



WSG 2017 European Regional Meeting

04 - 05 MAY 2017 | EDINBURGH, SCOTLAND



SHEPHERD+ WEDDERBURN



#WSGevents2017

The Changing Face of Law – from Artificial Intelligence to Process Outsourcing – Challenges for Traditional Law Firms

PANEL DISCUSSION | 16:00 – 17:30

Moderator:

Paul Carlyle - Partner, *Shepherd and Wedderburn LLP*

Panelists:

Robert Glennie – Executive Chairman, *NewGalaxy Services Limited*

Gordon Moir - Partner, *Shepherd and Wedderburn LLP*

Steve Roberts – Chief Counsel Procurement and Wholesale, *BT Legal*

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**THE CHANGING FACE OF LAW
GROWING PRESSURES, HIGHER EXPECTATIONS
HOW TECHNOLOGY CAN HELP**

Robert Glennie: Edinburgh: 4 May 2017

What is NewGalaxy?

People + Process + Technology

Why ContractPod® is the preferred choice of household brands worldwide

Unlimited Contract Automation to Increase Business Efficiencies

Smart Graphical Contract Analytics with Robust Business Intelligence Reporting

A Simple, Easy to Use & Intuitive User Interface

Painless and Speedy Implementation

Comprehensive & Robust Contract Lifecycle Management System

Fixed, Transparent and Affordable Annual SaaS Licence Fee

A Selection of our Clients

We are a trusted and valued supplier to organisations across the globe.

Some of the leading brands and businesses with whom we are currently working are shown below.



ContractPod® Assembly & Automation

Drive **Accuracy**, Improve **Productivity** and increase **Profitability** of your business and significantly reduce **Time, Cost** and **Man-Hours** by using ContractPod® to assemble, configure and automate all your most frequently used contracts and documents.

ContractPod® comes fully configured with best in the industry features including:



Template Repository



Clause Library



Template Generator



Workflow Configurator



Version Manager



Multi-Format Support

Single TouchPoint **Repository**

ContractPod® acts as a single touch point repository for all your contracts where you can store, access, search and manage all your contracts and documents anytime, anywhere and within a matter of seconds.

ContractPod's single touch point repository stores detailed records for each contract and presents that in a modern interface within a collaborative workspace

Each contract record has its own Snapshot page within the repository which holds all contract information such as:



Full Vendor Details



Latest Signed Contract



Audit Trail of all Versions



Key Obligations



In-Cycle Activities/Negotiation



Important Dates

A Complete End-to-End Lifecycle Management Solution

ContractPod® is a fully comprehensive Contract Lifecycle Management System helping you manage the contracting process effectively from the initial request through to the end of the contract lifecycle.



Automated Contract Risk Assessment



Revisions, Renewals and Termination Management



Integrated Vendor Negotiation Portal



Full Version Management



Track, Manage and Alerts

Business Intelligence

Track the analytics that are important to you with ContractPod's fully customisable dashboard.



Configured Dashboard Analytics

ContractPod's dashboard comes configured with the analytics which are important to you. You can quickly query and drill down any and all of your contract data and display in your own preferred format, including intuitive infographics or full multi format reports.

"Build your Own" Scheduled Reports

ContractPod® comes with full "Build your Own" reporting functionality which allows you to build and create your own bespoke reports. ContractPod's report scheduling feature allows you to generate recurring reports in your preferred format.

30 Pre-Configured Reports including:

- ✓ Customer/Supplier Geographical Analysis
- ✓ Key Obligations Analysis
- ✓ Change of Control
- ✓ Departmental Analysis
- ✓ Request History Analysis
- ✓ Upcoming Renewals *and many more*



ContractPod® Implementation

Our cloud solution is powered by Microsoft Azure® ensuring that our customers can benefit from the security, speed, reliability and the economic benefits of cloud computing.

Unlike many bulky and complicated contract management systems with long and expensive transition plans and consultancy periods, ContractPod® has been built to give you **instant access** to your very own powerful, but easy to use, contract assembly and lifecycle management system.



On **The Cloud**

By implementing ContractPod® on the Cloud your business will benefit from:

- **Minimum IT infrastructure requirements**
- **Anytime, anywhere access**
- **Unlimited hosting cost included**
- **More reliability**
- **Sophisticated disaster recovery**
- **State of the art security**



Onsite Install

Still want to implement ContractPod® within your own IT Infrastructure?

We offer the flexibility and expertise to on-board ContractPod® as an onsite solution within your own IT infrastructure. Our technical team have significant experience implementing ContractPod® as a full enterprise solution.

What IACCM's research tells us about Adoption

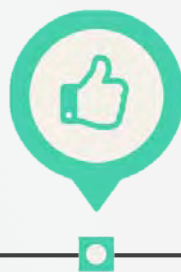




What NewGalaxy learned about the challenge of adoption as it developed ContractPod®



Make it
intuitive to use



Make it
easy to use



Empower a wider
range of colleagues



Single touchpoint
operation

What challenges good adoption levels



Many lawyers don't like change...and fear the consequences of embracing technology.



