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3 STEPS TO STRATEGIC RIGHT-SOURCING

FOR YOUR LEGAL DEPARTMENT

Whitepaper

![Lawcadia logo]

3 STEPS TO STRATEGIC RIGHT-SOURCING

FOR YOUR LEGAL DEPARMENT

A strategic approach to sourcing is one way your legal department can enhance its legal operations to drive growth and achieve a competitive advantage for your company.

What is right-sourcing?

Right-sourcing is matching a legal departments various work needs with the optimal combination of sourcing options (out-sourcing, in-sourcing, tech-sourcing) in a way that delivers the most effective outcome. It is a method that legal teams can use to evaluate both the company's expectations and the resources, capabilities and potential limitations of the legal department itself to make decisions that coordinate various elements of legal operations to achieve objectives.

A considered, strategic approach

Strategic sourcing has become an essential competency for General Counsels. The growing volume, complexity and risks associated with corporate and regulatory legal matters, coupled with restraints to the legal budget means in-house lawyers must devise and utilise more time and cost-effective sourcing models. To that affect, the in-house legal function must engage in right-sourcing to determine the most effective way to manage workloads, procure a service or complete a task to ensure they make the most efficient use of the available resources.

Strategic Right-Sourcing in 3 Steps

This white paper will present 3 steps your legal department can take to formulate a right-sourcing strategy that can meet your company's expectations and achieve the legal department's objectives, while making the most efficient use of resources.
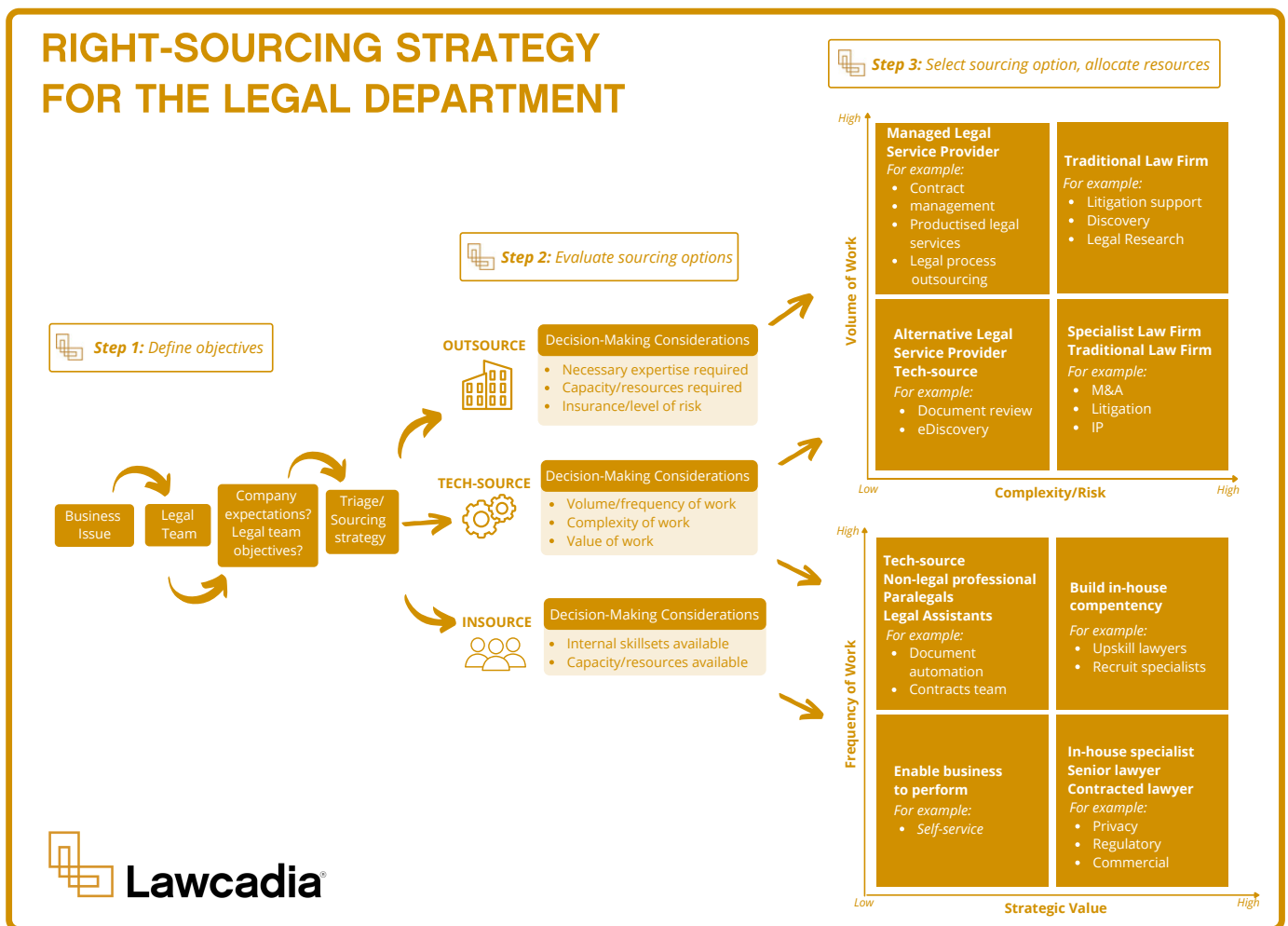
DEFINE   **EVALUATE**   **SELECT**

