

Beyond Change

Transform legal to transform business

**From guardian of risk to enabler of transformation:
why investing in legal pays**

March 2023



Agenda

- 1 Transform legal to transform business
- 2 Legal as a differentiator: from protector to growth enabler
- 3 Clarity, collaboration, tech and talent
- 4 Actions for successful transformation
- 5 Liberating legal
- 6 About the research

Transform legal to transform business

Nearly every organisation is under existential pressure to transform. [PwC's 26th Annual CEO Survey](#) shows UK CEOs are under no illusions about it: 22% believe their business will not be economically viable within a decade on its current course. Globally, that figure rises to 40%.

While business leaders explore short-term measures to mitigate immediate challenges, they must also remain resolutely focused on strategic investments, specifically on the talent and technology they need to transform.

This business imperative gives in-house legal teams a unique opportunity, not just to change how they operate, but to expand their impact and influence across the business.

The timing could not be more fortuitous. A PwC survey of 300 UK business executives, company secretaries and legal leaders produced in collaboration with FT Longitude found 48% of GCs and Heads of Legal harbour ambitions of contributing to business-wide growth and transformation over the next 12 months.

It's a feeling echoed by the wider business, with 53% of the c-suite and a third of company secretaries also wanting legal to do the same. That's because the success of their own transformation plans depend heavily on how the legal function evolves.

Realising these ambitions requires urgent legal transformation: re-imagining structures, working processes, and the value in-house legal teams provide to the business.

Whether a fundamental or functional [transformation](#), finding the right balance of insight, legal expertise and technology will be critical. And that will require investment in technology, talent and relationships.

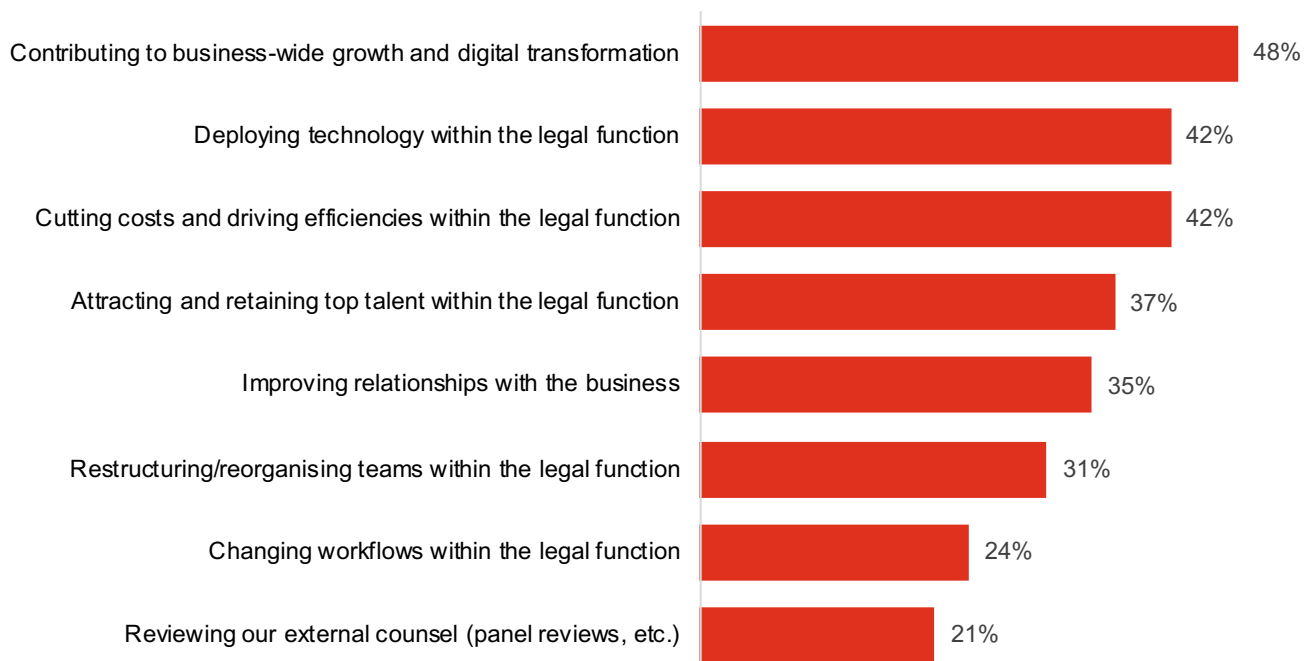


Legal as a differentiator: from protector to growth enabler

Each year, legal's roles, responsibilities and scope of work expand relentlessly. In-house teams are increasingly required to meet growing expectations with the same or fewer resources.

