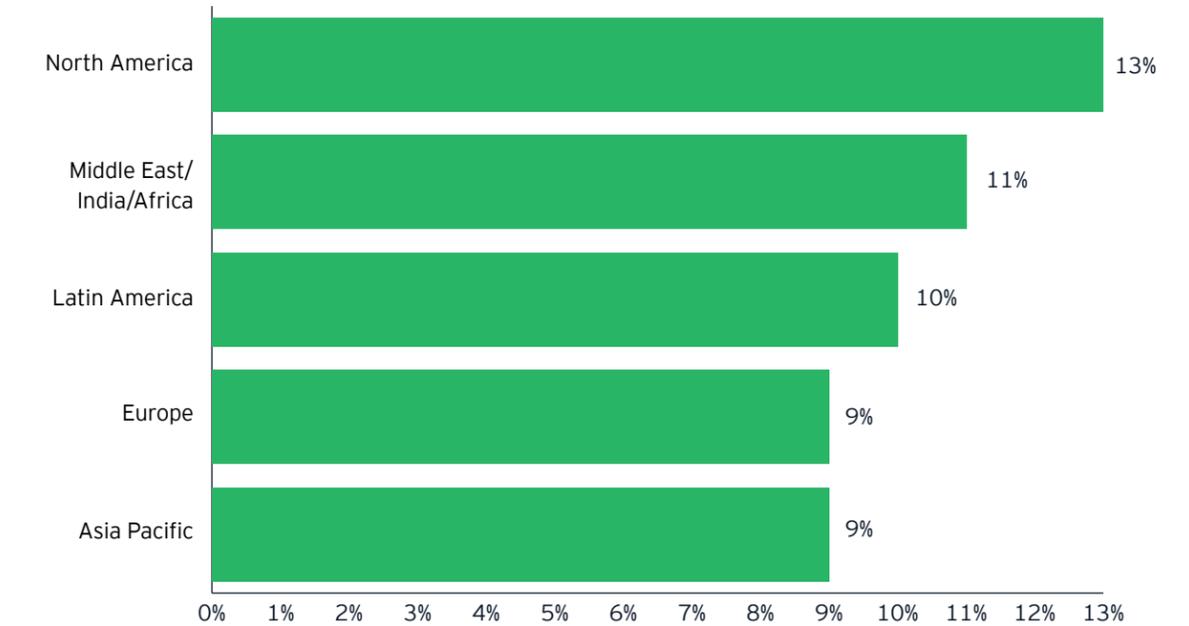
From a geographical perspective, businesses in North America plan to reduce costs more aggressively than those in other regions – by 13% on average. Those in Asia-Pacific (APAC) and Europe plan to do so by the least – 9% each.

Commenting on these findings, Chris Price, CEO of EY Riverview Law, noted: “Staff costs make up the largest single area where in-house functions are facing an uphill battle on cost reduction. Lawyers’ salaries have been on a steep upward trend in markets like London, and therefore firms pay hefty salaries to attract mid-career or newly qualified lawyers. Having made the hire, the legal function is then forced to keep up with private practice salary expectations, often outstripping their internal counterparts’ salary increments.”

While grappling with high fixed costs, companies often find that fresh-from-private practice lawyer rarely brings the nonlegal skills required to navigate the corporate environment. In our experience, these cover stakeholder and project management skills, technology adoption and “commerciality,” which are essential for the legal function to be viewed as a strategic business partner.

While North America has taken the lead, a number of multinational corporations (MNCs) headquartered there have brought the same cost reduction ideas to Europe, the Middle East, India and Africa (EMEIA) and APAC. A number of low-cost jurisdictions have emerged in Europe, providing companies with readily available cost-reduction options.

