Building an AI roadmap for legal departments

Future of Tax and Legal podcast episode featuring: Stuart Bedford, Global Head of Legal Services, KPMG International

Musical intro

Host: Hello and welcome to the Future of Tax & Legal podcast series. In this episode, we take a deep dive into the growing role of AI in legal departments. We'll look at the major uses of AI for legal professionals and how legal leaders can assess the opportunity – and then we'll spend some time tackling the challenges when adopting AI.

Joining the conversation today is Stuart Bedford, the Global Head of Legal Services at KPMG International. In his role leading legal services, he has given considerable thought to AI's impact on legal.

Thanks for joining me today, Stuart.

Stuart Bedford: Thank you. Happy to be here.

Host: Stuart, how would you describe the current state of AI adoption in legal departments?

Stuart: The sorts of things that are already there are using tools to transcribe meetings, review documents, summarize documents or legislation. I've even spoken to some GCs that have already brought back in-house some areas where they'd moved contracts to outside ALSPs or law firms, but with the new AI technologies they feel they can manage the volume in-house. So every company I've spoken to has made a start, but there's a lot further to go on the journey.

And I think it's interesting because I think all of them have an appreciation that they need to look beyond the isolated use cases to a broader change. And they are really looking for a framework to assess their position so that they can understand how to move things forward.

Host: Thanks, Stuart. That's really interesting. And in what areas do you think AI adds the most value for legal departments?

Stuart: Basically everywhere, I think, is the honest answer to that. I think pretty much every element of what a legal department does will be touched to a certain degree. Some areas I think will be transformed radically, and other areas AI will be incorporated as just part of the process, but I think overall there is an opportunity for GCs to reinvent how the legal department interacts with the rest of the business.

It's possible to re-examine the size and shape and skills needed within a legal function and where and how you draw the boundaries between the legal function and external law firms or other providers, or even the types of legal provider that you need. So I think there are many and varied ways that AI is going to change the life of GCs.

But at the core, I think, there is this need to create a single data set that not only opens up better ways of organizing yourselves and processing, but with that better data, I think there are opportunities really to look at value creation, improving your speed to market, contract velocity, improving the obligations management within your existing contract portfolio.

There's definitely some cost take out, simple contracts, NDAs, playbooks, negotiated with much more limited inputs, automating compliance tasks, review of regulation.

In our world, we sort of see the legal department becoming much more a platform, and the governance and architecture of the legal department are wedded to the strategy, and if you get the platform right and if you get the data right, the ability then to look across the spectrum of where you can improve I think is pretty endless.

Host: Well, it certainly sounds wide-ranging. So how would you describe the role of legal leaders in implementing AI?

Stuart: I would say that the legal leaders are basically both critical and central. AI is very much about empowering, not replacing, lawyers, and to be able to drive the change that the technology could bring, it's absolutely critical that you really, really understand what lawyers do and how they go about their business. You need experienced legal heads who can see a process end to end and understand where the risks are. So without legal leaders being embedded in it, then the solutions that will be developed are not going to be fit for purpose.

And I think if you look at something like contracts, they touch all elements of a business, and that means that the legal department is really well placed to lead this type of transformation.

And my experience in the conversations I'm having is, legal leaders are really embracing the possibilities, and they are very focused on how they can either run pilots, sort of organize their data in a way that really pushes them to the forefront of the debate within the companies that they work for.

Host: And building on that, what do leaders sometimes get wrong when adopting AI?

Stuart: So for me, one of the areas that legal leaders need to make sure that they either avoid or at least are cognizant of is, thinking too narrowly around the scope of the exercise.

And by that I mean I think that inevitably the changes with these sorts of things is going to be incremental. You need to take some quick wins around the AI, get the teams involved in adoptions and there will be an element of sequential problem solving with whatever AI tools you're looking to do.

But there has to be a broader plan, and I think there is a real danger that some legal departments will see a technology which solves a particular issue for them – no doubt it's an issue that they want solving – but in doing so they choose a technology that doesn't talk to the rest of the tech stack or is not thinking about how it's going to evolve along with transformation of the broader business, and buying those sorts of point solutions that aren't able really to be integrated is just going to give it a very limited shelf life and in the end will likely mean that you will be looking at other solutions more quickly.