In addition to the traditional role of protector, legal teams are being challenged to help transform and grow the wider organisation.

Legal's top priorities



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I'm on the executive committee at Spire so I am encouraged to weigh in on any topic, whether that be a big procurement contract, advancements in hospital equipment, an acquisition, our half-year results or something completely different. The GC can add value to topics that are not at all related to legal, but you need the confidence to do it, and a CEO that encourages it.”

Mantrraj Budhdev
Group General Counsel at Spire Healthcare Group



With intimate knowledge of the entire enterprise, senior legal professionals should be contributing to a wide range of strategy discussions.

However, legal cannot balance these new responsibilities and fulfil traditional duties without real change.

And here lies the challenge. Less than one in four in-house legal teams tell us they have made significant progress, with a perceived lack of budget, cultural resistance to change and limited resources cited as barriers. But, by contrast, 41% of the c-suite and 28% of company secretaries believe legal has made significant progress in this area.

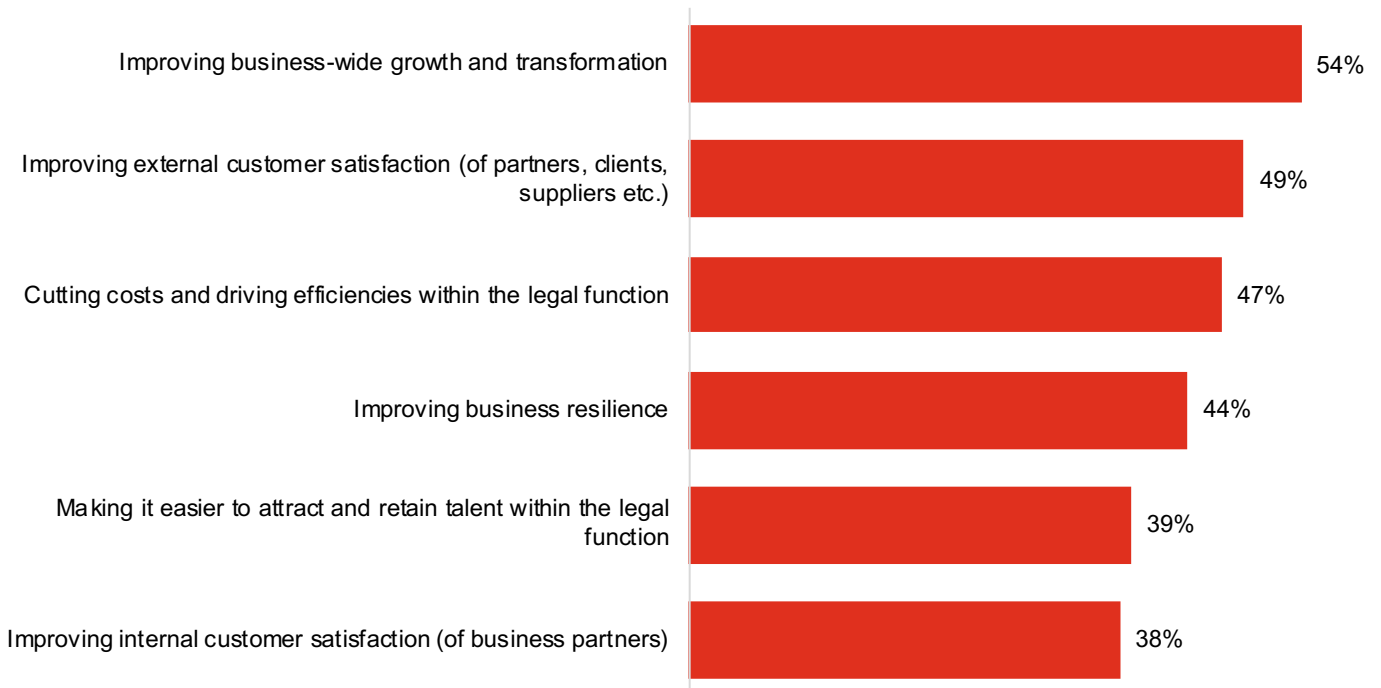
All parties must take action to resolve this disconnect and unlock the business-wide potential that real change delivers.

