



ALTNORDIC

Nordic General Counsel report
Dealing with complexity

2018

INTRODUCTION

ALTNordic is a collaboration of alternative legal service providers at the forefront of the newlaw movement. In our collective scope of services provided, we have many opportunities to chat with GCs and CLO:s about the general development of the legal profession and the in-house legal role.

We are at the brink of the fourth industrial revolution. Many believe the digitization will support us in getting the job done. Tedious, time-consuming, repetitive tasks will be no more, instead we will be able to focus our time on creative, strategic work - and as a consequence see the rise of a new meaningful economy, where we work with what contributes most value.

Although there is still some polarization of the in-house legal market when it comes to the early adaptors of new legal technology, and the ones moving slower, the digitization-process and the changes on society as a whole is a fact. It seems that the sum of all new business models and emerging technologies are acting together to remove market frictions globally. The leading economists talk about us now moving into the era of fluid or super-fluid markets. This presents challenges to the the legal departments. When business truly goes global, instant and boarderless legal becomes more complex.

However, managing complexity on a regulatory level is nothing new to the legal departments. What is adding new challenges, is the proper use of technology, tech savviness, and understanding of new business models in order to keep up with the surrounding world.

On this notion the partners of ALTNordic, Experticon ApS in Denmark, Laissa Oy in Finland, IBF Legal AS in Norway and LegalWorks in Sweden, thought it would be interesting to follow up last years Nordic General Counsel Report, to get some statistics regarding how the in-house legal market has been coping, learning more about the main concerns of the Nordic GCs in 2018.

Our report is based on a survey taken by 104 General Counsels in Denmark, Finland Norway and Sweden as well as a small group representing ROW (rest-of-world). The survey was followed up with in-depth inter-views with some of the participants. In this report we have focused on some key themes from the survey for further discussion.

Thank you all participants and contributors for your valuable time and expertise in the production of this report. A special thanks to Karnov Group AB.

Anna Lensmar-Friedman, CEO LegalWorks Nordic AB

KEY FINDINGS AND THEMES

DIGITIZATION INCREASES SLOWLY OR STALLING

In many courses of events, development is first very slow and then very fast. This may also be true regarding digitization of the Nordic legal departments.

Last year 51% of the GCs had done some automatization of work in the legal department. In 2018 the number increases somewhat, within the statistic margin of error, to 52%. The most common tech-tools used by legal departments are shared drives to store contract templates and information, the use of an intranet and, in third place, working with e-learning platforms.

More sophisticated tools such as e-discovery tools or electronic contract archive based on AI solution are being used by 1% or lower of the respondents.

ATTITUDES ARE CHANGING BUT ACTION IS LACKING

The biggest change from last years survey is the consensus in the GC community that digitization of the legal departments will indeed take place and needs to be accepted.

Also the fear that the legal department will be replaced or face lay-offs due to technology is reduced.

A majority of the respondents are GCs of very large corporations where in many cases departments other than legal have been subject to structural change. Perhaps billing is done off-shore, facilities management is done by an external organization and customer services is automatized.

Legal however in many instances has not gone through any equivalent change. They still manage their own budget, sourcing and just a small fraction is making use of smart tech tools. Only a small percentage of the GCs are working actively with Legal Operations in managing their department.

TECH ILLETERACY IS A STRESSOR

When asked if there are any actions the legal department must take to stay relevant within the next couple of years, top issues were the need for increased tech savviness and business acumen. Optimization and documentation of processes are recognized as a major theme in many companies. Process excellence has never been a favorite topic among inhouse lawyers, to stay relevant however a majority of GCs thinks it now must be.

Understanding tech is a stressor. The more advanced the technology becomes the greater the difference between those who are “in the know” and those who are not will become. As long as your competitors only have a better shovel than you do, you are fine, but when the competitors get a bulldozer (even a simple one) you are getting left behind. The GCs know they need to move with the time to stay relevant but it seems they don’t know where to begin.