Right-Sourcing Strategy Overview

RIGHT-SOURCING STRATEGY
FOR THE LEGAL DEPARTMENT

Step 3: Select sourcing option, allocate resources

Step 2: Evaluate sourcing options

Step 1: Define objectives

OUTSOURCE

Decision-Making Considerations
- Necessary expertise required
- Capacity/resources required
- Insurance/level of risk

Business Issue → Legal Team → Company expectations? Legal team objectives? → Triage/Sourcing strategy

TECH-SOURCE

Decision-Making Considerations
- Volume/frequency of work
- Complexity of work
- Value of work

INSOURCE

Decision-Making Considerations
- Internal skillsets available
- Capacity/resources available

Volume of Work (Low → High) / **Complexity/Risk** (Low → High)

Managed Legal Service Provider
For example:
- Contract
- management
- Productised legal services
- Legal process outsourcing

Traditional Law Firm
For example:
- Litigation support
- Discovery
- Legal Research

Alternative Legal Service Provider
Tech-source
For example:
- Document review
- eDiscovery

Specialist Law Firm
Traditional Law Firm
For example:
- M&A
- Litigation
- IP

Frequency of Work (Low → High) / **Strategic Value** (Low → High)

Tech-source
Non-legal professional
Paralegals
Legal Assistants
For example:
- Document automation
- Contracts team

Build in-house competency
For example:
- Upskill lawyers
- Recruit specialists

Enable business to perform
For example:
- Self-service

In-house specialist
Senior lawyer
Contracted lawyer
For example:
- Privacy
- Regulatory
- Commercial

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We will now examine each step independently and provide insights regarding how your legal department can formulate its right-sourcing strategy.

Step 1: Define Objectives

The first step in formulating a right-sourcing strategy involves assessing the company's expectations and then identifying and prioritising the objectives of the legal department based on those expectations.

Some objectives can include:

- Reducing costs
- Decreasing time for review and production (increasing efficiency)
- Increasing visibility and control of data
- Demonstrating value
- Managing risk
- Getting the right legal advice at the right time

Consequently, the legal team can devise a right-sourcing strategy that supports their objectives while meeting the company's needs. A right-sourcing strategy can also allow the legal team to:

- Achieve a balance between financial and non-financial objectives
- Optimise the entire matter life cycle through effective legal project management (LPM)
- Increase agility and flexibility to easily adapt to the changing environmental and organisational needs
- Increase predictability and consistency by providing access to data-driven insights that can be used to make informed-decisions in future matters
- Enhance the role of the legal department

The first step is illustrated in figure 1, where the legal team receives a matter and then devises a sourcing strategy based on their company's expectations and their objectives.

Figure 1: Right-Sourcing Strategy Step 1, Define Objectives

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Step 2: Evaluate Sourcing Options

The second step in a right-sourcing strategy is to evaluate the range of sourcing options available to complete the work.

