

How managed
services can improve
compliance and
provide stronger ROI

EY Forensic & Integrity Services



Foreword

The seismic shift brought about by the pandemic and ensuing geopolitical tensions has restructured the business landscape and altered the working world, as we know it. After two years of operating in survival mode, organizations are now making strides toward recovery and revival.

During this challenge to traditional working methods, EY teams commissioned a survey among Members of the Association of Corporate Counsel to assess their inclination toward adopting a managed services model for the delivery of core legal services.

The objective of the survey was to understand how open respondents were to the idea of outsourcing their tactical tasks to a team of experienced professionals, whether their perception had changed over the years and, if so, what caused it. Fundamentally, we wanted to evaluate whether leaders of the legal function could see such a model driving tech innovation, whilst identifying areas where its implementation would be most beneficial.

One of the key findings of the survey indicates that the major areas of concern for businesses have changed post-pandemic. Legal operations, data privacy, ethics and compliance, third-party due diligence, and investigations have been identified as the five most relevant managed services by organizations for the next two years. However, most organizations conveyed their reluctance in adopting a managed services model over perceived high costs and concerns about losing control. More than half of respondents said they would prefer buying off-the-shelf tools to meet their regulatory demands and technological needs rather than investing in developing technologies in-house or employing a managed services model.

This short report explores these issues in more detail and highlights that there is a gap between demonstrating the cost-effective efficient handling of tactical tasks that a managed services model facilitates and understanding the benefit of allowing in-house teams to focus more on strategic tasks.

Finally, we would like to thank all members of the Association of Corporate Counsel who took part in this survey.



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The global pandemic, geopolitical tensions, supply chain issues, and increasing economic adversity have demonstrated that an organization's legal and compliance risks can proliferate and accelerate far faster than legal and compliance functions can address adequately. At the same time, tightening budgets, increased regulatory scrutiny, and expanding supply chains have brought compliance and legal cost efficiencies to the fore. These operational concerns will only increase as rising inflation threatens to create greater uncertainty for global economies.

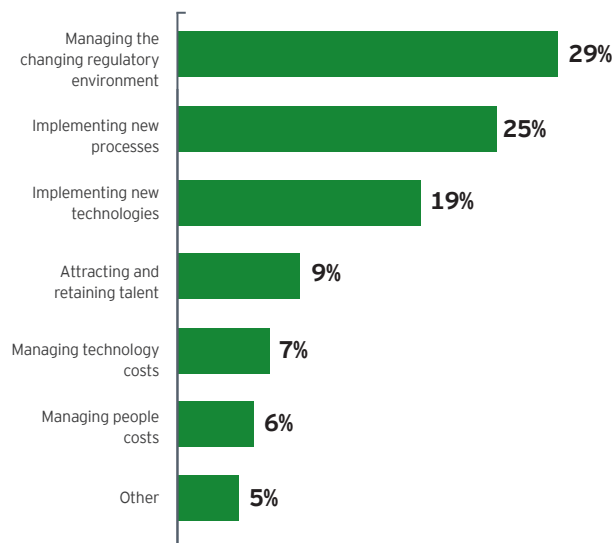
In mid-2022, the EY organization commissioned a global survey about the challenges compliance and general counsel functions face in a rapidly changing environment, as well as their appetite for legal and compliance managed services. As suspected, the results indicate that legal and compliance executives are experiencing challenges, as risks rise in an increasingly complex business and regulatory environment.

Regulatory changes weigh heavily on the minds of general counsel



According to the responders, among their biggest challenges that keep them awake at night, managing the changing regulatory environment (29%) is a top-of-mind concern, followed by the practical, operational challenges of implementing new processes (25%) and technologies (19%). Twelve percent cite attracting and retaining talent as an issue, while 13% face cost concerns related to managing people and technology.

What would you say are your biggest challenges in your current role?

