

Gartner®

The Future of Legal

Six Shifts GC Must Make by 2025



Introduction



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Disruptions including the COVID-19 pandemic, economic volatility, social and political upheaval, and climate change have coincided to initiate a new era of persistent disruption for businesses. In this environment, organizational resilience can and will differentiate corporate performance. But organizational resilience isn't just the ability to adapt to change; it's the ability to resist, absorb, recover and adapt — over and over again. Resilient organizations typically share at least the following three characteristics:

- 1. Responsive risk management**, where senior leaders “own” resilience efforts, and coordinate, manage and mitigate organizational risks continuously.
- 2. A dynamic culture** that is communicative, collaborative, cooperative and creative, and sustains timely, relevant decision making that drives the organization's ability to outcompete.
- 3. A flexible structure**, often deploying dispersed but interdependent operations, electronically and physically, and leveraging diverse and inclusive teams and tactics to empower the workforce.

The challenge for general counsel (GC) is how to inject these characteristics into the legal function in a way that can ensure legal is an active driver of the kind of organizational resilience needed today and in coming years.

Many GC have already evolved from chief lawyer to strategic business partner — and must now evolve again to act as the organization's disruption risk guide. That will mean working with the business quickly to develop and update guidelines defining the limits of legally, ethically and reputationally appropriate action as business partners enact change in response to persistent disruption

To do this, Gartner research shows that GC and legal leaders will have to drive six shifts in the legal operating model — and they need to start now to identify and prioritize the actions required to ensure their legal teams focus on value-added activities.

Business disruption persists in the wake of COVID-19

The global pandemic has created new risks and exacerbated old ones, adding to the disruption that organizations are facing.

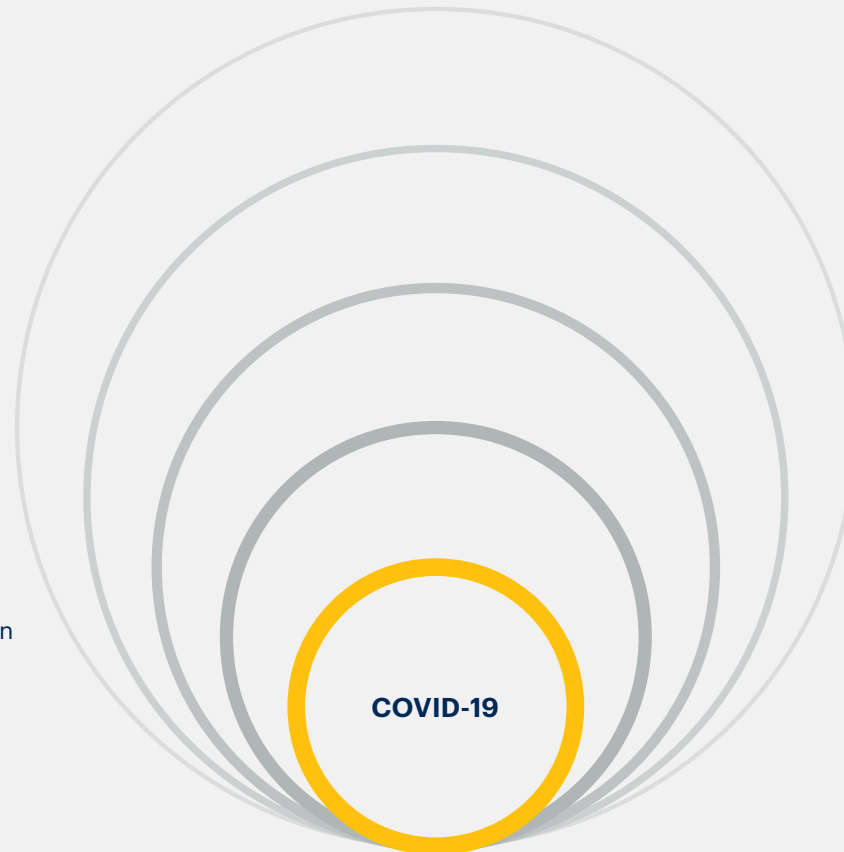
The speed of business requires a prompt response and innovation, but long-term planning is more difficult — and exposes organizations to new regulatory and reputational risks.