Traditionally, the main sourcing options for legal departments have been to delegate matters internally (in-source) or brief out to external law firms or other service providers (out-source). Recently, emerging legal technologies have presented an additional sourcing option, known as tech-sourcing, that can streamline workflows and accelerate task completion by reducing the volume of manual work. When used alongside processes such as legal intake and triage, tech-sourcing can significantly increase efficiency and productivity by automating low value and repetitive tasks.

Below are brief descriptions of each sourcing method:

OUTSOURCE

Outsourcing refers to the transfer of the management or execution of a specific matter or task to an external service provider. This includes:

- Traditional law firms
- Specialist law firms
- Managed legal service providers
- Alternative legal service providers

INSOURCE

Insourcing refers to the delegation of operations or tasks to an internal team, individual or process that is competent in that matter. This may include:

- Generalist in-house lawyers
- Specialist in-house lawyers
- Professionals who are not qualified lawyers, such as paralegals or contract specialists
- Secondee or contract lawyers

TECH-SOURCE

Tech-sourcing refers to the use of technology to complete low value, repetitive and non-complicated tasks. Tech-sourcing can be utilised both internally and externally, thus it is usually used in conjunction with, or as supplementary to, an insourcing or outsourcing strategy. Tech-sourcing includes:

- Self-servicing
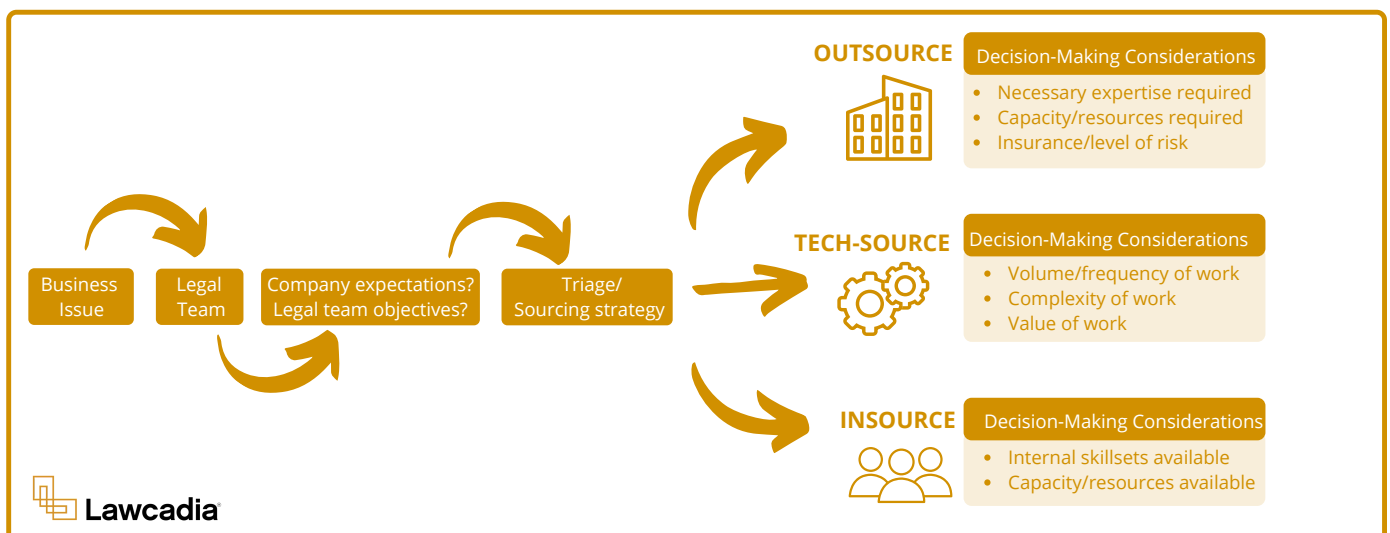- Document automation
- eDiscovery
- Document review

Step 2: Evaluate Sourcing Options

*Although **insourcing** and **outsourcing** may continue to be the core categories of sourcing for the legal department, the decision-making process can, and should be, structured and strategic.*

Accordingly, in addition to adapting the sourcing strategy to meet the company's expectations and achieve the legal team's objectives, the decision-making criteria should also be adapted depending upon the particular sourcing option in question as shown in *figure 2* below.