Lawyers often want expensive "customisation" – when, increasingly, "off-the-shelf" products will provide the outcomes their clients actually want.



Lengthy implementation processes tend to produce low adoption levels



Ease of use is the key to good adoption levels



How ContractPod[®] tackled the “ease of use” challenge



What works and what doesn't work?



**What are we planning to ensure that ContractPod® remains
different and a market-leading product?**

Growing pressures, higher expectations



Thank you

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Rapidly Shifting Sands

The Legal Services Environment

The Law Firm Perspective



Gordon Moir

4 May 2017

Three key changes in the environment

Key changes

1. Traditional models of fee generation and charging disappearing.
2. Increasingly different view of legal professionals by GCs (and CFOs!)
3. Massive shift in providers in the space.

No simple solutions for law firms. Multiple parallel strategies are needed.

Traditional models of revenue gone

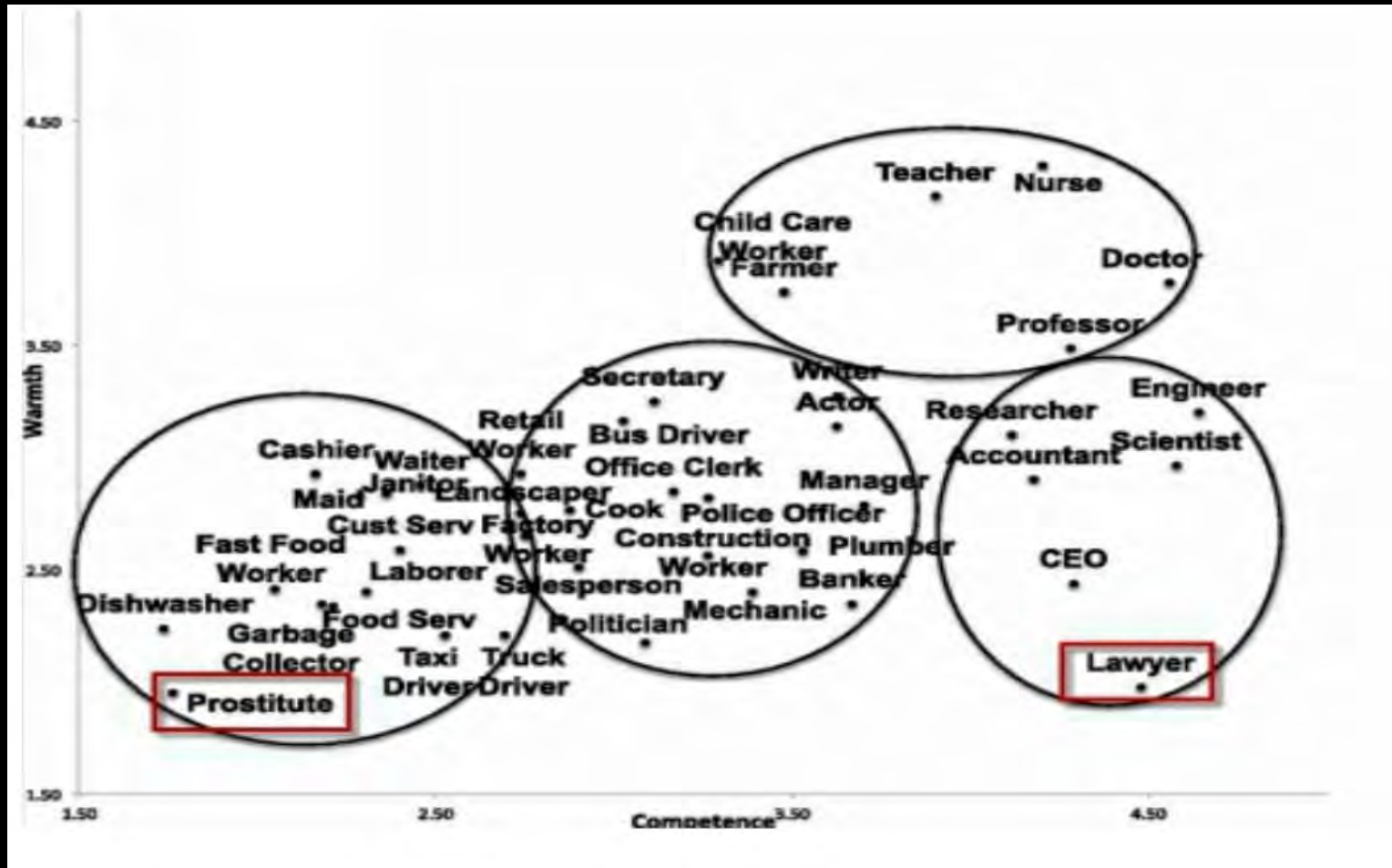
“80 per cent of law firm revenues now effectively generated outside the traditional billable hour model.”

