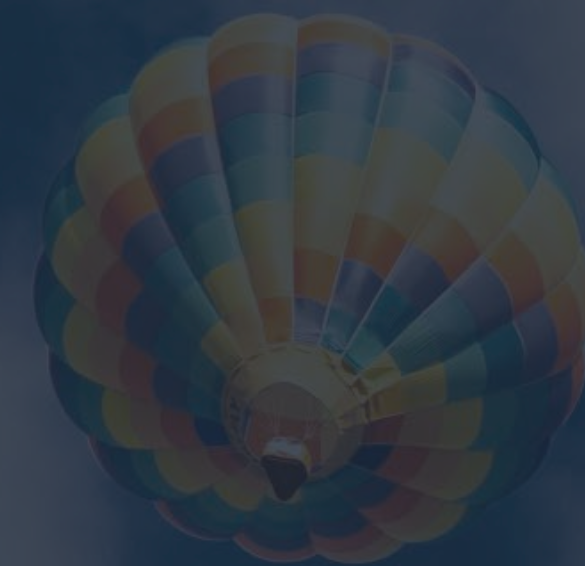


# The Agile Legal Function

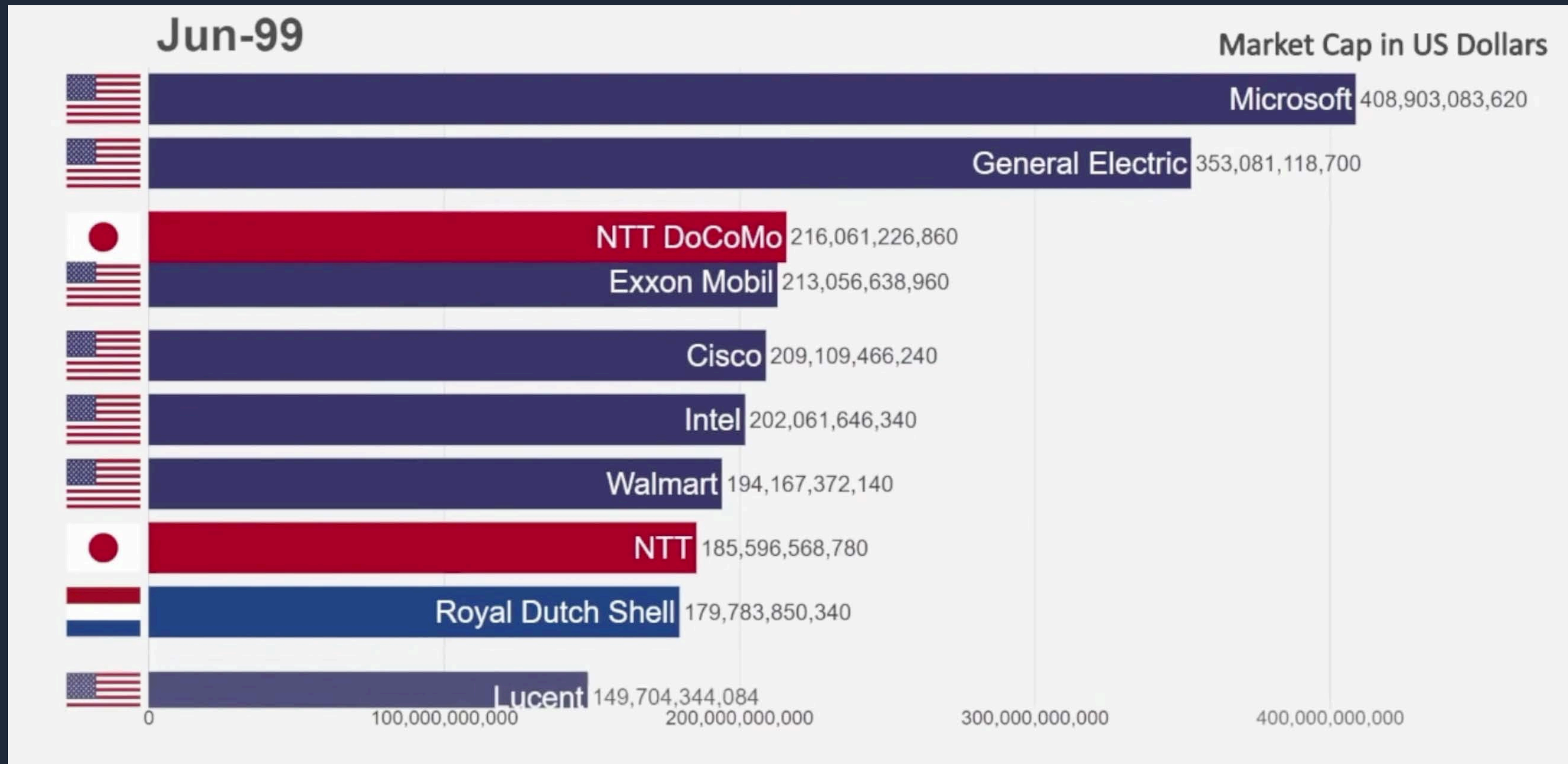


Accelerating the impact of Legal through greater agility, risk resilience and speed



# Most Valuable Companies in the World

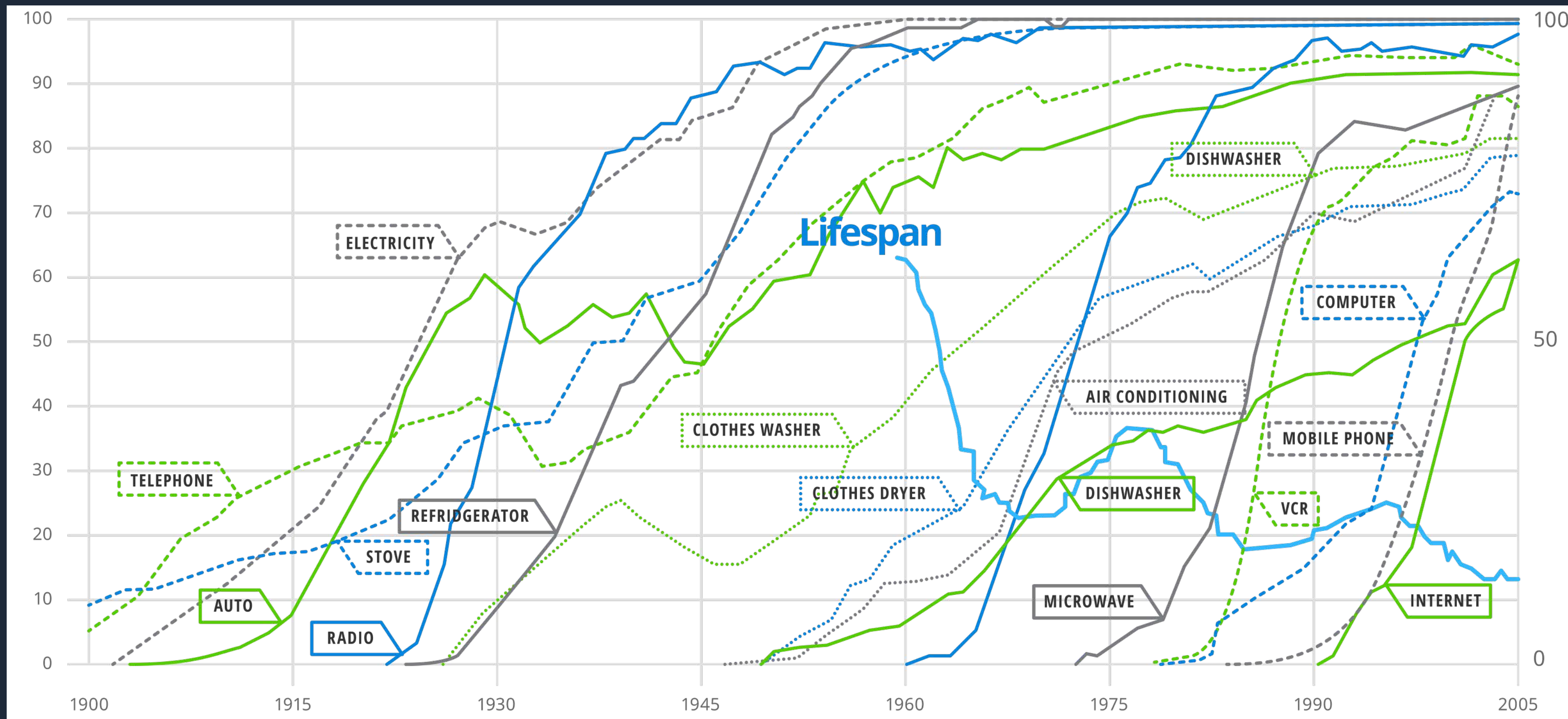
## Top 10 Most Valuable Companies in The World (1997-2019)





# In the modern world, change is the constant

Technology adoption accelerates. S&P500 company lifespans decline



**“There are decades where nothing happens; and there are weeks where decades happen”**

- Vladimir Ilyich Lenin.

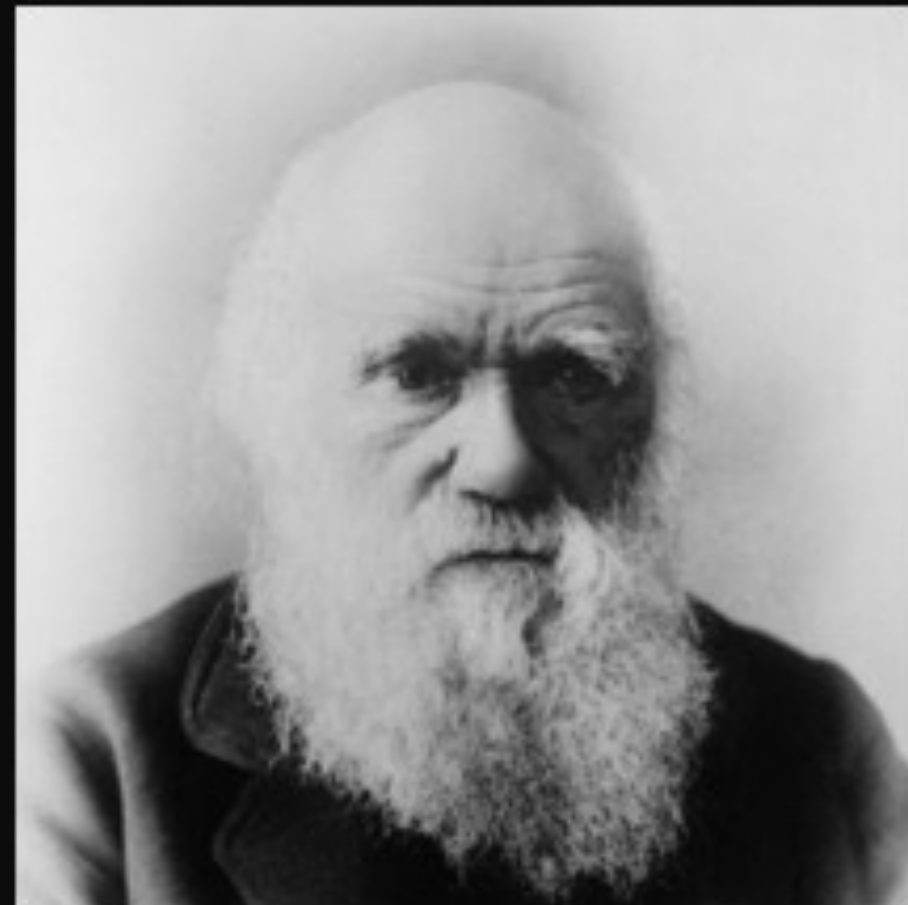
**Over 80% of the value of the  
S&P 500 is in intangibles...**



**“The modern enterprise is merely a nexus of contracts”**

- The Economist

# Legal's new mission statement: The Legal Agile Manifesto



It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change, that lives within the means available and works co-operatively against common threats.

Charles Darwin - The Origin of Species

**“Though almost 40% of General Counsel gave their team top marks for contributing to the commercial value of the company, only 14% of CEOs did so”**

  
- Bain & Company



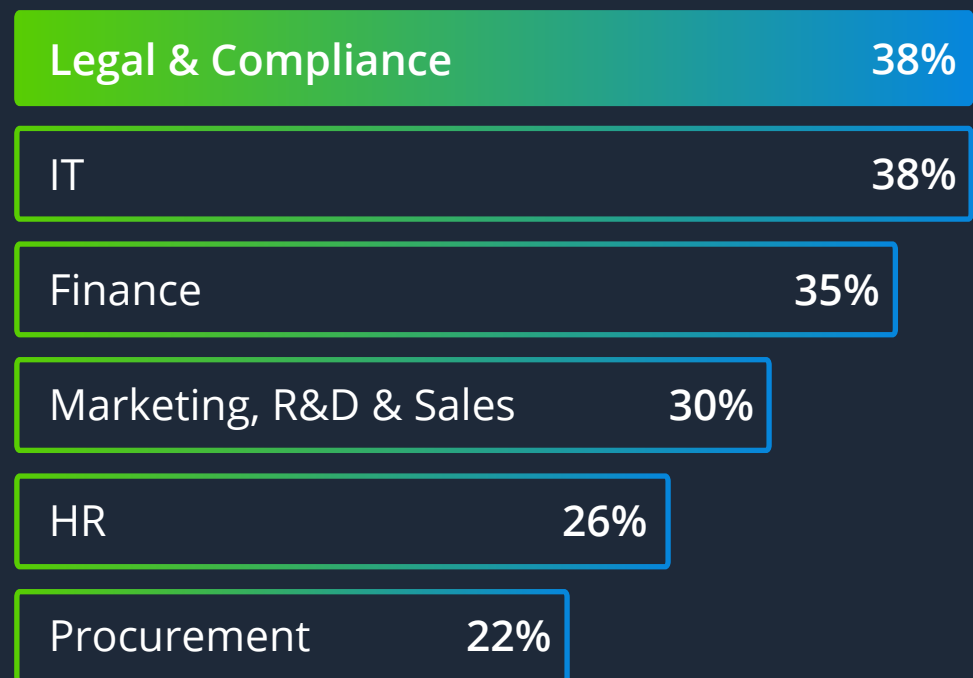
# 85% of legal tasks go unsupported within the enterprise

3%

of GCs increasing headcount

Yet. Headcount budgets aren't increasing...

1



Ranking of blockers of execution

Resulting in legal being seen the greatest blocker of execution...

2

24%

of clients who feel they get value from the legal function

Which leads to very low client satisfaction...

3

65%

increase in GC turnover in last 3 years

Leading to CEOs demanding a different kind of Legal leader...

