Enhancing compliance and efficiency: How legal managed services can support business goals

Future of Tax & Legal podcast episode featuring: Andy Giverin, Global Head of Legal Business Services and Partner with KPMG Law in the UK.

Musical intro

Host: Welcome to the KPMG Future of Tax & Legal podcast series, the podcast series that addresses some of the most pressing issues and opportunities facing tax and legal functions in the modern business world.

In today's episode, we discuss Legal Managed Services with Andy Giverin, Global Head of Legal Business Services and Partner with KPMG Law in the UK.

Host: Andy, you're focused on Legal Managed Services as part of the global offering that KPMG firms provide. Perhaps you can start by helping our listeners understand what Legal Managed Services is.

Andy:. Yeah, so, a legal managed services is where an external supplier that could be a law firm, provides ongoing support of repeated high volume legal work, to its global client, that would otherwise typically be provided, by that client's, own in-house legal team. In essence, it's a, it's an attractive way for large organizations to get a base load of day-to-day legal work off the desks of their in-house legal teams, allowing those in-house lawyers to instead focus on more strategic, more complex, and more interesting projects, whilst knowing that the everyday repeat work is being supported predictably and safely. So, using contracts as an example, a legal managed service may cover the more standardized, lower risk, repeatable, straightforward contracts that organizations have to enter into every day, like sales and procurement contracts. And you know, when you take them individually, these contracts may not seem significant or complex, but when you have thousands of them, and they need to be done quickly, that can become the lifeblood of the business. So, that's why a legal managed service is so attractive for a large organization to consider as a way of dealing with that workload.

Host: Thanks Andy. That gives us a good foundation to start on. There must be a number of trends or developments in the business environment today that are creating challenges for General Counsel that this type of support may help with. Perhaps we can explore a few.

How does increasing regulatory complexity play a role?

Andy: The kind of risks that are driving this regulatory complexity in the market that we see, I think there's probably four big ones. I think you've got significant cyber security and data privacy risks out there. They pose unique challenges for companies striving to maintain continuous monitoring and real time visibility of the information that they control. So, it's critical that their clients are able to establish robust communication plans with their providers, that they can manage the security incidents, in a timely way. There are risks posed by the use of AI tools. The integration of those tools can sometimes cause, issues around governance and the deployment and management and protection of those AI systems and models is important, especially when you're using third party AI tools. You've got wider, geopolitical, third-party climate sustainability and other ESG risks, which are generating a lot of regulatory activity as businesses integrate complex supply chains and partnerships, they've got heightened risk and exposure to the sustainability practices of their business, and they've got growing expectations from regulators and customers around those activities. And then I suppose finally, there's a lot of regulatory overlay that we're seeing around business operations and vulnerabilities and resilience more generally, which managed services, can help to alleviate. So here I'm talking about how you maintain, a proper disaster recovery plan, diversifying a supplier base, reducing dependency, improving security. These are the sort of critical projects that we see managed services, particularly in the legal side of things, helping to resolve in today's, more complex business environment.

Host: Thanks Andy, that's really interesting.

How has globalization made this a more pressing issue for General Counsel? What has its impact been?

Andy: Globalization for General Counsels generates a number of key strategic, questions. I think there's an overall pressure to reduce costs, and simplify processes, and manage enterprise-wide risk, that comes from, from having, the need to put in place viable global solutions. And I think that's, that's permanently changing the way in which legal functions deliver their services to the business. It's forcing them to tighten risk management, to increase their reporting obligations and to produce efficiency gains at the same time as, getting all of the work done. I think we're also seeing globalization drive the need for legal technology. CRM platforms, contract management platforms, and other, enterprise-wide systems which enable businesses and legal departments to operate more effectively. And I think all of that is causing businesses to rely on their global legal departments to not just, decrease cost and risk, but accelerate revenue. So, legal departments need to have the right information at their fingertips to demonstrate rather than assert all of those capabilities on a global scale. And that's really putting legal department leadership to the test. So, the traditional General Counsel role has, I think, evolved now into much more of a focus, not just on getting the work done and risk management, but also making sure that you've got the right global operating model in place to ensure that your department runs efficiently. Just like HR, just like finance, just like the other critical business functions of any large organization. And that General Counsels now have the obligation to ensure that they are continuously improving the way in which their teams are working from a people, process and technology, perspective, and that all of this is turning legal departments into genuine partners with the business, offering advice that's more proactive, more risk calibrated, more evidence based, more strategic. And I think, all of that is being accelerated by the globalization elements that GCs are having to deal with.