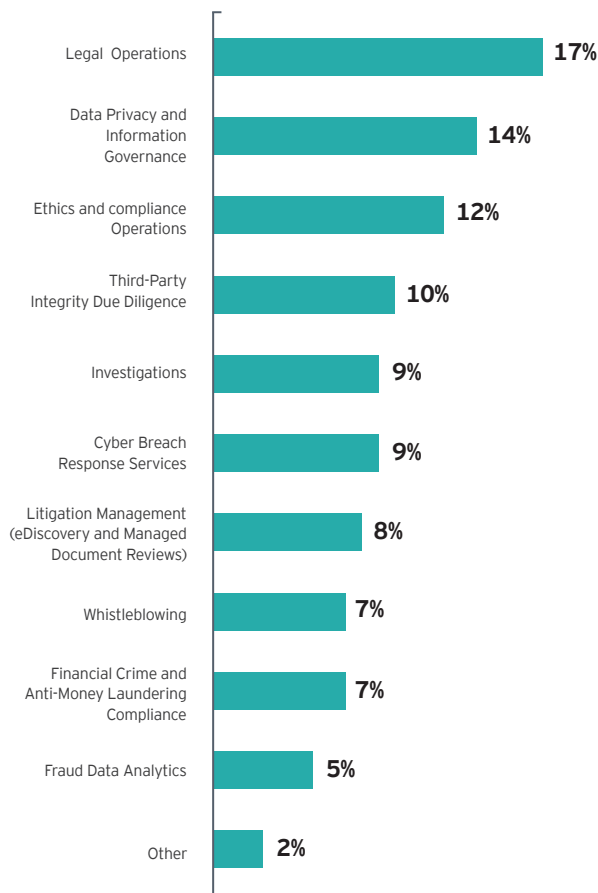


% applies
Total Respondent count - 33

Respondents also cite regulatory changes (66%) as a rising concern over the last two years. Additionally, respondents are increasingly worried about data privacy and information governance (72%), and cyber fraud risks (66%). Further, with the pandemic and other global pressures squeezing operational budgets, respondents see a more urgent need to find greater legal operations efficiencies (65%).

For the next two years, survey respondents identify legal operations, data privacy and information governance, and ethics and compliance operations as areas that can benefit from the implementation of a managed services model. Taking advantage of a managed services model will enable compliance and legal functions to work more efficiently and effectively, allowing them to redirect their energies on more strategic decision-making.

Over the next two years, which of the following managed services do you think might be most relevant to your organization?



% applies
Total Respondent count - 33

Rising risks put managed services on the radar, but the match between risk and value misses the mark



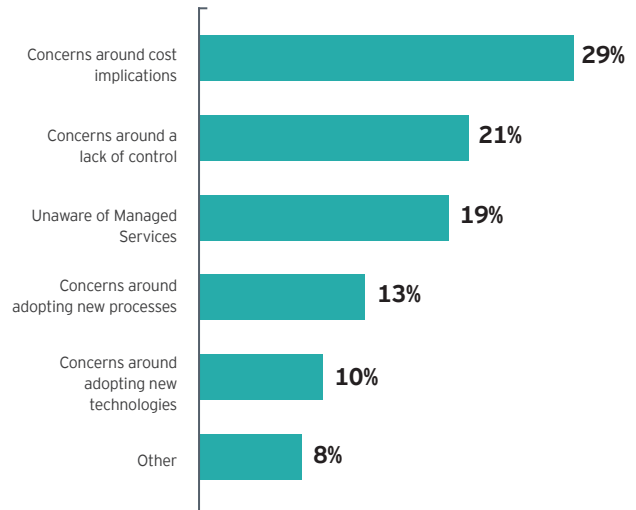
It's laudable that compliance and legal functions are considering managed services to address the future risk landscape and conduct third-party due diligence. As previously mentioned, when respondents look ahead into the next two years, they see legal operations, data privacy and information governance, and ethics and compliance operations as areas where a managed services model could benefit their organization.

Interestingly, the areas they're considering for managed services don't necessarily reflect the areas of most pressing concern. Although only 19% of the respondents have grown increasingly worried about risks related to whistleblowing, 50% of the respondents say they have considered the option of managed services in this area. Conversely, while finding that compliance and legal operations efficiencies have become increasingly imperative for 65% of the respondents, only 33% would consider a managed services model as a viable solution.

Large and small organizations are both struggling to keep pace with the constant rollout of new regulations in geographies where they operate. Meeting these regulatory requirements takes a toll on legal and compliance operations that could otherwise be focusing on strategic tasks. There's also a need to develop and implement new processes and technologies to meet regulatory needs. In addition to time and resources, organizations are incurring heavy costs to remain compliant.