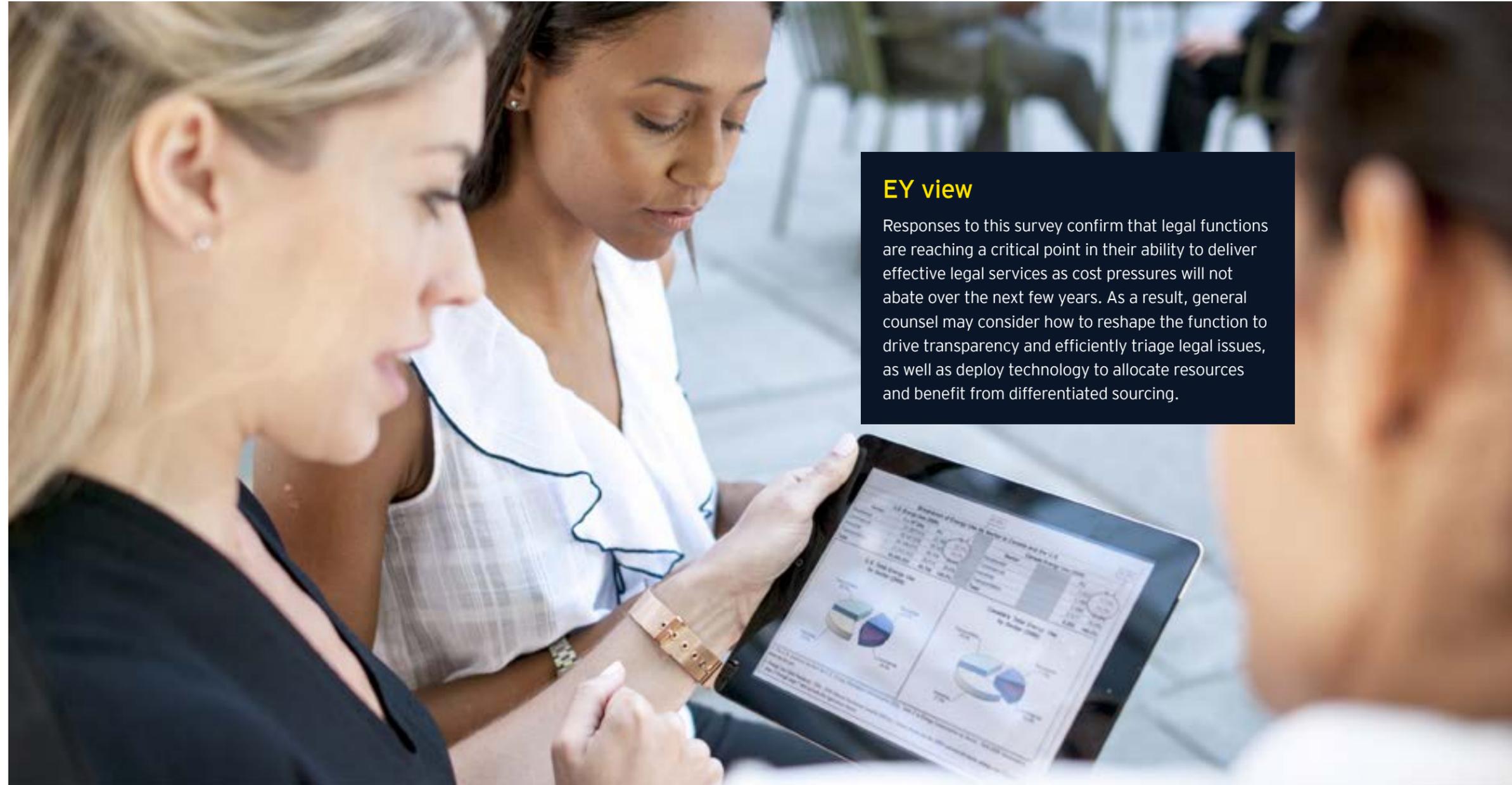
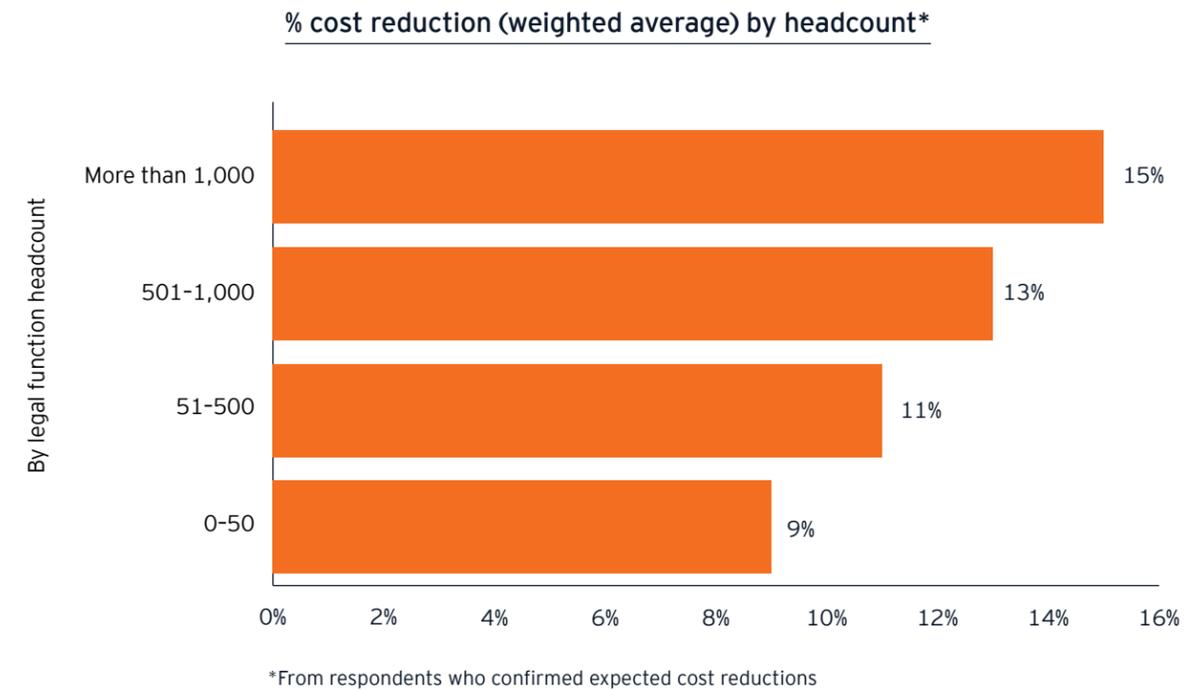
### % cost reduction (weighted average) by region





### Cost reduction by size of legal function

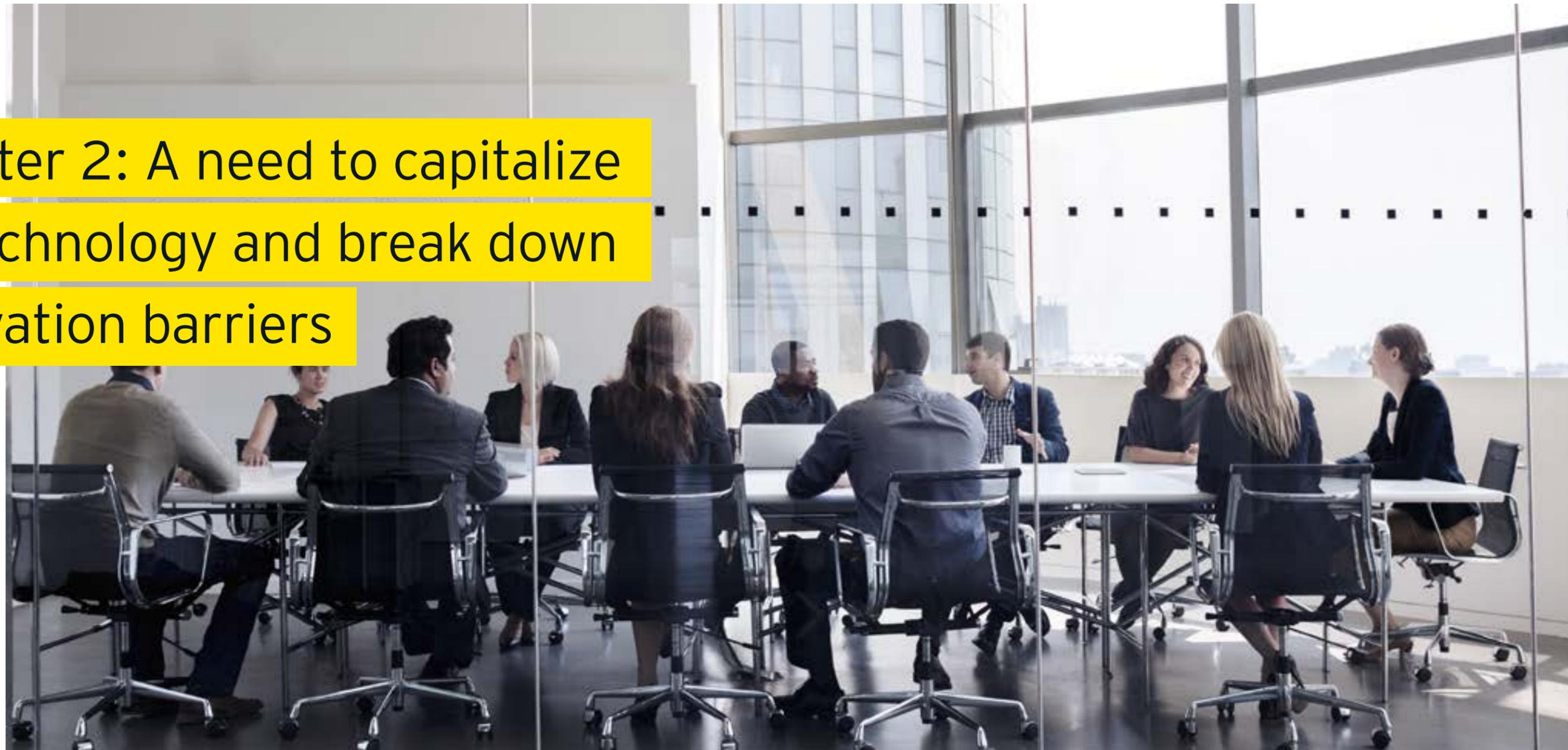
When it comes to size of legal function, the larger the headcount, the larger the expected cost reductions. While those businesses with less than 50 people in the legal function plan to reduce costs by 9%, the figure rises to 15% for those with more than 1,000.