Figure 2: Right-Sourcing Strategy Step 2, Evaluate Sourcing Options

Business Issue → Legal Team → Company expectations? Legal team objectives? → Triage/Sourcing strategy

OUTSOURCE — Decision-Making Considerations
- Necessary expertise required
- Capacity/resources required
- Insurance/level of risk

TECH-SOURCE — Decision-Making Considerations
- Volume/frequency of work
- Complexity of work
- Value of work

INSOURCE — Decision-Making Considerations
- Internal skillsets available
- Capacity/resources available

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Step 3: Select Sourcing Option

The third step in a right-sourcing strategy involves selecting a sourcing option(s) and allocating resources. Depending on the sourcing option selected, there are several additional considerations the legal team must make to ensure that the resources are allocated in the most efficient way. These are discussed in further detail below.
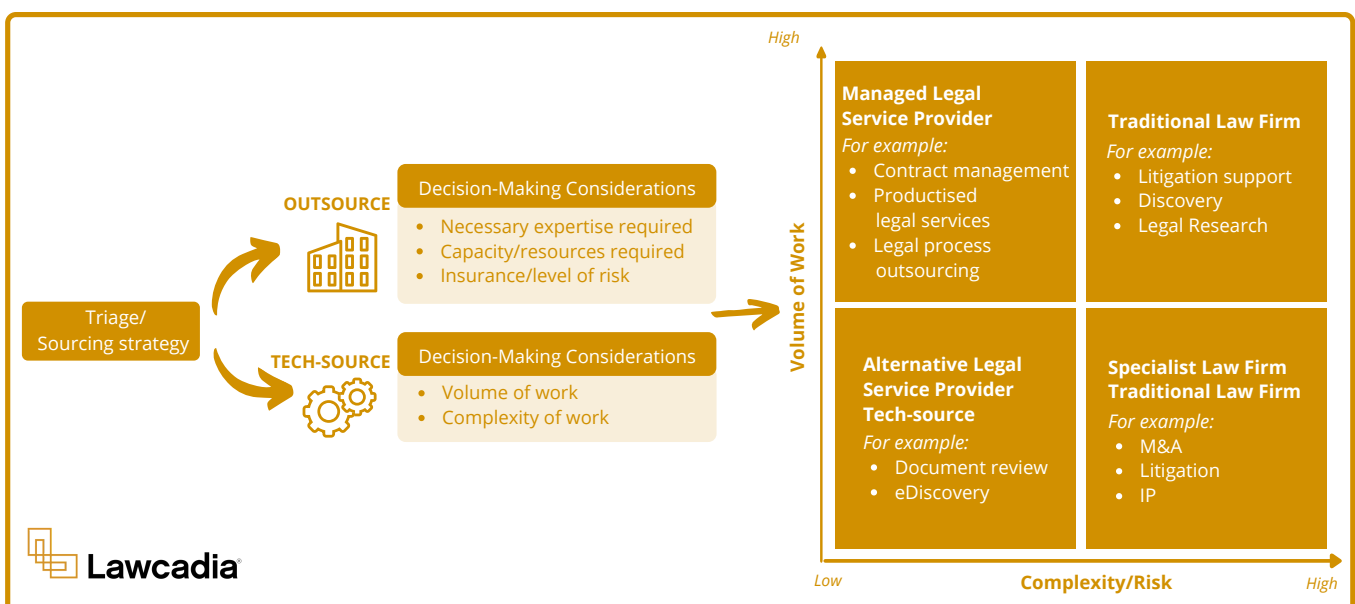
OUTSOURCING

In the event that the legal team opts to outsource a legal matter, there is opportunity for the legal department to formulate the strategy such that there is a framework that expresses the conditions surrounding when work is briefed, to whom it is briefed and why it is briefed. This will ensure that matters are allocated through an informed and justified process through which the legal team can achieve their objectives and meet the company's expectations.

When preparing a strategy for outsourcing, consider the following:

- The level of expertise required
- Capacity and resources available (people, time and money)
- The perceived level of risk and insurance requirements
- The volume of work

This process is illustrated in *figure* 3 below in which tasks are allocated based on their complexity and volume, in relation to the level of expertise and capacity required to complete the task.