BUSINESS IS COMPLEX, FAST AND GLOBAL

GCs state that the legal department needs to be closer to and understand the business in depth in order to stay relevant. This includes strategy, technology and business plans.

At the same time business is reportedly becoming more complex, global and moving faster. The number of areas and the level of complexity that the GCs and legal teams need to make informed decisions about have increased dramatically. When asked if there is anything the legal department needs to do to stay relevant in the coming years – increase true business understanding comes in at top of the list. However and noticeable – only half of the responding GCs are on the top management team of their respective companies. It will be challenging for GCs to increase their understanding of business strategy if they are not invited to the room where that strategy is laid out.

38 % percent of the GCs also believe legal spend will increase in connection with business becoming more complex as well as the political and regulatory environment in which it exists.

FIRST CALL FOR INCLUSION AND DIVERSITY

People and culture are as important as technology. To thrive in a fast-accelerating global world of increasingly complex business, tech in itself is not the most challenging part of change. The most critical part is that of transformation of leadership, purpose and the legal teams aligning to new ways of working.

50 % of all GCs are looking to recruit within the following 12 months. All of them are recruiting more lawyers / legal professionals. For the first time in our GC surveys, inclusion and diversity makes it on the top list of things to work with to stay relevant in the coming years.

Transformation of who will be hired, re-thinking what skills skills may be needed on the legal teams and also how collaboration across teams are managed will mark who is best prepared to face the future. When hiring new staff, GCs mainly look for other lawyers and do not reach out for other competencies.

TURNING TO ALSPs

In 2018 there is a major shift in attitude towards alternative legal service providers (ALSPs) In 2017 only 12 % of the respondents used ALSPs in addition or as an alternative to traditional lawfirms. In 2018 the number has increased to 34 %. This indicates that GCs are striving to become more sophisticated and diversified in sourcing of legal services. This could also be a hint that traditional law firms are not meeting client needs for cost efficiency and diversified pricing and delivery.

GCs TOP OF MIND 2018

Last year dealing with the impending GDPR regulation was on every GCs mind. In 2018 GCs are thinking more about the increasingly complex business environment and trying to get their head around the tools needed to manage it. In 2018 GCs are also practically dealing with consequences of politics such as Brexit and changes in trade regulations.