Georgetown Law Centre study on state of legal market (2017)

Relationships and expectations changing I

- *“I am bored of hearing heads of major law firms asking me what can I do for you? I want to hear what you can do for me.”* GC of FTSE 250 company, March 2017.
- Flight to quality for critical matters. Brand is key.
- Flight to economy for **EVERYTHING** else.
- Increasing CFO engagement in dialogues.
- As a result of latter, perception of lawyers matters.

Relationships and expectations changing II



Three key strategies

- Partnering is key.
- Innovation is key.
- Specialisation is key.

Partnering is key



Why partner?

- Clients expect their legal service providers to partner to deliver them value.
- Disadvantages if you don't! (i.e. partners will go direct to clients!)
- Drives specialisation and economisation quickly - forces more rapid realisation of the best provider or group of partnered providers for each task.

Innovation is key

- Novel charging models needed, as is rigorous pre-planning of charges.
- Brand is key, but often this is personal brand.
- Innovative employment models of consultants and other personnel, both in-house and out sourced.
- Help clients innovate, reduce cost and increase value (e.g. funded litigation, help them outsource non core functions, and make the GC a hero to the CFO!).

Specialisation is key

- To innovate for client, you need to understand their sector! Accountancy giants know this.
- Scale is less important as costs reduce.
- Specialist brand is key even for lower cost work, but for boutiques it can be personal brand.



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BT Legal Journey: Better Resourcing, Automation and Use of Technology/AI

Steve Roberts

Chief Counsel, Procurement and Wholesale BT plc

4 May 17



Innovation – in our DNA

BT is the world's oldest communications company, with a direct line of descent from the Electric Telegraph Company which was incorporated in 1846.



Today BT is one of the world's leading communications services companies, serving the needs of customers in the UK and in more than 170 countries worldwide. Our main activities are the provision of consumer and business fixed-line, mobile, broadband, TV and networked IT services.

FY 15/16 Revenues £19bn

Staff over 100,000 across 6 Business units (including EE)

UK Commercial Legal team reduced by 20-30% in 3 years



Re-defining our legal strategy since 2014 – Change or Fail

As BT re-defined its strategy, so did the legal team.

We identified the issues

1. Some common problems

- Multiple distinct teams with different business demands
- Cost pressures, increasing and shifting demands on legal teams, increasing compliance burden
- Multiple data sources for resourcing / reporting – work classified inconsistently.
- Greater demonstrable efficiency

2. With some less common ones

- Good talent in the team but skills gaps existed – external lawyers used as overflow
- Limited churn but employee feedback indicated career progression was an issue
- Scope issues existed / lawyers filled the gaps
- External spend managed the overflow



Gathered the data

1. Collecting and assessing management information

- Rolled out data gathering tools such as Overhead Value Analysis (OVA), focused on “WHAT” not “WHO”

2. Standard management tools

- Common performance management processes, job standards, single reporting and operations functions to provide better control processes to drive consistency.

3. Results

- The OVA showed our teams were spending 60% of their time on low value repeatable tasks, which were non location dependent, limited F2F time with external parties 40% drafting / 18% unspecified advice

