EY General Counsel Barometer 2020
In-house counsel's response to the digital age
Two years ago, EY Switzerland launched the EY General Counsel Barometer, a survey of senior legal professionals leading General Counsel offices across Switzerland. The first survey of its kind to take place in Switzerland, the Barometer was designed to assess and track developments in the legal domain and offer insights into what our findings meant for the future of legal work.

I’m delighted to share the findings of our second General Counsel Barometer with you in this report. For the latest survey, we have extended our reach to include legal professionals in Germany.

Embracing digitalization

Some clear trends have emerged since we first spoke to General Counsel offices in 2017. More companies are embracing the digitalization of legal work, such as the automatic creation of documents and the use of artificial intelligence for document analysis. The vast majority of those who are using digital solutions — 91% — are either satisfied or very satisfied with them.

General Counsel offices want their external legal providers to mirror this in-house trend. Just 14% of respondents say the use of digital solutions would be irrelevant to their decision on the choice of service provider — this is down from 42% in 2017.

While more respondents now think digital solutions will replace human labor than they did in 2017, overall, General Counsels are not concerned that digitalization will lead to substantial job losses in the next few years — in fact, 61% say it is very or somewhat unlikely.

This progress towards digitalization is to be welcomed, particularly in light of the increasing pressure that General Counsel offices are under to demonstrate their value to the organizations they serve. New technologies can help in-house legal professionals to report in real time on the difference they are making to the bottom line.

Being bolder and faster

However, they need to be bolder and faster in the way they implement change if they are to remain relevant. Our findings show that General Counsel offices are reluctant to embrace more disruptive innovation that could deliver greater efficiency.

For example, just 21% believe blockchain technology, which could help revolutionize tasks such as contract processing and payment transactions, is very or somewhat relevant. In the area of external collaboration, just 23% would be willing to break with the traditional practice of hiring law firms and instead consider other providers. These might include multi-disciplinary service providers who could offer efficiency gains by providing exposure to new technologies, and by packaging in other essential services and offering them on a global scale.

While a cautious approach to embracing disruptive innovation is important, this caution needs to be balanced with being able to serve the needs of the wider organization, in which other functions are racing ahead on the digitalization curve. To keep up, General Counsel offices will need to get better at embracing disruption.

I’d like to thank our respondents for taking part in our 2020 General Counsel Barometer. We hope you enjoy reading the insights we have gained from them, and if you would like to discuss how any of our findings relate to your organization, please get in touch. I also want to thank Christian Bosse, EY Law GSA Leader and Global Law Technology Leader, Annedore Streyl, EY Law GSA M&A Leader, and Andreas Jaeggi, Head Digital Law Switzerland, for providing their insights to our results.
About this study

The EY General Counsel Barometer 2020 presents the results of a 2019 survey conducted by The Nielsen Company (Germany) GmbH, a consumer and innovation research institute. The survey sample comprises 370 legal counsel executives in Switzerland and Germany across multiple sectors, including life sciences, consumer products and retail, energy, TMT (telecommunications, media and technology), industrial products, and other industries (including financial services).

Respondents are also drawn from different company sizes, ranging from 100-200 employees to more than 5,000 employees. The distribution across company size is balanced, except for the 201-1,000 employee category, which represents around a third of respondents. The majority of respondents are from in-house legal departments comprising one to five full-time equivalents (FTE).

Industry of company

- Life science: 12%
- Consumer products & retail: 14%
- Energy: 14%
- Telecommunications/media/technology: 14%
- Industrial products: 8%
- Other: 8%
- Other industries: 42%

Employees (FTE) in company

- 100-200 employees: 18%
- 201-1,000 employees: 14%
- 1,001-2,500 employees: 13%
- 2,501-5,000 employees: 14%
- More than 5,000 employees: 20%
- 100–200: 13%
- 201–1,000: 18%
- 1,001–2,500: 14%
- 2,501–5,000: 13%
- More than 5,000: 20%

Employees (FTE) with legal role in department

- 1–5 employees: 1%
- 6–20 employees: 1%
- 21–50 employees: 1%
- More than 50 employees: 88%
Digitalization
What influence does the digitalization of legal work (such as digital contract management, automatic creation of documents and use of artificial intelligence (AI) for document analysis) have on the work of your legal department?