**EY view**

Responses to this survey confirm that legal functions are reaching a critical point in their ability to deliver effective legal services as cost pressures will not abate over the next few years. As a result, general counsel may consider how to reshape the function to drive transparency and efficiently triage legal issues, as well as deploy technology to allocate resources and benefit from differentiated sourcing.

# Chapter 2: A need to capitalize on technology and break down innovation barriers



Technology is a bedrock of the modern legal function – but it could be argued that it needs to be coupled with adapting the function’s operating model for large-scale benefits to be realized.

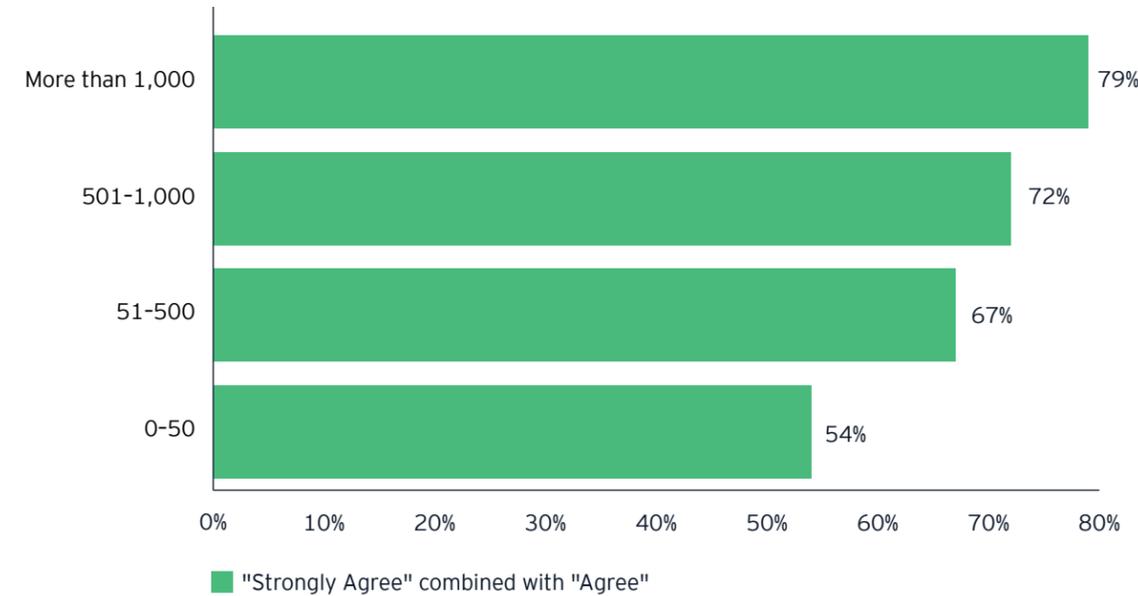
While most business functions will generally agree that digital readiness and the use of innovative technology are essential for operational efficiency, survey respondents indicated that they felt the legal function is in danger of falling behind other functions, such as HR, IT and Finance.

Looking at how these other functions have realized efficiency gains and demonstrated increased value to the wider business, nearly two-thirds (64%) of respondents “agree” or “strongly agree” on average that these other functions have benefited more from innovation than the legal function.

When drilling down into the data, there are considerable differences for organizations depending on headcount. For smaller businesses (with a legal team of 50 or less), the figure stands at 54% – whereas for those with a headcount of more than 1,000, 79% believed that other functions had benefited more from innovation.



Percentage, by legal function headcount, who “agree” that other functions have benefited more from innovation



This would seem to indicate that smaller legal functions find it easier to be responsive and to adopt new technologies and change processes, as opposed to larger businesses where the decision-making process can be longer and the total value unlocked by legal innovation may not be as easy to assess compared to other functions.