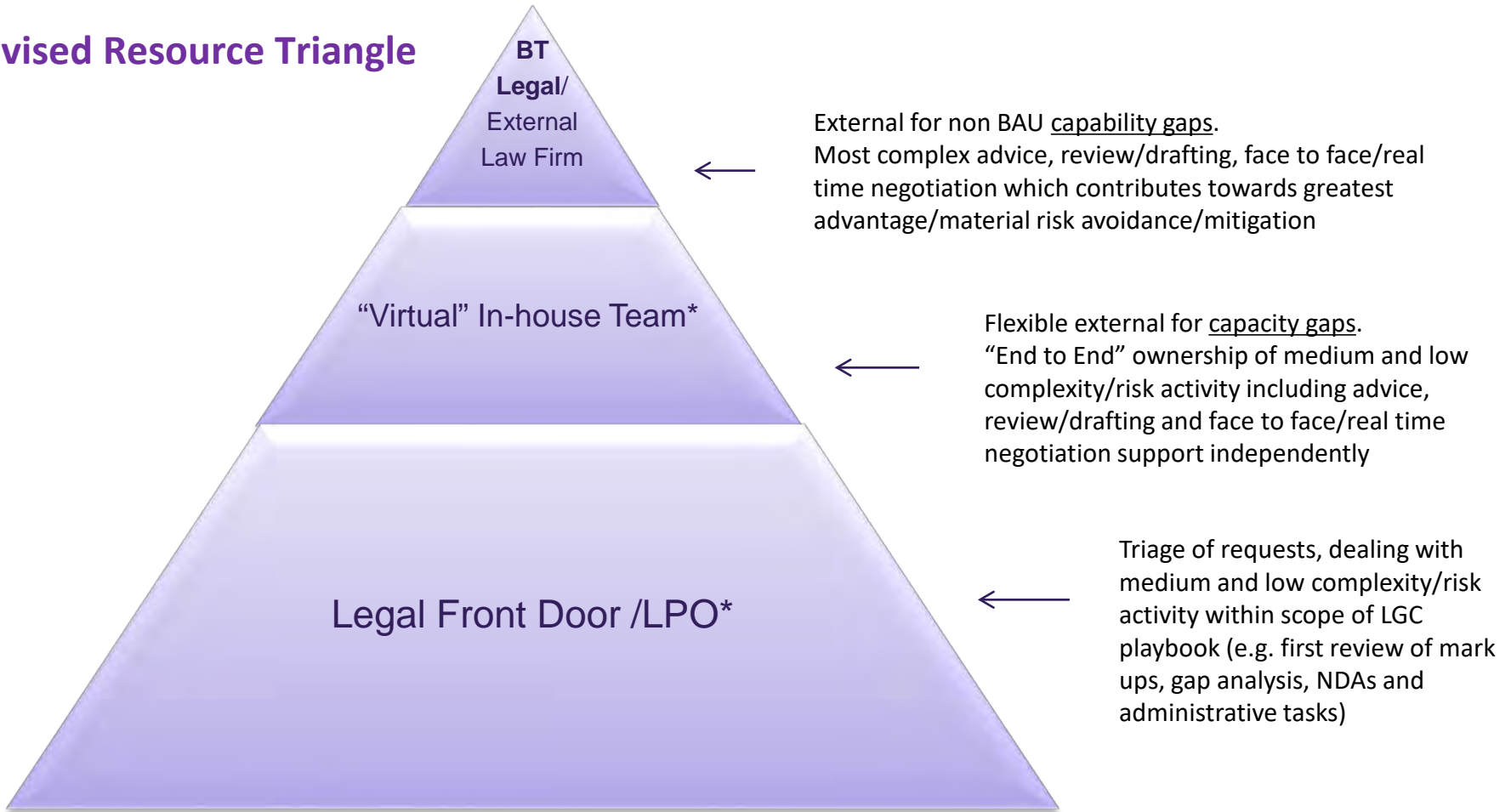
Changing Resource Triangle

Drivers of Change:

- Internal resource enabled to work on high risk and strategic activity
- External resource undertake routine tasks and develop in complex but low risk/advantage work
- Development opportunity created for internal and external teams
- Creation of scalable model which flexes with demand
- Reduction of overall spend



Revised Resource Triangle



*Work redirected to BT Legal where it triggers pre agreed “material advantage/risk accelerators”

Example: Procurement “Virtual In-house Team”

Material advantage/risk accelerators where BT Legal retain lead

- Supplies bought directly for customers (i.e. major not minor solution component)
- Critical supplies bought indirectly for customers (e.g. network support)
- Strategically significant procurement (e.g. mobility/fibre rollout)
- Material disputes/resign issues with potential critical business impact
- BT brand affecting risks: e.g. customer data handling, security, ACB, ethical supply
- Complex legal/governance issues (e.g. non competes)
- Deals over a financial threshold (spend and/or revenue underpinned)
- Matters on CEO/CFO’s “worry list” or directly for CPO or his VPs.

Demand Management – establish global “Front Door”

- Front door

- All requests (business or legal) must complete standardised request form
- Triaged by LPO to direct lower complexity/value work to offshore/nearshore