4



# Legal department performance efficiency has stagnated

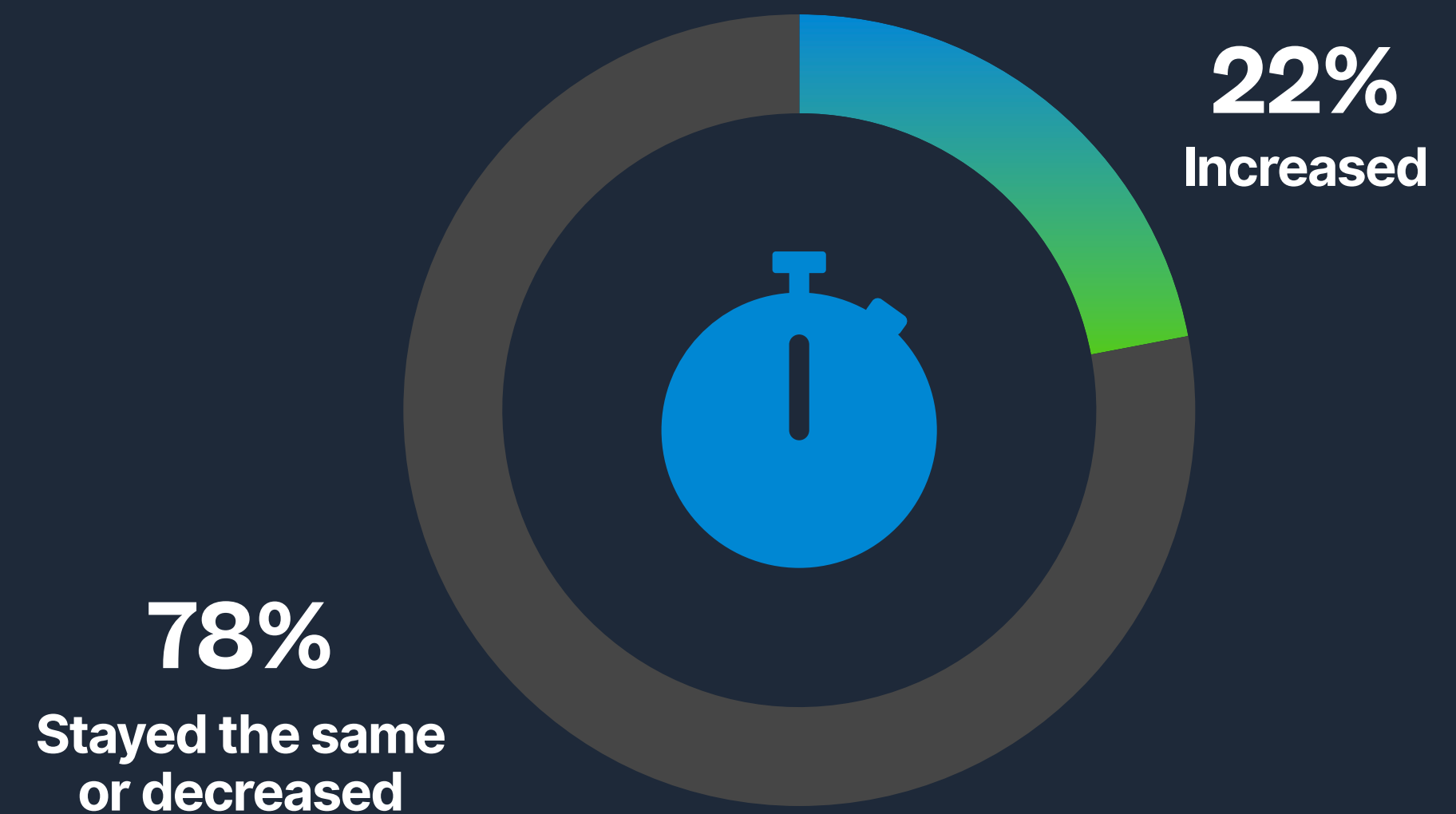
## Legal cost over past 2 years

Change in cost as a percentage of revenue

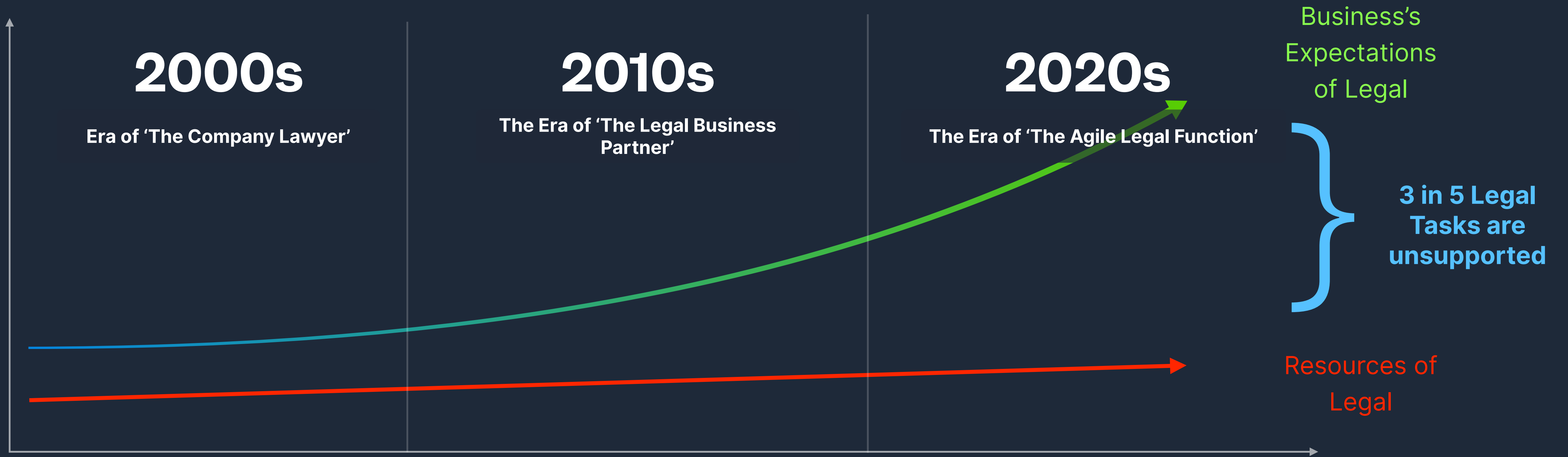


## Legal speed over past 2 years

Change in speed



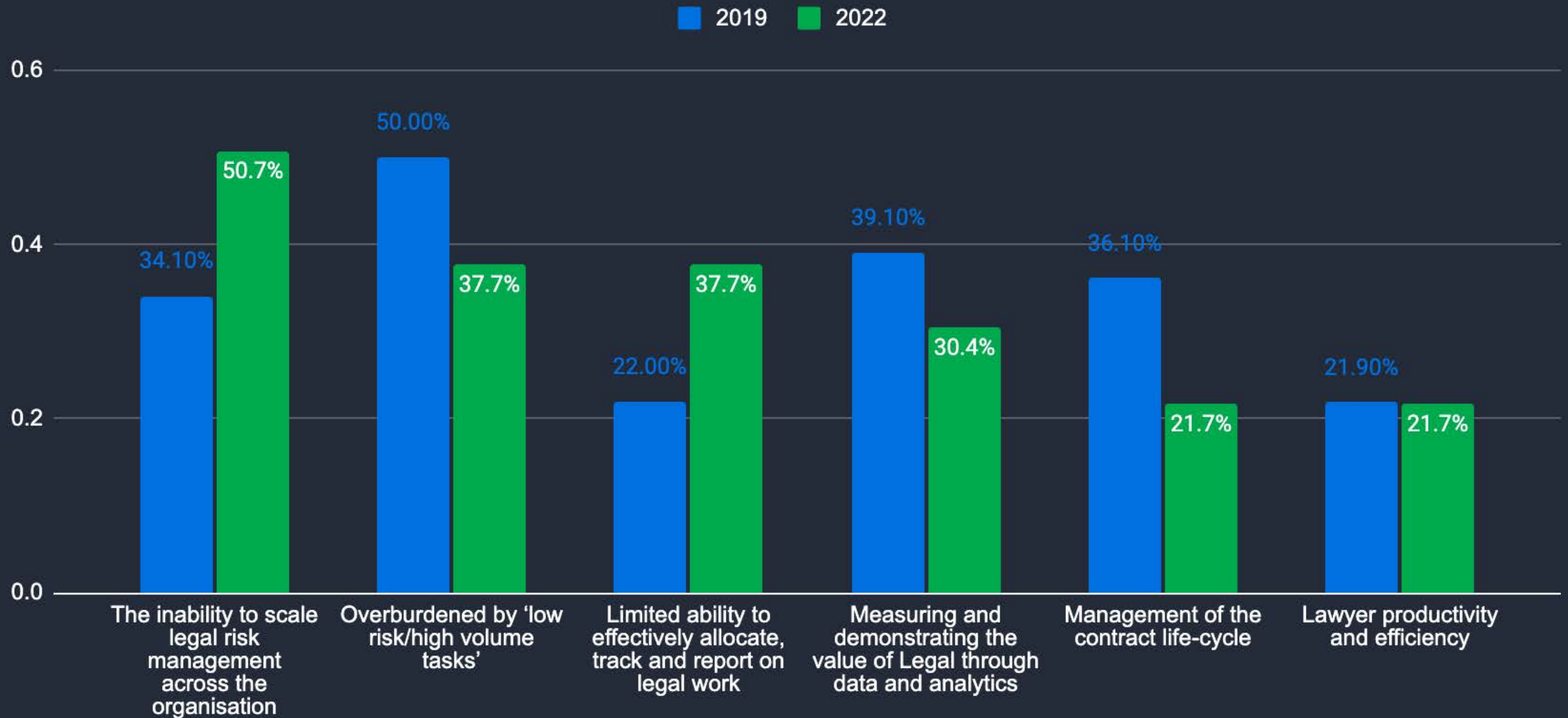
# What got you here - won't get you there



## Key priorities

- |   |  |  |
|---|--|--|
| <ul style="list-style-type: none"> <li>▸ Law firm management</li> <li>▸ Technical knowledge</li> <li>▸ Governance</li> <li>▸ Contract Management</li> </ul> | <ul style="list-style-type: none"> <li>▸ Commerciality</li> <li>▸ Solutions orientation</li> <li>▸ Compliance with new regulations</li> <li>▸ Legal department management</li> </ul> | <ul style="list-style-type: none"> <li>▸ Scalable service delivery</li> <li>▸ Evolving supplier mix</li> <li>▸ Regulatory sensing</li> <li>▸ Advancing strategic objectives</li> </ul> |
|---|--|--|

# Legal's Top 5 Functional Challenges



**What is the Agile Legal Manifesto?**



# In a high VUCA environment organisations are moving to Agile

“Traditional organisations are built around a static, siloed, structural hierarchy, whereas agile organisations are characterised as a network of teams operating in rapid learning and decision-making cycles.

An agile organisation can ideally combine velocity and adaptability with stability and efficiency."

- McKinsey 'The journey to an Agile organisation'





# This new environment requires a change in every aspect of the Legal Operating Model

- 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

# The Agile Organisation: Multiple implications for Legal

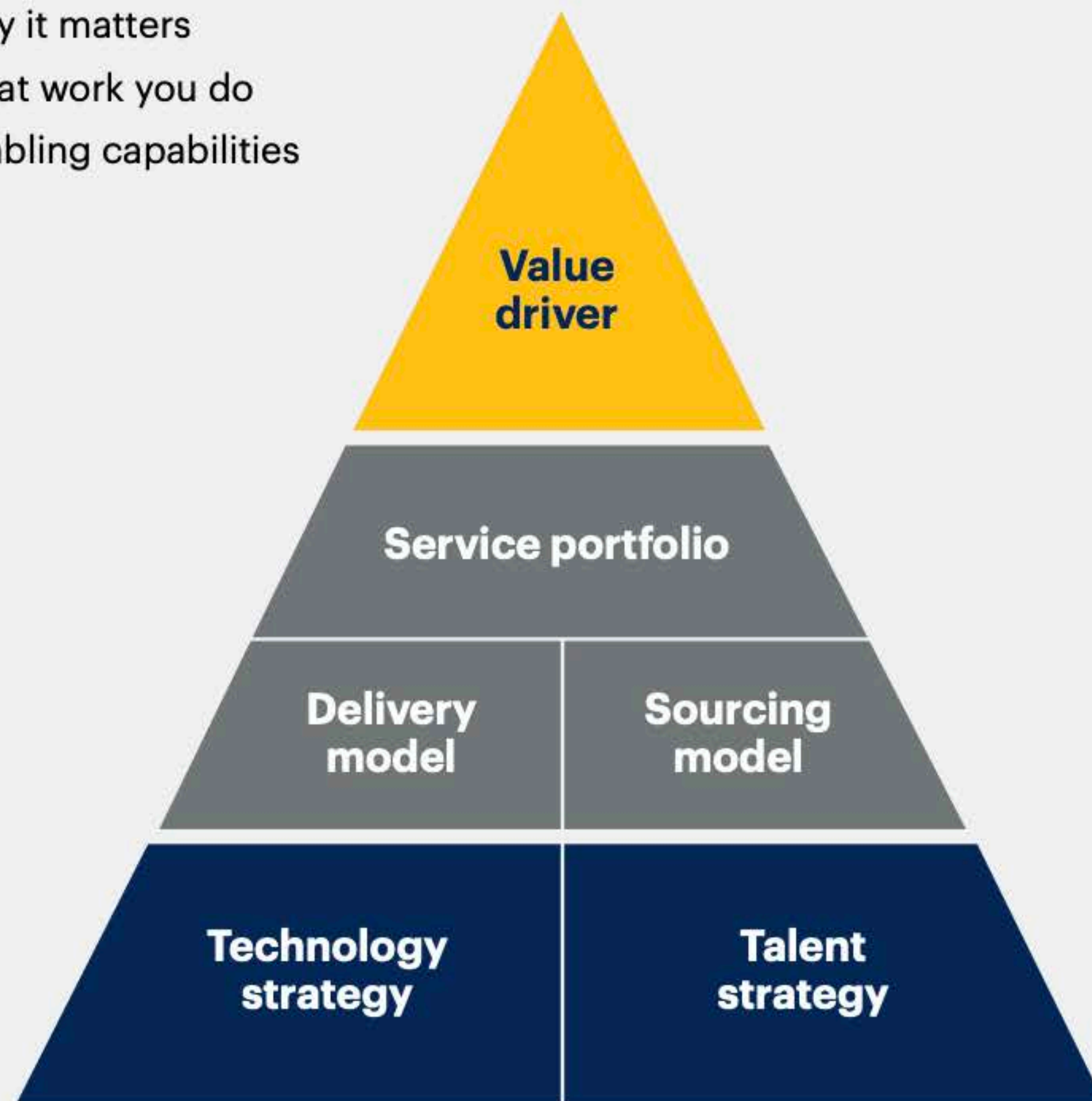
## 1. Agile Org. Design

Design centred on client value, not functional alignment. Allowing for segmentation across decision support, risk

## 2. Agile Technology Adoption

Agile Functions index on speed over quality. They spend 4x their peers on technology to scale legal risk

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



## 4. Agile Risk Mgt:

Have embedded legal risk management principles into existing processes to increase Legal IQ and move the locus of risk management closer to

## 3. Agile Talent & Sourcing:

Have moved to a more diverse 'fit for purpose talent and sourcing model embracing: onshore & offshore, New Law & Big Law,