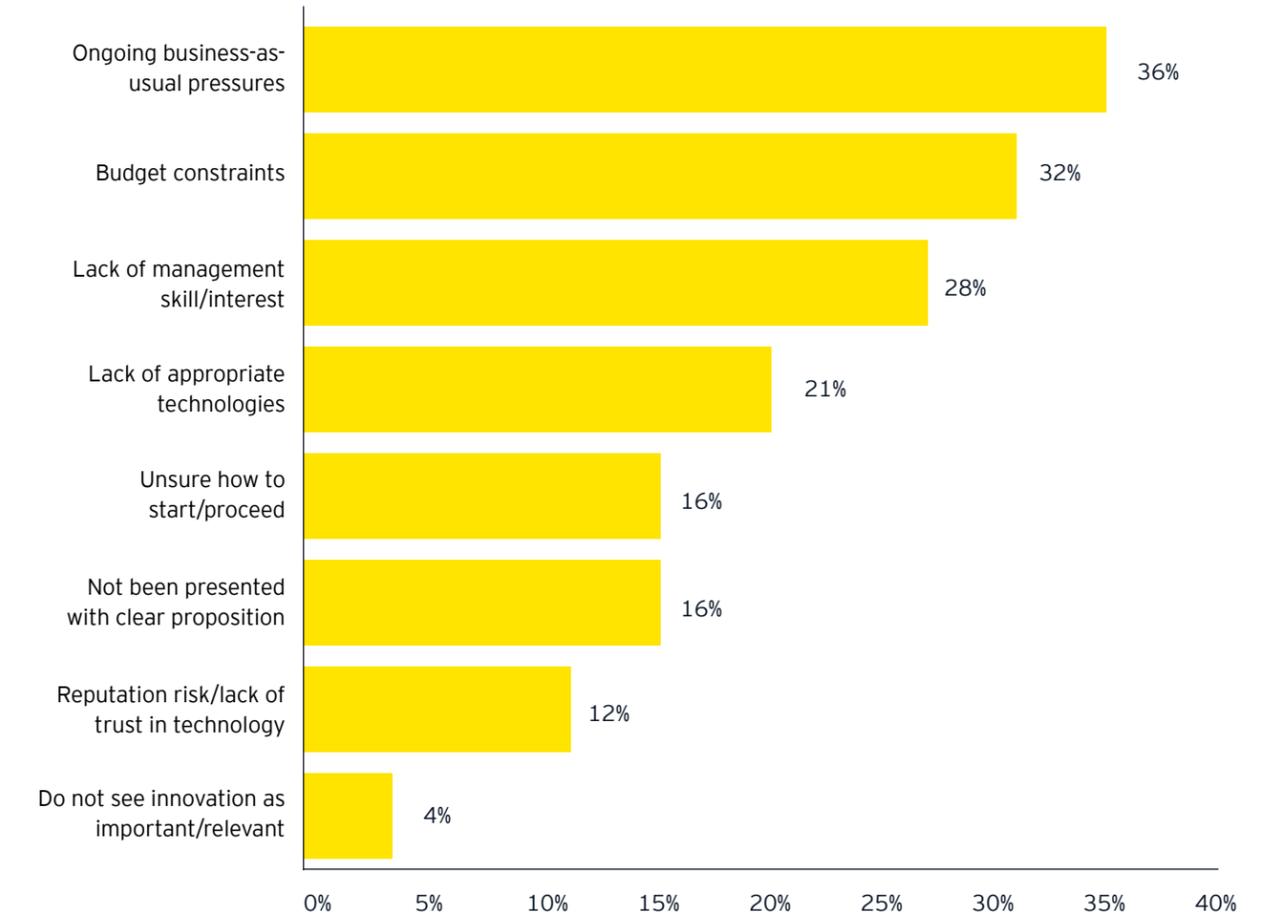


### Barriers to implementing innovation

Our survey also highlighted that there are a number of barriers to implementing innovation in the legal function. Largest among these were “ongoing business-as-usual pressures,” cited by 36% of respondents, closely followed by “budget constraints” (32%). The latter is understandable, considering the cost pressures highlighted in [chapter one](#).

Interestingly, 28% of respondents cited “lack of management skill/interest” as a barrier to implementing innovation.

Barriers to implementing innovation in the legal function





It is usually the case that when large companies opt for technology-driven adaptations, they inevitably require management sign-off to implement. However, if the legal function is not recognized as a leading innovator within the company, this support may prove difficult to obtain. It would seem fair to suggest that legal functions need to be able to better educate management on the benefits and value innovation could bring, as management will have competing priorities.

Our survey confirms that the vast majority of legal functions understand the importance of innovation – with only 4% responding that they don't see it as “important/relevant.”

### Modernization is essential

While all of the above reflects wider trends when it comes to implementing innovation initiatives, we believe it is critical that legal functions devote time and attention to modernizing.

The significant growth in size of in-house legal departments and external spend over the past two decades have inevitably raised the profile of the function from a financial management perspective. Where legal functions have struggled, in our experience, is in their ability to articulate the drivers of cost, trends, volumes of work and value delivered by their teams through insightful management information and data analysis.

Whether this is down to a lack of skill sets or data sets, in the fight for budget and greater efficiency, the lack of objective evidence on which to make strategic decisions and build business cases for investment has often left general counsel lacking senior management attention. In many cases, they are forced to resort to tactical headcount reductions, which prove unsustainable without a change of operating model and rarely deliver the efficiencies sought.

There is a confusing array of choices emerging for the legal function when it comes to technology and innovation solutions. While far better than what was historically available, in order to make sense of them, we suggest that general counsel needs to begin with “Why?”

As Rob Dinning, former General Counsel at Barclays Plc and now Director of Legal Function Co-Sourcing at EY Riverview Law, notes: “Only when an evidential approach is taken to gaining a deep understanding of whether the function is doing the right work, with the right people, in the right place, at the right price, can the strategic view emerge of where investment in innovation and technology will deliver the best outcomes. Only then can a compelling business case be built to address the cost to achieve as well as the return on investment.”



### EY view

Technology has the ability to empower the legal function and make it a major strategic player within the business. The legal function that adapts its operating model to capitalize on technology may well be best positioned to unlock long-term, strategic value. Transformation provides a golden opportunity to drive transparency, efficiency and integration.

# Chapter 3: Confidence around the regulatory environment



The legislative and regulatory landscape has provided considerable challenges in recent years, with no let-up anticipated for the foreseeable future.

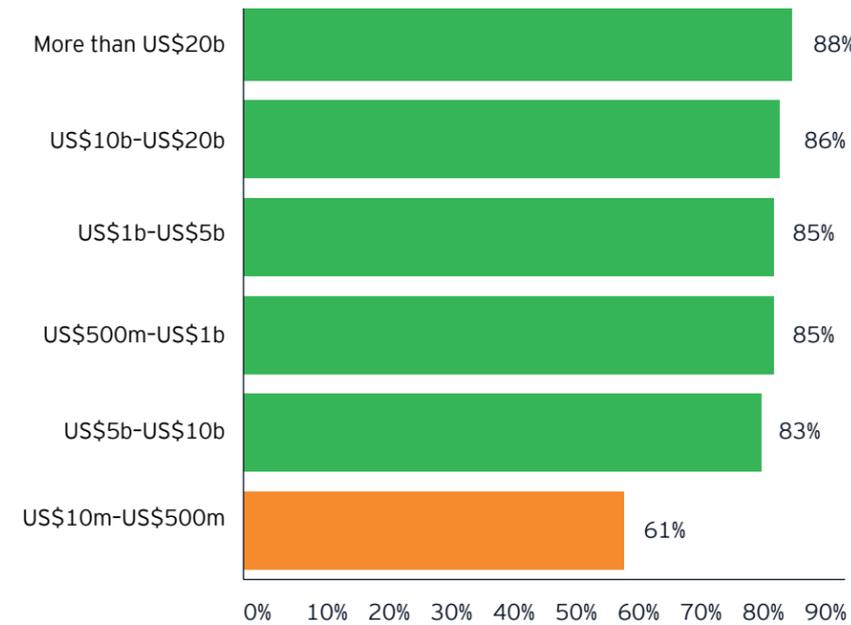
In spite of prevailing uncertainty, legal functions report being largely confident about their readiness plans to comply with future regulatory challenges, including new privacy and disposition rules, responding to third-party data requests, and implications of major regulatory events, such as US tax reform and BEPS rule changes.

Confidence about readiness is lowest for Brexit planning – which is arguably unsurprising as, at the time the survey was conducted,<sup>2</sup> this was the one area about which there was the greatest lack of certainty. Indeed, only 26% of businesses reported being “very confident” about dealing with the effects of Brexit, which is considerably lower than the 47% figure for new privacy and disposition rules.