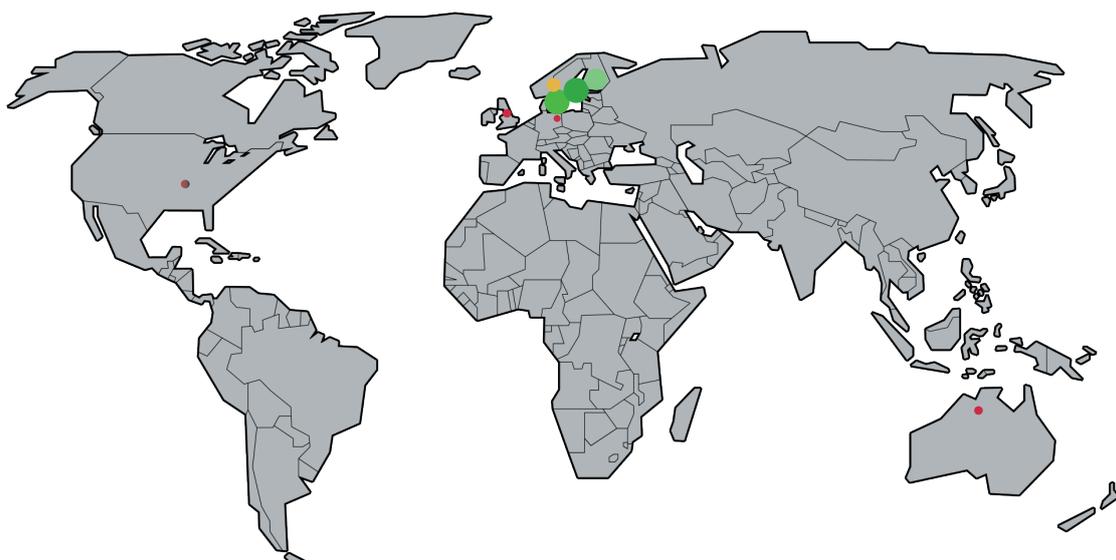
LOOKING AHEAD

The overall changes that digitization brings on society is a fact. It seems the sum of all new business models and the new emerging technologies are acting together to remove market frictions globally. We are entering the era of fluid or super-fluid markets. This presents challenges to the legal departments. When business truly goes global, instant and boarder-less managing of legal becomes more complex. Also the political environment is currently more unpredictable. However managing complexity and changes on a regulatory level is nothing new to the legal departments. What is adding new challenges, is the proper use of technology, tech savviness, and understanding the new business models, in order to keep up with the surrounding world.

People and culture are as important as technology. To thrive in a fast-accelerating global world of increasingly complex business, tech in itself is not the most challenging part of change. The most critical parts are the transformation of leadership, purpose and the legal teams aligning to new ways of working. Looking ahead, GCs need to truly be leaders. Showing the way, making learning and development a priority, fun and accessible for their teams. GCs may also need to re-think what skills are needed in the legal department and how collaboration across teams are managed. Leadership will mark who is best prepared to face the future and manage complexity in 2018.

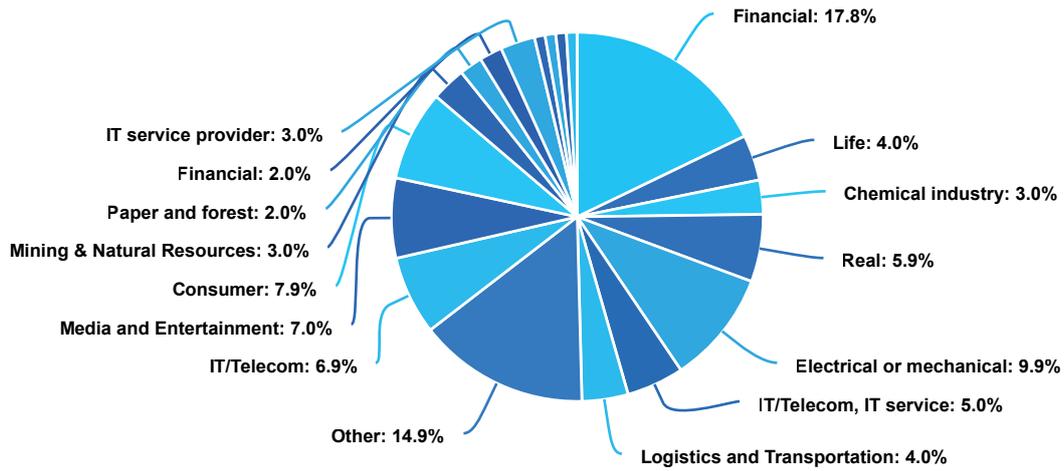
THE RESPONDENTS

RESPONDENTS PER COUNTRY



7 respondents ROW (UK, US, Germany and Australia), 6 respondents Norway, 32 respondents Sweden, 30 respondents Denmark, 21 respondents Finland