Host: Stuart, there's a huge change management piece to AI adoption. How can legal leaders succeed at getting buy-in?

Stuart: So couple of elements to this. You clearly need a buy-in from the business that legal is genuinely part of the equation and therefore has a voice at the table. And hearing from other GCs, particularly those with bigger teams or multinational teams, is making sure that they get buy-in across the lawyers in the team.

So I think trying to persuade the business – often the CFO, the chief operating officer, it really does come down to being able to articulate quite clearly the value proposition, that's costs out, contracting speed, compliance readiness or avoiding fines and penalties or just simply showing the benefits of better obligations management.

Often one of the problems I've seen law departments face is that they may not have great existing data, so there may be a need to benchmark and then look at how you can improve things by bringing AI in and changing the way you operate. Those are very much messages that CFOs, COOs understand.

The lawyer community is potentially different. I mean, I think it's important to create the vision as to what it is you are trying to achieve with the changes to the processes and how the people operate.

It's good to have identified a few quick wins in any change program. Critical to find those key advocates for change and the super-users, whatever you call them, who really help you change within a business unit or a country.

And I think it's also in the messaging and the vision important to take away the threat element. I mean, we've all seen that there are many grandiose statements around the impact that AI is going to have on the future of the profession.

But ultimately it's a technology that lawyers will be using and will save them time and will reduce or eliminate the more mundane elements of their role. And lawyers need to be reassured that this is about empowering. It's about giving them the opportunity to focus on better, more strategic work.

Host: That makes a lot of sense, Stuart. So where should legal leaders start if they haven't deployed AI in any way?

Stuart: I think they need to identify the key value areas and the quick wins. Look at what you do a lot of, where AI capabilities could really impact. Are you a business that does a lot of repeat contracting that may be outsourced? Do you know that you've got problems with monitoring your obligations within the current business? Are you struggling to stay on top of rapid compliance changes within your area? Identifying the core areas.

The second key piece is around the data. You need to just step back and look at how your data is stored today. Is it complete? What other parts of the business do you extract data from? You know, how can this all be improved? And I speak to many GCs particularly around their contract environment where if they are suddenly required to find out whether or not their contract portfolio is affected by change of control – you know, in many, many businesses it's very, very hard for a GC or the GC's team to lay the hands on all of the contracts that need to be reviewed. So that sort of taking a realistic assessment of your data position I think is a key first step.

And I also would say that it's really worth at that very early stage, possibly just getting a bit of advice around the roadmap and getting some benchmarking as to where you are. Understanding where you're starting from in reality and the direction of travel can ultimately save you a lot of heartache in terms of the change process that you're going to undergo.

Host: And for you, what is often the biggest challenge in adopting AI?

Stuart: The challenge is moving from micro to macro. And just to explain that, you speak to a lot of legal leaders and they have identified some point applications. You know, most people if they've got [Microsoft] Copilot will be transcribing their meetings or effectively summarizing documents – so there are limited easy wins that take some time out of the day. But I think the reality is, you really need to take an overarching view and look at where you are trying to take the legal department to in terms of how it functions and how it interacts with the business.

And in order to do that, you need to be looking across the people, the process, the technology and against that backdrop developing the road map. And that is not an easy exercise.

Host: Thanks, Stuart. You've given our listeners a lot to think about. Perhaps as we end, any final advice for legal leaders?

Stuart: AI has arrived and it is already impacting businesses and how the legal departments and the legal profession is operating. It is going to change the industry and importantly it can genuinely help you drive value. So I think that looking at this as a way of driving value for your business is a good way to sell the benefits across your team and to the other stakeholders within your business.

Host: That's all we have time for today. If you'd like to take a deeper dive into AI's impact on the legal industry, check out the recent KPMG report dedicated to the subject. It's called From data to wisdom: How AI is transforming in-house legal departments. You can find it at kpmg.com/datatowisdom.

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