<sup>2</sup> October and November 2018



**Businesses reporting being “very confident” or “confident” about their readiness to comply with regulatory challenges**



Carolyn Libretti, EY Americas Law Markets Leader, commented: “We’re interested to see that these results show respondents in larger organizations are very confident in their plans to deal with legislative and regulatory changes. In our experience, organizations’ preparation processes and records and information management policies are put to the test by digitization as well as regulatory and legal changes. A true test of a company’s preparedness is the nimbleness of response to third-party requests, especially those that involve legal advice or guidance applied within a corporate function, such as Treasury, Sales or HR.

“A true multidisciplinary approach to regulatory preparedness can assist the legal function to ensure all areas of the business achieve and maintain a standard of preparedness. Utilizing technology, sector knowledge and other related technical skill sets within a legal framework, overseen by legal rigor, means that organizations will ultimately end up with a more robust framework for regulatory preparedness.

“In this era of digital transformation, it’s important for businesses to adopt an agile approach to regulatory mapping and ensure their external service providers can complement their team with skills and jurisdictional expertise.”



**Lower-revenue firms report less confidence.**

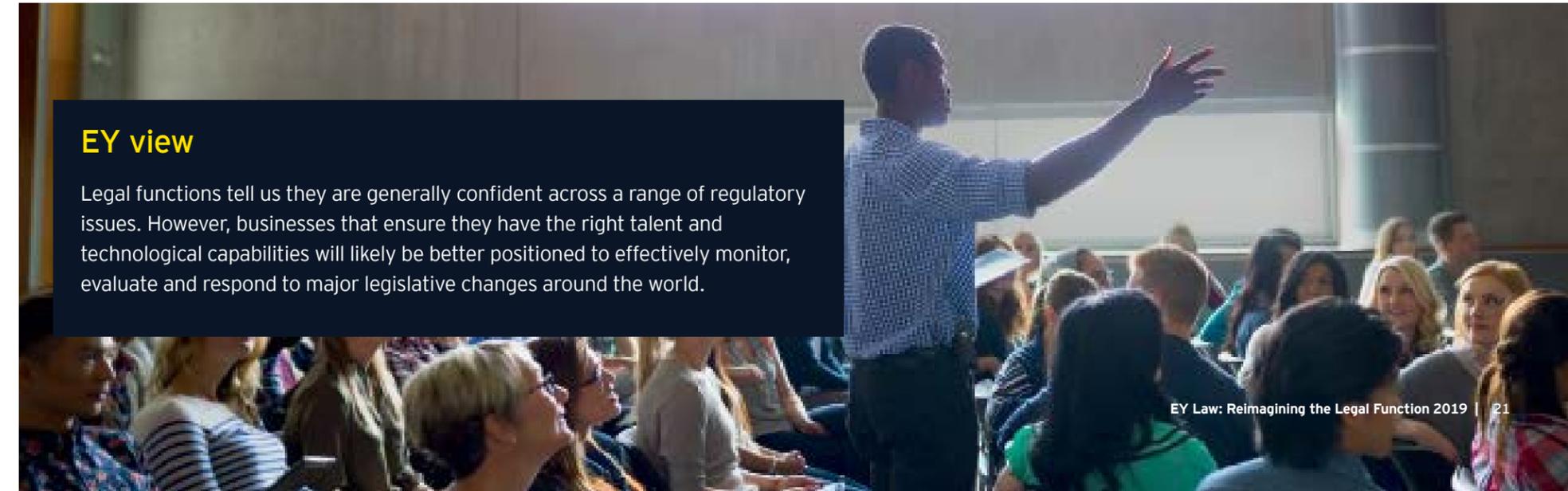
When analyzing the survey data further, we found that the legal function in firms with smaller annual revenues felt significantly less confident about preparation for regulatory changes across the board when compared with larger businesses.

When measuring confidence around new privacy and disposition rules, for example, 94% of businesses in excess of \$20b felt “very confident” or “confident.” This figure plummeted to 68% for businesses with revenue of less than \$500m.

On the above findings, Peter Katko, EY Global Digital Law Leader, commented: “We were pleased to see that most respondents felt comfortable dealing with new data privacy rules as we think this reflects the broader focus on GDPR compliance and preparation for the new regime over the last few years.” It will certainly be interesting to see whether increased regulatory activity, treatment of data breaches under the GDPR and the volume of third-party data requests going forward make any difference to confidence in future surveys.

In any case, data privacy doesn’t stop with the GDPR. Organizations in sectors that relatively quickly understood and embraced the opportunity for clearer data governance – such as financial services and TMT – should be better prepared for similar regulatory shifts in the future.

Carolyn Libretti added: “With data privacy and protection rules varying market by market, sometimes according to the type of data the organization holds, the key questions start with how a multinational corporation (MNC) reconciles the regulations relating to the transition from paper records to digital files in the cloud era. How does the legal function monitor business risk related to regulatory change, where prescriptive laws may cause severe reputational risk or even incarceration for employees?”



**EY view**

Legal functions tell us they are generally confident across a range of regulatory issues. However, businesses that ensure they have the right talent and technological capabilities will likely be better positioned to effectively monitor, evaluate and respond to major legislative changes around the world.



# Chapter 4: Challenges in attracting and deploying talent

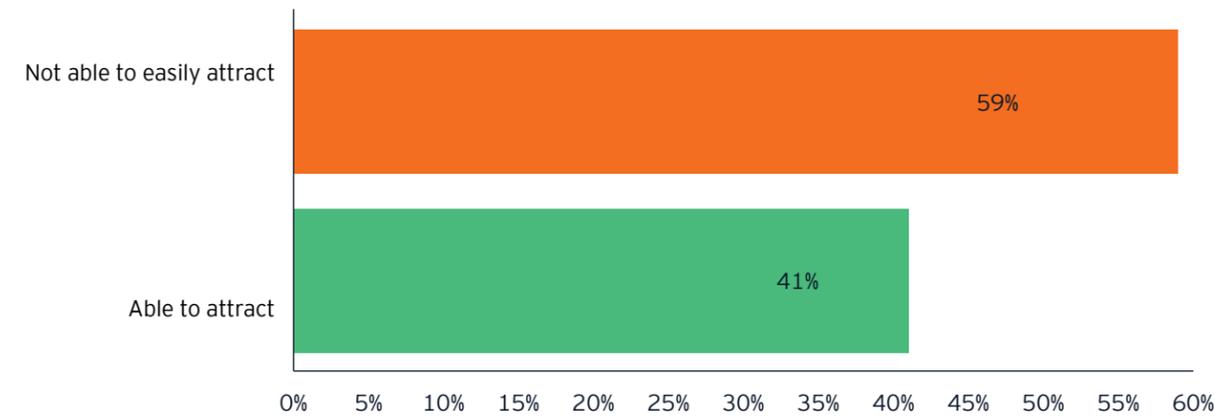
The talent landscape is changing rapidly, with businesses having to consider multiple factors when it comes to attracting and retaining the right people. While making the most of available talent across every function is key to optimizing business operations, our survey points to particular increasing challenges facing the legal function.