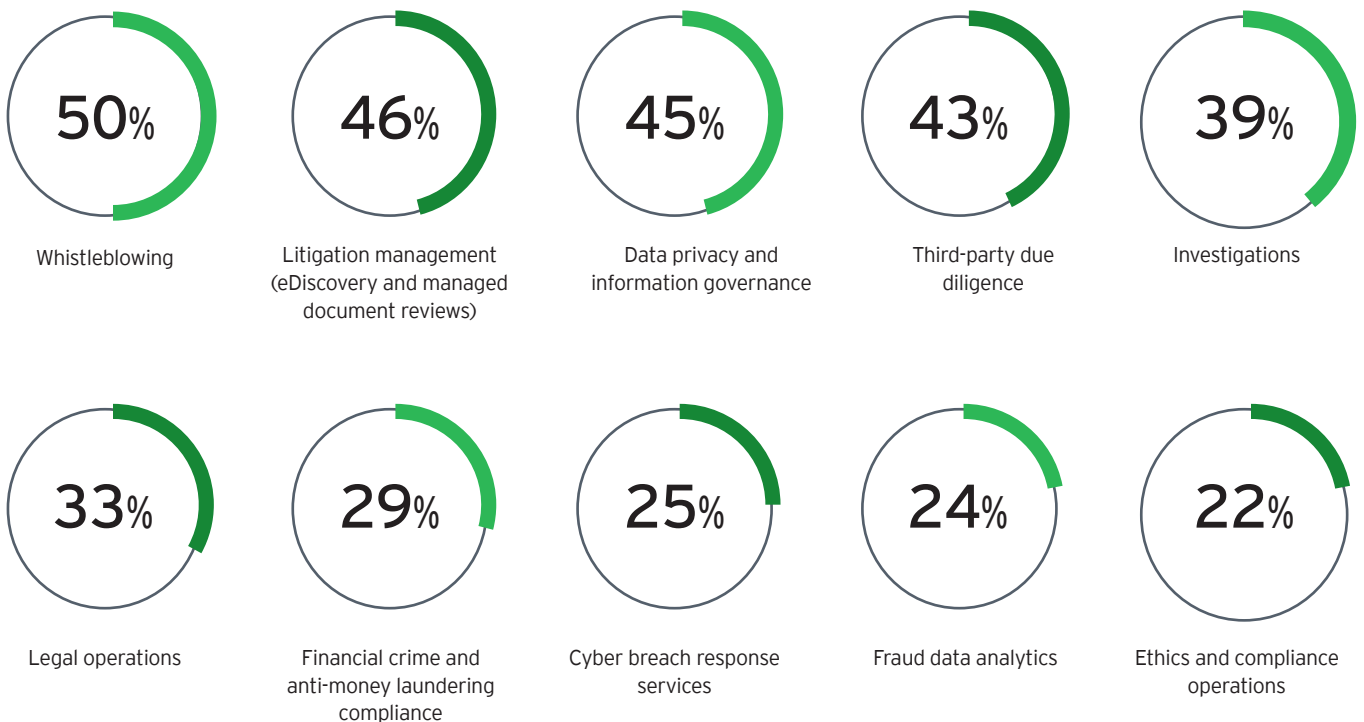
When asked about their hesitation in adopting a managed services model, one-quarter (29%) of the respondents suggest cost implications as the issue, while others worry about a lack of control (21%). For some (19%), however, a lack of awareness about managed services or the value they can provide appears to be the biggest stumbling block.

Why would you not have considered adopting a managed service?



% applies
Total Respondent count - 33

Have you ever considered using a managed service for any of the following functions?



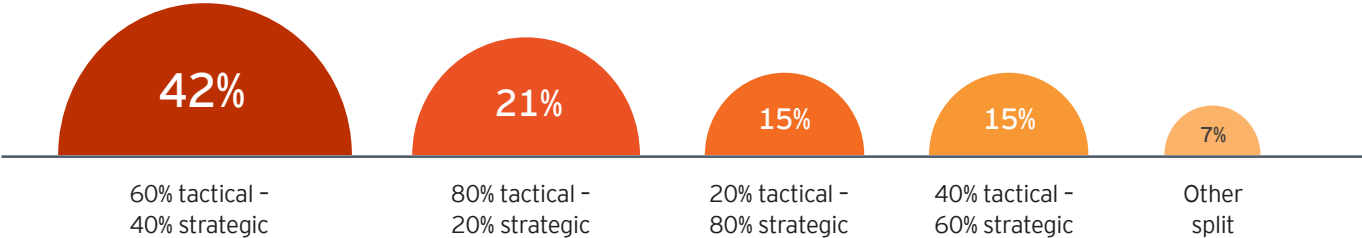
% applies
Total Respondent count - 33

Under their existing structure,
executives are more focused on tactical
operations than strategic activities



When asked how they currently divide their time between strategic and tactical activities, only 30% of the respondents say they spend more time on strategic planning than tactical operations. Many of these tactical activities can be easily outsourced, freeing legal and compliance executives to focus on more strategic initiatives. Managed services can also introduce innovative solutions that can accelerate change within the functions, increasing operational efficiencies and driving value, while reducing costs.

What's the split of time spent on legal and compliance operations (tactics) compared with strategic activities?