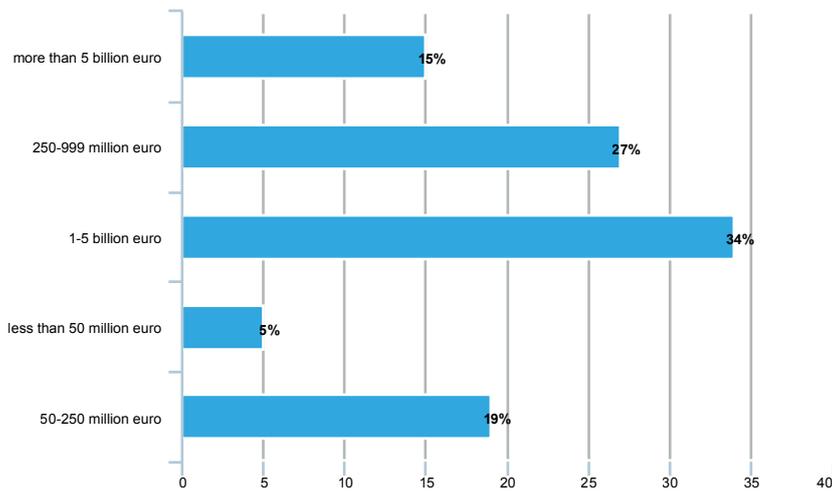
RESPONDENTS PER INDUSTRY



Financial services and banking 20 %, IT telecom 14 %, Other 13 %, Electrical or mechanical industry 9 %, Consumer products 9 %, IT service provider 9 %, Media & Entertainment 7 %, Real Estate 5 %, Life Science Health care 4%, Logistics and Transportation 4 %, Chemical Industry 3 %, Mining & Natural Resources 3 %, Paper & Forest 2 %.

RESPONDENTS PER COMPANY TURNOVER

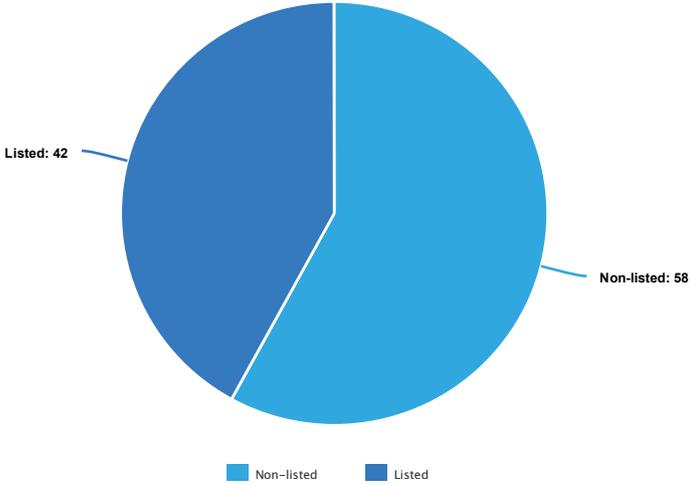
How much was your company's turnover in 2017?



1-5 billion € 34 %, 250-999 million € 27 %, 50-250 million € 19 %, < 5 million € 15%, >5 million € 5%

RESPONDENTS PER LISTED / NON LISTED COMPANIES

Is your company publicly-listed?