*Figure 3: Strategically outsourcing legal matters*

INSOURCING

In the event that the legal team opts to insource a legal matter, having a formalised, structured approach and decision-making framework can assist in ensuring the right work is allocated to the right people in a manner that will meet the company's expectations and achieve the legal team's objectives, while fully optimising the available skills and resources.

The criteria for determining the work to be allocated internally can include:

- The internal skillsets available
- The capacity and resources available
- The frequency of the work
- The value or strategic impact of the work

This process is illustrated in *figure* 4 below, in which tasks have been allocated based on the frequency and strategic value of the work with consideration to the resources available and the internal skillsets of the team.

Figure 4: Strategically insourcing legal matters

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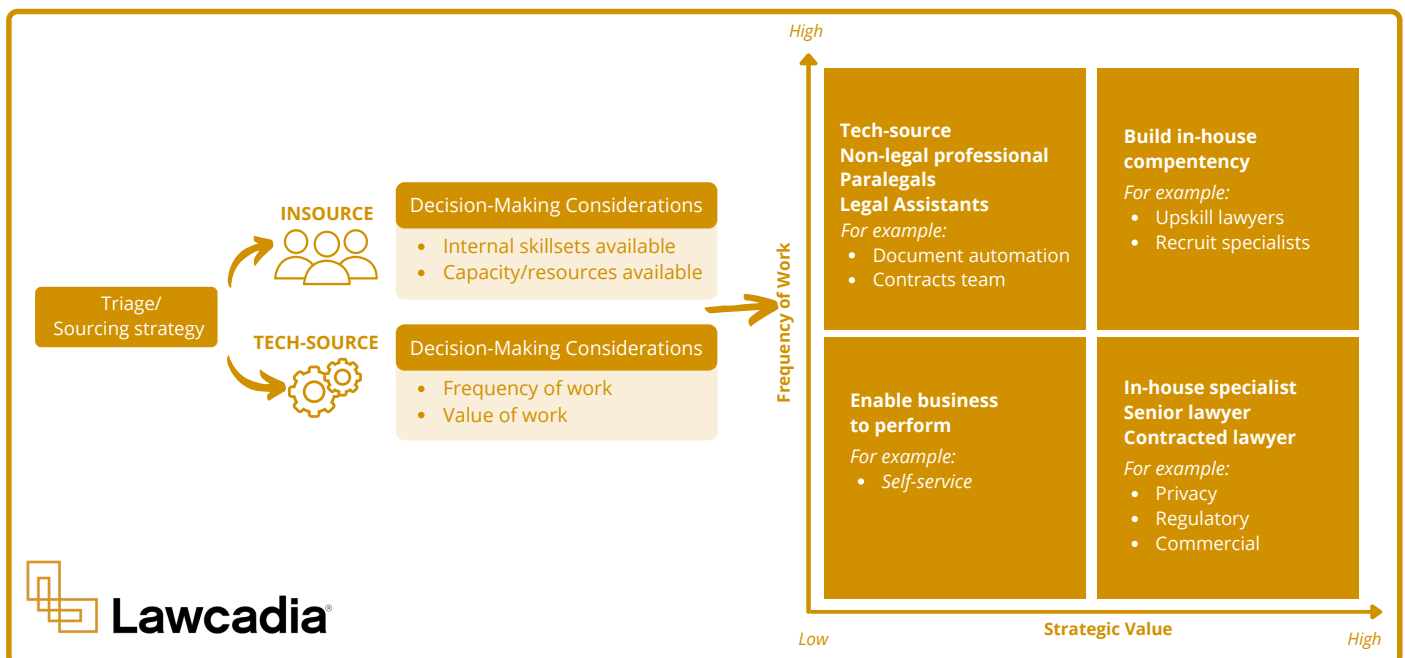
⚙ The Role of Technology

In either case of outsourcing or insourcing, incorporating legal technology into the strategy ensures a consistent approach that can also be customised for a specific task, client or team. Moreover, access to data provides insights that can be used to predict and make future decisions to further optimise the resources available, contribute to the company's strategic operations and elevate the role of the legal team. An example of this is to use workflow automation to replicate the triage of legal work based on predetermined rules and established workflows.