What’s happening? The majority of General Counsel offices have now embraced the shift toward the digitalization of legal work; 51% of respondents say that digitalization has a major or relatively major influence on the legal work within their departments. Just 13% say digitalization has no influence at all — a figure that is consistent across Swiss and German respondents. The shift in the influence of digitalization on legal work since 2017 is marked. Back then, 31% of Swiss legal departments reported that digitalization was having a major or relatively major influence; today, 69% of Swiss participants say this is the case. In Germany, the figure is 43%.

Are you already using the aforementioned digital solutions, or are you planning to do so?

What’s happening? The majority of participants — 51% — say their departments already use digital solutions or have evaluated and plan to use them over the next 12 months. This is a 13% increase on 2017. Back then, 38% of respondents said they were not currently dealing with this subject. That figure fell to 26% in 2019. This change is partly influenced by the inclusion of German General Counsel offices in the survey; 56% of German respondents say they are already using or have evaluated and plan to use digital solutions over the next 12 months, compared with 43% of Swiss respondents.
How relevant do you think such solutions will be for your work in the future?

What's happening? The shift toward digitalization of legal work in-house is here to stay. More than three-quarters of respondents (76%) believe digital solutions will be very or somewhat relevant to the work of legal departments in the future. That figure is consistent across German and Swiss participants. Just 5% of respondents say digital solutions are not relevant at all for their work in the future.

Why are we seeing this trend? Pressure on the General Counsel function to be more accountable and efficient has increased since the last survey. At the same time, more tools to help manage this change have become available on the market.

How should legal professionals respond? The General Counsel office needs to critically evaluate the available tools in order to respond to this demand.

How satisfied are you with the solutions?

What's happening? The vast majority (91%) of those who use digital solutions are either satisfied or very satisfied. The remaining respondents, who expressed dissatisfaction with their digital solutions, are all based in Germany.

Why are we seeing this trend? It may seem counterintuitive for more German General Counsel offices to embrace digital solutions but be less satisfied with them. One explanation could be that Swiss General Counsel offices are taking a more cautious and considered approach to implementing digital solutions, therefore leading to a higher degree of satisfaction.

How should legal professionals respond? There are various tools on the market, catering to different demands and challenges. Careful evaluation is indispensable in order to make the right investment.

Chart 3: Relevance of digital solutions

<table>
<thead>
<tr>
<th>Relevance of digital solutions</th>
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<tbody>
<tr>
<td>29% Very relevant</td>
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Chart 4: Satisfaction with digital solutions

<table>
<thead>
<tr>
<th>Satisfaction with digital solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>25% Very satisfied</td>
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</table>
Do you expect your external legal service providers to use or offer such digital solutions?

What’s happening? External legal service providers must increasingly reflect the shift toward digitalization that is taking place in General Counsel offices. Almost a quarter (23%) of respondents said usage of digital solutions among external legal service providers was extremely important, while a further third (33%) said this would be a welcome addition when considering which external provider to work with. German and Swiss participants responded in a similar manner, while 14% of respondents said the use of digital solutions was irrelevant to their decision on the choice of service provider. This, however, is a marked fall from 2017, when 42% of respondents said the use of digital solutions was irrelevant.

Why are we seeing this trend? Those General Counsel offices which already make an investment in new technologies expect their external partners to keep up with developments in this area. Also, we will see more collaboration on shared platforms between in-house counsel and external legal advisors, which requires the latter to match the technological capabilities of their clients.

How should legal professionals respond? Law firms and other legal service providers will have to keep themselves informed about technical developments and will have to make their own investments.