Not only are businesses encountering difficulties in finding appropriate legal staff – they are also struggling to deploy them as effectively as possible.

Nearly three-in-five businesses (59%) reported facing challenges in attracting and retaining the appropriate talent needed in today's legal function. Focusing specifically on the past 12 months, 50% said they faced challenges in recruiting but have been able to do so, while almost one-in-ten (9%) say they haven't been able to do so.



**Over the last 12 months, has your organization been able to attract and retain the appropriate talent needed in today's legal function?**



When considering some of the broader trends affecting the identification and onboarding of legal function talent, Paula Hogéus, EY Global Labor and Employment Law Leader, suggested that previous talent pools of lawyers who entered the profession expecting to stay with one firm for life now had other exciting opportunities open to them.

“Previously, lawyers were attracted to in-house roles as a way to break free from the traditional law firm hierarchy and pursue a more commercial approach to the law. However, there are different options for qualified lawyers now, including the rise of firms providing high-quality lawyers on a contractual basis, roles in legaltech start-ups and other entrepreneurial ventures.”



**Inefficient deployment**

Our survey indicates that businesses also appear to be exhausting a considerable amount of time and effort on routine or “low-value” tasks. On average, respondents indicate that more than a quarter (27%) of total hours are spent conducting routine compliance and low-value tasks across the legal function, with an alarming 67% reporting that more than 20% of time is spent on such tasks.

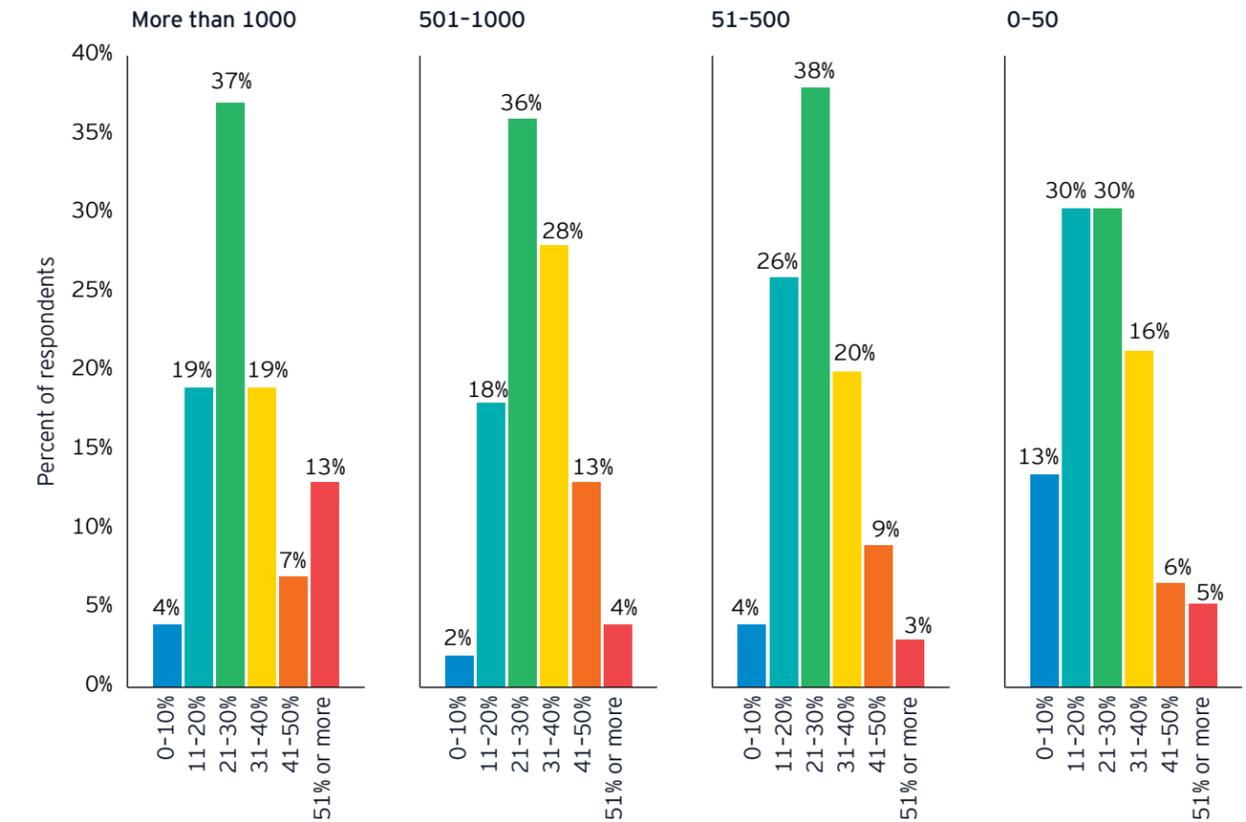
The figures are even more significant for larger legal functions. For those with a headcount of more than 1,000, employees are, on average, spending 32% of their time carrying out routine compliance and low-value tasks.

This frank acknowledgement from respondents about how they deploy resources raises questions about the need for change in the legal function's operating model (further discussed in [chapter five](#)).

EY research<sup>3</sup> has shown that legal is one of the next functions ripe for automation, so it could be critical that the legal function drives this conversation with senior management rather than the other way around.

<sup>3</sup> [Monica Dimitracopoulos et al., “The future workplace: how to automate intelligently,” EY, 29 October 2018, https://www.ey.com/en\\_gl/workforce/how-do-you-ensure-you-are-automating-intelligently.](https://www.ey.com/en_gl/workforce/how-do-you-ensure-you-are-automating-intelligently)

**Time spent doing low-value tasks, by headcount**





## An evolving talent landscape

As part of company-wide transformation programs, legal teams will increasingly have to prove their qualities as strategic business partners, which may well mean new approaches to resourcing, talent acquisition and retention. If their business case can successfully demonstrate the unsustainability of the present resourcing model, the legal function should find that senior management will support (high-value) lawyers delegating lower-value tasks to lower-value legal staff, or at least reducing the time spent on these each day.

When it comes to talent retention and career progression, millennials and the new workers entering the workforce have specific expectations. Legal functions will likely not be able to rely on hiring and retaining highly qualified lawyers who are predominantly engaged to carry out low-complexity, routine work.

Paula Hogéus noted: “The recruitment challenge for legal teams seeking junior lawyers is to attract them with meaningful work, not routine activities, and demonstrate the potential for career progression.”