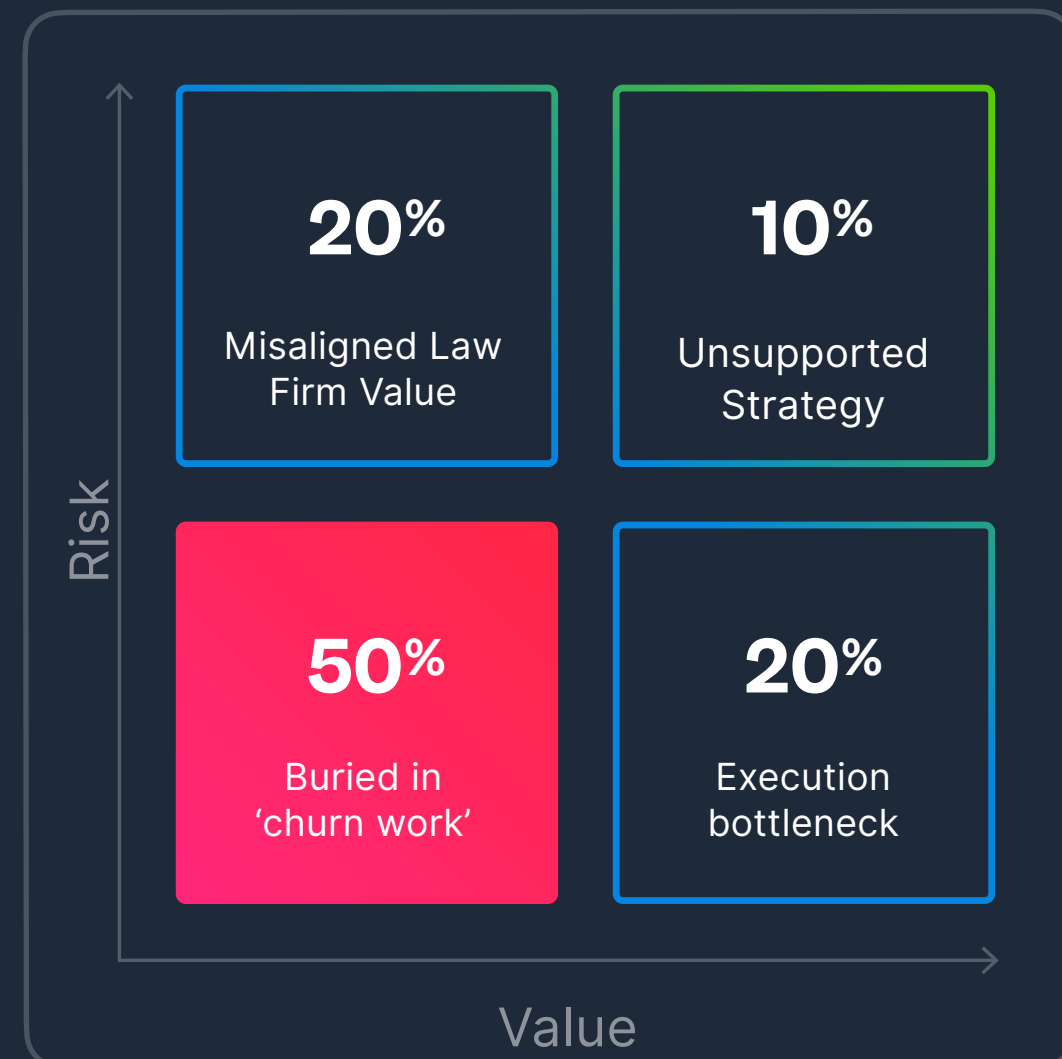


# Agile legal leaders are addressing four key priorities



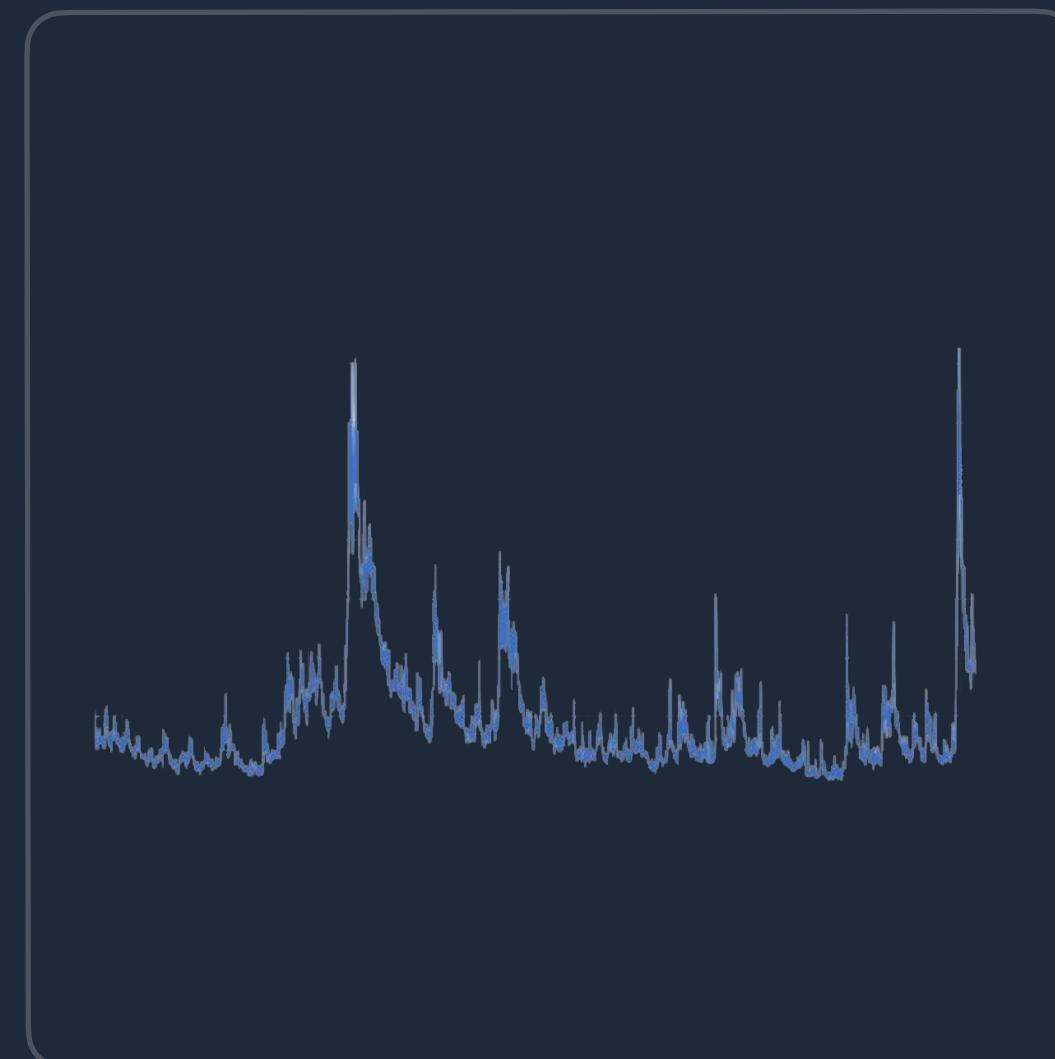
1

Moving to an 'Agile Legal Function' to scale up capability and capacity to



2

Restructuring organisational design deliver



3

Adopting 'Risk Agility' to better prioritise low resilient/high velocity risks



4

Scaling Legal Risk Management through technology

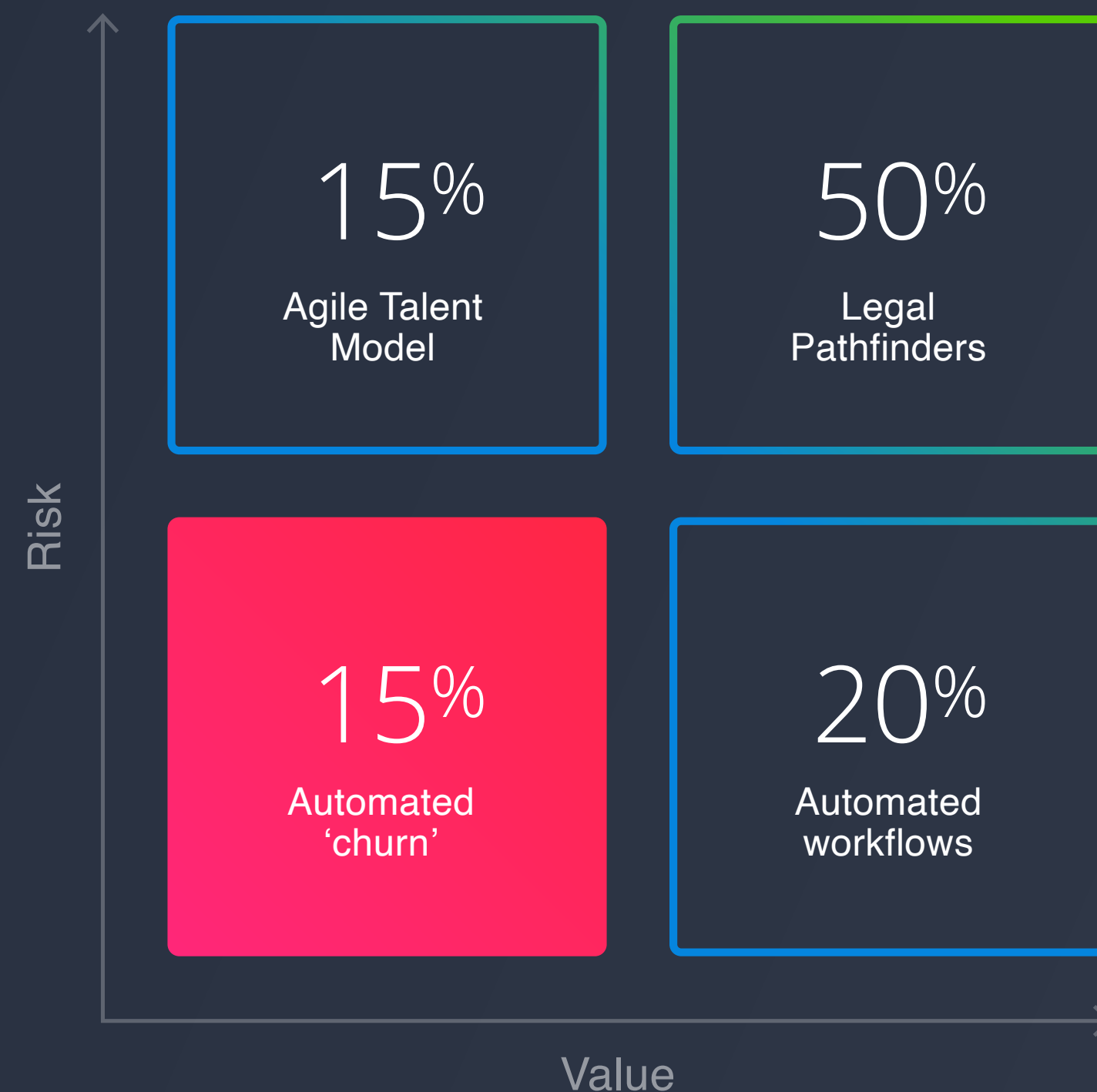
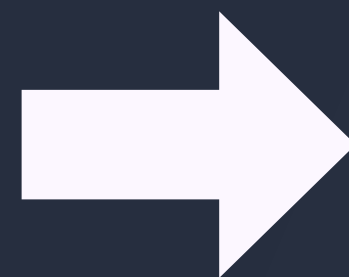
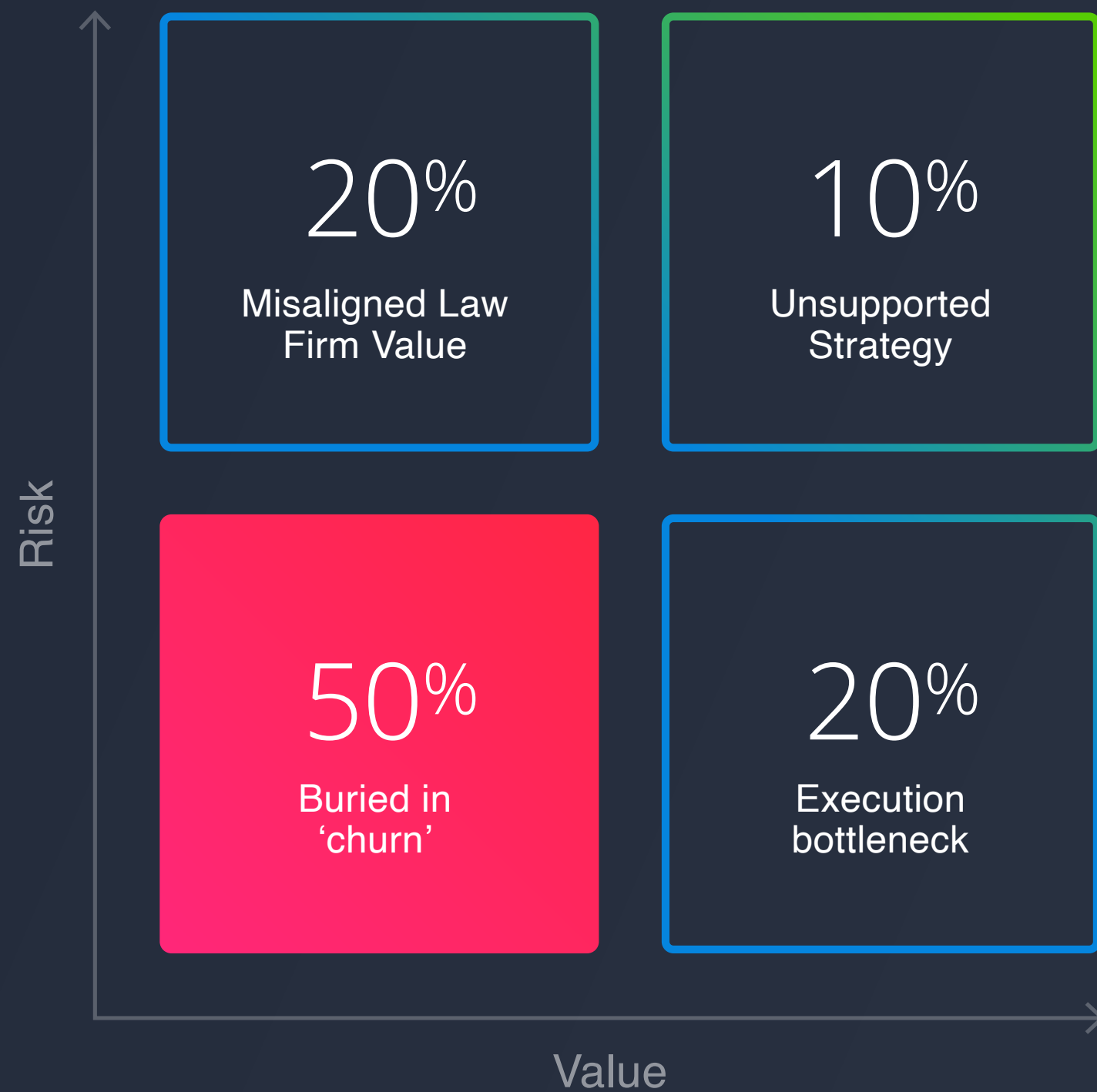


# Adopting Agile Organisation Design

# Agile Legal Functions have moved from 'bottleneck' to 'pathfinder'

Most GCs build their function's capacity to

Agile GCs build the organisation's capacity



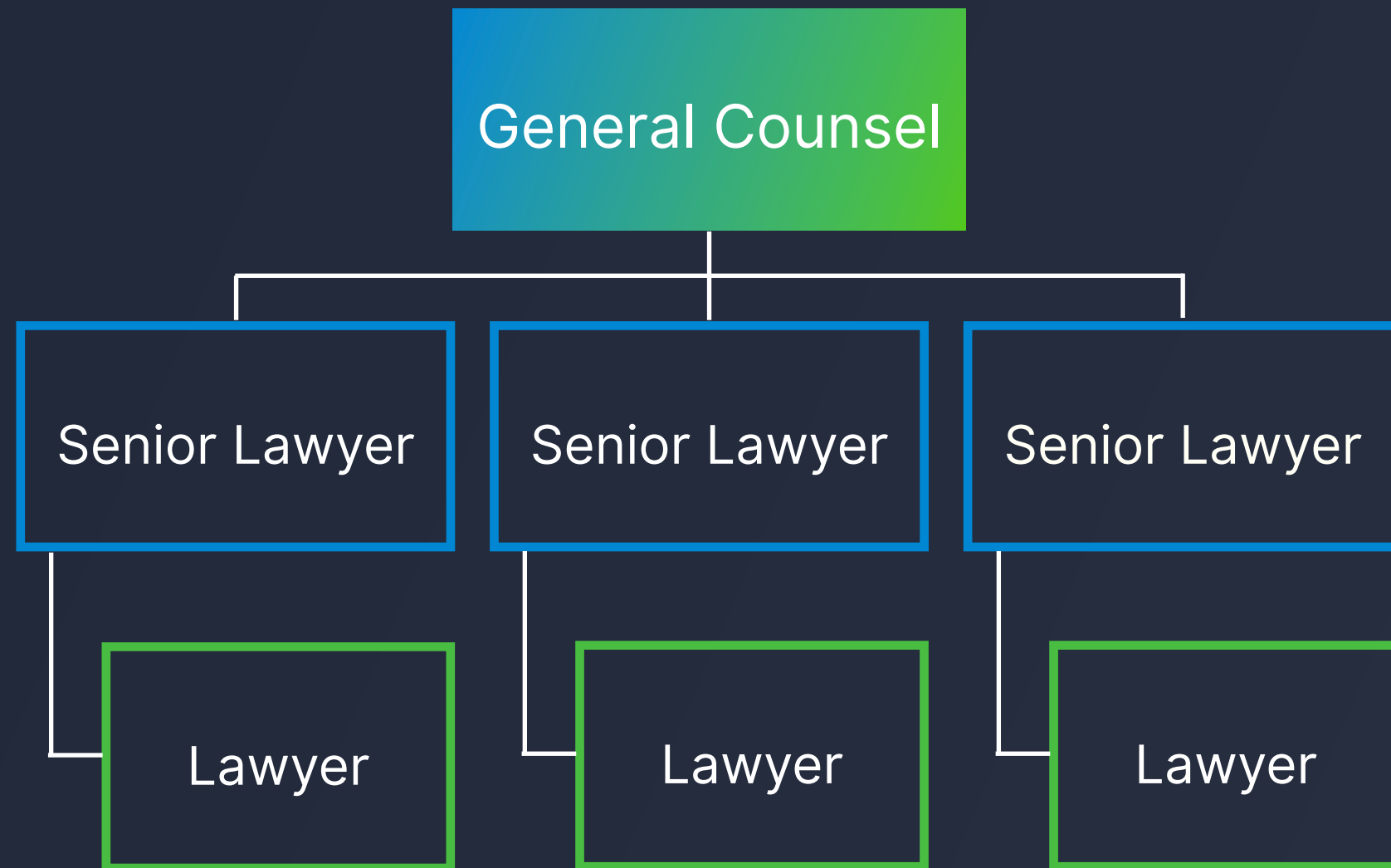
# Agile Organisation design

*‘An agile organization doesn’t deliver work according to a classic organization chart; rather, it can be thought of as a series of cells (or “teams,” “squads,” or “pools”) grouped around common missions, often called “tribes.”*

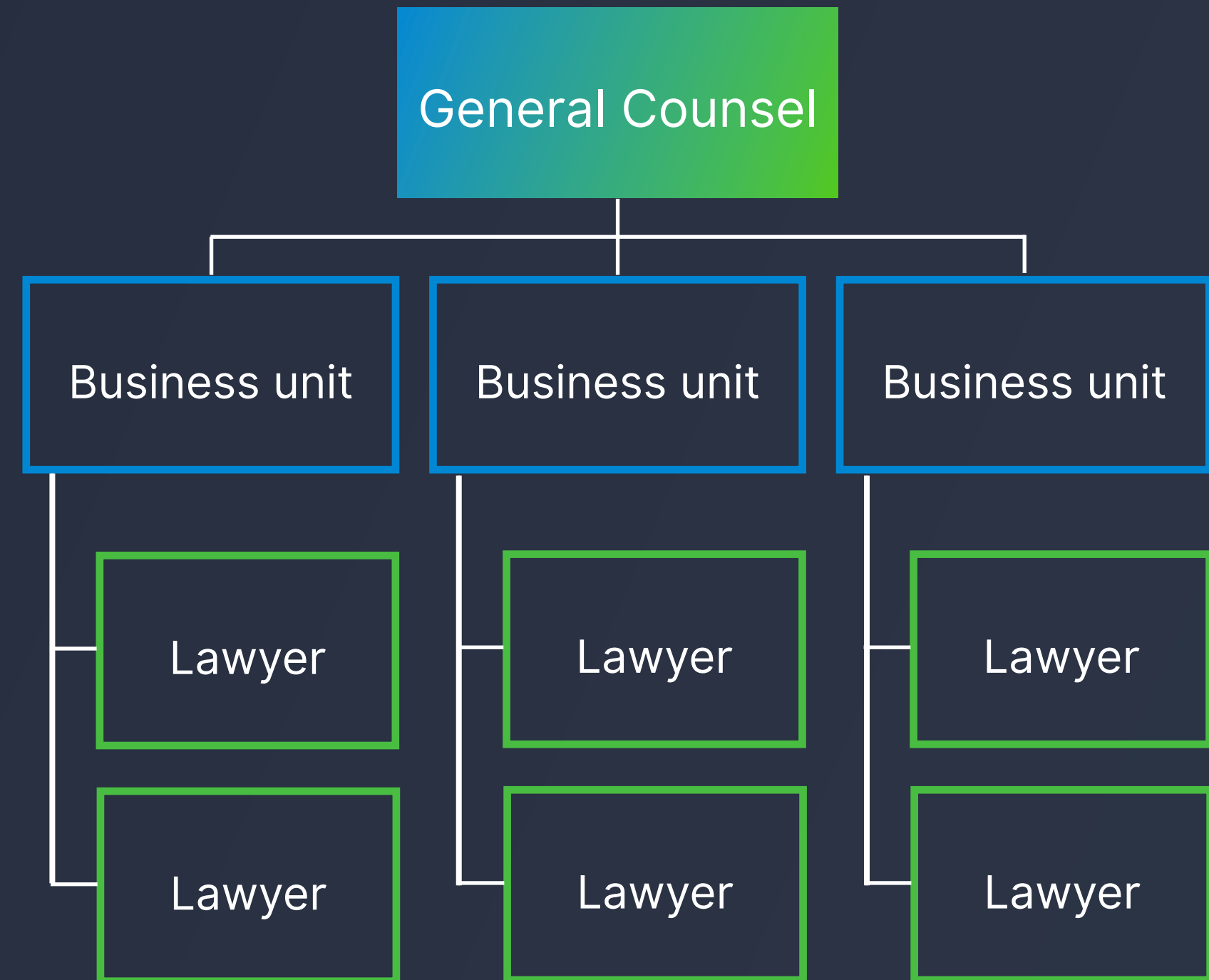
*- McKinsey & Company The Journey to an Agile Organisation*