External legal service providers’ usage of digital solutions

<table>
<thead>
<tr>
<th>Perception</th>
<th>2019</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, we feel it is extremely important</td>
<td>23%</td>
<td>42%</td>
</tr>
<tr>
<td>We feel that this is a welcome addition</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>We don’t think they are necessary</td>
<td></td>
<td>30%</td>
</tr>
<tr>
<td>They are irrelevant for our decision on the choice of service provider</td>
<td>14%</td>
<td></td>
</tr>
</tbody>
</table>

Key message

Embrace digitalization

Digitalization of legal work is growing in importance for General Counsel offices and external legal providers. Legal professionals will need to make the time to educate themselves about the why, what and how of digitalization. External providers can be a source of insight and support.

Oliver Blum
Labor & new tech
Do you think it is likely that in the next few years, software solutions will replace human labor to a substantial extent in legal services?

What’s happening? General Counsel professionals who think that jobs are under threat from digitalization are still in the minority, but the size of that minority is slowly growing. Some 40% of respondents say it is very or somewhat likely that software solutions will replace people to a substantial extent in legal services in the next few years; 61% say it is very or somewhat unlikely.

Why are we seeing this trend?
Tools such as automated contract drafting and (to a limited extent) even contract negotiation are already on the market, and they work. It is rather obvious that the impact of new technologies on the legal workforce is still substantially underestimated.

How should legal professionals respond?
The legal profession has been notoriously untouched by disruptive developments in the past. It is time for legal professionals to accept that radical changes are on the horizon, because it is always better to drive the change than to be changed.

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The law allows the use of an electronic archive. How does your company make use of it?

What’s happening? About half of respondents (46%) already use electronic archives, similar to the 49% who reported doing so in 2017. However, there has been a marked fall in the number of respondents who say they only use physical archiving – 8% versus 21% in 2017. Instead, we have seen an increase in the number of respondents who are either evaluating or implementing concrete steps toward electronic archiving – 46% versus 31% in 2017.

Why are we seeing this trend?
Electronic archiving is one of these unobtrusive new technologies which, however, can realize substantial cost savings. Companies should opt for this ‘easy win’ more broadly.

How should legal professionals respond?
In most companies changes to archiving will probably be a company-wide initiative, so there is little that the General Counsel office can do on its own. Apparently, certain industries are more aware of the opportunities in this area than others.
Is the topic of blockchain relevant to your job, such as for payment transactions or contract processing? 

What’s happening? General Counsel offices remain to be convinced by technologies at the more innovative end of the spectrum, such as blockchain. Just 21% of respondents believe blockchain is very or somewhat relevant to their industries, while the TMT (telecommunications, media and technology) sector sees it as least relevant (62%).

Counsels see greater relevance in blockchain technology (33%) compared with their German counterparts (34%). The life sciences and industrial products sectors see blockchain as most relevant to their industries, while the TMT (telecommunications, media and technology) sector sees it as least relevant (62%).

Counsels see greater relevance in blockchain technology (33%) compared with their German counterparts (34%).

Why are we seeing this trend? Blockchain has the potential to radically change the way transactions are negotiated, completed and recorded, thereby eliminating established intermediaries (and perhaps opening opportunities for new ones). Switzerland has made great efforts recently to attract a cluster of blockchain professionals, so awareness to this new technology is higher in this country.

How should legal professionals respond? Like with other new technologies with the potential for substantial disruption, legal professionals will have to carefully monitor developments and strive to understand them – otherwise they may end up being replaced.
Does the introduction of robots or AI in your company have a legal influence on the working conditions of your employees; for example, changes to job descriptions or regarding data protection?

What’s happening? In 2017, 60% of respondents said robots/AI had no influence on the working conditions of employees; today, that figure has fallen to 42%, suggesting that General Counsel offices are becoming more aware of how automation can transform the work of in-house legal departments. Swiss respondents see these technologies as having a greater influence on working conditions (25%) than their German counterparts (18%).

How are we seeing this trend? Due to the strong Swiss currency, Swiss companies are used to more severe cost pressures, forcing them to continually become more cost efficient. Robotics and AI have great potential in this regard.