In addition, as the demand for new digital skills gains traction, the job profiles of newer colleagues in the legal function looks set to change. Traditional lawyers will need to build up digital skills or, more likely, team compositions in legal functions will include coders, legaltech integrators and machine learning specialists.

Our experience shows that having the right people in the right place, carrying out the most appropriate work as part of an overarching legal operating model can translate into a competitive advantage. Businesses that recognize this may well find themselves ahead of those that don't.



### EY view

As talent demands evolve for the modern legal function, organizations may well benefit from improving their learning and skills development programs and exploring new ways of accessing different talent – including teaming with external vendors or accessing contingent workforce platforms.

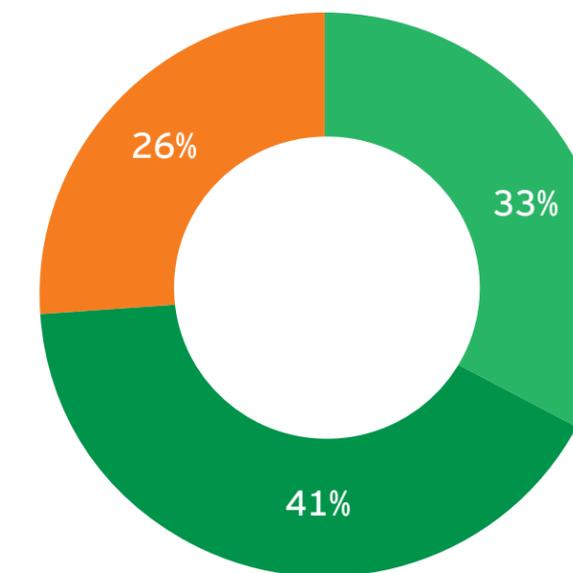
# Chapter 5: Re-evaluation of operating models



Considering the backdrop against which legal functions are currently operating, as featured in the previous chapters, it is understandable that many are re-evaluating their operating model. This is especially true when it comes to considering outsourcing and how to procure a suite of complementary services.

Our survey shows that while an average of 33% of businesses are already outsourcing a range of legal function processes, such as legal-entity management, a larger number (41%) would consider doing so.

Percentage considering outsourcing across all activities



■ Already outsourcing ■ Would consider outsourcing ■ Would not consider outsourcing

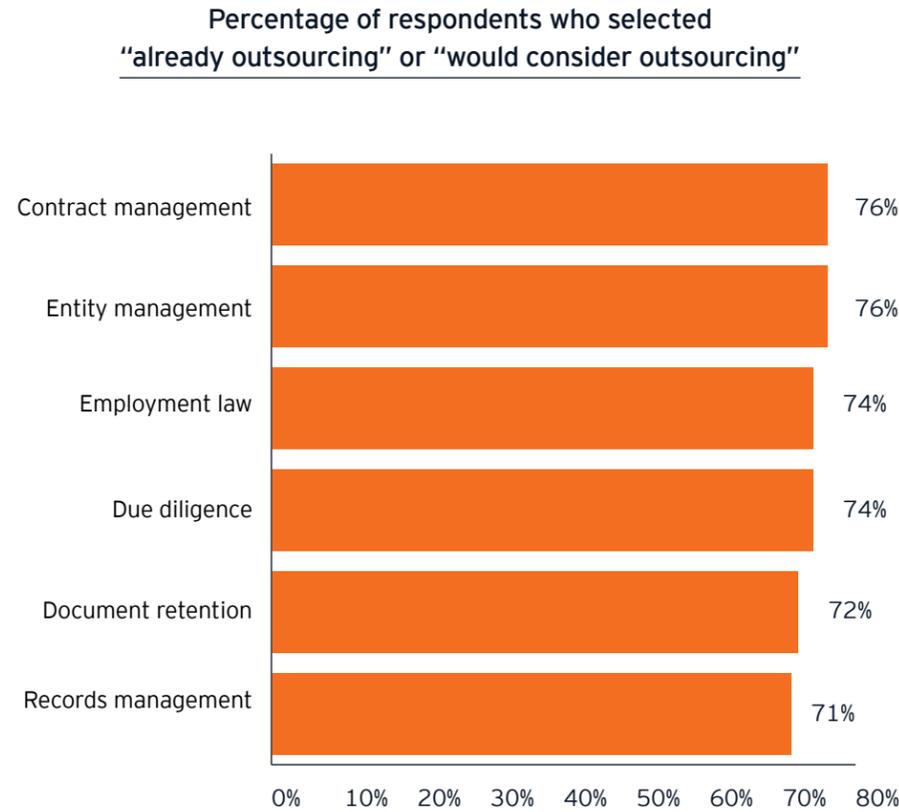


It is noticeable, however, that a significant number (26%) indicated that they would not consider outsourcing.

These findings lead to a number of questions. For instance, for those already outsourcing activities, how effective have they been at reorganizing and reprioritizing the overall legal function? Furthermore, are there new key performance indicators (KPIs) in place to demonstrate increased value to the wider business?

For those who are against outsourcing, how do they expect to modernize their function to deal with increasing future demand?

Of the respondents who indicated that they would consider outsourcing or are already outsourcing, no single task area stood out. "Contract management" and "Legal entity management" rated equally highest, but with all categories scoring above 70%, this indicates that respondents have a general appetite for outsourcing a variety of routine legal activities.



The fact that businesses already outsource, or are considering outsourcing, tasks that may be described as "routine" suggests that legal functions consider them to be lower value, as described in [chapter four](#), and would benefit from legal function time being freed up to devote to higher value, strategic activities. These would include document retention and records management.

While this seems like an easy fix, our experience has shown that obtaining value from an outsourcing partner requires an intelligent procurement process, targeted initial support to build trust, detailed KPIs, and wider stakeholder support.

Mike Fry, EY Global Head of Entity Compliance and Governance, commented: "Our survey confirms the trend in the market we are seeing where many larger organizations are strategically assessing which activities they can appropriately outsource. Typically, it's activities that are lower risk and lower value but mandatory, either because they are critical to the business or are a statutory requirement.

"Smart procurement practices mean that outsourcing these activities to a single service provider, usually at a fixed or commoditized fee, removes the need for the legal function or company secretariat to work out how to deliver these activities. Aside from enabling their internal teams to focus on higher value activities, it can also generate savings on technology investment and maintenance."

### A change in procurement

In terms of procurement models, respondents indicate they are also shifting. Increased consideration given to ALSPs and legal process outsourcers, including in industries where previously these had lower consideration, suggests that legal functions are trying their best to drive value from external providers and are considering more options.