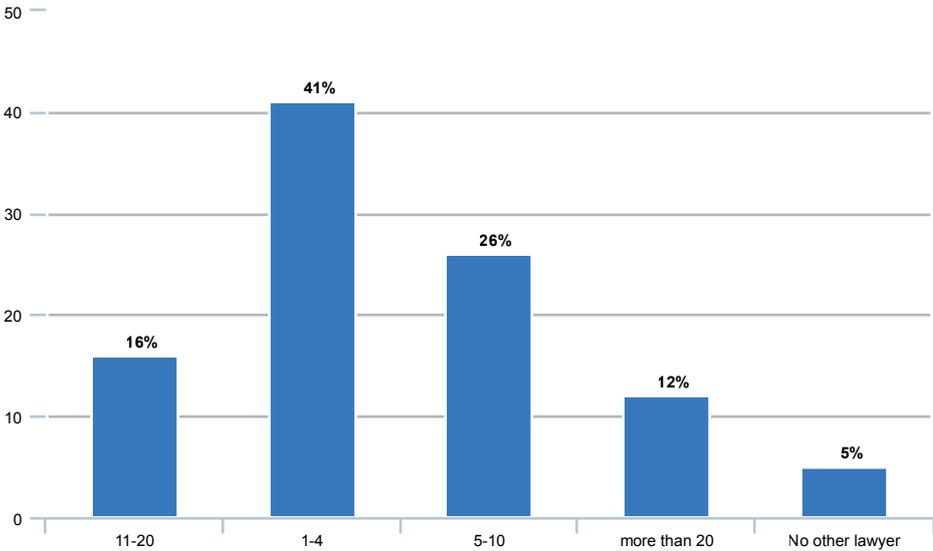


RESPONDENTS BY NUMBER OF EMPLOYEES

The number of employees in the companies surveyed ranges from approximately 3000 – 200 000

HOW THE RESPONDENTS ARE ORGANIZED

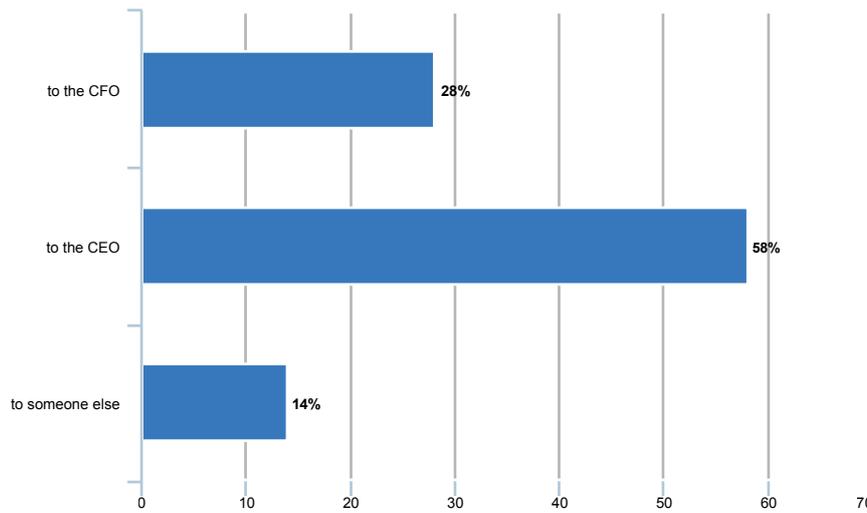
How many lawyers are there in your team in addition to you?



Respondents by legal team size in addition to GC, 0 in addition to GC 5%, 1-4 in addition to GC 41%, 5-10 in addition to GC 26%, 11-20 in addition to GC 16%, <20 in addition to GC 12 %

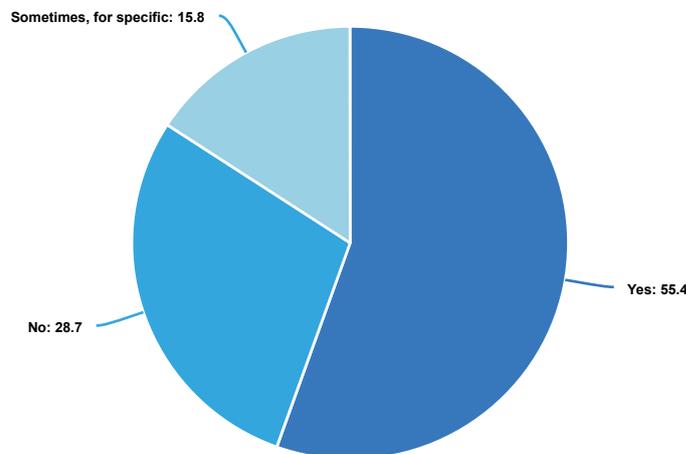
RESPONDENTS BY LINE OF REPORTING AND TOP MANAGEMENT TEAM

To whom does the GC report in your company?



58 % of GC reports to the CEO, 28 % of GC reports to the CFO, 14 % of GC reports to other functions.