Economic uncertainty

- Prolonged recession
- Uneven recovery
- Backlog of M&A activity

Regulatory instability

- Continued deglobalization
- Increased regulatory fragmentation



Operational churn

- Shift to agile approaches
- Increase in remote work
- Acceleration of digital business

Shifts in societal values

- Intensifying of climate change commitments
- Pressure for stakeholder capitalism

Source: Gartner

Legal leaders lack confidence in critical capabilities

Only **13%**
feel confident that they can manage cross-functional risks without creating drag on the business.

Only **8%**
feel confident that managers can meet expectations for promoting a culture of integrity due to change fatigue and competing pressures.

Only **9%**
feel confident that they can create a cohesive, long-term plan for digitalizing the legal department.

What needs to change?

To support the organization as it pivots through business model change and operational volatility, legal must be able to deliver fast, risk-aligned guidance and decision support.

Legal by 2025



Responsive risk management

Legal provides strategic insight and clarity as new or changing risks emerge.



Dynamic culture

Legal supports fast, risk-informed decision making with a culture of transparent, empowered decision makers.

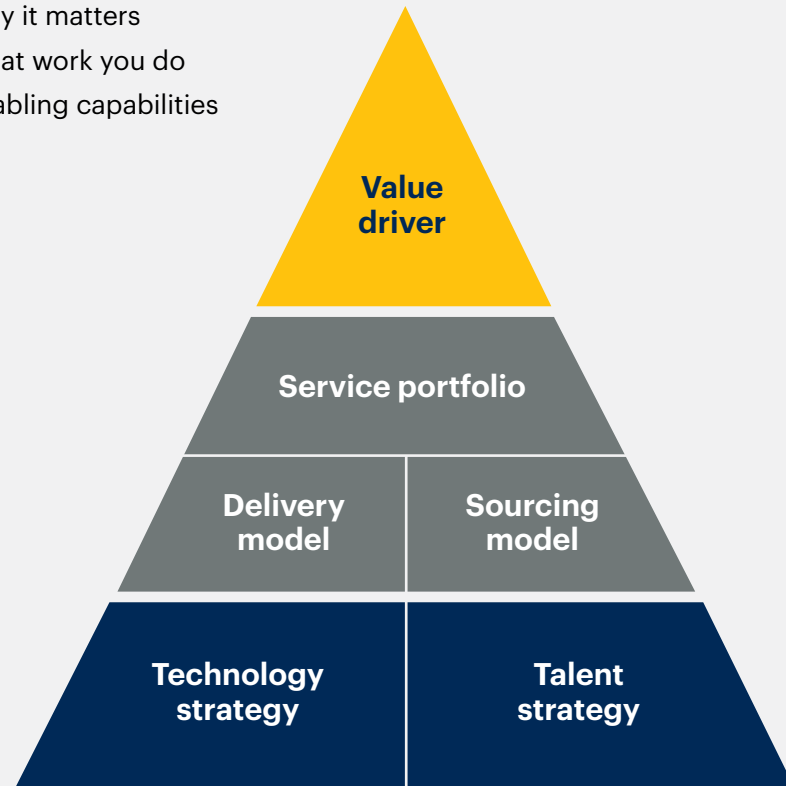


Flexible structure

Legal builds an adaptive, flexible department through investments in talent and technology.