# Traditional view on organisational design

## Central Pool Structure



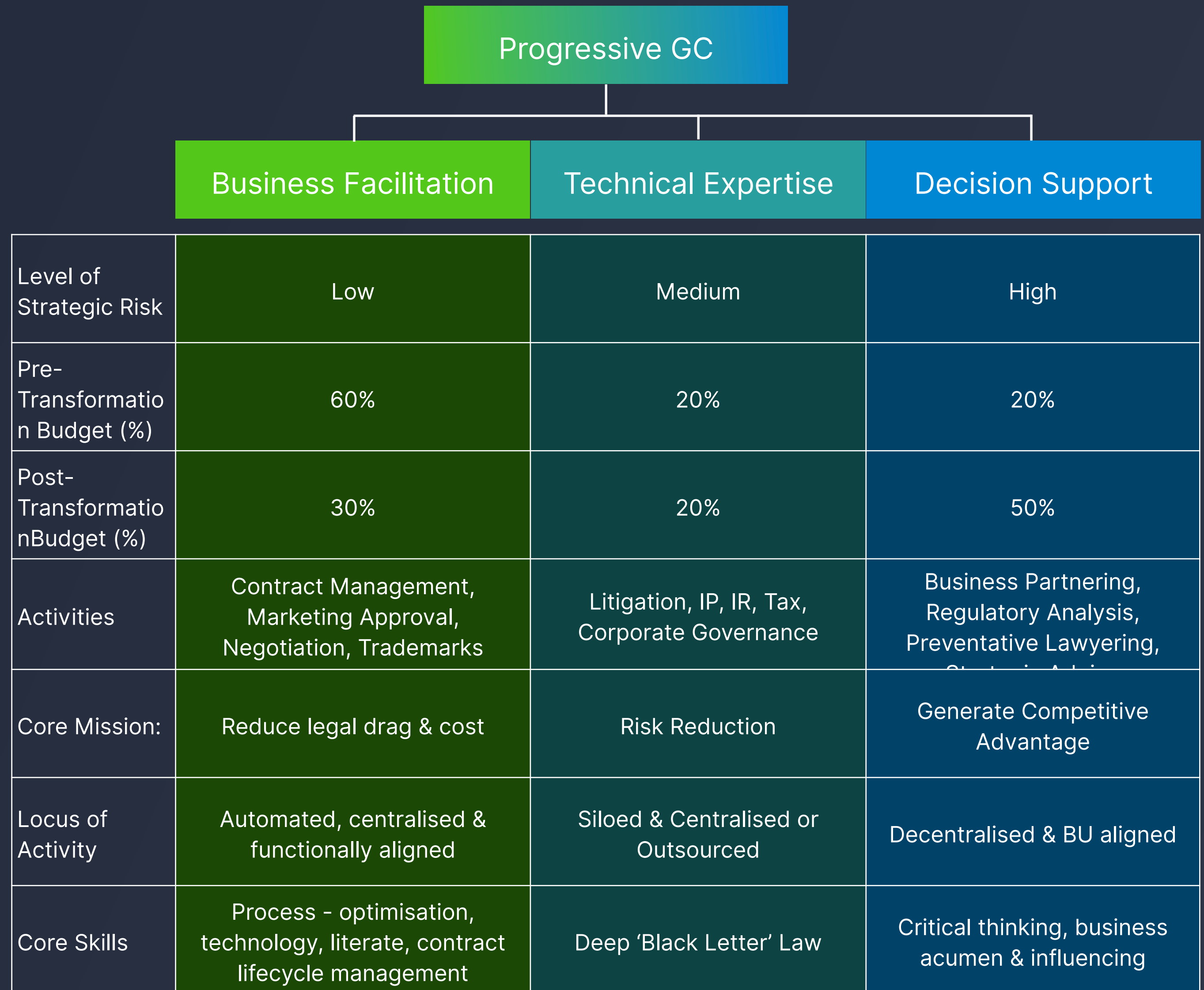
## Business Unit Structure





# The Triple Threat

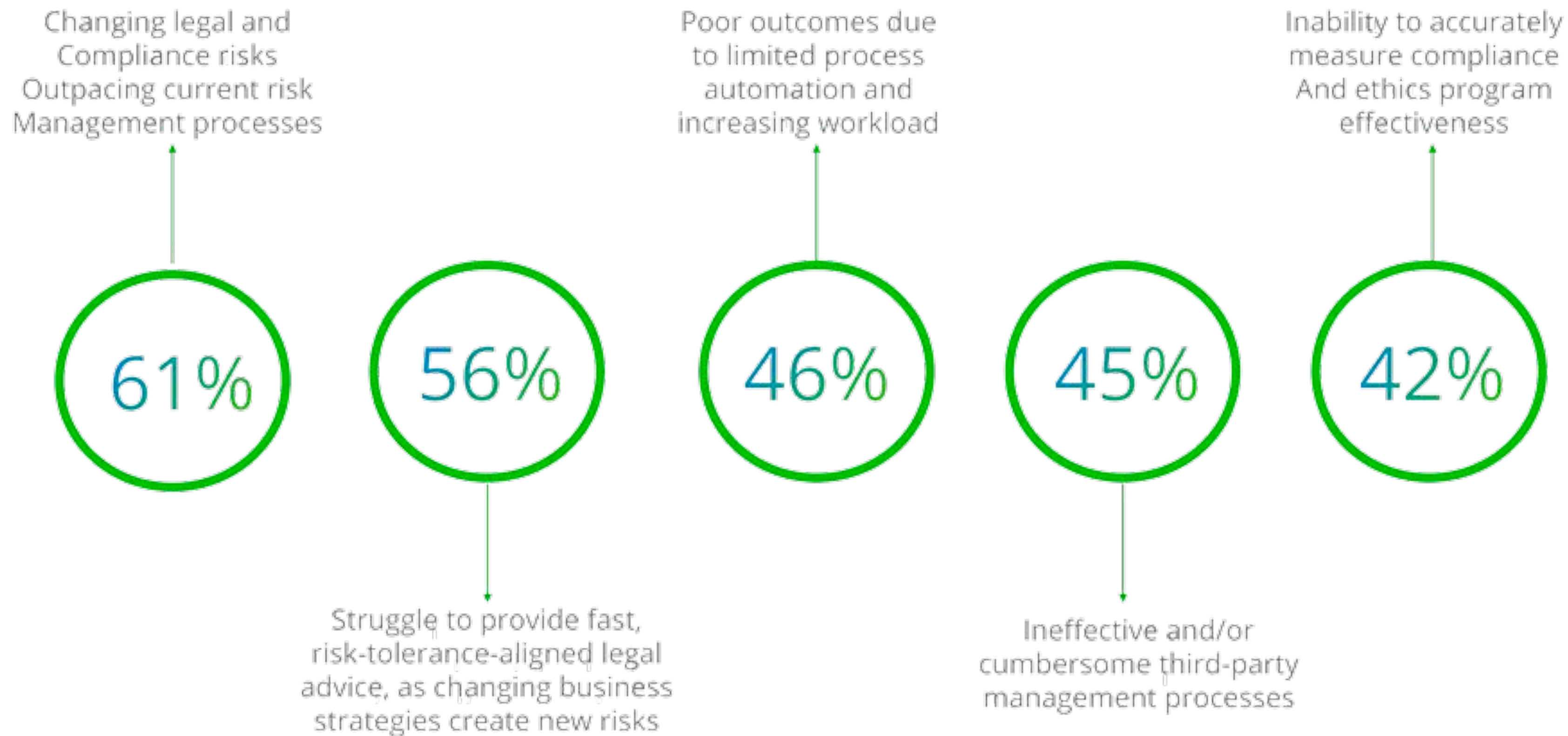
Transformational GC's pursue the concurrent, yet opposing, objectives. Requiring a rethink of structure, performance management, operations & talent.



# Agile Risk Management

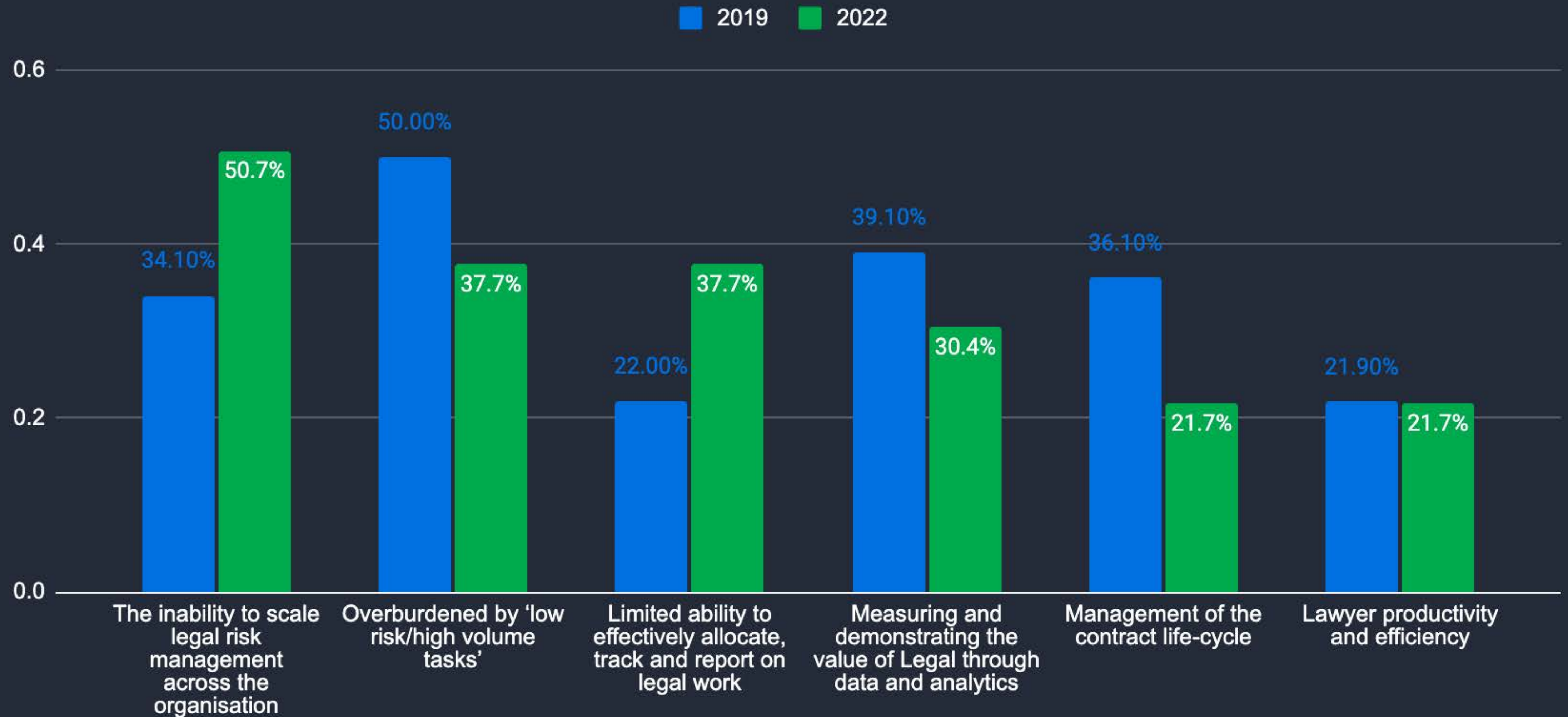
Solving the root cause of all Legal's ills

# Although Legal risk only accounts for 3% of Enterprise Risk, it causes as many problems as it solves



% of legal and compliance clients ranking as top 5 problem

# Legal's Top 5 Functional Challenges





# Traditional One Dimensional View of Risk Management

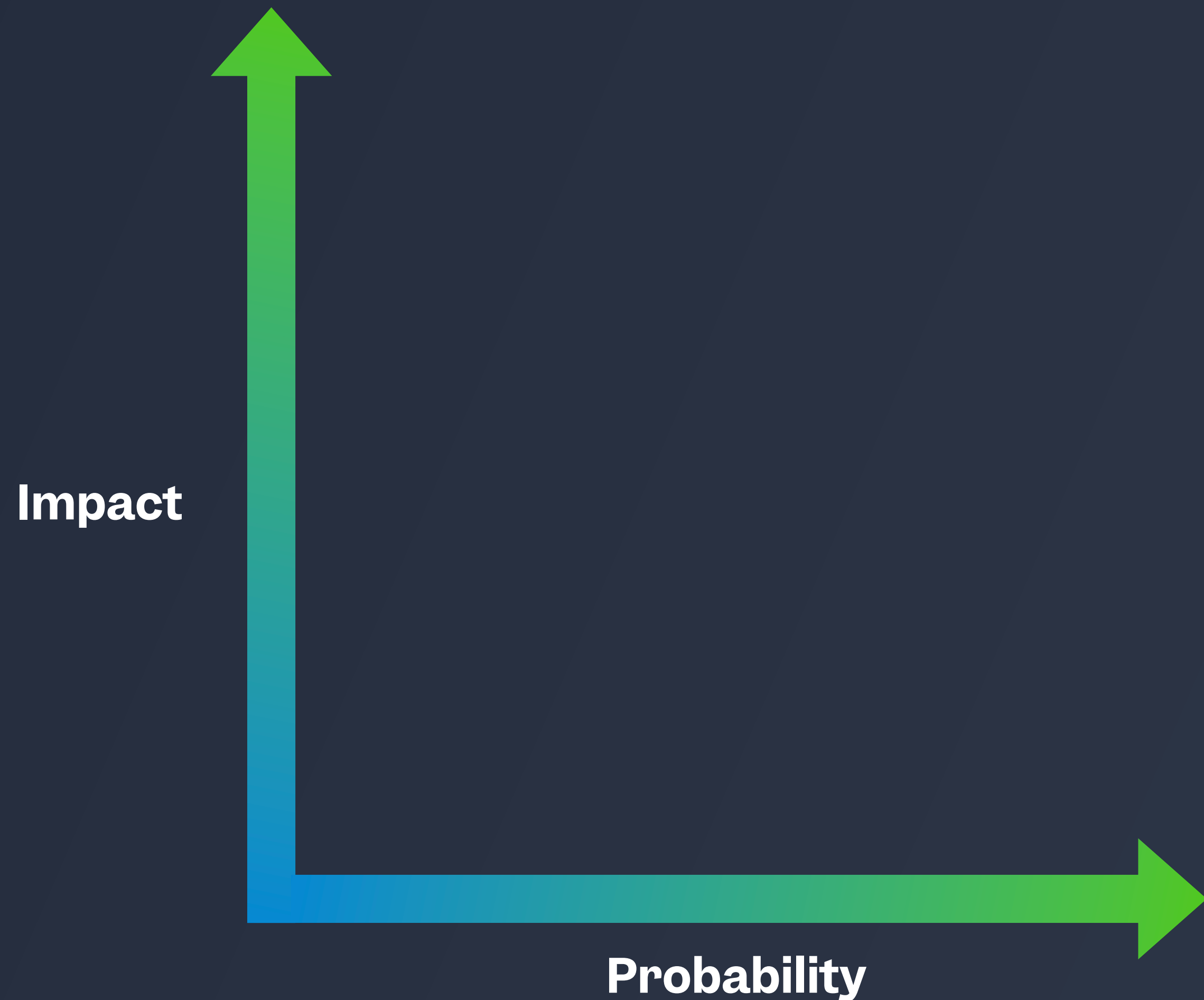
Many inhouse lawyers believe risks of any impact should be eliminated - regardless of their probability...leading them to be perceived as uncommercial

**Impact**



# Evolved Two Dimensional View of Risk Management

More progressive functions have aligned risk tolerances across their teams to their Enterprise Risk Management framework. However, this does not account for the speed at which the risk is moving, or the organisations ability to respond to the risk.