Doing so not only improves day-to-day efficiencies but creates more time to tackle emerging challenges, assist with growth initiatives and deliver more value to the organisation.

Surveyed legal leaders and executives agree. More than half believed it improved business-wide growth and accelerated wider transformation, with enhanced external customer experiences and improved cost-cutting also ranking highly. For example, businesses investing in and adopting new technology can only do so as quickly as their legal team can assess the risks associated with data privacy, cyber security, operational resilience, and much more. A business can only expand overseas as rapidly as the legal team has understood and ensured compliance with local law and customs.

Encouragingly, legal's ability to support business growth and transformation initiatives increases as it transforms: 56% of those that have significantly transformed saw an improved capacity to work on growth and transformation projects.

The benefits of legal transformation





Talent retention: a critical transformation benefit

Attracting and retaining skills and expertise has become a major challenge for all organisations and teams. Our CEO Survey highlights a resolute focus on upskilling, retaining and attracting talent. Technology is becoming a key part of that, with 56% looking to improve their workforce's tech skills as in-demand talent look to join progressive organisations that invest in tech alongside people.

Like many other professions, there is an increasing shortage of skilled lawyers. With private practice law firms increasing salaries, it has become imperative for businesses to create a dynamic, efficient and fulfilling work experience for lawyers.

Transformation is a critical factor in attracting and retaining talent. Technology-led transformations can remove the process-oriented aspects of legal work, creating time for more rewarding, strategic and valuable activity and upskilling opportunities. That's why 39% of transformed in-house legal teams have seen an improved ability to attract and retain talent, increasing to 48% for those that have 'significantly' transformed.

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Talent is really high on our agenda. Working in house now has just as much pressure as private practice. So much of our transformation is about trying to take the strain off the team by removing the lower-risk, lower-value elements of their work.”

Nicolette Henfrey
Executive Vice President, General Counsel & Company Secretary, IHG

Clarity, collaboration, tech and talent



We're continually thinking about why the Legal team exists - why does the business need a legal team and what is our purpose? The answers to these questions determine how we continually improve, what we do and what we don't do."