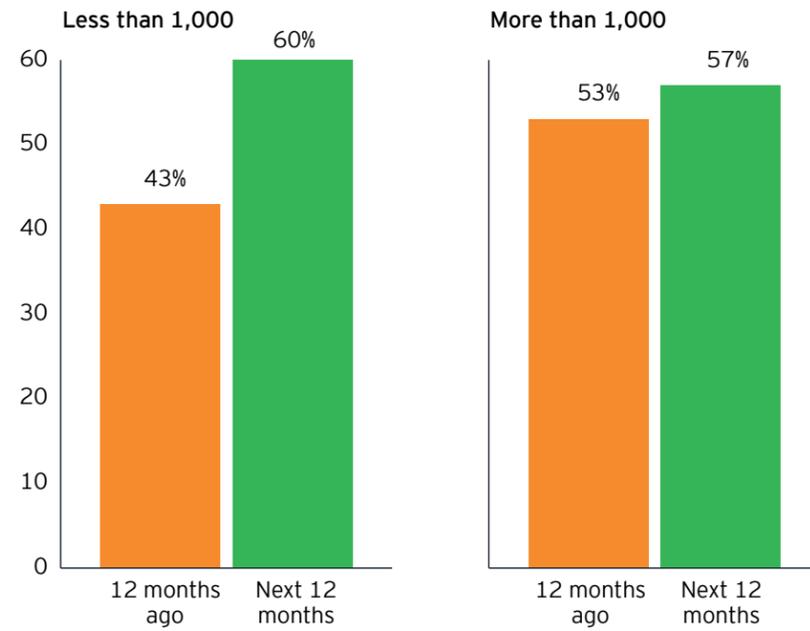
Increasing involvement from procurement teams has also had an impact on how legal functions select external providers. While traditional law firms still make up the largest number of external panel appointees, procurement teams have helped in-house legal teams to select and partner with alternative providers to carry out routine, less complex or low-risk tasks.

While this is true across businesses of all sizes, this is particularly the case among smaller legal functions, with 60% of those with a headcount of less than 1,000 considering ALSPs and legal process outsourcers. Significantly, this is a rise of 17% compared to the previous 12 months.

Organizations, however, may well be taking a risk if they assume that the benefits of outsourcing certain legal tasks constitute the full extent of efficiency gains that the legal function can obtain. We have found that without rethinking the operating model, short-term efficiency initiatives miss out on unlocking the strategic value for the wider business that the legal function can deliver.



**Consideration of “alternative legal service providers/legal process outsourcers” as a procurement option by headcount**



**Global differences**

Our survey also revealed significant variations with regard to geography, with North America (+26pp), APAC (+21pp) and Latin America (+15pp) seeing the biggest increase when considering ALSPs.

These geographical differences won't be a surprise to legal industry watchers. North America has always been the home of early adopters of innovation in the legal function and still provides the largest market. The growth in considering alternative providers in APAC and Latin America (LatAm) regions is, we suggest, linked to the activities of US-based MNCs.

However, as discussed in [chapter one](#), cost reduction initiatives are not only limited to the USA – LatAm and APAC-based organizations are also confronting the new reality of the need to do more with less. Given the increased industry publicity around legal-process outsourcing and its availability, including in local languages, it is no surprise that interest from APAC and LatAm-based organizations is growing.

Ultimately, when legal functions evaluate what might be performed by an external provider, those who link this to reorganizing internal service delivery models, while refining KPIs, will likely be best placed to demonstrate increased value to the wider business.



Karl Chapman, Senior Advisor at EY Riverview Law, commented: “Legal departments aren't islands. They are part of the business and its end-to-end processes. They can play a critical role in helping organizations achieve their strategic objectives, including by turning legal data into actionable business data. All roads lead to the data and the need for operations platforms, not point solutions. We are starting to see the inevitable move from input pricing (people and hours), through output pricing (a fixed price for an agreed deliverable) to outcome pricing (the delivery of results).”



## Conclusion

### A holistic approach is required.

Under pressure to become more innovative and efficient, and to optimize technology and talent resources, legal functions are increasingly looking for transformational solutions for their operating models.

One conclusion from our survey is that in the era of digital transformation, how the business views the legal function is changing. It is critical that the legal team remains aligned with the future strategy of the business and is seen as part of the whole, rather than operating in isolation.

### The need to innovate must be met head on.

Taking appropriate advantage of maturing legal technology to facilitate innovation may help the legal function avoid being a weak link in the operational chain.

Equally, adopting new technology while also considering the legal function's operating model could mean businesses won't miss out on the opportunity to maximize strategic value from their legal function.

It is evident from our survey that there are significant barriers facing legal functions considering implementing legal technology, and that overcoming these will help the function to modernize effectively. It may also benefit the legal function to learn from other functions when obtaining stakeholder buy-in to drive innovation.

### Talent needs to be more effectively deployed.

Our findings indicate that a large percentage of the legal function's time is spent carrying out routine or low-value tasks, something that is especially

evident in organizations with a larger headcount. Marry this with the difficulty that businesses have in attracting talent in the digital era, and there is a "perfect storm" brewing.

These two factors point to a resourcing environment that businesses will have to address – in some cases as a matter of urgency. As part of the increasing numbers of company-wide transformation programs, legal teams will be under pressure to demonstrate their worth, and questions about their existing operating models are likely to be raised.

### Regulatory challenges should not be underestimated.

With no sign that regulatory demands will decrease, the legal function will benefit from optimization in order to deal with one-off events as well as routine compliance needs. While past regulatory shifts have been accepted as a cost of doing business, cost pressures and technological shortcomings may well make dealing with future regulatory events more challenging than anticipated.

Additionally, the general confidence felt by businesses around the regulatory landscape should not lead to complacency. The legal functions that succeed in adopting technology and exploring alternative talent-retention models will be the ones best equipped to proactively manage the next regulatory impact.

### Using alternative providers could be critical to success.

The need to meet increasing demand for management information is in direct conflict with anticipated cost reductions. Legal functions that look closely at their operating models may put themselves in a stronger position to deliver on these opposing expectations over the next few years.

It is our belief that alternative providers will form a significant part of a successful legal function's service delivery. Looking at the management information provided by other functions, legal teams will be able to better deliver value across the business using legal data.

Furthermore, businesses are likely to benefit from a successful balance between outside spend, in-house staffing and technology. This may be achieved through an examination of what tasks need to be completed in-house and where external providers can complete work in accordance with agreed frameworks and minimal quality assurance oversight.

In conclusion, Cornelius Grossmann commented: "Our *Reimagining the legal function report 2019* confirms that legal functions are going through a significant transitional phase. So far, most legal functions have been resilient in dealing with changes over time. Today we see they are starting to adapt to meet shifting paradigms. Finding the right balance of technical expertise, work allocation and efficient technology utilization will remain the paramount challenges of this critical transformation process."





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