% applies
Total Respondent count - 33

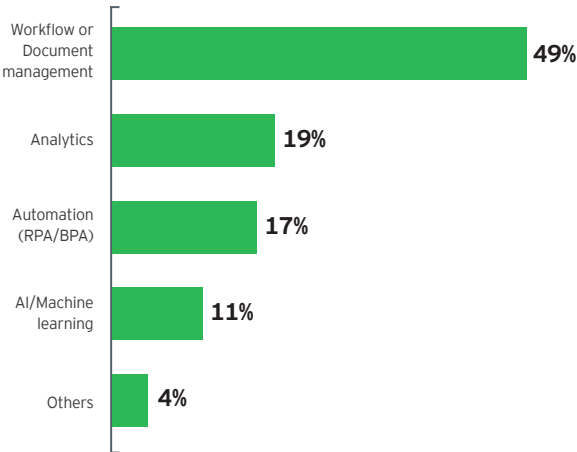
Technology choices reflect a tactical focus



How respondents deploy technology and their plans for technological innovation across the legal and compliance function seem to reflect a tactical rather than a strategic mindset. Around half (49%) of the respondents indicate that they typically use workflow and document management tools to aid in the operation of the legal and compliance function. Slightly fewer (19%) say they employ analytics technology. Only 17% have implemented robotic process automation (RPA), business process automation (BPA) or artificial intelligence (AI) and machine learning technologies to aid them in their operations.

There was a time when legal and compliance functions only implemented technology when mandated by regulators. Today, leading compliance functions are making better use of innovative technology, such as RPA, AI and machine learning, predictive modeling, and advanced analytics. However, given the results of this survey, many more legal and compliance functions could benefit from increased adoption of innovative technologies.

What kind of technologies do you typically use in legal and compliance operations currently?

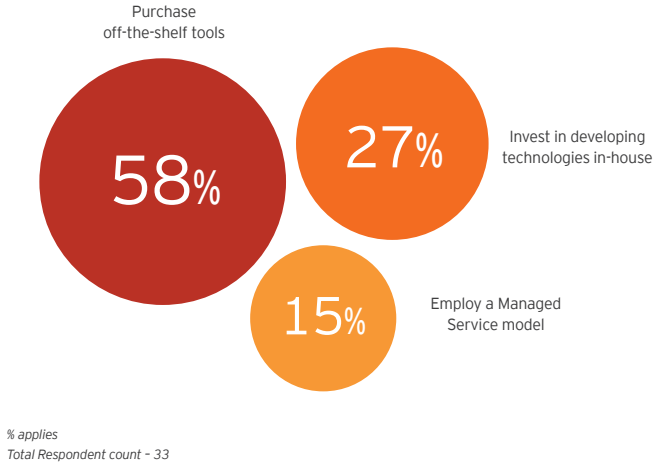


% applies
Total Respondent count - 33

Looking ahead, 58% of the respondents are content to deploy off-the-shelf tools to drive technological innovation. Twenty-seven percent have ambitions and investment aspirations for developing new technologies in-house to drive innovation, while 15% indicate they are planning to implement a managed services model.

Budget constraints can make off-the-shelf solutions tempting and may seem like the fastest route to innovation. However, they may not provide the level of customization that would enable legal and compliance professionals to maximize their value. This is where bespoke tools can provide a better return on investment over the long term, even if there's a higher up-front cost and investment of time. Bespoke tools also make it easier to demonstrate compliance to regulators.

How do you plan on driving technological innovation across your organization's legal and compliance function?



% applies
Total Respondent count - 33

How organizations can maximize the benefits of managed services

As legal and compliance risks continue to rise amid an increasingly complex business and regulatory environment, compliance and general counsel would benefit from the opportunities managed services afford—if they know about them and have a clearer understanding of how managed services can deliver the right balance among risk, cost and value.

There are three areas where legal and compliance functions can see the greatest benefits:

Greater cost effectiveness

A managed services model can prove to be an investment for companies rather than simply an expenditure. They gain access to the experience of a team of seasoned professionals who can help to deliver accurate and timely results, even as their employees focus on core tasks of strategic value.

Improved regulatory compliance

The rapidly evolving regulatory landscape, stricter compliance norms, and heavy penalties for non-compliance necessitate constant monitoring across business functions to ensure complete adherence. Managed services can help efficiently handle the changing demands of regulatory reporting.