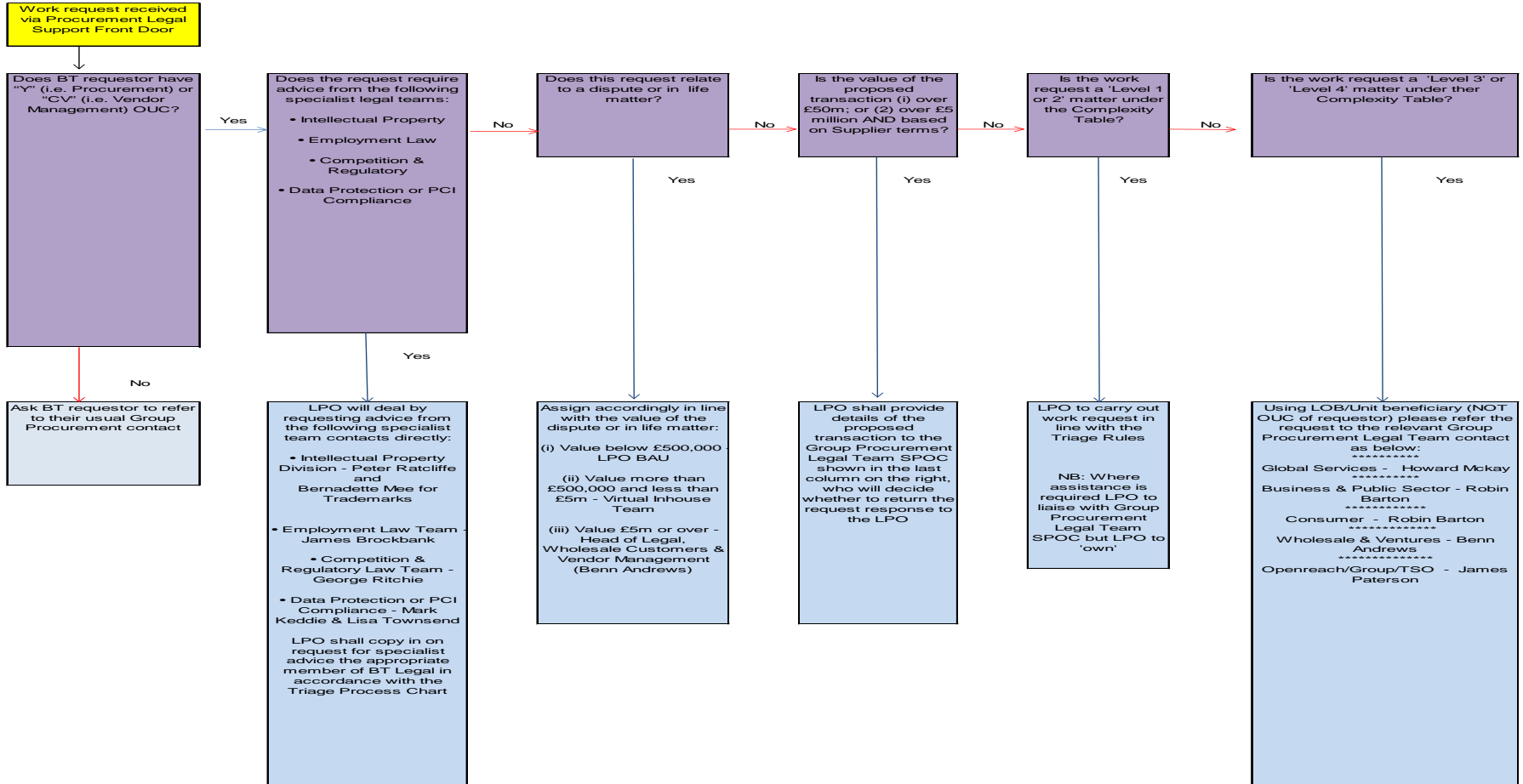
- Benefits

- Forced “playbook” creation driving consistency of role
- Gather data – volume, type, cycle time
- Rigour improved instruction quality (i.e. reducing time consuming “please advise” type requests)
- Metrics helping to inform business conversations / demonstrate improving performance over time (e.g. negotiation cycle time)
- Currently takes out 70% of total volume at source
- Work left for BT Legal - higher value or complexity/more strategic/more interesting!

- Challenges

- Journey to win “hearts and minds” of business colleagues and legal dept themselves
- Upfront effort to establish Front door service provider collateral (playbooks, triage rules)
- Need to continually monitor quality of input and output (samples/audits/deep dives/rapid escalation route)

Extract from Procurement Triage



Technology Demonstrating Resource Optimisation

Volumes of UK&I “Front Door” legal requests quadrupled in period below driven by Procurement and SME business area. Non Complex work undertaken by LPO at 40% lower cost. Complex matters triaged back to BT Legal.