Tania Cruickshank,
General Counsel at Man Group

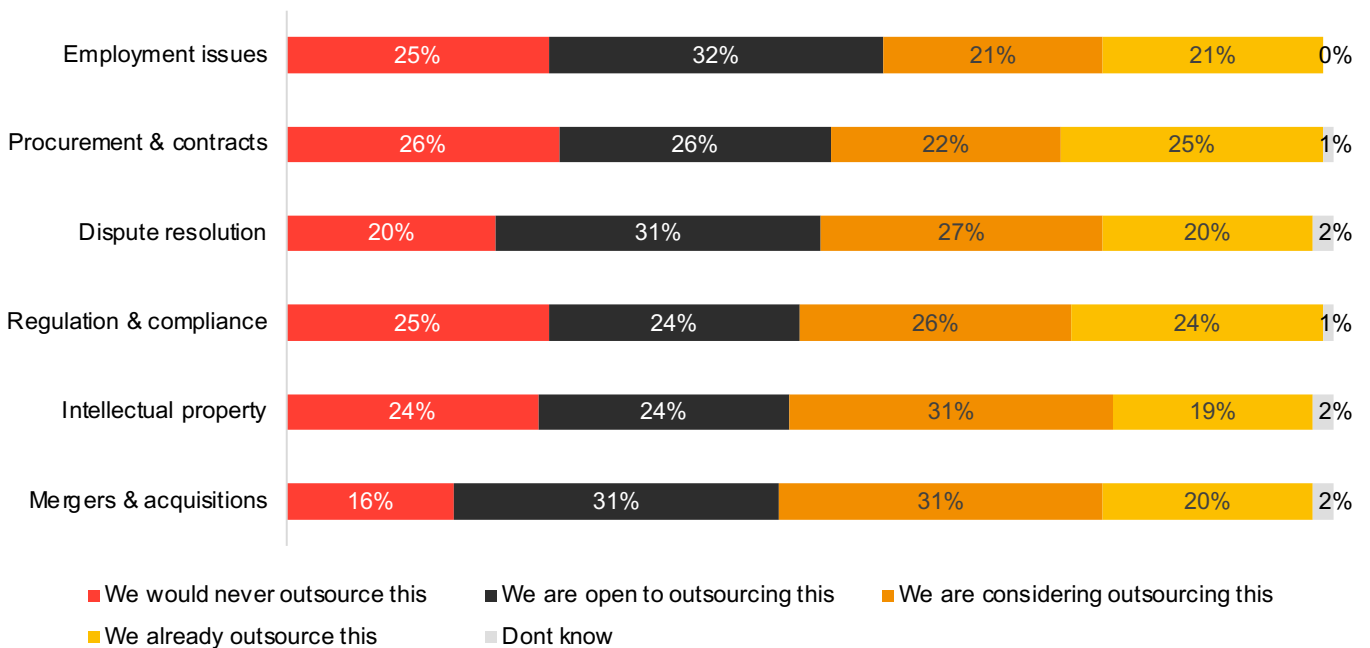
Despite the much-publicised benefits, just 27% of survey participants have made real progress in transforming the legal function. Many have implemented cost-cutting tactical initiatives such as relocating operations; few have fundamentally changed legal operating models or adopted revolutionary technology solutions. One factor holding teams back is a lack of knowledge about how to transform.

Any starting point should be to reassess the remit and purpose of the function, planning how to move from an independent risk-mitigating force to an integrated strategic business partner.

Partnering to bridge gaps

Outsourcing certain legal workflows delivers huge benefits. It brings specialist capabilities, an ability to dial up and down resources when needed, and a geographic footprint that cannot be matched internally. Today, less than a quarter of legal functions outsource any activity. But many more are now pondering this option: 62% are considering or are open to outsourcing M&A work, while 53% say the same about employment matters.

Significant openness to outsourcing legal activities





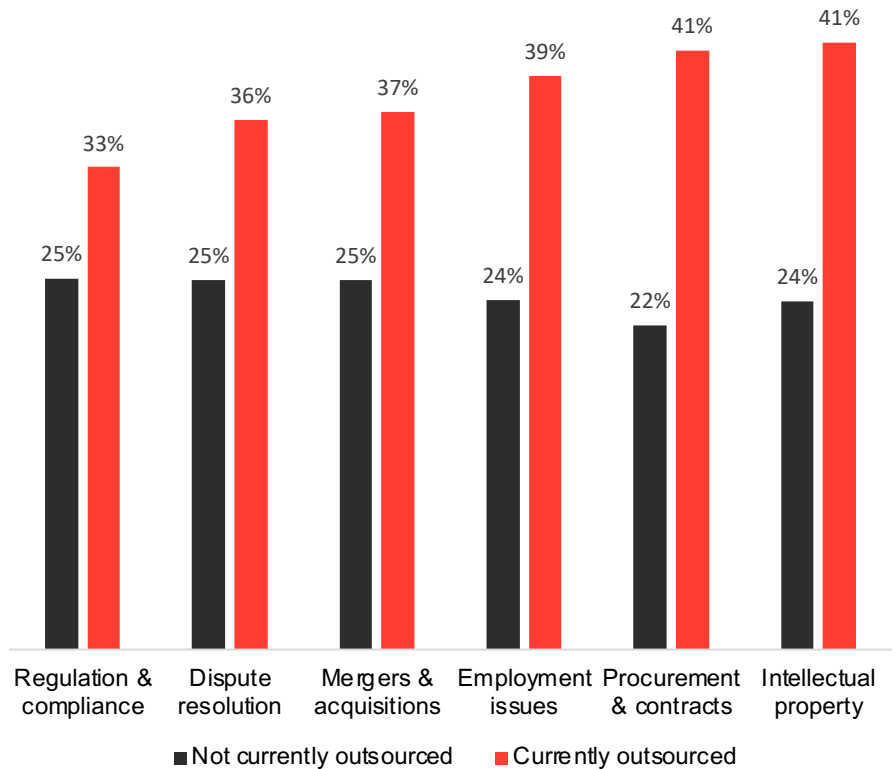
Partnering frees up the capacity and capabilities for legal leaders to think strategically and participate in more growth-oriented initiatives. The survey data shows this effect in full force: 41% of legal functions that outsource elements of procurement and contracts work have made significant transformation progress, compared with just 22% that don't.