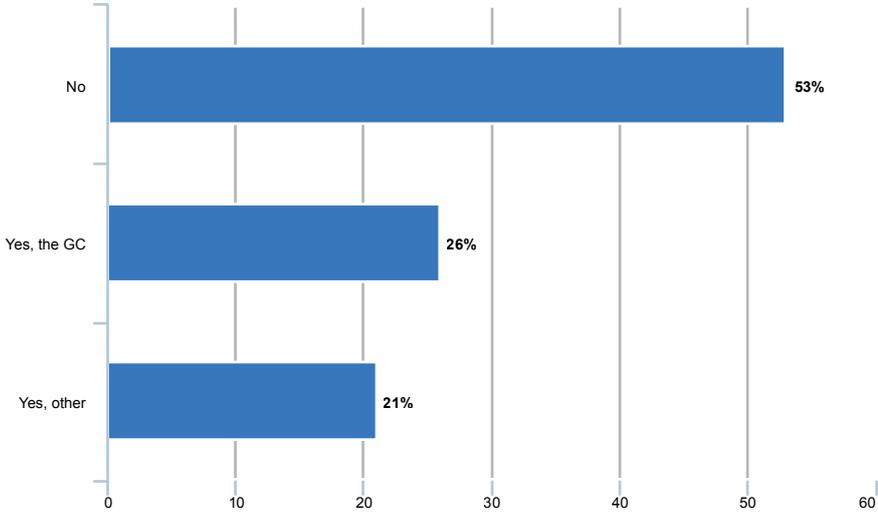
Is the GC on your company's top management team?



55 % of GC is on the top management team 29 % of GC is not on the top management team 16% of GC is on the top management team for specific issues.

RESPONDENTS BY BOARD REPRESENTATION

Do you have legal expertise on your board of directors?



53% of the respondents have no legal expertise on the board of directors, 26% of the responding GCs are themselves the legal expertise on the board of directors, 21% of the respondents have other legal expertise such as external counsel on the board of directors.

LEGAL SPEND

LEGAL SPEND IN RELATION TO COMPANY TURN OVER

The legal spend ranges from 0.0035 % of company turn over to 5%. A clear majority states approximately 1 %.

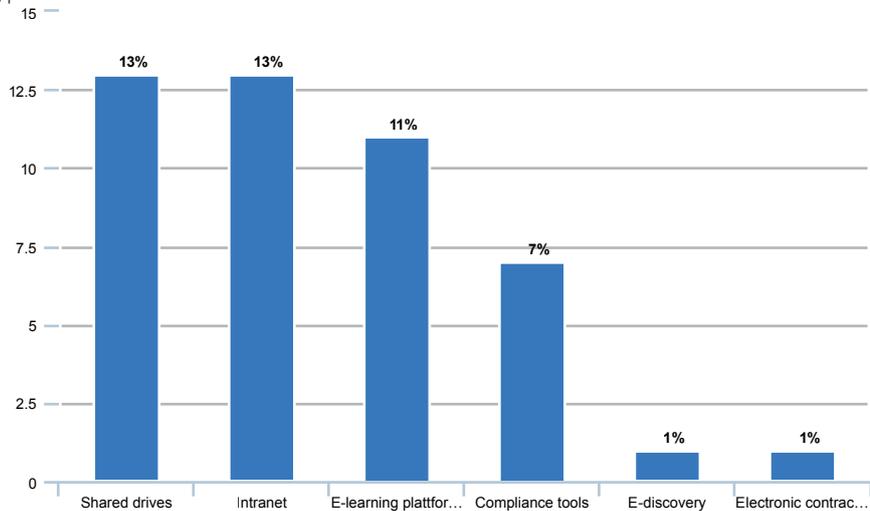
Several GCs indicated that legal spend by company turn over is not a relevant KPI for them- many of those representing very large corporations. Others indicated that legal spending varies or is confidential. For the production of next years report we will add other KPI for measuring legal spend.