Optimization of resources

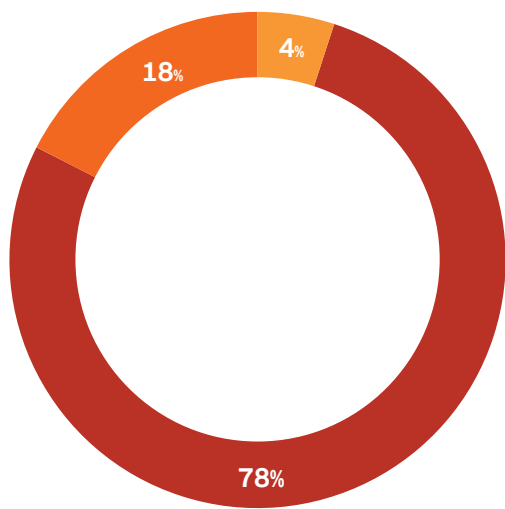
Compliance and legal functions are almost always stretched thin, managing the deluge of tasks that need their attention. Not only does this tax them and reduce their productivity, but it also inadvertently impacts the quality of output they are able to deliver. Many of the tactical activities that consume significant amounts of time can be outsourced, freeing up compliance and legal teams to focus on more strategic initiatives.



Survey demographics

In mid-2022, the EY organization commissioned a survey of Members of Association of Corporate Counsel. Participants represent in-house counsel or legal (78%), compliance (16%), investigations (4%), and risk (2%) from 13 countries, spanning nine industries. Most respondents (63%) hold positions at companies of USD 1b or more in revenue.

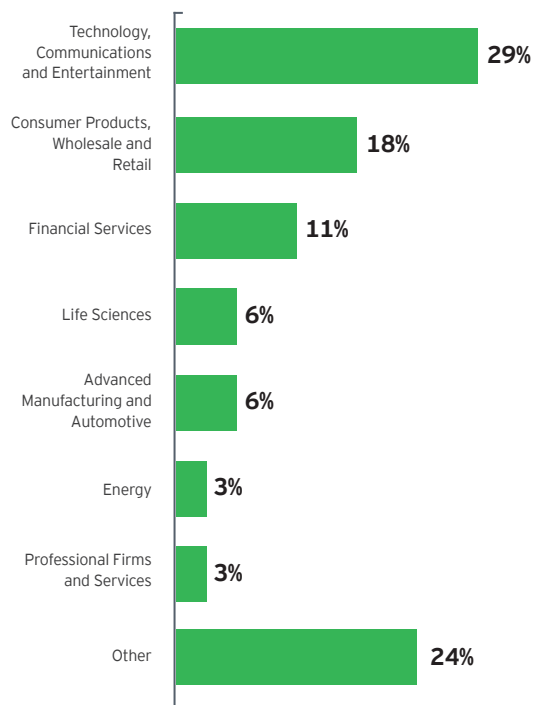
Which region does your organization operate in?



- EMEIA
- Americas
- Asia-Pacific

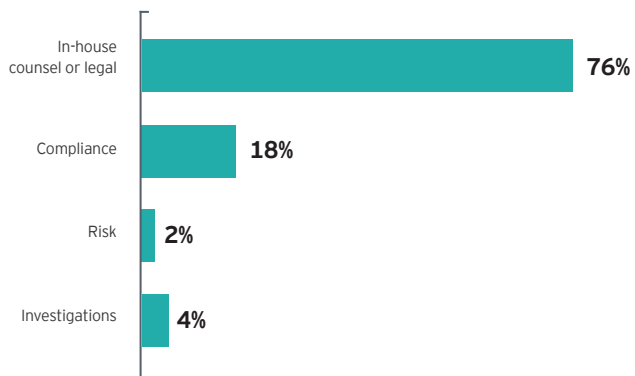
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Which sector does your organization operate in?



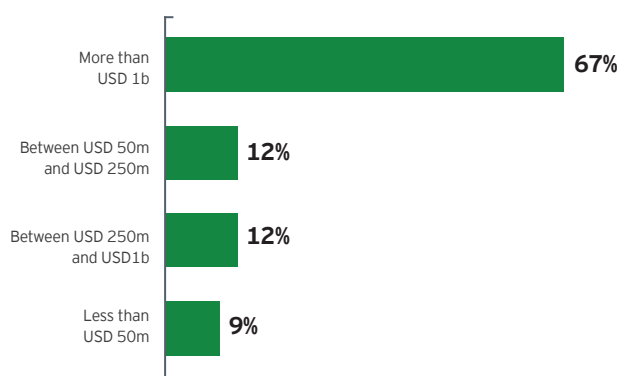
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Total Respondent count - 33

What business function do you look after?



% applies
Total Respondent count - 33

What is the turnover of your organization?



% applies
Total Respondent count - 33

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