But there's still work to be done. Around a quarter of survey participants indicate that they would never outsource legal work. This often stems from fears that key data or IP may be compromised. In reality, the risk of this materialising is minimal. Others believe that certain categories of work must be retained in-house because they require intimate knowledge of the business.

Sometimes the reason for failing to outsource is choice paralysis. There are many outsourcing options, including traditional law firms and alternative legal service providers. It's vital to choose partners for specific work based on the expertise and the value they provide.

Outsourcing accelerates legal transformation

(percentages indicate those that have made significant progress on legal transformation)





Much of the work that Legal does involves repeating processes. We work on many fund launches – although each one is different, some elements are very similar and those do not need to be repeated. For example, we don't need to re-write certain sections from scratch every time. We can probably review our standard templates once a year rather than 50 times a year, which allows us to focus on the specific complexities of the launch. By looking at the sub-processes involved in your work, you can generate significant efficiencies without using or requiring complex technology.”

Tania Cruickshank
General Counsel at Man Group

Maximise investments in technology

Real change requires legal teams to extract maximum value from technology. Today, this is not happening. While in-house teams may use technology to automate workflows, triage work or manage matters and contracts, less than half of our survey participants use matter management tools and contract lifecycle management systems effectively.

Contrast this with organisations more broadly, where our CEO Survey reveals 86% are investing in automating processes and systems, and 77% are looking to deploy advanced technologies such as cloud and AI. Legal teams need to do more.

The effective use of technology delivers immediate benefits while also accelerating further transformation to open up more advantages. It is key to enabling teams to move at

speed and make better data-driven decisions, reduce cost and complexity, and be a base for further transformation, new services, platforms or offerings. That's driving an increase in organisations looking to outsource technology skills and capabilities, with our CEO Survey showing 41% of organisations investing more in external partnerships to get better access to tech. Legal teams would be well-advised to explore this avenue, too.

But technology alone is not a silver bullet. Automating processes only delivers benefits if that process is optimised in the first place. Often, efficiencies can be created by reviewing how legal teams work and identifying repeated processes that can be eliminated. Getting the right balance between talent and technology is crucial. The key to this lies in evaluating current capabilities, re-evaluating needs as they change and recognising when one side of the balancing act needs a boost to get the best out of the other.