In Confidence

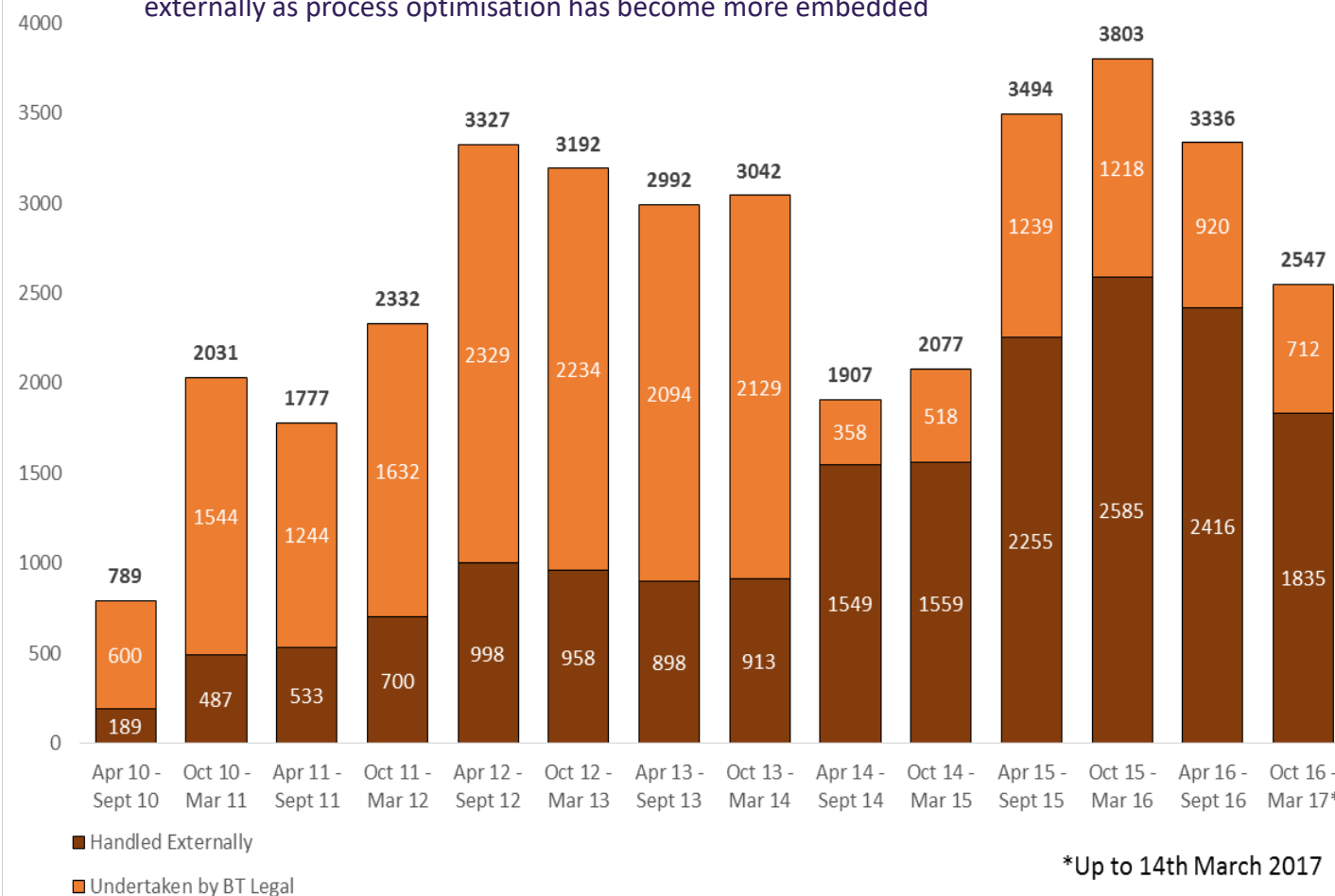
Increase in work taken out by front door since 2010

Year	% work requests taken out by front door
2010	24%
2014	60%
2017	70%

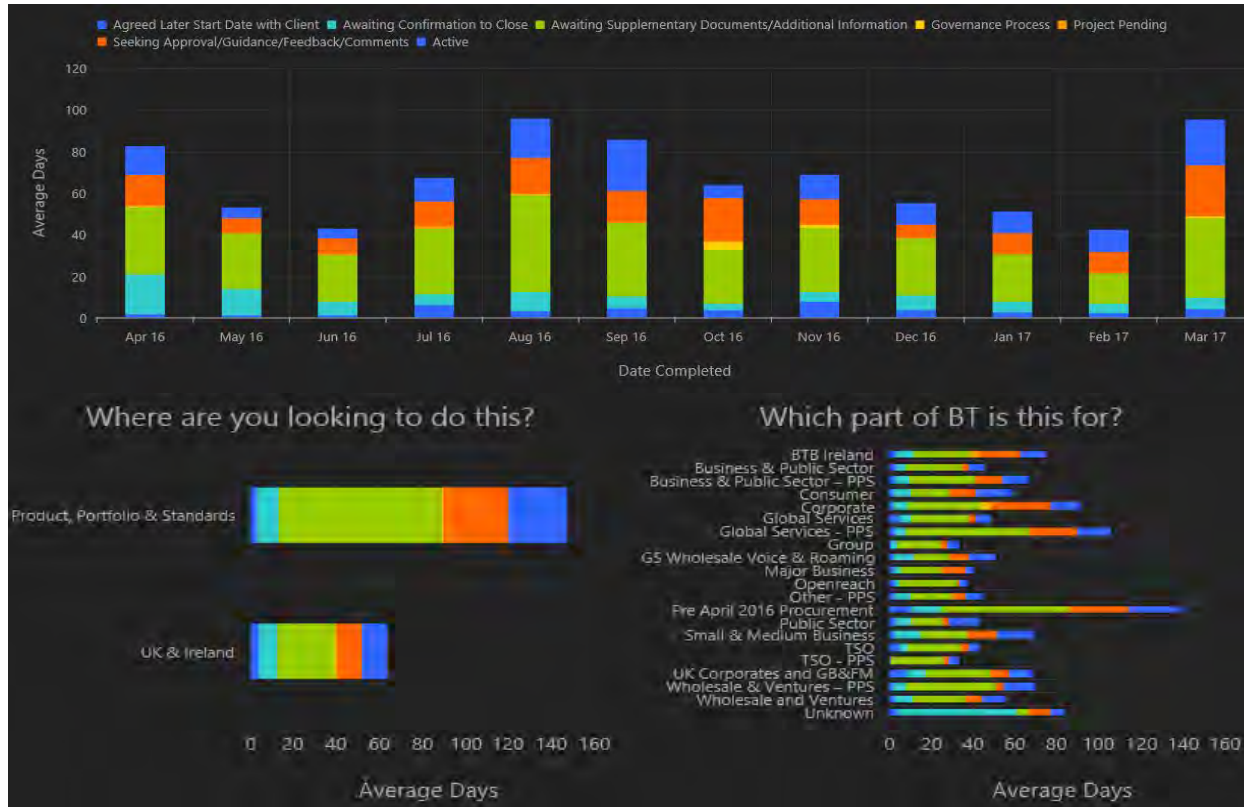
Key Steps:

- Defining work types, playbooks and complexity/risk boundaries helps deliver automation.
- Establishing/implementing quality control process and systems.
- Advocating benefits to internal customers and employees.

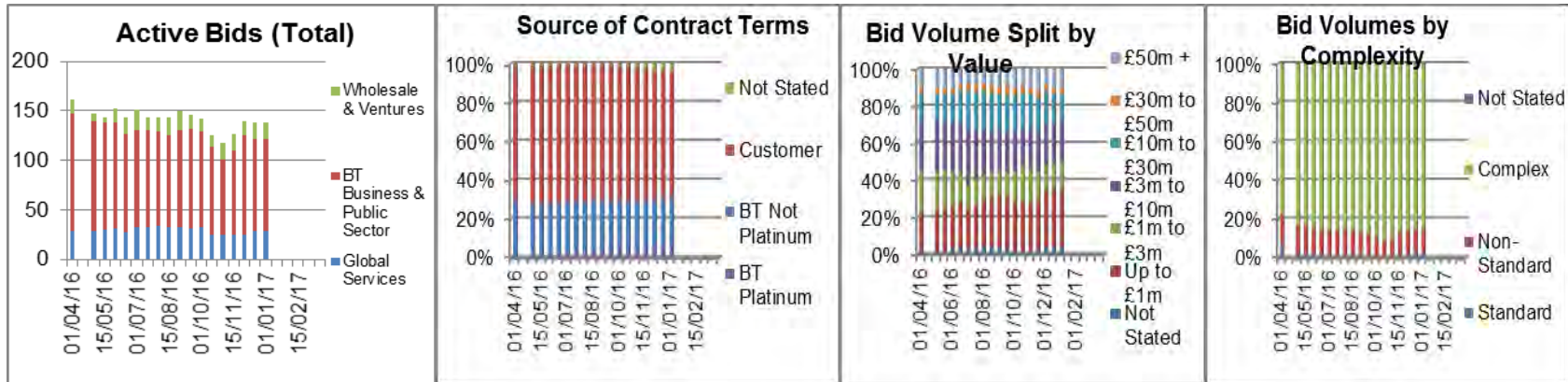
- Use of Legal Front Door has grown 3 x since 2010
- In the past 12 months over 70% of these requests have been handled externally as process optimisation has become more embedded



Understanding the bottlenecks – to identify process improvements



Bi-weekly data snapshots of in-house activity for further insights

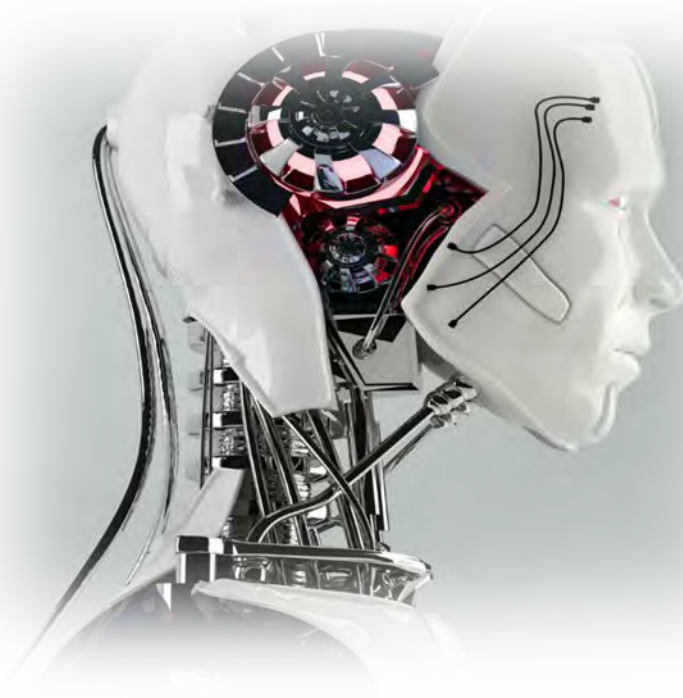


Terms and Cycle time

Average Transaction Time	01/04/16	15/04/16	01/05/16	15/05/16	01/06/16	15/06/16	01/07/16	15/07/16	01/08/16	15/08/16	01/09/16	15/09/16	01/10/16	15/10/16	01/11/16	15/11/16	01/12/16	15/12/16	01/01/17
BT Terms & Conditions	128.58		116.13	117.61	116.21	112.01	105.23	105.55	102.18	106.67	113.71	113.91	105.23	113.67	115.07	115.37	118.24	116.44	124.01
Customer/Supplier Terms & Conditions	179.15		166.5	168.79	166.95	186.47	186.1	182.77	187.22	185.98	182.89	187.21	177.89	173.03	175.25	172.92	172.4	174.51	182.95
Not Stated	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