How should legal professionals respond? As robots and self-learning software become more commonplace in the professional world, lawyers will have to deal with the legal implications, in particular in the area of employment law, but also as regards liability issues.

**Chart 10: Influence of robots and AI**

### Key:
- **No influence**
- **Small influence**
- **Moderate influence**
- **Big influence**

<table>
<thead>
<tr>
<th>Influence of robots and AI</th>
<th>No influence</th>
<th>Small influence</th>
<th>Moderate influence</th>
<th>Big influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>2%</td>
<td>38%</td>
<td>42%</td>
<td>18%</td>
<td>2%</td>
</tr>
</tbody>
</table>

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How do you interpret and manage the role of your department in providing legal services?

What’s happening? General Counsel offices still take on the majority of legal work in-house; 56% of participants see it as their department’s main role to provide legal services internally, while 32% provide a mix of in-house and external legal services. Just 12% of respondents restrict themselves to mainly selecting, instructing and monitoring external legal service providers.

Why are we seeing this trend? As budgets come under pressure, General Counsel offices may be taking on the bulk of their work in-house to keep costs down.

How should legal professionals respond? An alternative solution to budget pressures is emerging, however, and will become increasingly important – automation. The fact that the number of respondents who believe robots and AI have no influence on working conditions has fallen in 2019 is significant.

**Chart 11: Role of department in providing legal services to business**

### Key:
- **Mainly own provision of legal services, at most consultation of external attorneys on special topics**
- **Selection, instruction and monitoring of external legal service providers on the one hand and own legal services on the other**
- **Mainly selection, instruction and monitoring of external legal service providers**

<table>
<thead>
<tr>
<th>Role of department in providing legal services to business</th>
<th>Mainly own provision of legal services, at most consultation of external attorneys on special topics</th>
<th>Selection, instruction and monitoring of external legal service providers on the one hand and own legal services on the other</th>
<th>Mainly selection, instruction and monitoring of external legal service providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>56%</td>
<td>32%</td>
<td>12%</td>
<td>2%</td>
</tr>
</tbody>
</table>

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Key message

**Consider more innovative technologies**

General Counsel offices continue to underestimate the relevance of innovative technologies such as AI and blockchain. They risk falling behind other functions within their organizations that are more open to using these technologies, which can deliver greater efficiencies and visibility. To position themselves as an innovation center rather than a cost center, General Counsel offices need to start exploring the potential of AI and blockchain.

Christian Bosse, EY Law GSA Leader and Global Law Technology Leader
Collaboration
How do you choose external legal service providers?

What’s happening? When General Counsel offices do use external legal service providers, they are still largely chosen on an informal basis. The majority of respondents – 62% – select their external legal service providers based on their own experiences, which might have been gained when they themselves worked in private practice. In Switzerland, recommendations and organized selection procedures are used by more respondents (39%) than in Germany (26%). Within sectors, life sciences companies rely mostly on their own experiences when appointing a legal service provider (74%), while TMT businesses are most open to using recommendations and organized selection procedures (45%).

Why are we seeing this trend?
General Counsel offices in German-speaking countries still seem to fall behind their Anglo-Saxon counterparts when it comes to organizing the choice of external service providers, even though there are obviously efficiency gains and cost savings to be realized with a careful and organized selection process.

How should legal professionals respond?
As cost pressure on the in-house legal function increases, relationships to external service providers will come under heightened scrutiny. Those General Counsel offices which are ahead of the curve will be much better off in the related internal discussions than the ones who only act as a reaction to cost-saving orders from the C-Level.

Choosing external legal service providers

![Chart 12: Choosing external legal service providers](image)

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own experiences</td>
<td>62%</td>
</tr>
<tr>
<td>Recommendations</td>
<td>21%</td>
</tr>
<tr>
<td>Reputation/brand</td>
<td>9%</td>
</tr>
<tr>
<td>Organized selection procedure</td>
<td>2%</td>
</tr>
<tr>
<td>Other channels</td>
<td>6%</td>
</tr>
</tbody>
</table>

Hiring traditional law firms or other providers for external legal advice

If you are looking for external legal advice, would you be exclusively interested in hiring a traditional law firm or would you consider other providers, including multidisciplinary service providers such as the Big Four or Axiom?