Additional benefits of integrating technology in the right-sourcing strategy include:

- Removing bias from the decision-making processes
- Digitising manual processes
- Capturing data for strategy evaluation and continuous improvement


Conclusion

Right-sourcing has become an essential competency in the 'business of law' for in-house legal teams. By identifying the company's expectations, creating objectives and formulating a sourcing strategy, the in-house team can optimise legal operations to make the most efficient use of resources. Furthermore, incorporating technology into the strategy can ensure consistent and repeatable processes that provide valuable insights to make informed decisions to enhance future outcomes.

An **intelligent platform** to power the legal function.

Lawcadia is a cloud-based platform that in-house legal teams and their law firms use for matter management, legal intake and triage, and legal spend management.

The entire legal function benefits from streamlined workflows, greater control of legal budgets, accurate instructions, built-in document automation, collaboration tools, and actionable insights.

The Lawcadia platform can also be used to solve different workflow challenges across legal, risk and compliance such as privacy, data breach reporting, regulatory reporting and freedom of information requests.
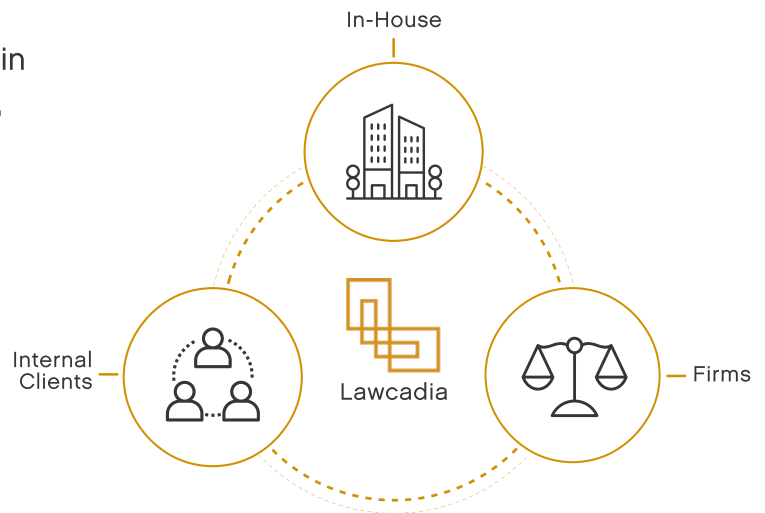
Transform your legal operations with **intelligent solutions.**

Intake, triage & self-service
Streamline legal requests from your internal clients through to the in-house legal team and deploy 'self-service' capabilities

Matter management
Create, manage and track your legal matters and seamlessly collaborate with your legal team and law firms

Innovative spend management
Get predictable and transparent legal spend with an innovative approach to instructing, engaging and managing outside counsel

Workflow automation
Lawcadia's powerful automation engine automates workflows, approval processes, documents, tasks, reporting and much more

Document automation
Easy-to-implement document automation generates draft documents, agreements and even complex contracts

Regulatory & compliance workflows
Deploy easy-to-use workflow solutions for privacy, data breach reporting, regulatory reporting and freedom of information requests

Why **Lawcadia.**

These are some of the reasons clients choose Lawcadia's awarding winning platform:

✓ Greater efficiency

Intelligent, automated workflows, document generation and reporting eliminates manual data entry, reduces admin and saves time

✓ Predictable legal spend

Structured instructions, competitive RFPs, scope management and approval processes provides predictability and demonstrates value

✓ Enterprise-grade security

ISO 27001 certification, private-cloud infrastructure, on-premise deployment capability, along with best-in-class security controls, sets us apart from the competition

✓ Improve client service delivery

Client intake, collaboration tools and custom notifications provide transparency plus a streamlined customer experience

✓ Accurate data & BI reporting

Empower decision making with a single system that connects internal clients, legal teams and law firms, with accurate data, insightful reports and custom dashboards

✓ Sensational customer support

We are only as successful as our clients' implementation, and so we focus on tailored implementations, dedicated customer service, and on-going support

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> **Lawcadia provided us with the system we needed to ensure we could accurately track our matters, budget and spend across the legal function."**
>
> Nigel Lowry, General Counsel & Company Secretary, Ausgrid