New function, new skills

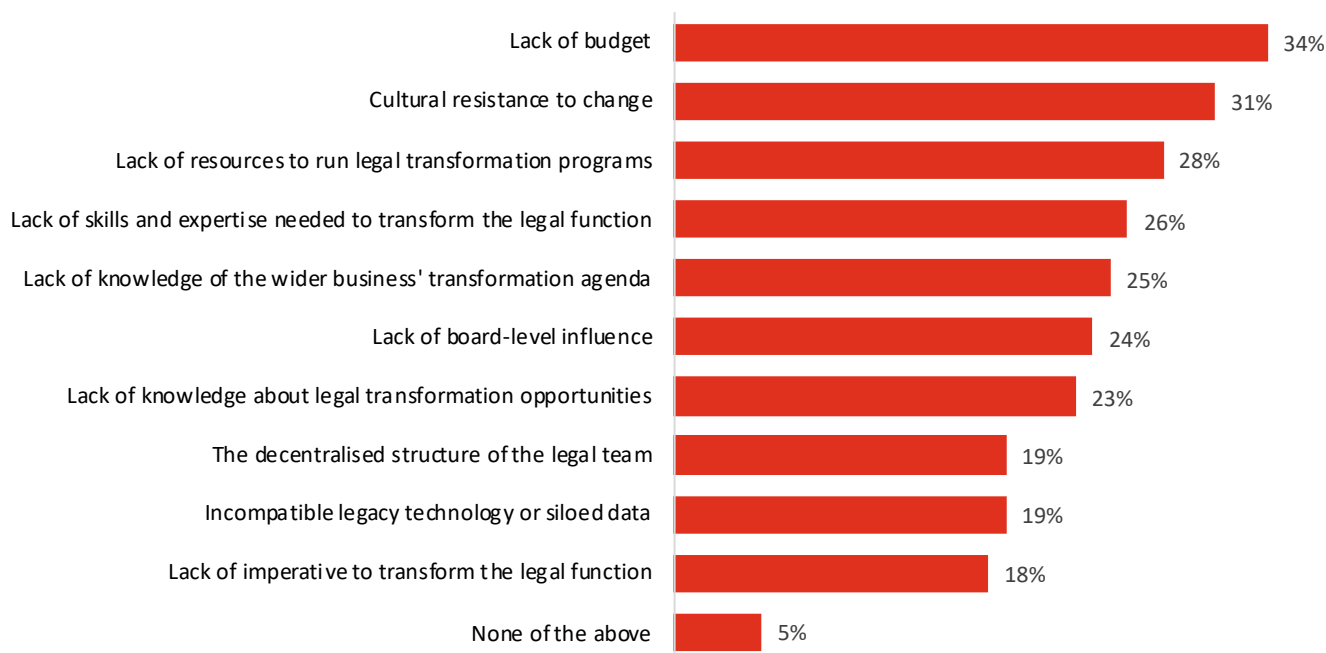
Legal teams need new skills to transform successfully. With technology enabling more and more work, lawyers will need to hone their digital capabilities. As the team works with new roles, whether external outsourcing partners or colleagues across the business, individuals will need to think about how they collaborate and communicate effectively. And if legal is to become a more strategic business partner, these individuals will need greater commercial knowledge and business acumen. Lawyers often possess these skills, so the task for leaders is to bring them to the surface and refine them.

Diversity of skills and thought will also be critical if teams are to accelerate their ambitions. Individuals with new expertise and different skill sets may be brought in. Large legal teams, for example, are appointing operations specialists to help identify efficiencies and rethink operating models, with 26% of surveyed organisations involving the Head of Legal Operations in decisions about legal managed services.

Actions for successful transformation

While legal leaders cite budget, cultural resistance and a lack of resources as their main challenges, there are some clear and measured steps functions can take to overcome these and accelerate transformation.

Top transformation barriers



Articulate the value of transformation

A lack of budget might not be the obstacle many think. While 40% of GCs and other legal leaders say lack of budget is a top-three transformation barrier, that figure is only 22% for the c-suite leaders. [Our CEO Survey](#) also shows that leaders are willing to commit funding to legal teams, with 24% investing in technology and technology services, and 42% in technology skills and capabilities. It appears budget is there for those brave enough to ask.

Success will depend on making minor alterations to how they approach this request, articulating the value transformation delivers rather than the costs it reduces. Data and evidence are critical to this. Legal teams should find this data in the tools they already use - the key is getting relevant insight from it. Some may even pool resources and look to integrate legal transformations with other functions, such as finance and HR.



Data talks at Ocado, so the legal team needs to find ways of showcasing which resources it needs to transform. The tool we use to capture work requests creates data on the type of requests we receive and from whom. We use this data to make a compelling case.”

Mollie Stoker
Deputy General Counsel, Ocado Group



The greatest barrier to transformation is ourselves. We as individuals are often the biggest resistors of change. Lawyers are typically risk averse, but this mentality needs to shift to be more commercial, pragmatic and agile. GCs can inspire their teams to think this way, but they first need to shift their own mindset.”

Mantraraj Budhdev
Group General Counsel at Spire Healthcare Group

Create a culture of change

Cultural resistance to change is the second greatest transformation barrier, according to our survey.