Host: Andy, you touched on AI a bit already, but I have to ask you about technology and specifically artificial intelligence, as it's transforming many areas of business today.

What role is the rise of digital tool and generative AI playing? And how do you anticipate it may impact legal managed services as well? Do you expect it will help solve some of the complex challenges General Counsel are facing?

Andy: So there are a couple of questions in all of that. So let's just break it down piece by piece in terms of the role that I see generative AI playing in enhancing legal expertise and decision making, and the way in which lawyers and AI going to work together effectively. I think there's a couple of points. I think certainly when we look at high volume recurring activity like drafting contracts and looking at briefs and other legal documents, I think AI is going to help sift through large amounts of data and interpret that data efficiently, whether that's through the application of playbooks or redlining, or whether it's coming up with reasons why a particular position has been taken. And I think that that's going to create massive effort and cost efficiencies. I also think that generative AI is going to help provide data driven reasons and insights to support decision making that comes out of the analysis of those documents, and there's going to be a significantly greater enhancement on the accuracy and consistency of that analysis across massive data sets. We're going to be able to get to a good outcome quickly in a way that doesn't exist today with humans looking at large tracts of data. I think this is going to reduce the amount of human effort involved and enable in the grind work, if you like, of looking through large volumes of data for particular pieces of information, and it's going to enable those as lawyers and legal professionals to instead focus on the high value tasks, because the routine work has been automated.

And then I see that all translating into a collaboration between lawyer and generative AI rather than generative AI replacing the lawyer. It'll be a means by which human expertise can be enhanced and accelerated, not replaced. In terms of how that will then alter the way in which lawyers train, work and deliver services to clients, I think we're going to see this seismic shift towards more automated and technology driven service delivery. I think there'll be a significant increase in the tasks that lawyers and legal professions carry out today, which will now be replaced by AI powered self-service or on demand legal services. And that will reduce the cost of those legal services for the user.

I think we'll see an increase in use of subscription based and outcome based pricing model. So clients that are grappling with how they embed all of this in their systems and processes may simply jump to a more output based or managed service around the outcome, so they don't have to go through that process. I think we're going to see the potential for new service offerings and business models that, up until this point, totally were not economically viable to hit the market because the cost of delivery will be dramatically reduced.

And I also think that we will see clients demanding more transparency and control over those AI systems, so that they feel comfortable that things that are now going to be done in a semi-automatic way are done using the right controls and processes, and that they have some bearing on setting the mixture for those risk and controls and processes based upon their industry, their risk appetite and the climate in which they are operating.

And so I think all of this will then change the way in which lawyers work and the skills that are required of them. I think the lawyers are going to have to get very comfortable with AI, with continuous improvement and learning and usage of it and upskilling of it to enable them to do their best work. And I think it's going to mean that lawyers will have an increased focus on the problem solving and the critical thinking and the client advisory aspects of what they're doing. So I think those advisory skill sets, coupled with the comfort around how to use generative AI technology will become the new currency for lawyers.

And then I think the final question was around how this is all going to help GCs solve complex operational problems. If we break generative AI tools down into three buckets, you've got operational artificial intelligence tech, so this is the day to day tooling, not necessarily legal specific, but tools which help lawyers do their job quicker and faster. So you can think here of things like Microsoft Copilot. That's going to have an impact in just making lives easier for lawyers and accelerating the day to day activities that they're doing.