- Use data to swap resource or for business case justifications
- Common definitions of work complexity, cycle time and cost to complete
- Quantify benefits of standardisation in terms of cost, cycle time and lead to cash
- Being forensic on legal's involvement in the contracting cycle time
- Using data to show how cycle time can be reduced – (extra 60 days in legal) where counter parties terms used.

Brave new world? AI and Legal



Example: Due Diligence

- Massive data extraction and gap analysis capability
- Can be taught to “learn”
- Replaces the role of the trainee/LPO/Offshore alternative
- More reliable and faster than the human
- Results presentable in variety of formats
- Interface into other automation tools/systems (e.g. in life contract management tools)

How Tech and AI can help

- **Negotiation assistance.**
 - Using risk data to inform decisions about what clauses to accept/require.
 - Speed up negotiations through exchange of issues/positions rather than mark ups with potential for this to be done without less human intervention in future (once rules are set).
- **Search engines.**

Powerful search capabilities once data ingested – possible to “teach” the tool to understand natural language/different clause variants/use of language and add to its own understanding through search results. Application now to help deal with crises.
- **Contract assembly tools.**

BT’s current use of share-point based tools critical to sustain business “self-service” model. Vision of next generation of tools which would use data to inform risk decisions what clauses to include, pushback or refer to legal.
- **Single contract risk interface.**

Pointing data from existing clause extraction to Contract Lifecycle management tools to more effectively manage risks and opportunities in existing contracts and inform risk appetite when entering new contracts legal.

Real benefits for BT: EUGDPR

- 1326 supplier contracts to analysis and potentially uplift terms by May 18
- Tasks broken down into 6 phases:
 1. supplier outreach with GDPR due diligence questionnaire
 2. analysis and follow up on questionnaire responses
 3. clause extraction from 1326 existing identified higher risk contracts
 4. analysis of existing clauses against revised requirements
 5. preparation of amendments
 6. negotiation of amendments
- Previous approach would have sought lowest cost resource to complete (likely offshore with onshore oversight)
- Current approach is:
 - offshore non legal admin resource for 1 and 2,
 - AI clause extraction tool for 3 and potentially 4
 - Offshore LPO resource for 5 and 6 (with reference to onshore/BT Legal for complex outliers)
- Current approach has demonstrated 50% cost saving in comparison with previous approach
- Once contracts loaded onto AI platform multiple searches can be run for different purposes (e.g. our recent project Gilmer)

AI: Some machine limitations

- **Readable document formats**
 - Able to process masses of data quickly and reliably (word, excel, pdf, email, etc.)
 - BUT one of biggest perceived limitations of AI in world full of data is ability of AI to ingest available data in any form
- **Mental Agility**
 - AI is rules based (i.e. algorithms) and quicker/more reliable than a human
 - BUT programme that beat World Chess Champion not able to read a road map
- **Configuration**
 - Contract search tool which was pre set only to search each document up to page 100!
- **Accessible search paths**
 - Able to search entire internal electronic data base (databases, files, email and attachments) and find anything looking like a contract
 - BUT only searches against paths you select – what counterparty terms and conditions that reference myriad of third party web site policies
- **Genuine AI or Sophisticated Automation?**
 - Machine learning: able to understand natural language and add to its own understanding of what a given clause looks like
 - BUT output dependent on instructions and not (yet) able to make independent decisions outside its instructions

How automation and AI is re-defining lawyer's roles?

- Automation well developed. AI in its infancy and there are limitations.
- See as an adjunct rather than replacing lawyers. Moves lawyers up the value chain and with it lawyers need to develop new skills and deepen existing ones.
- May lead to demand for deeper sector and area specific specialisms, skill and experience and greater focus on:
 - **Relationships**: Fulfilling role as trusted adviser where stakeholders want interact with a personable human (this a machine cannot do) - managing stakeholders relationships is a skill in house lawyers need to develop to succeed.
 - **Contributing towards business strategy**: Leveraging the special knowledge, skills and experience lawyers often have.
 - **Risk and Ethics**: Increasing compliance obligations and ability for lawyers to contribute more on topics high on board agendas.
 - **Understanding/use of available technology and data**: efficient management of legal department, trends which provide business insights and inform business decisions (e.g. standardisation and link to cycle time/cost, data led risk tools as part of contract governance)).
- We should think about these skills in the way we get train new lawyers.
- For all lawyers we can embrace as an opportunity or see it as a threat.

THANK YOU

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