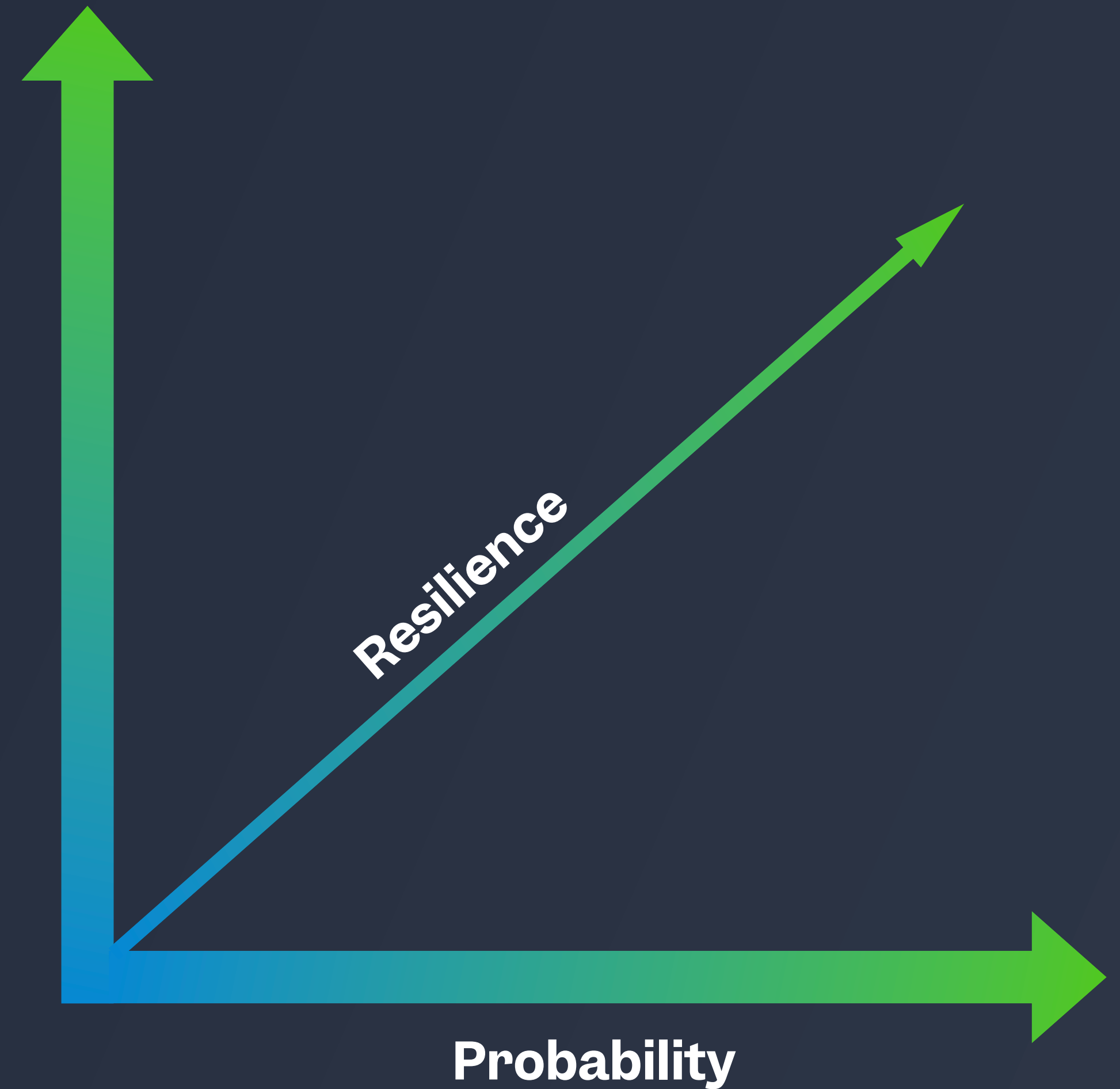


# Risk Resilience: Agile Legal Functions add a 'third dimension' to risk assessment

The most progressive legal functions overweight risk mitigation on those risks that are they have the lowest resilience to.

$$\text{Resilience} = \text{Velocity} \times \text{Mitigation Potential}$$

Impact



# Case in point: Contract Review Policy

Agreement Type	Impact (\$)	Probability (%)	Resilience	Notes
<b>\$100m travel expenditure</b>	High	Low	High	Although high dollar value, we have a termination for convenience, and we can easily substitute
<b>\$1,000 manufacturing component</b>	Low	Low	Low	Although low dollar value, the consequences to our supply chain of failure are enormous and we will have little opportunity to mitigate the risk.

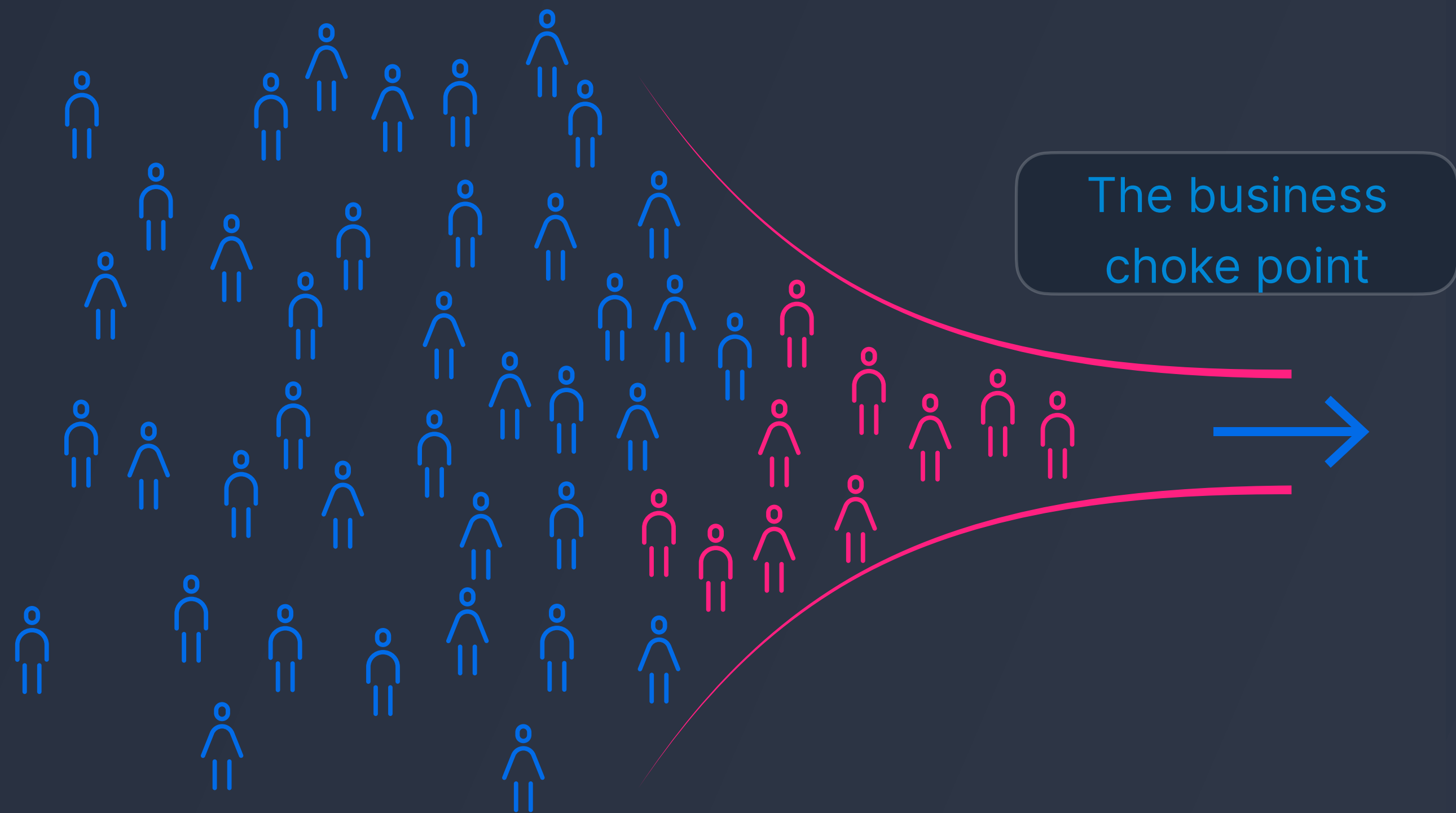


# Scaling Legal Risk Management through Digitisation & Automation

# Challenge #3

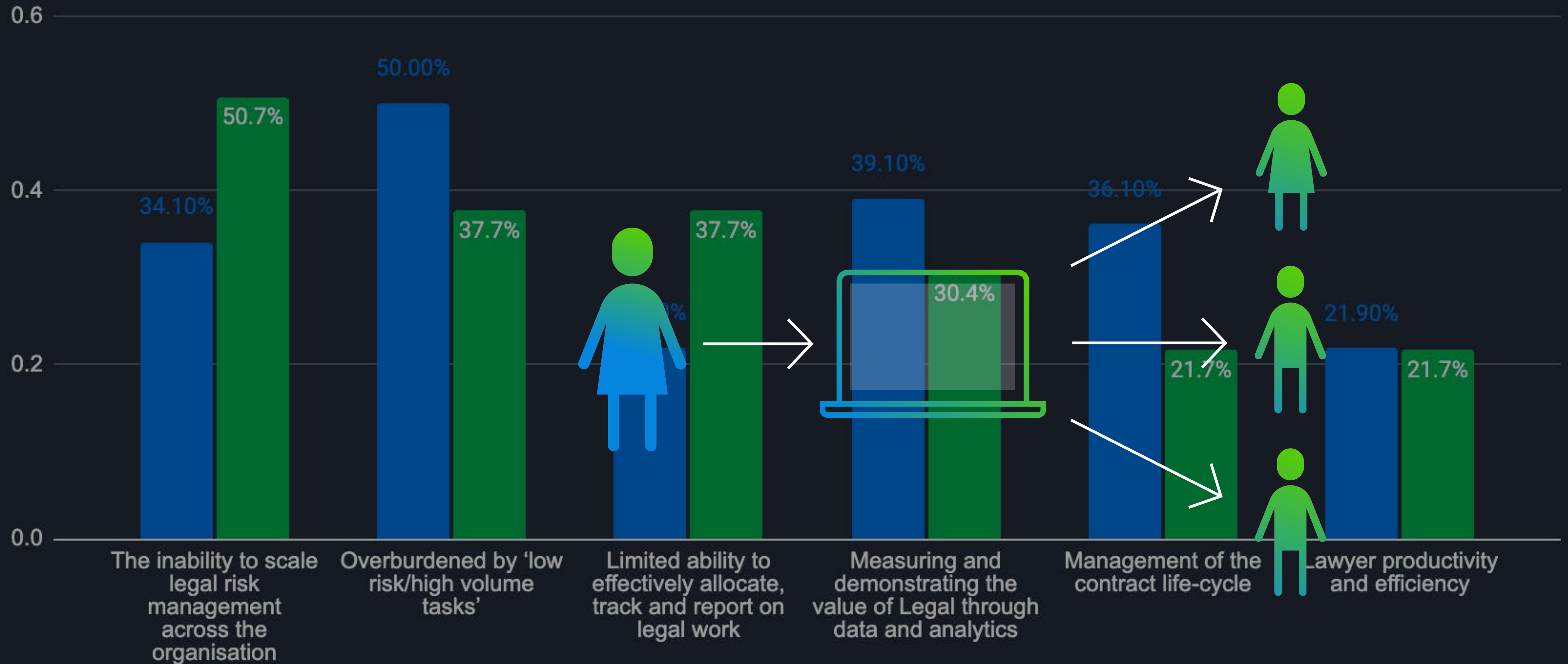
It is impossible for a legal team of any size to reach the +82% of employees who make decisions that impact risk every day.

MORE FOR LESS....HAS FAILED



# Legal's Top 5 Functional Challenges

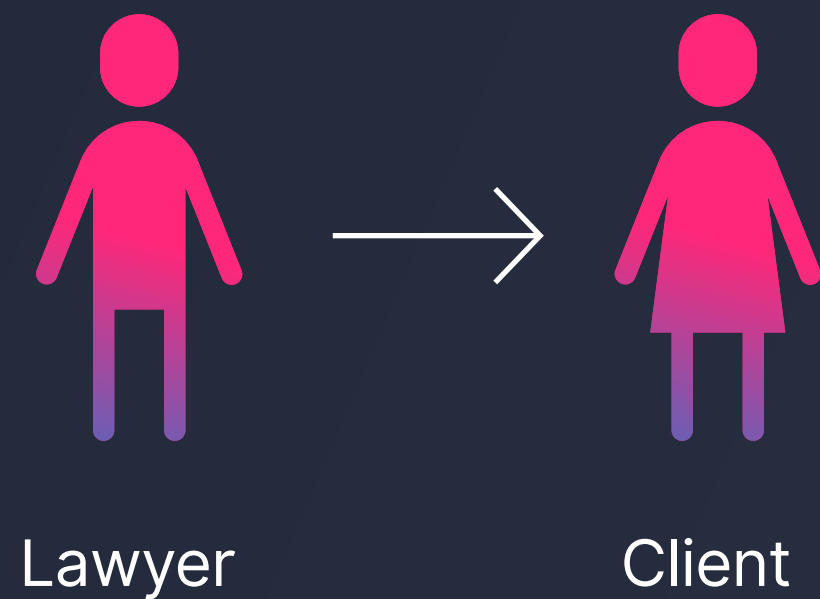
2019 2022



# The BIG Idea

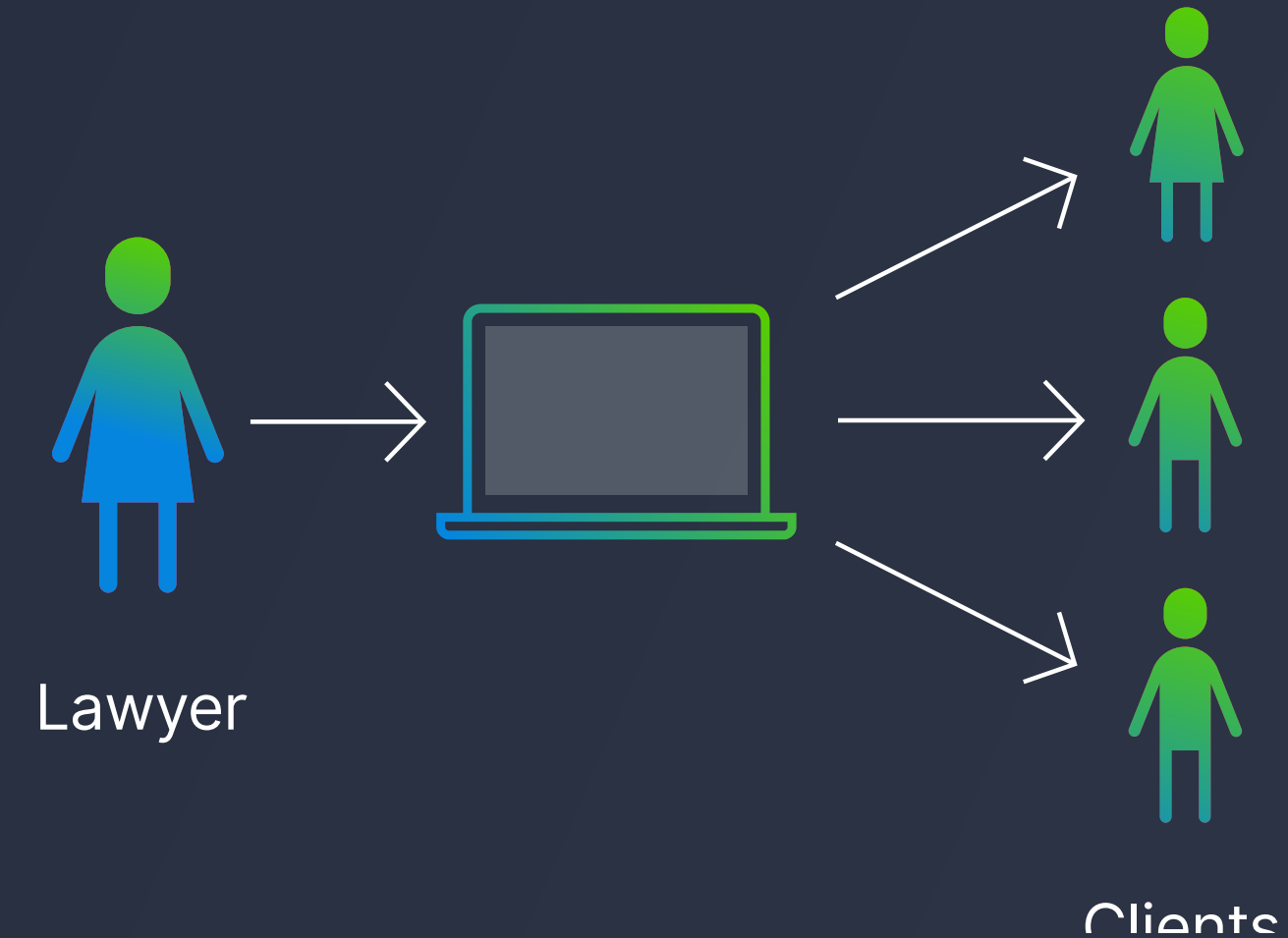
## The Function of The Past

Focused building the legal departments **capacity to support more legal decisions.**



## The Function of The Future

Focused on building the organization's **capacity to make better legal decisions.**