LEGAL SPEND INCREASES

In 2017 30% believed in an increased legal spend for the legal department and 20 % believed that the cost would decrease. In 2018 38 % believe that the legal spend will increase and 14 % believe in a decrease. Due primarily to complex regulatory environment and increased complexity of the business itself.

THE TOOLS

Last year 51 % of the GCs had done some automatization of work in the legal department. In 2018 the number remains similar at increases to 52%. The most common tech-tools used by legal departments are shared drives to store contract templates and information, the use of an intranet and, in third place, working with e-learning platforms.

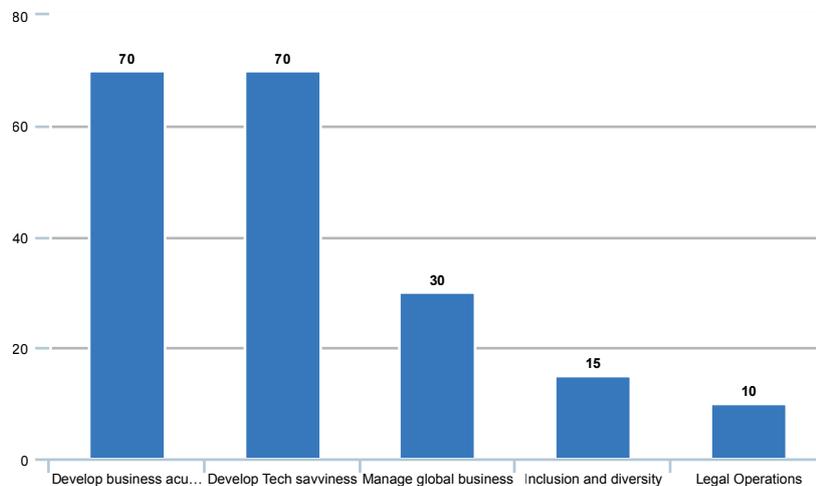


Shared drives 13 %, Intranet 13 %, E-learning platforms 11%, Compliance tools 7 %, E-discovery 1%, Electronic contract archive AI solution 1%.

TOP THINGS TO DO IN ORDER TO STAY RELEVANT

We asked if the GCs believe there is anything the legal department needs to do in order to stay relevant in the coming years. 70 % of GCs indicated develop business acumen followed by becoming more tech savvy, manage global business, working on inclusion and diversity and optimizing legal operation.

What does the legal department have to do to stay relevant? ***Multiple choice**



Develop business acumen 70 %, Develop Tech savviness 70 %, Manage global business 30 %, Inclusion and diversity 15 %, Legal Operations 10 %



GC GRAFFITI WALL

Here are some comments and suggestions from the respondents

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“To stay relevant we must increase the business relevance of legal work. Increase speed of contract and use case management software tools. We need to find more compliance work talent. We need continued focus on the strategically important aspects and ensure the low cost/low risk issues can be dealt with as well through digitalization”

“To stay relevant the legal department needs a more specialized and understanding for the business. Work smarter not harder. Focus on the business strategy and regulatory legal challenges.”

“Internal positioning is key”

“Please survey impact of EU regulation”

“Please survey how to make EU make life easier for European companies instead of throwing more regulation at us.”

“We need to implement e-learning and pertaining tracking tools etc. Even though digitalization is not a top priority we will need to improve our digital skills, competences and processes.”

“Please survey more KPI’s”

“We need to develop our tech savviness”

“We must continue to deliver advise that reflects internal legal's business proximity”

“We need to understand the technological changes, digitalization and what these changes imply for our business.”

“The challenge is to adapt constantly to and with the business”

“You should survey the impact of for instance EU regulation – not just tech!”

“Keep staying aligned with business and the development at large”

“Change is constant”

“Attract and maintain business savvy lawyers is key”

“Keeping up with changes in the business is challenging”

“We need more focus on cross border related matters, compliance and digitization”

“We need deeper participation in value creation processes and deeper cooperation with business”

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