Each element of the legal operating model will shift

- Why it matters
- What work you do
- Enabling capabilities

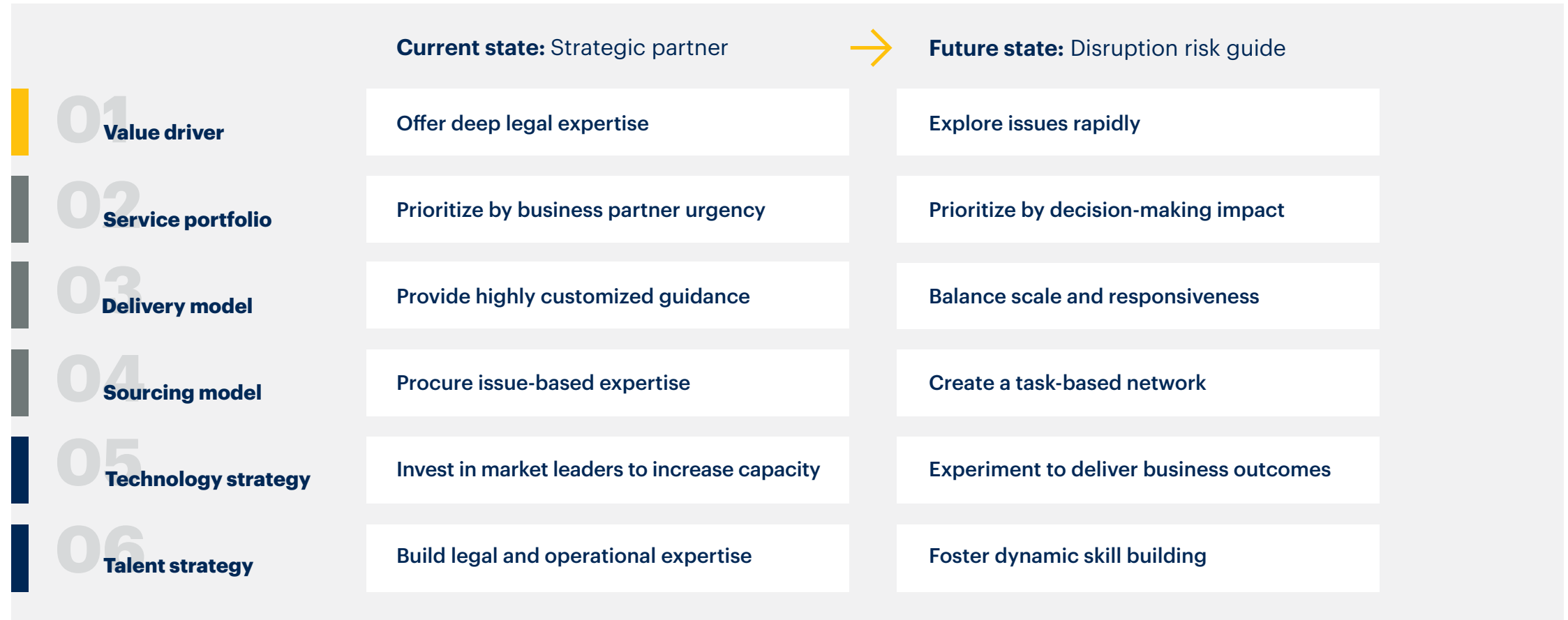


- **Value driver:** The unique contributions and outcomes that the department delivers to the business
- **Service portfolio:** The essential function and services (e.g., contract drafting and review) the department provides to the business
- **Delivery model:** How legal services are accessed and consumed by the business client
- **Sourcing model:** The desired role and actual use of outside counsel and alternative service providers to support production of legal work
- **Technology strategy:** The roadmap for development of technology capabilities
- **Talent strategy:** The critical capabilities, competencies and alignment (to the business) of both individual roles (GC, head of legal ops) and department

Source: Gartner

Six shifts to make in the legal operating model by 2025

Executing these shifts will enable legal leaders to guide the business more effectively through business risk



01

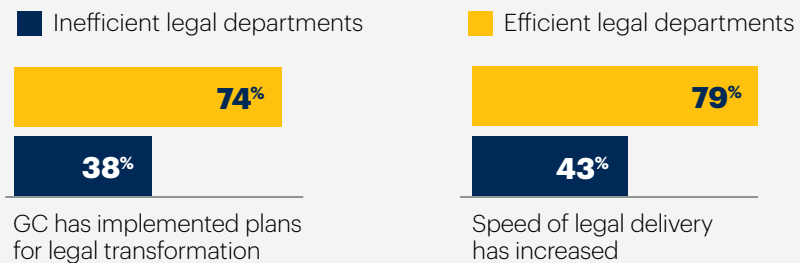
Value driver Assess issues rapidly

What's changing?

Legal must move beyond providing cost-efficient legal advice, and focus on the speed with which it develops appropriate guidance and efficient governance so business partners can quickly make good risk-adjusted decisions and pivot with changing conditions.

Tackling unplanned legal work pays dividends

Legal departments that minimize waste in unplanned work more often execute legal transformation and deliver advice more rapidly



n = 214
 Source: 2020 Gartner Legal Department Projects Panel Survey
 Index based on the average of answers to two 7-point scale questions: "My department is effective at minimizing waste in our responses to unplanned, high-urgency issues" and "Lawyers in my department respond to unplanned, high-urgency issues efficiently."



Legal by 2025

Reimagined service portfolio, delivery and sourcing models, and talent and technology strategies.

- Operating model to prioritize speed and risk alignment.
- Agility and ability to adopt radically rethinking processes at speed.