**Harder *has failed.***  
**It's time to work smarter.**



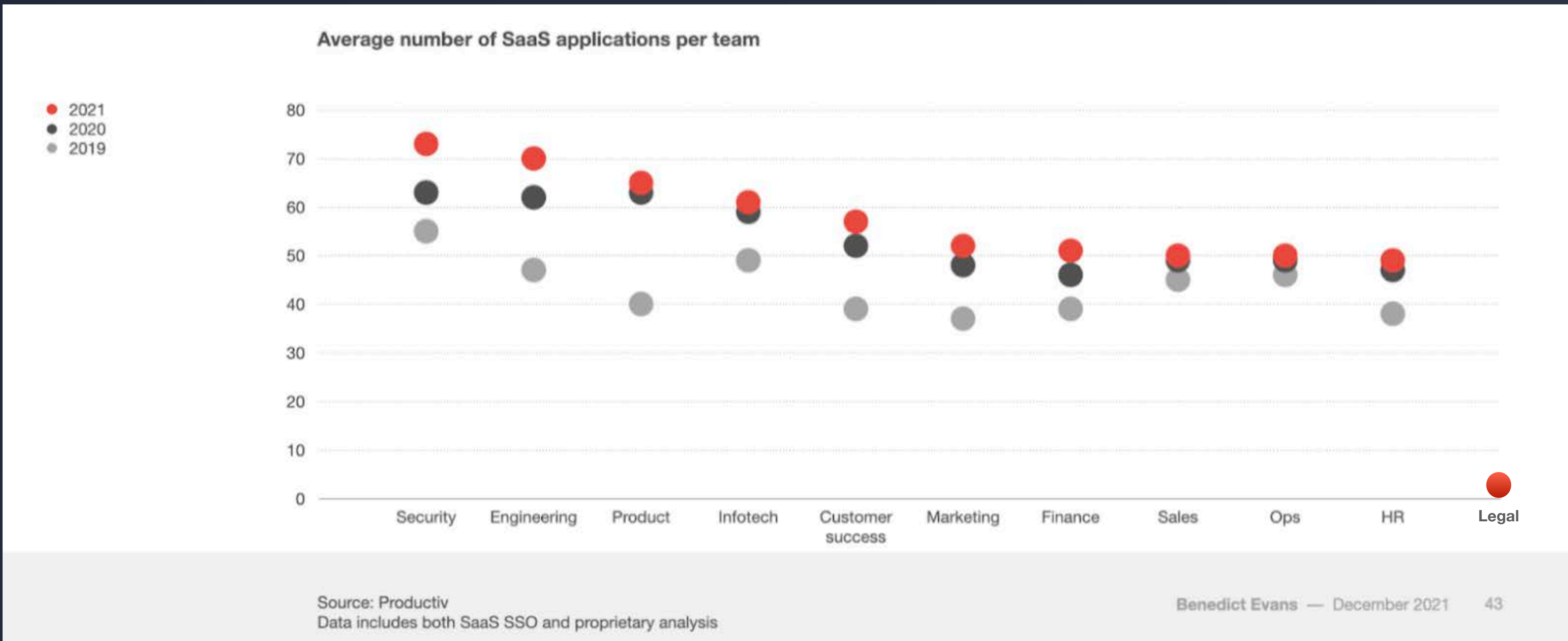
**The only way to deliver more value is to change  
*how legal risk gets managed.***



**“I know I should be leveraging technology... but I don’t know what I should be doing about it.”**

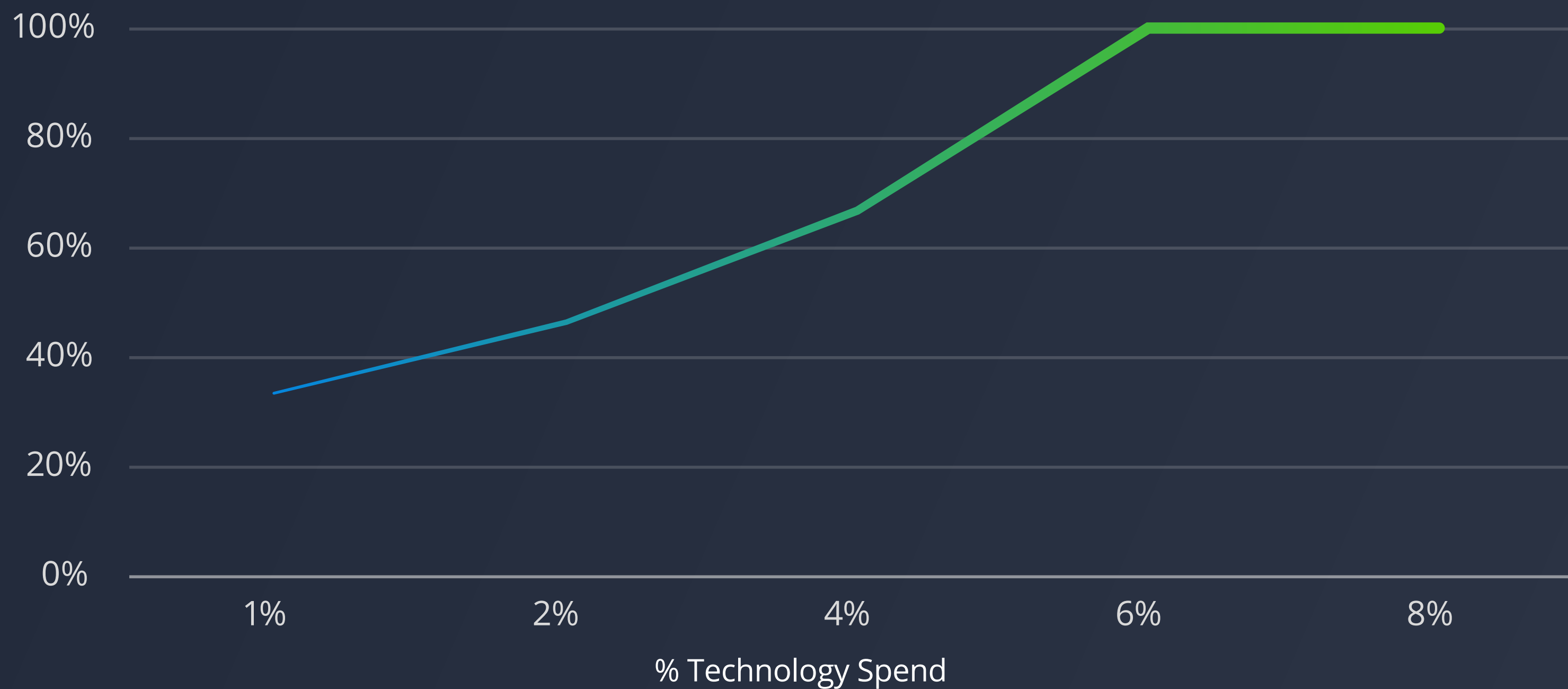
- ASX 50 GC

# Legal Functions are materially behind peers in their adoption of technology...Gartner forecasts 4 technology applications by 2025



# Those functions who report the greatest Transformation maturity also report the highest (%) spend on technology

### Transformation Maturity Vs Technology Spend

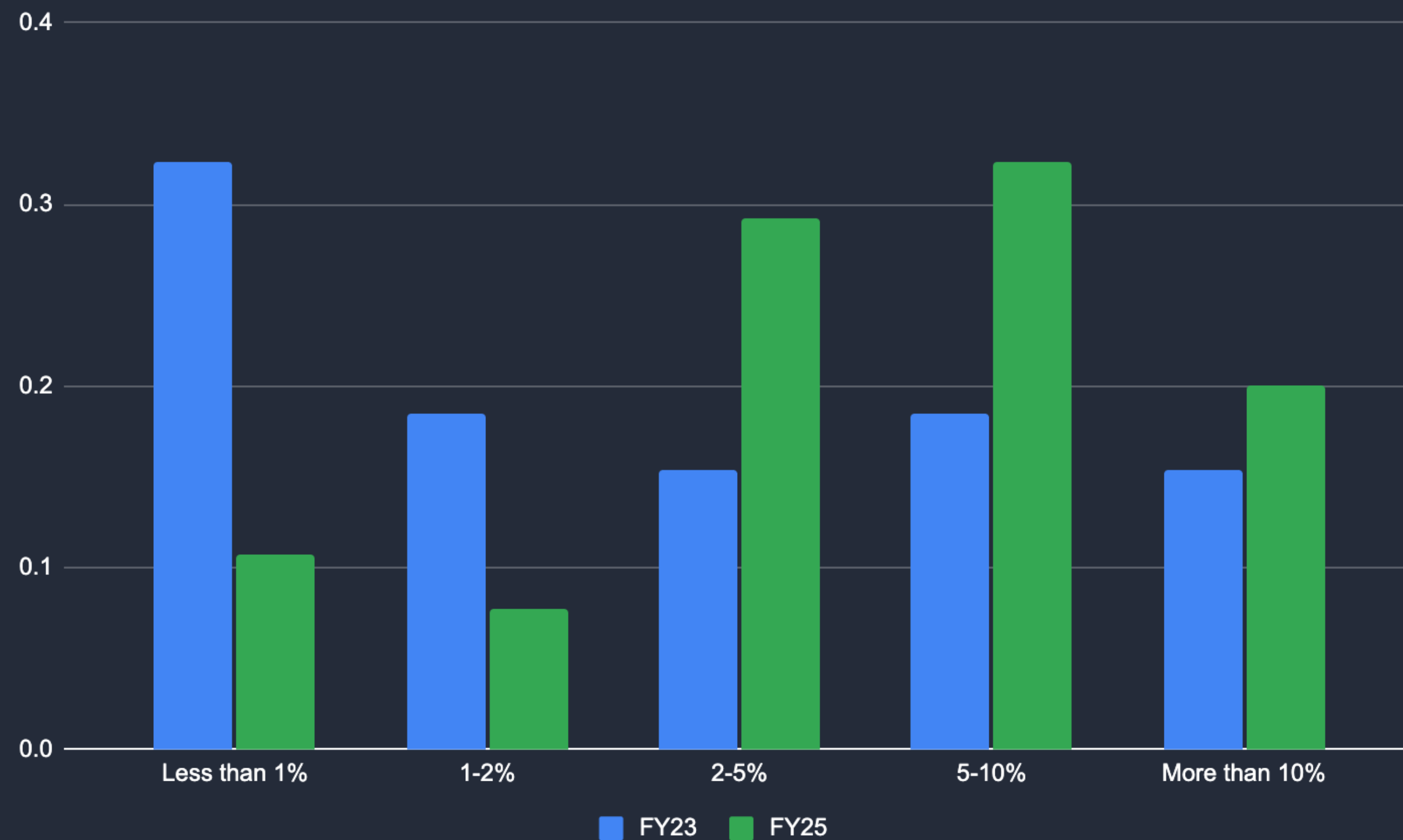




# Legal Tech Budgets Are Growing Amid Crisis

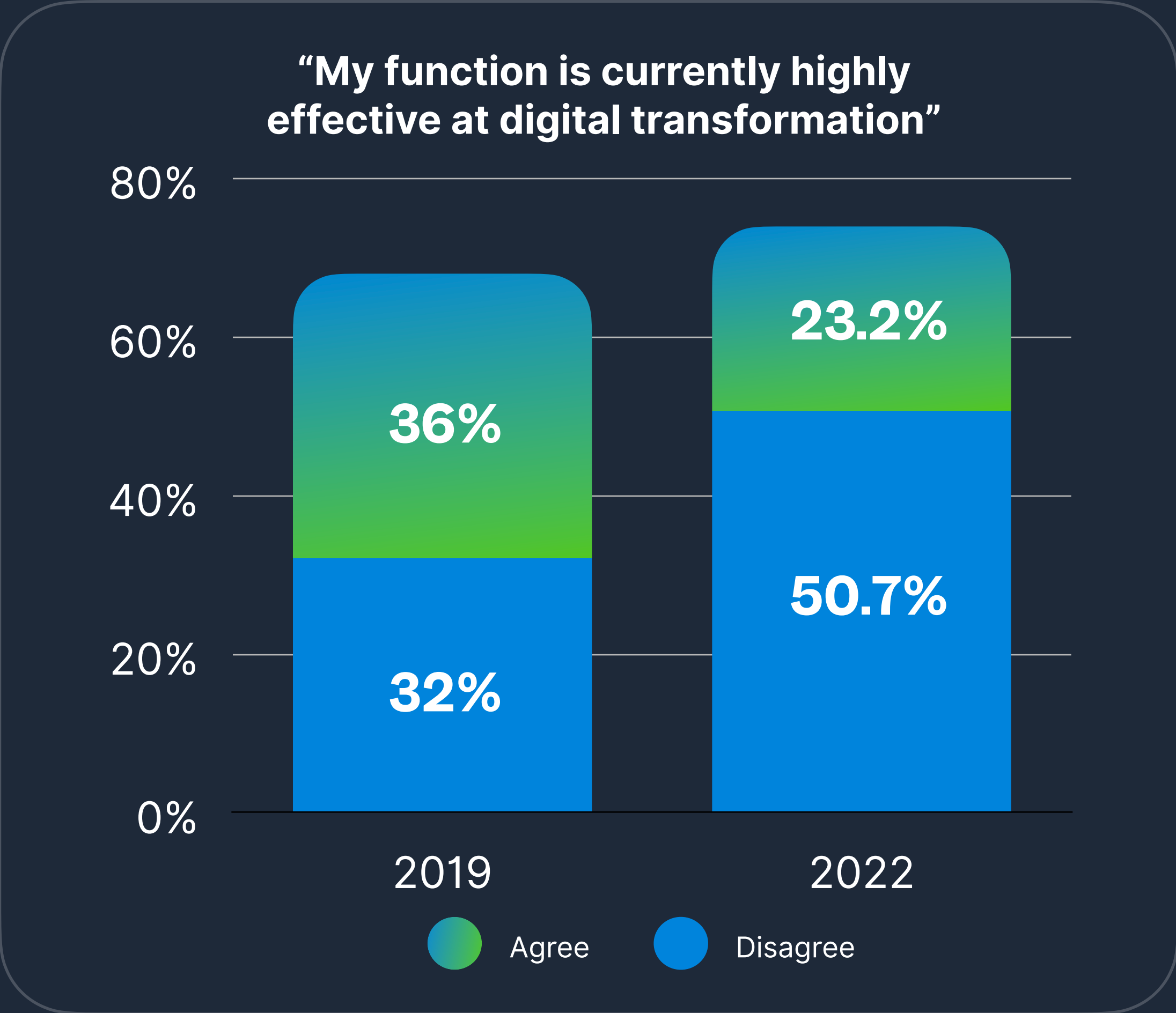
Average legal technology budget as a percentage of total legal department budget today vs FY25

### Real vs projected technology spend (% of legal budget)



# We are operating a rapidly-evolving paradigm

Although GCs have made more investments in technology...They are less confident in their digital transformation capabilities than they were three years ago.