What’s happening? General Counsel offices have tended to use traditional law firms when appointing external legal service providers. However, this is beginning to change, with nearly a quarter of respondents (22%) saying they would be open to appointing non-traditional providers. At 33% compared with 17%, Swiss respondents are significantly more open to using non-traditional providers than their German counterparts. Within sectors, ‘other industries’, which mostly include financial services representatives, are most open to using non-traditional providers (39%), while life sciences companies prefer traditional law firms the most (83%).

Why are we seeing this trend?
The share of alternative legal service providers in overall legal services is underrepresented in these figures, as non-traditional service providers are often directly engaged by other functions at the client, such as tax or HR. It seems that in-house lawyers are slowly catching up to the more open-minded attitude of their colleagues in other departments.

How should legal professionals respond?
As more non-traditional, multidisciplinary service providers ramp up their legal expertise, General Counsel offices should consider them as a viable alternative to traditional law firms. More often than not, they can bring cost efficiencies to the table by combining legal and other services.

Hiring traditional law firms or other providers for external legal advice

![Chart 13: Hiring traditional law firms or other providers for external legal advice](image)

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only traditional law firms</td>
<td>78%</td>
</tr>
<tr>
<td>Other providers as well</td>
<td>22%</td>
</tr>
</tbody>
</table>

Key:
- **Own experiences**
- **Recommendations**
- **Reputation/brand**
- **Organized selection procedure**
- **Other channels**
How important is it for you that external legal service providers are part of an international network; for example, international law firms such as CMS or Baker McKenzie, or the Big Four?

What’s happening? A significant minority of respondents — 43% — believe it is important or very important for their external legal service provider to be part of a global network of providers. This is more important for German General Counsel offices (46%) than their Swiss counterparts (36%). Within sectors, this is most important for consumer products and retail companies (48%) and least important for TMT businesses (76%).

How should legal professionals respond? Pure domestic service providers without a formal international network may miss out on cross-border aspects of legal issues for which they are engaged. General Counsel offices should consider putting more emphasis on the solid international experience of their external lawyers.

Importance of international networks

<table>
<thead>
<tr>
<th>Importance</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>15%</td>
</tr>
<tr>
<td>Important</td>
<td>28%</td>
</tr>
<tr>
<td>Not very important</td>
<td>23%</td>
</tr>
<tr>
<td>Not important at all</td>
<td>34%</td>
</tr>
</tbody>
</table>

Chart 14: Importance of international networks

How does your company manage corporate development tasks?

What’s happening? When it comes to managing corporate development tasks such as M&A, a clear majority (62%) use external lawyers, either exclusively or in collaboration with in-house teams. Just 6% of respondents say that the General Counsel office handles corporate development tasks on its own. Larger companies, of more than 2,500 employees, are most likely to use external lawyers to some degree for corporate development tasks, while within sectors, consumer products and retail businesses are most likely to do so (71%).

How should legal professionals respond? Even in-house lawyers specializing in M&A will usually not have the width and depth of experience of senior M&A lawyers at external service providers. It should therefore be considered for each transaction whether and to what extent the results of the transaction process may be improved by outside counsel.

Managing corporate development tasks

<table>
<thead>
<tr>
<th>Management Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>They are carried out by employees of our legal department</td>
<td>6%</td>
</tr>
<tr>
<td>Our legal department does the work itself, but uses external lawyers if necessary</td>
<td>32%</td>
</tr>
<tr>
<td>The work is carried out exclusively by external lawyers with the knowledge and supervision of our legal department</td>
<td>40%</td>
</tr>
<tr>
<td>Our legal department is not active in this field</td>
<td>22%</td>
</tr>
</tbody>
</table>

Key message

A broader range of providers can deliver greater efficiencies

When working with external legal service providers, General Counsel offices still have a strong preference for working with traditional law firms, selected based on their own experiences. Employing organized selection procedures can expose General Counsels to a wider range of external service providers, including non-traditional multidisciplinary firms, that can deliver a broader and more coordinated range of services, resulting in greater efficiencies.