Action Steps

- Work with business-unit leaders to understand how legal creates organizational drag.
- Target legal processes and cultural norms that contribute to drag and keep legal from enabling adaptive risk taking.
- Ensure that leadership consistently champions and incentivizes adherence to processes and technology that speed risk-aligned guidance.



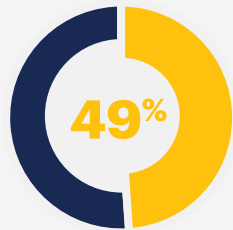
Insights You Can Use: Increase efficiency in legal's unplanned work

02 Service portfolio

Prioritize by decision-making impact

What's changing?

Legal departments can no longer allow business partners to dictate the legal agenda, since their priorities and perceived urgency may not align with what drives enterprise goals. In fact, 20% of legal department time spent on unplanned, high-urgency work is wasted.



Legal departments that embed decision principles for unplanned work saw a 49% improvement in their efficiency.

Source: 2020 Gartner Legal Department Projects Panel Survey

→ **Insights You Can Use:**
Impact strategic decision making and influence the CEO



Legal by 2025

Focus on what legal can do to drive the biggest impact on enterprise decision making, especially as disruption continues to require pivots:

- Understand organizational goals and prioritize enabling legal's contribution to the decisions needed to meet those goals.
- Align resources to decisions that pose high risk to business goals or have high legal and operational uncertainty.

Action Steps

- Agree with functional and business leadership on appropriate service levels for upcoming corporate decisions.
- Determine which upcoming decisions pose novel legal questions; codify guidance and try to integrate into business partner workflows.
- Use business outcomes to evaluate service offerings and decommission legal support as needed.

03 Delivery model

Balance scale and responsiveness

What's changing?

Legal's focus on highly customized guidance has increased responsiveness but isn't efficient or scalable.



Only **29%** of legal leaders provide guidance about how lawyers should use external resources when responding to emerging issues.

Source: 2020 Gartner Legal Department Projects Panel Survey



Legal by 2025

Enterprise-level responsiveness is achieved by scaling guidance and employing indirect support for “run the company” work.

- Fewer touchpoints between legal and the business.
- More processes to standardize and embed guidance for high-volume issues in business partner workflows.
- Faster processes to develop guidance within legal quickly.

Action Steps

- Map business processes that make use of high-volume legal workflows and standardize and build in legal guidance as required. Ensure adequate governance.
- Train business partners on using embedded guidance (emphasize that standard guidance is faster).
- Develop process to disaggregate critical work into discrete tasks.



Insights You Can Use:

Benchmark your legal department performance

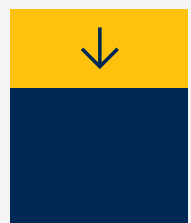
04 Sourcing model

Create a task-based network

What's changing?

Many legal departments now use law firms for the vast majority of outsourced work, but that approach is costly and often time-consuming.

Network sourcing cuts cost



30% potential reduction in law firm cost from using a network in which tasks are assigned to the most capable provider.

Source: 2020 Gartner State of the Legal Function Benchmarking

→ **Insights You Can Use:** Evaluate your outside counsel performance



Legal by 2025

Legal disaggregates matters into individual tasks that can be assigned to the best provider in a diverse network that offers 360-degree issue support.

- Network of law firms, alternative legal service providers, project management support and other non-legal providers.
- Types of common legal work mapped to the tasks within each matter category, and the most efficient and effective providers for each task.
- Location-agnostic providers increase efficiency in an increasingly remote work environment.

Action Steps

- Identify strengths and weaknesses of potential providers.
- Align providers to tasks and risks accordingly (at the right cost). Onboard them, ready to be called upon when needed.
- Evaluate switching costs vs. disaggregation benefits.
- Incentivize lawyers to follow resourcing guidelines by making them easy to use and clarifying their benefits to the department and individual lawyer workflow (e.g., completion speed).

05 Technology strategy

Experiment to deliver business outcomes

What's changing?

Legal departments struggle to exploit technology, often following market hype rather than focusing on their own underlying needs and the investments that could impact broader business outcomes.



By **2023**, virtual legal assistants will field **25%** of internal requests to legal departments at large enterprises, increasing operational capacity for in-house corporate teams.

