



Road map for legal departments

Companies are calling on all service departments to enhance efficiency and performance. EY Law offers support with legal operations.

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Times are getting tougher for the Legal Counsel. As a classic cost center, they are coming under increasing pressure to enhance efficiency, a trend which has already affected other in-house service departments such as Procurement, HR, IT, Tax and Finance. Targets to reduce costs by 10% to 20% are not uncommon, and in some instances a target of 30% has been set.¹ At the same time, legal departments are expected to implement new technologies (e.g., for the transparency and monitoring of incoming requests, contract management, live dashboards for the early detection of risks), to have a stronger international base, comply with new regulatory requirements and improve the quality of service provided to the other business units. Moreover, the legal department heads would like to play a more strategic role in the company and be consulted as a trusted advisor on corporate decisions.² Yet, as clearly defined as the new requirements may be, putting them into practice may be all the more challenging.

EY offerings

EY Legal Operations teams provide guidance to legal departments in this transformation. By means of a “Legal Operations Survey,” we structure analysis and approach, compare anonymized data points with leading practices to prioritize areas of action and recommend a comprehensive road map. Key performance indicators (KPIs) are defined, sourcing models validated, and specific digital initiatives identified.

¹ https://www.ey.com/en_gl/tax/why-the-legal-function-must-be-reimagined-for-the-digital-age

² See above



EY Law teams use automated “Legal Spend Analytics” to capture the costs of legal services throughout the company.



Step 1: Overview of costs and processes

General Counsel first should consider obtaining a complete overview of internal and external costs, the number and qualifications of employees, processes related to taking on, allocating and executing tasks and how the company is organized. The next step is to understand how to assess quality in service units. This may sound obvious, but it is not – measuring performance in the legal department and defining KPIs can be anything but straight forward. Finally, a comparison with other legal departments is recommended in compliance with applicable law. The discussion of how to manage issues, the setting of targets and the comparison of cost efficiency in legal departments is still relatively new for example in Germany - the US and the UK are considerably further along in this respect.

Step 2: Benchmarking and prioritization

If the legal departments of other companies are better placed, this begs the question: Why? Where exactly? For which areas? (e.g., transactions, antitrust law, contract management) Is there a budget? Potential efficiency gains tend to be higher where there is a higher budget. The importance of the individual processes for the company and their complexity are also decisive factors. Once the legal topic areas have been structured, it is time to deep dive into the legal operations.

Step 3: Definition of the Target Operating Model (TOM)

Can some of the legal tasks be done centrally from shared service centers? If so, exactly which processes can be centralized, and which must be local? Are there any language requirements? Does it make sense to reduce the depth of service and outsource certain tasks to external service providers? In special areas of expertise, such as transactions and anti-trust law, external support from law firms can be useful, also as a way of obtaining additional capacity and expertise. Daily repetitive tasks, such as contract management, are time-consuming and therefore cost-intensive, tie up employees, but are easier to manage and control. These are arguments in favor of outsourcing. In addition, the extent to which employees are over-qualified for routine activities and unable to focus on activities which contribute more value to the company should be explored.



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Sourcing models and KPIs

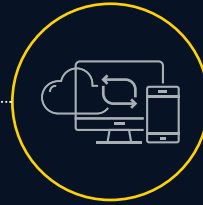
- ▶ Selection of external law firms for support
- ▶ Determination of price models (price per unit/fixed price)
- ▶ Definition of KPIs

Step 4: Sourcing model and target management using KPIs

If a legal function outsources tasks to external providers, the issues it needs to clarify include the selection process, the number of legal service providers to be managed using KPIs as well as pricing. The fewer the legal service providers contracted, the less costly it is to manage them, and the better prices can be negotiated.

KPIs are not only used to manage the targets of the internal legal function; the expectations of external service providers should also be reflected in the KPIs. Only those who know what they are managing and where they are heading can control the budget precisely and achieve efficiency gains. The more repetitive the tasks are, the easier it is to bundle them and set monthly or yearly targets for them. The entire contract management, entity compliance and governance, regular checks for compliance with regulatory requirements (e.g., for clinical studies, Interbank Offered Rates (IBOR) contract amendments) can be very easily divided into work packages and managed via targets. Classic billing at hourly rates should, on the other hand, be reconsidered. The legal service providers should then have the freedom to choose how they meet the targets within the guidelines. For example, if an annual cost target has been agreed upon, the service provider should decide itself how and where it processes the work packages in the desired quality.

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Support through digitalization

- ▶ Determination of work processes to be “digitalized”
- ▶ Selection of possible software tools/software platforms
- ▶ Mapping of KPI monitoring into the (digital) workflows

Step 5: Appropriate support through digitalization

Software tools are identified to support the TOM with processes and KPI measurement and even automation in certain areas.

To increase efficiency, tasks and documents should be shared, monitored and followed up via an IT platform and workflows instead of by email. Tasks should be tracked transparently and monitored monthly via a dashboard. The best technology solution for a legal department depends on several factors and must be decided on an individual basis, as this will have a long-term impact. External providers that are managed using KPIs should select and utilize possible technological software tools themselves to support daily tasks and enhance efficiency.

EY Law and legal operations

General Counsel who would like to make their departments more efficient may want to know precisely where they should start and where their department stand in comparison to other legal functions. EY Law uses its “Legal Operations Survey” with anonymized data to compare how individual legal functions work and makes specific recommendations. Missing budget overviews can be generated pragmatically using automated “Legal Spend Analytics”.

In **contract management**, the average time taken to review more than 9,000 contracts was significantly reduced for a client from the banking sector. Global reporting was set up for the future mapping of regulatory requirements and a total of more than EUR 400 million saved.

In **corporate housekeeping** (e.g., appointment of general managers, registration and de-registration of companies, review of entity data reported, etc.), savings for our clients consistently come to more than 15%. This is where our global “**Entity Compliance and Governance**” services help to ensure efficiency and cost savings in the management of subsidiaries through a global solution from a single source, the standardization of processes and centralized data management.

We support companies in highly regulated industries with our “**Regulatory Mapping and Legal Research.**” For example, for a client from the financial services sector, we analyze the relevant legal regulations and their amendments worldwide and make these available in structured daily updates.

Our **wavespace sessions** allow our clients to participate regularly in the latest innovations. Potential and goals are identified together with the Legal Operations team and aligned with trends in legal operations, innovation and implementation experience and prioritized.



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