Annedore Streyl, EY Law GSA M&A Leader
Challenge
In May 2018, the new EU General Data Protection Regulation (GDPR) came into force. Has your company fully implemented the necessary measures, including registering data processing activities, providing an emergency plan in the event of data protection violations, etc?

What's happening? The majority of General Counsel offices (61%) have implemented the necessary measures to comply with the EU's GDPR. However, a third of respondents (34%) are still in the process of doing so, which is concerning considering the severity of fines that could be imposed on companies that are found to be non-compliant in the event of a data breach. Under the regulation, the maximum fine is €20m or up to 4% of the company's annual turnover — whichever is higher. Within sectors, 'other industries', including financial services, are most compliant (95%), while consumer products and retail businesses and TMT companies are farthest behind in implementing the regulations. In both sectors, 44% of respondents say implementation of necessary measures has begun or concrete measures are being examined.

Why are we seeing this trend? The introduction of GDPR and related national legislation represents one of those ‘big changes’ that have the potential to overwhelm the General Counsel office’s capacity to deal with routine legislative changes. Process changes have to be implemented across the company, large numbers of existing contracts have to be amended, and more generally a new attitude toward the handling of data has to be adopted.

How should legal professionals respond? In many companies it will be indispensable to retain specialized outside support, not only to deal with the additional workload, but also to profit from experiences made by external specialists when solving the same issues for other companies.

Brexit presents the economy with great challenges. Companies currently have to cope with tasks ranging from work permits, data protection and intellectual property rights to taxes and customs formalities. Trade flows, supply chains and structures must be reviewed and realigned. Has your company already initiated the necessary measures?

What's happening? Many German companies are taking a 'wait and see' approach to the UK’s exit from the European Union. Just 27% of German respondents say preparations for Brexit have already been completed; 40% are still in the process of preparing, while 33% say they do not expect Brexit to have any impact on their business at all. Companies with up to 200 employees are the largest group to fall within this latter ‘no impact’ segment, at 68%. Brexit-readiness appears to get stronger as company size grows. Within sectors, life sciences companies are significantly more prepared for Brexit than all other sectors – 50% of companies in this sector say they are ready for Brexit. Energy companies are most likely to say that Brexit will have no impact at all.

Implementation of necessary measures (EU GDPR)
Key message
Speed up preparations for GDPR and Brexit
General Counsel offices are still substantially underestimating the implications of GDPR and Brexit. They need to speed up their implementation of GDPR and their preparations for Brexit to protect their organizations against potential negative fallout from both developments.

Andreas Jaeggi, Head Digital Law Switzerland

Prepare for disruption
A greater number of General Counsel offices are embracing digitalization but, compared to other functions, they are still behind the curve. As they come under increasing pressure to prove their value to their organizations, they need to get ready to play catch-up, say Oliver Blum, Partner and Head of Legal Services for EY in Zurich, Switzerland and Dr. Christian Bosse, GSA Law Leader, EY.

You surveyed General Counsel offices on a number of issues for the 2020 General Counsel Barometer. What is the single biggest challenge for in-house legal professionals that has emerged from the survey?
In our view, the move toward digitalization is the most important factor for General Counsel offices to consider and respond to. Currently, they are far behind the curve on this when you compare them with other back-office functions in large companies, such as HR and the CFO office.

Many software solutions on the market will allow the General Counsel office to better handle incoming requests for legal assistance from within the company and gain a better picture of pending work, how the team is being utilized and which tasks should be sent out to external counsel. Alongside this functionality, solutions such as EY’s Riverview also offer an instant overview of how much external law firms charge, which ones have slower and faster response rates, and so on.

Most of these things General Counsel offices these days do by hand, whereas other departments have dashboards with fancy graphs that enable them to respond to queries from superiors much faster.