Source: Gartner



Legal by 2025

More deliberate and adaptable in their tech strategies:

- Rapidly and iteratively mapped current and future operational capabilities identify required technology enhancements.
- Active experimentation with capabilities of modern foundational platforms (e.g., Office 365, Google Workspace) and promising situational technologies (e.g., advanced contract analytics)

Action Steps

- ✓ Identify and prioritize where best-fit technology solutions can improve legal processes, operational capabilities and business outcomes.
- ✓ Create new operating processes in conjunction with technology investments.
- ✓ Work with stakeholders to identify future needs, pressure-test hypotheses and co-create potential solution designs.

➔ **Insights You Can Use:** [Get ahead of the 2021 legal tech trends](#)

06 Talent strategy

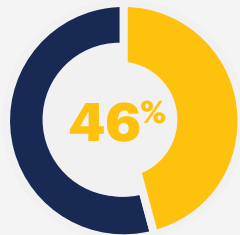
Foster dynamic skill building

What's changing?

Given limited budgets and increasingly unpredictable needs, legal departments can't just hope to hire talent to support predictable future needs.

Expertise beyond technical legal skills

From 2018 to 2020



Digital-ready legal departments increase appropriate legal and compliance risk taking by 46%.

Source: 2018 Gartner Digital Projects Survey

→ **Insights You Can Use:**
Enable strategic business by teaching smart risk taking



Legal by 2025

Skills gaps and mix are identified and adjusted and processes reengineered to align to skills.

- Lawyers and nonlawyers have skills that help build organizational resilience, including analytics, technology, process management and change management skills.
- HR and legal work closely to identify untapped skills within the department, borrow talent from other functions and hire outside of traditional pipelines to find qualified talent.

Action Steps

- ✓ Partner with HR to create a shared skills inventory across the organization to find available talent with skills to support legal.
- ✓ Develop processes to decide when to build, buy or borrow necessary skills, and identify the best-fit sources of skills within and beyond the organization.
- ✓ Motivate legal staff to build important new skills by changing goals and incentives.

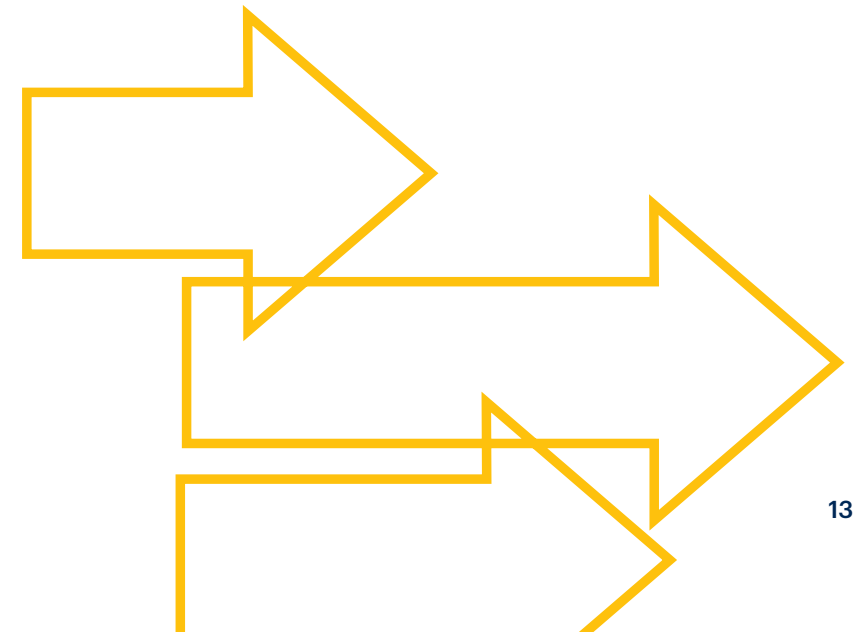
Conclusion

Even before the pandemic, geopolitical, regulatory, technological, social and environmental trends were signaling that the disruptive conditions experienced in recent years would continue. COVID-19 has exacerbated and accelerated uncertainty — and put an end to expectations of a stable “new normal” anytime soon.

Organizations will differentiate themselves by their resilience during this era of perpetual disruption, and GC have a key role in enabling that resilience: They must synthesize this rapidly changing environment into a vision for legal department service.

The GC mandate? To ensure that the legal department can efficiently enable business strategy when the need for legal support keeps changing.

Use these six shifts as a roadmap for creating a more flexible, resilient legal department that more effectively leverages technology and organizes its service provider networks to increase long-term productivity and support business growth.



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