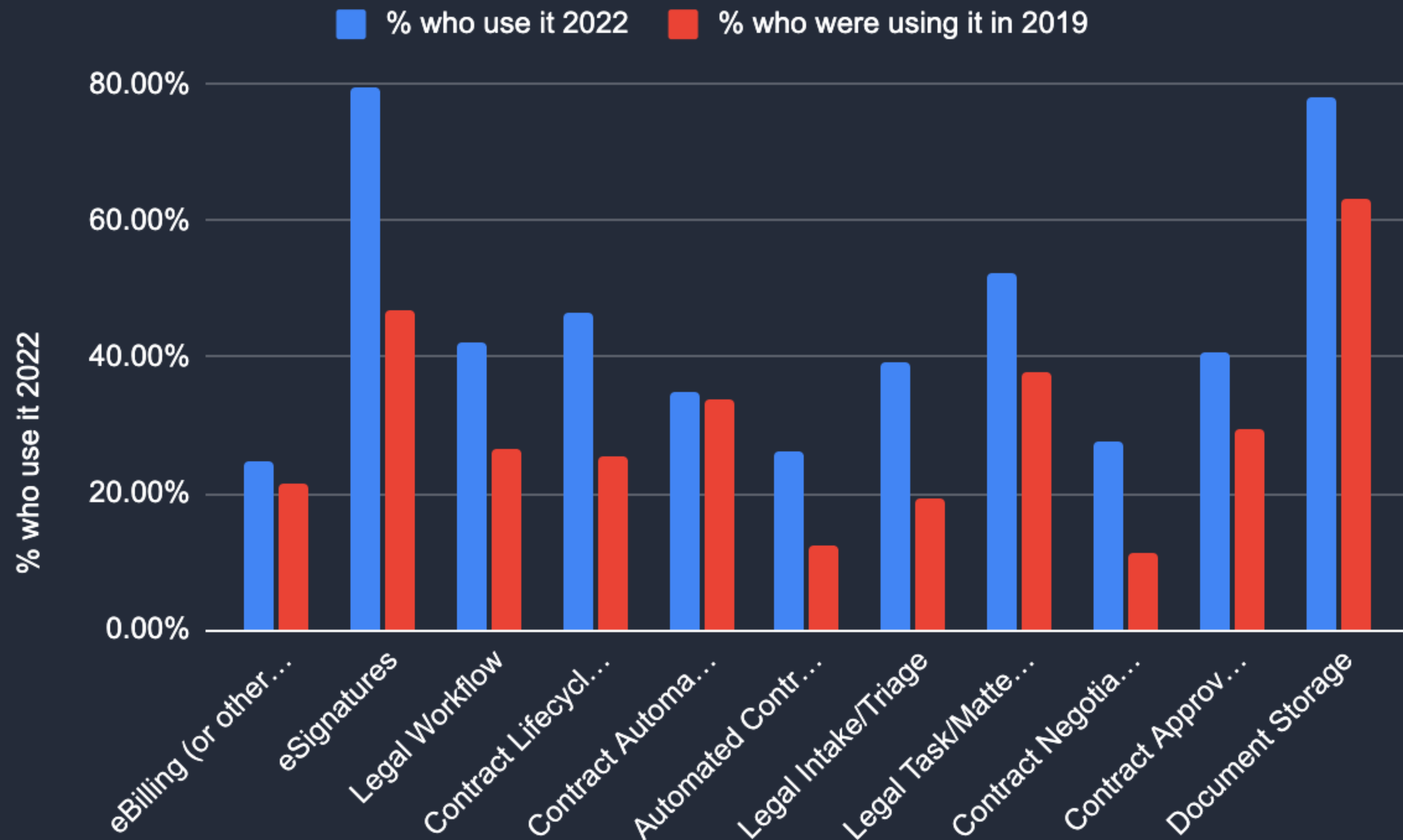
# What legal technology are you looking to invest more in the next 24 months?\*



*\*only asked to those who plan to adopt technology in the legal department (n = 391)*

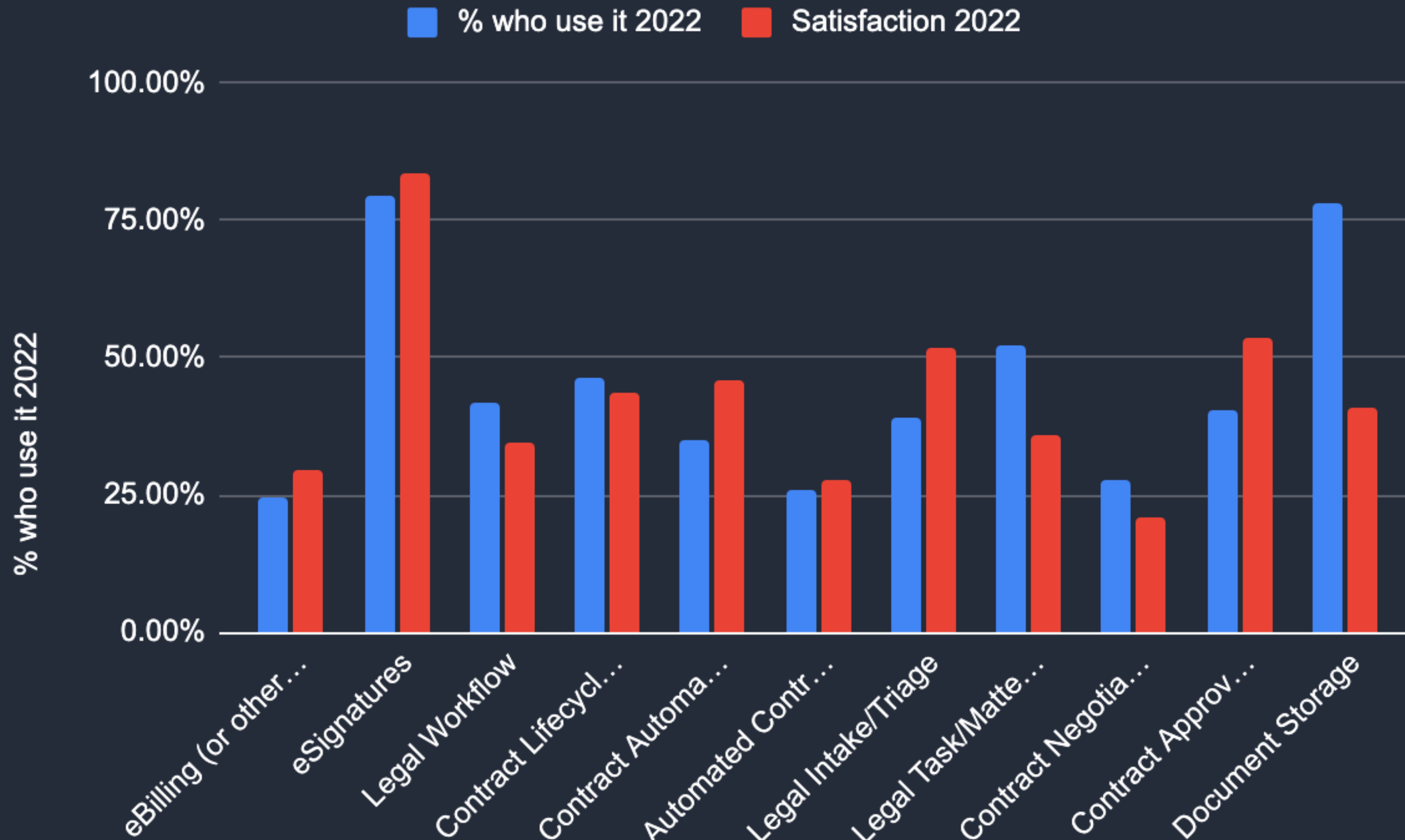


# Legal technology usage 2019 vs 2023





# Satisfaction vs Usage

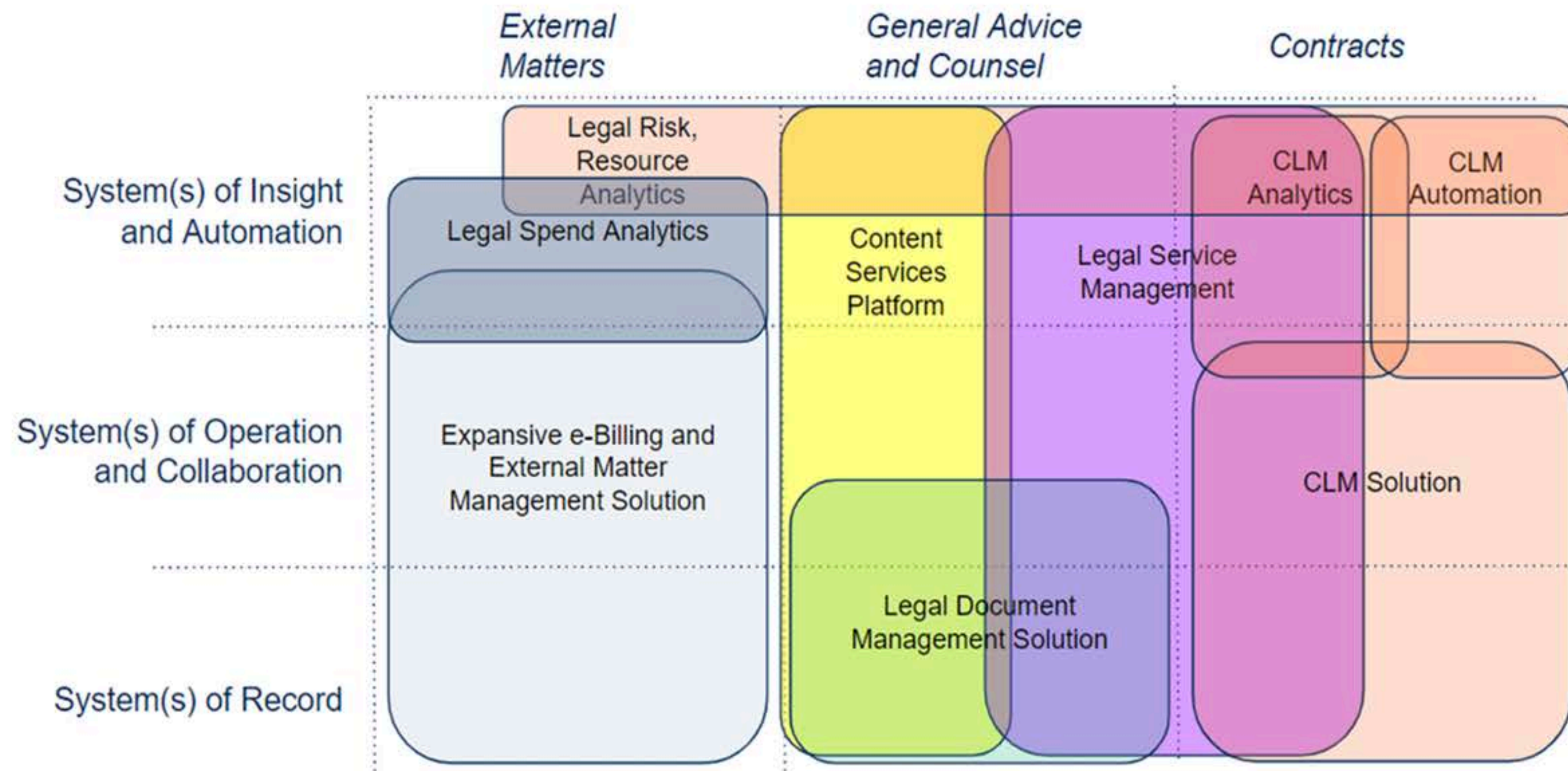




# No. 1: Expanding legal tech portfolios

**By 2025, large organizations will require relationships with 4+ legal tech vendors.**

## Greater Complexity in the Legal Tech Stack



Despite significant M&A activity, new entrants continue to emerge in legal tech markets. No single vendor provides all the legal software most organizations need, much less on anything like a single platform.

Rather than waiting (or hoping) for the market to produce a single leading option, general counsel must lead their teams to develop a complete and cohesive legal technology strategy focused on their own unique needs.

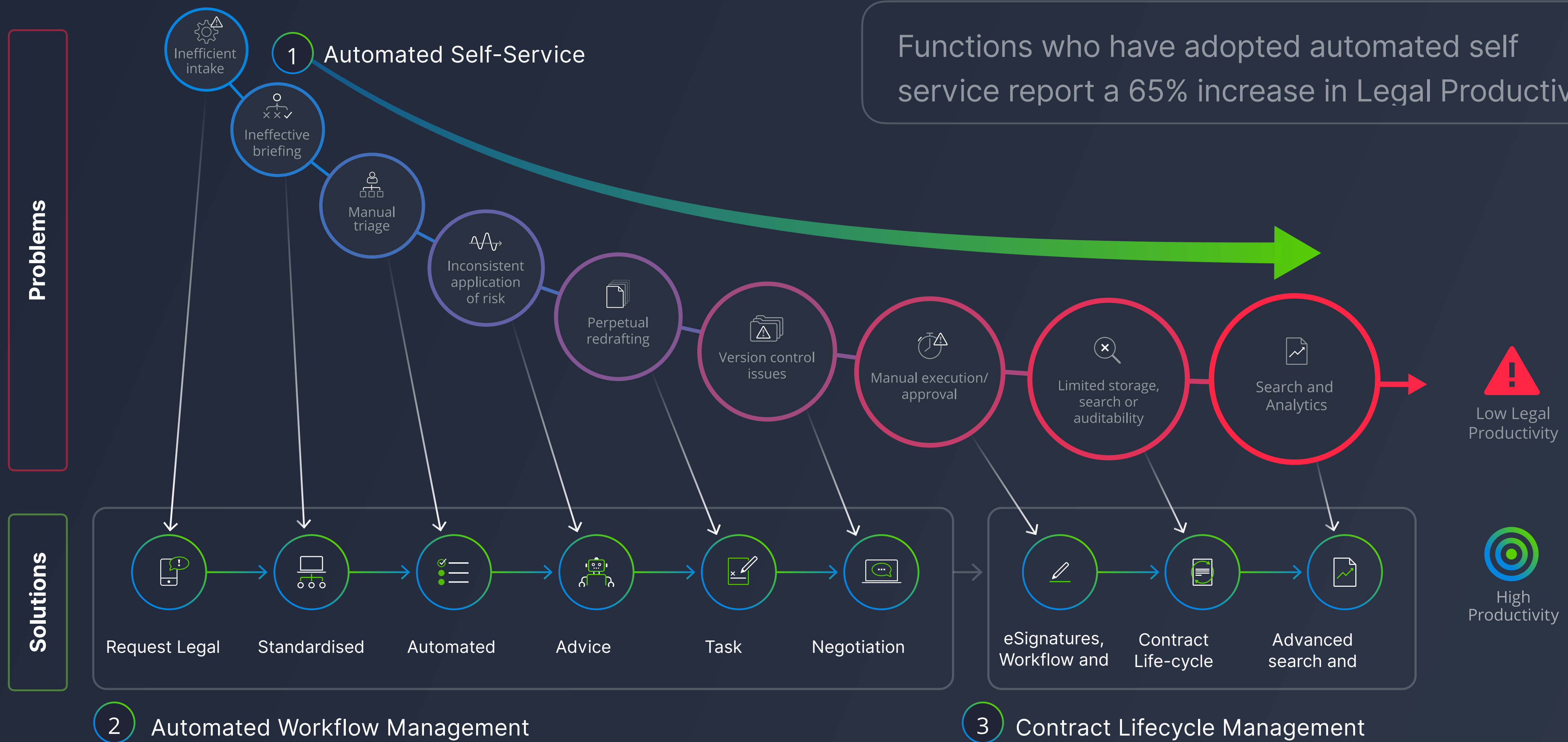


# The Transformation Doom Loop



# Adopting the tools lawyers should have always had

Functions who have adopted automated self service report a 65% increase in Legal Productivity.





# Is A.I the silver bullet?

2017....

# Legal AI: High on Artificial, Low on Intelligence

*This article was originally published in November, 2017.*

## Hype Cycle for Artificial Intelligence, 2021



gartner.com

Source: Gartner  
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Gartner



# 2021....

## 10. AI will start to show promise

This somewhat contradicts our assertion four years ago (which held true) that Legal A.I 'is high on artificial and low on intelligence'. However, Legal A.I is starting to crawl out of what Gartner calls 'the trough of disillusionment. As we said then, 'in the short term A.I will disappoint, in the long term it will blow you away'. It is still not the first investment we would advise our clients to make...but it's starting to show promise.



# December 2022....

## **3. Legal AI will for the first time be both Actual & Intelligent**

When the legal industry first entered the 'AI Hype Cycle' over five years ago we correctly forecast that Legal AI was 'high on artificial, low on intelligence'. We argued that 'people would overestimate the potential of AI in the short term and underestimate it in the long term'. As forecast in last year's 2022 predictions, this was the year AI showed its potential. The arrival of Chat GPT3 shows we are now in for the long term and for once the hype is real.



# A.I. The future of The Law

an image that represents the future of law when AI is applied to it. - @amellett (fast)





# Will A.I take your jobs?

an image that shows the elasticity of demand for lawyers is infinite. Create a graph. Include female lawyers in the image. - @amellett (fast)



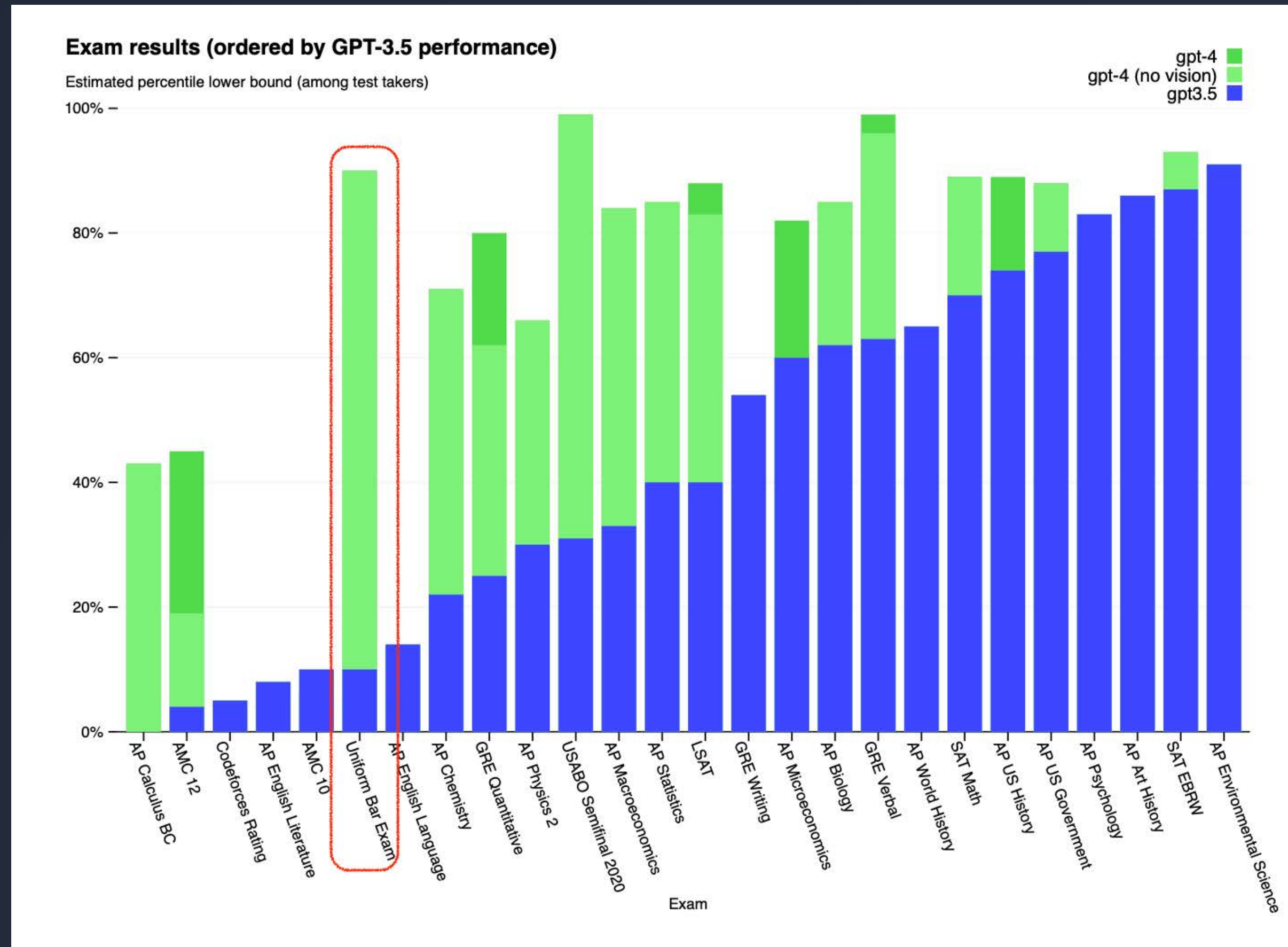
**The elasticity of demand for legal work is almost infinite.**