Why do you think General Counsel offices are behind the curve on digitalization?
The legal department has the same problem as every back-office department. They are not a profit center, they’re a cost center, so it’s difficult for them to make the case for investing in new technologies. That said, the legal department, more
than other departments, has a kind of mystique surrounding it – the idea that lawyers do something that nobody else really understands, which makes it impossible for an ‘outsider’ to change the way they work. However, C-level executives are accepting this position less and less as a given, and General Counsel offices are coming under increasing pressure to explain their contribution to company value, so they are going to have to change.

What are the other major challenges that in-house legal departments are facing right now?

We as lawyers are all overwhelmed by the pace at which new regulations pop up. At country level, it’s difficult to keep pace with new laws, regulations and guidance. And then, of course, globalization is still increasing and things are becoming more and more interconnected. Companies are entering into new markets all the time, so General Counsel offices have to keep pace not only with legal developments in their own country, but also in 158 other countries. And in all of these other countries, we will start seeing legislation come out at a quicker and quicker pace. The whole organization looks to the General Counsel office for guidance on how to adapt to these changes of the regulatory landscape. Further, numerous existing agreements will have to be constantly monitored because they may have to be amended in order to comply with new legislation – take GDPR as an example and all the outdated data protection clauses that have to be replaced as a consequence. Again, we think digitalization, automation, AI will have to be the answers to that challenge. Another solution, at least in the near term until technology becomes better and better, can be outsourcing of repetitive large-scale tasks (like monitoring of new regulation or review of large batches of documents) to external service providers, who can deploy qualified, but more cost-efficient workforce in low-wage countries; with Pangea3, EY has a very interesting solution to offer in this respect.

What can General Counsel offices do to catch up with some of the other functions within their organization that are already on the digitalization journey?

General Counsel offices are going to have to do something very difficult. They are going to have to take a break from the daily grind to inform themselves about the solutions that are available, because we’re not talking about upgrading from Windows 8 to Windows 10. We’re talking about really throwing out the old stuff and getting used to a completely new way of working. We’re talking about disruption – this is not just a buzz word, but the new reality, and the legal profession will not be spared from it.

How can digitalization help General Counsel offices to add value to the organizations?

Apart from becoming more efficient, freeing up capacity for more work, their reporting capabilities will vastly improve. It will become possible for them to measure their contribution and better explain why certain things work and why others don’t. Imagine an executive management meeting in a large organization where the CFO, CIO and General Counsel are present and the CEO asks the CFO: ‘How has our profit developed over the last six months? What is the trend in our accounts receivable? How long does it take on average to collect on those as compared to last year? The CFO can pull those answers out quickly.

But if the CEO asks the General Counsel: ‘How many litigations are pending right now with a risk of more than US$1m?,’ he will have to say, I will check and get back to you. He should be able to pull that information out of a dashboard, and this is what digitalization can offer. You become more accountable and are able to report to your superiors, which is not a bad thing because it also allows General Counsel offices to correct misconceptions about their work, such as a perceived lack of responsiveness to demands from within the business.

What are the challenges coming up on the horizon that legal departments need to be aware of?

It was Bill Gates who said something along the lines of, the impact of technological change is always overestimated in the short term and underestimated in the long term. Everyday is expecting wonders from AI and automation – self-flying planes and autonomous cars, for example – but we’re not there yet; everyone is currently a bit disappointed with it. But in the long run, we will all be very surprised by what AI and automation can do. If anybody had told us 20 years ago that we would all have a computer in our pocket every waking hour of our life and, by the way, we’ll also be able to use it to make phone calls, we would have said this is ridiculous – and now we all have that. So, we think the same will happen with AI in the legal sector and we need to be prepared for that.

How can General Counsel offices make those preparations?

Lawyers need to stay abreast of new technology developments, stay informed about what’s possible, and try to exchange ideas and knowledge with their peers. But, above all else, if they can admit that our industry can be really disrupted, we will already have made quite a big step toward preparing for what’s about to come.
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