Then you've got process related artificial intelligence. So this type of bucket will assist in delivering more efficiently, speeding up processes, automating repeatable tasks. So I think here of the ContractPodAI tool and other tools like Harvey which can be programmed against a specific use case and can help lawyers to deliver on that use case quickly and more cost effectively.

And then I think we're going to have deeper knowledge based AI systems where the AI tools are even linked in with underlying knowledge, external or internal, where the know-how of the lawyers has been somehow embedded by prompt engineering. And this will create again another tool in the armory of lawyers to be able to quickly analyze large sets of data and provide calibrated risk advice to clients more easily.

I think the challenges for GCs is going to be around ensuring how all of these applications are seamlessly integrated with their existing systems and processes, and also ensuring the data quality is there. The data integrity is there. The security and the governance protocols are there, so the foundational data that goes into these systems is fit for purpose and helps to create the right outcome.

Host: Does talent play a role? Or more specifically, are legal departments facing challenges in attracting and retaining top talent? Is that something that legal managed services can help address?

Andy: Well, certainly, talent plays a major role in ensuring the successful delivery of legal work. And indeed the trends that we're seeing, not just in legal departments but elsewhere reinforce sort of that.

I'm seeing 6 or 7 trends which help inform this. I think we're seeing successful legal departments recognizing that they have to personalize the employment experience a little bit more than that, perhaps it was true, historically. Lawyers in legal departments are expecting an increasingly tailored experience. And they want feedback constantly. They want to regularly assess where they are in terms of their career. So, I think you need to have the right process and strategy around that.

I think we're also seeing the importance of getting the skill set right within legal departments. Those legal teams that invest in robust skills assessment tools that look at, not just the technical legal capability of the lawyers, but also the technology capability, the soft skills, all of the things that align with, overall business goals they're attracting the best talent in the market.

I think, clearly hybrid working isn't going anywhere. And we're seeing, legal departments refine their operating models for maximum efficiency and employee satisfaction. So having that hybrid playbook that incorporates flexible working policies, clear expectations, to improve, experience and efficiency is important. And making sure that if you're bringing your voice into the office, that you're curating the right kind of experience for them. AI is reshaping workforce planning and workforce effectiveness and that's just deepening, not just in hiring, and talent but in sort of workforce planning. So, we're seeing a focus on reskilling programs that help to transition employees onto roles that complement existing AI capabilities. That's starting to happen in legal departments as well.

Another one is obviously employee wellbeing has become a business imperative and legal departments are really focused on this now. Burnout, mental health challenges, they remain significant concerns. So, embedding the right levels of support and tools in your department is a great way to make sure that you are keeping the best people.

Diversity, equity, inclusion, obviously, is very high on the scale of most people, particularly those coming into the workforce for the first time. So having the right processes around that and being able to translate that into accountable, measurable outcomes is important.

And I think finally, ESG and talent acquisition and nurturing is important, particularly among millennials and Gen Z. So regularly communicating those ESG commitments to your team members through storytelling and other ways of communicating that sort of common mission or common outcome is important.

And in terms of how Legal Managed services are sort of helping to accelerate all of this, well I think that, you know, increasingly, lawyers and those generally joining the work force want to ensure that they are doing the right type of work for the right reasons, at the right cost base, you know with the right outcomes and enabled in the right way and in the right location. And legal managed services helps to unbundle all of those things so that you separate out more process orientated or technology enabled work. And you do that in a particular way and then you free up the people that are working in those legal departments to create an environment which they can do their best work. And I think a lot of people joining, large in-house legal teams who are in demand, you know, assessing those things as part of the choice they want to make about where they where they work.

Host: Thank you, Andy. This has been a really interesting discussion and you've given our listeners a lot to think about.

Thank you for joining me today.

And that wraps up this episode of the KPMG Future of Tax & Legal podcast.

Join us again next time and thanks for listening.

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