The end of 'More for Less'



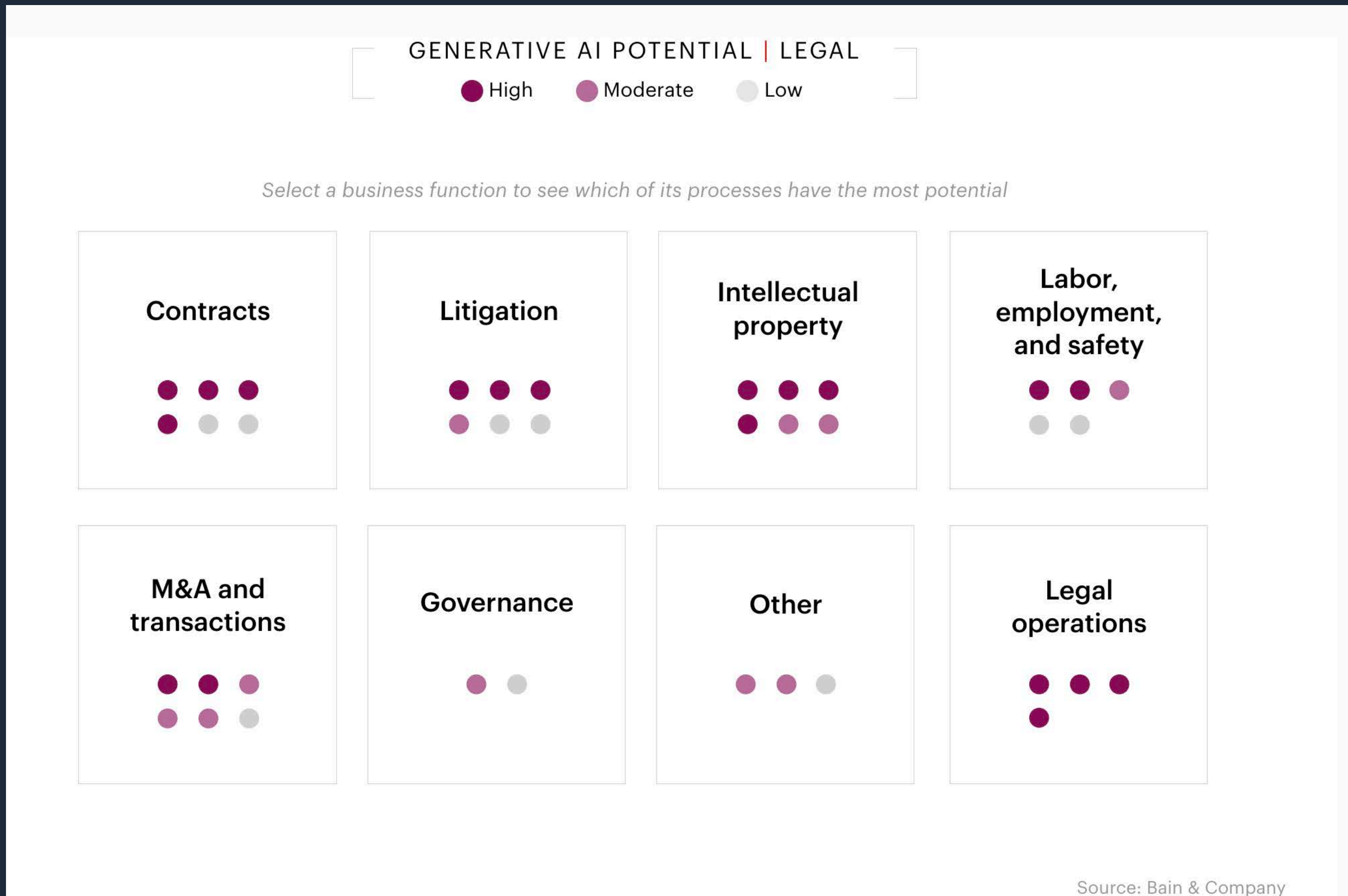
# Lifting the Bar: From 'Knowledge Worker' to 'Pathfinder'

GPT 4 scores in the top decile for the Bar Exam





# Where will Gen AI perform best?



Gen AI is good at **Tasks** not **Jobs**

# Plexus Draft Advice: AI-enhanced Matter Management

## User lodges Legal support request

What was the date and time of the incident?  
ACME Christmas party, 11 December 2022 around 10.3pm

Optional

What was the description of the events that led to the safety claim?  
Bob was dragged by his colleagues Fiona and Tim from his seat and told to do a strip dance or

Optional

What was the location of the incident?  
Nobu Restaurant

Optional

What's the name and contact information of the worker making the claim?  
Bob Smith, 11 Smith St, Collingwood

Optional

Is this a question?  
Optional

Yes  No

## AI gathers additional Information

★ AI-generated questions have been created to give your colleague enough context to fulfil this legal request

Can you provide any evidence or witnesses to the incident at the ACME Christmas party? ★

Has Bob Smith received any medical treatment as a result of this incident, and if so, what was the nature of this treatment? ★

Have there been any previous incidents or complaints involving Fiona and Tim in relation to workplace bullying? ★

What actions have been taken by HR or management since the claim was submitted by Bob Smith? ★

Are there any existing policies or procedures in place at ACME regarding workplace bullying and were they followed in this instance? ★

## AI drafts Legal advice for lawyer review

Fact view Document view **Draft advice** BETA

★ AI-generated draft advice - viewable by legal team only. [View article here](#)

Paragraph **B** *I* U **A** **≡** **≡** **≡** **≡** **≡** **≡**

Summary of the Request:

Bob Smith has submitted a Workcover compensation claim for an incident of workplace bullying that occurred at the ACME Christmas party on 11 December 2022. The incident involved Bob being coerced by his colleagues, Fiona and Tim, into performing a strip dance on a table at Nobu Restaurant. Evidence of this event exists in the form of video footage taken by other attendees.

Since the incident, Bob has been receiving psychiatric treatment. HR has initiated an investigation into the matter and suspended Fiona and Tim with full pay. There are no known previous incidents or complaints involving Fiona and Tim related to workplace bullying.

The company does not have any existing policies or procedures regarding workplace bullying.

Jurisdiction: Unknown

No specific laws identified as relevant

Was this helpful?

[Post to activity feed](#)

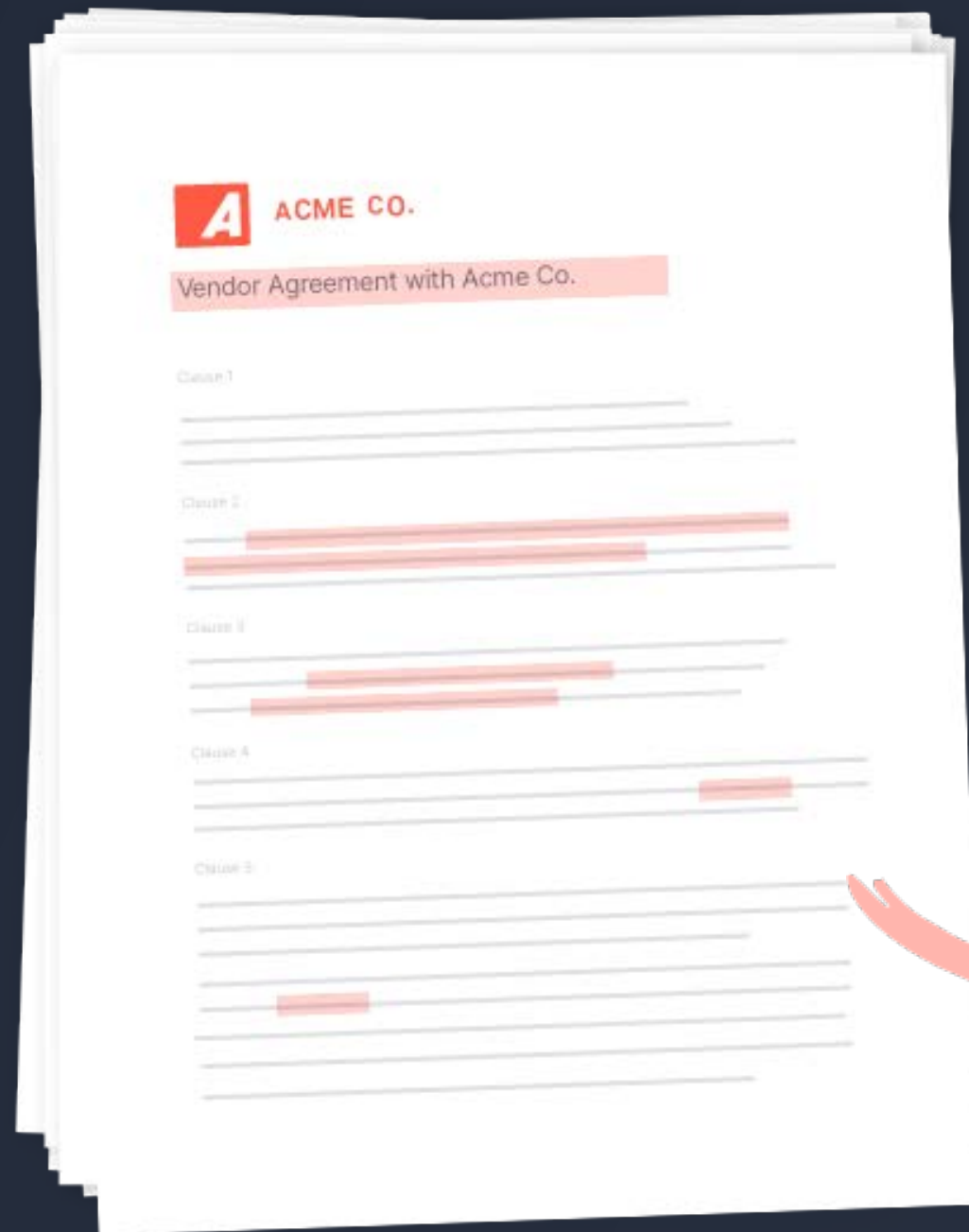
ASK FOR DEMO

Requests are resolved faster.

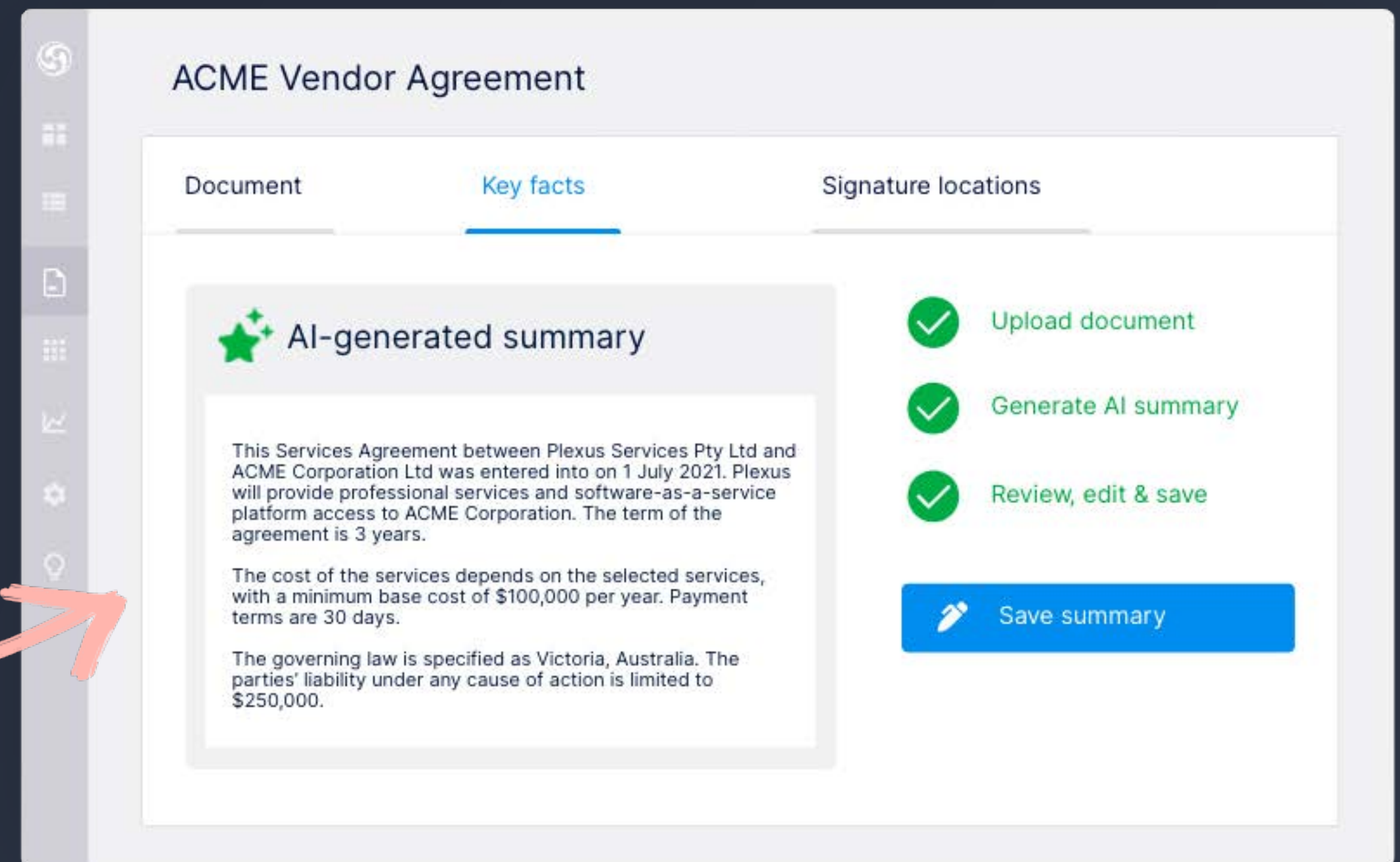


# Plexus' AI-generated Contract Summaries

Upload your documents



Plexus AI generates contract summaries within minutes



ASK FOR DEMO

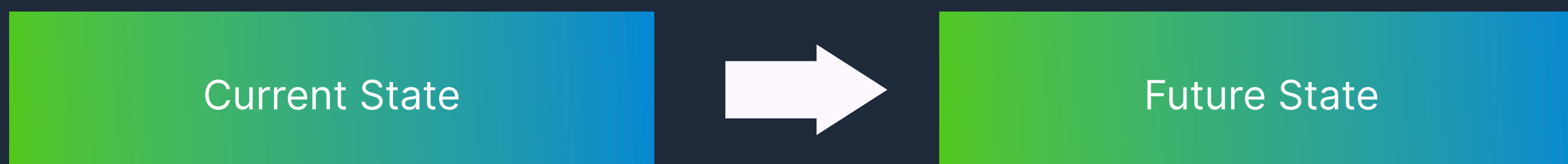
A faster, better way to summarise contracts

# The changing role of a Lawyer: A true seat at the table





# Agile Functions are making five key changes to succeed



<b>Value Drivers</b>	Cost and Quality First	Speed and Agile Risk Tolerances
<b>Legal's Role</b>	Legal Service Manager	Accelerating execution and generating a competitive advantage
<b>Ownership of Legal Risk</b>	Centralised Legal Control	Business Partner Ownership
<b>Organisational design</b>	Central pool, Siloed, and/or Functionally aligned	Aligned to key business outcome
<b>Talent Requirement</b>	Deep technical expertise	Risk adjusted 'pathfinder'
<b>Delivery Model</b>	Direct Service Model	In-Channel Product Delivery
<b>Resources</b>	Law Firm Relationship Model	Flexible Provider Networks



# Welcome to Plexus' Legal Function Checkup Tool

In just a few minutes, this free online tool grades your Legal function on strategy, effectiveness, risk management, technology and more. Upon completion, you will be emailed a detailed report highlighting the greatest opportunities for improvement.

🕒 Takes 2 minutes

**Start**

press **Enter** ↵



# To make a start go to our Agile Transformation Toolkit @ [www.plexus.co](http://www.plexus.co)

Playbooks

eBooks

How-to videos

Case studies

ROI calculators

Business case templates

Or email [insights@plexus.co](mailto:insights@plexus.co)





# The Future is Here

It's just not evenly distributed.

Questions?