GCs and Heads of Legal must think about how to redefine the operating model, drawing inspiration from other functions. To get the wider legal team to buy into new ways of working, leaders and c-suite executives outside legal need to communicate how transformation will improve experiences and lead to more fulfilling work. They should also articulate how it can help meet business-wide strategic objectives, and drive greater value and success.

Use external transformation expertise

Transformation is a daunting prospect. A lack of resources to run legal transformation programmes is a significant obstacle to success, as is a lack of skills and expertise required. The largest businesses in our survey also indicated a lack of knowledge about transformation opportunities as a critical barrier.

Help is at hand. External consultants are perfectly placed to assess the current state of a function, suggest ways to transform, and then help implement change across systems and the workforce.



Humans are averse to change, and lawyers are even more so, so you really have to invest in change management. As a GC, you need to bring your team with you on a journey, get them involved in the process and get them to test new ways of working. If they feed into the process of change, they will be much more welcoming.”

Mollie Stoker,
Deputy General Counsel, Ocado Group

Connect legal with the wider business

A lack of knowledge of the wider business transformation agenda remains a hurdle for legal. But it shouldn't. Nearly three-quarters of survey respondents (73%) tell us legal is consulted on strategy, with 47% confirming they are always consulted. For the biggest companies with over £5bn of turnover, that figure rises to 68%.

Legal transformation must align with the wider business strategy. If a business is looking for overseas growth, for example, leaders should focus on positioning the department to support international legal issues. If the business is on an efficiency drive, changes should be geared towards finding value.

The GC and the c-suite both have a role to play - and an incentive - in forging closer ties. The c-suite should engage legal leaders on a broader range of strategic issues beyond legal risk. Appointing the GC to the board can encourage this, as can assigning a senior member of the legal team to support different business executives. But legal leaders also need to get comfortable talking about strategic issues. They need to earn the right to have a seat at the top table, using data and insight to demonstrate the value that legal brings.

Measure success

That means measuring the success of transformation, during and after completion. Today, eight in ten legal teams measure success using just three metrics or less.

Leaders must measure success using a broad mix of approaches, including internal and external customer satisfaction scores, qualitative feedback from the business and feedback from members of the legal team. Specific measurement metrics must be defined at the outset of any transformation and align with pre-defined objectives.

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Senior members of the legal team are designated to support specific business leaders, which gets us as a team closer to the business and allows us to learn about key initiatives at an early stage. We are very relationship-based and focused on business partnering. As we explore and implement legal front door tools, the challenge will be to maintain all the benefits of those relationships while driving efficiency.”

Nicolette Henfrey,
Executive Vice President, General Counsel & Company Secretary, IHG





Liberating legal

Transforming in-house legal functions must become a priority for both legal leaders and senior business executives. With a clear link between the functions, success is the responsibility of the c-suite and the Head of Legal, with each party needing to take action.

While businesses have invested huge sums in transformation in the past five years, legal is often an afterthought. Whether that's because it has traditionally been viewed as a protector rather than a generator of value, or because the function is less connected with the business than others, legal has simply not been considered a priority. It now must be.

Realising the opportunities legal transformation can unlock is key to the success of an organisation's wider transformation strategy and the viability of the in-house legal team. Furthermore, improving efficiencies, adding capabilities and greater value, and attracting and retaining the right talent are all critical if legal is to evolve to meet the demands of modern business.

Legal teams are transforming. Those that have only just begun transformation projects risk being left behind, not just by competitors, but also their own organisation. Acceleration is required. From cultivating a culture of change to forging closer ties between legal and the wider business, GCs and the c-suite will need to work together to build the foundations required to unlock real change.

To earn a seat at the top table and transform from a guardian of risk to an enabler of transformation, legal should seize this moment, when so much is being disrupted, to demonstrate value: changing the function, upskilling people, forging links with the c-suite and becoming a proactive driver of growth.

In tandem, the c-suite must back its legal function - with investments in technology, talent and transformation.

These findings are based on a survey of 300 legal leaders and business leaders from UK-based businesses that generate over £100m in revenue. The survey was conducted in October 2022. To complement the survey, in-depth interviews were conducted with four senior legal leaders at FTSE 100 and FTSE 250 companies.

Who to contact



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