

# Transforming effectiveness in Legal and Compliance

## How data analytics and AI are improving efficiency in legal and compliance departments across industry sectors

*"Our legal department was slow to adapt when the company completely shifted its growth focus. It hurt legal's credibility, and mine personally."*

This quote from the General Counsel of a telecommunications company [in a recent Gartner note](#), typifies the sense that substantial change is needed in the world of Legal and Compliance departments.

Whereas, even five years ago, there was resigned acceptance that complex legal work made meaningful automation highly unlikely, today that is no longer the case. There is a real demand and a pressing need to find more agile, more efficient ways of finding, sharing and using information. The ambition is to contain costs, boost outcomes and improve service for internal and external customers.

Considering that *"...the average legal department lawyer spends 25% – 40% of their time on work that doesn't even need to be done by a lawyer – at an annual cost of \$2.7 million"*<sup>1</sup>, from the same Gartner note, then it's unsurprising that 80% of Legal and Compliance departments consider digital transformation as a must-do.<sup>2</sup>

Data analytics and Artificial Intelligence (AI) have been identified as the most important new technologies to achieve this, with 16.7% and 53.3% respectively of firms already testing them.<sup>3</sup> And firms recognize the role these technologies can play, with 'client experience', 'operational efficiencies', and 'new services' being the drivers for adoption with the largest gains since 2016.

The cause of this sudden change in expectations is, for the most part, the acknowledgement that data analytics can now extract meaning, rather than just data, from documents, and that AI is capable of initiating action based on that meaning. According to [website Legal Insider](#), more than four out of five legal departments plan to use AI for contract review within a year, and this new open-mindedness to AI in Legal and Compliance is spreading rapidly.



In order to address the challenge, Fujitsu has developed the Sholark solution, which has three variants targeted at specific users and their particular business challenges: Sholark Legal & Compliance, Sholark Defense and Sholark Health. Sholark Legal & Compliance is based on data analytics and AI technologies (Natural Language Processing – NLP - machine learning and others), adapted to the complexity of legal and compliance departments and guided by the knowledge and experience of lawyers and other expert users.

<sup>1</sup> Assumes an average legal department size of 20 lawyers with spend on in-house salaries, bonuses and benefits of \$7.6 million <sup>2</sup> [Annual Law Firms' Survey 2018](#) <sup>3</sup> [Annual Law Firms' Survey 2018](#)

## Business Challenges

Sholark Legal & Compliance has been developed to allow non-technical users to address four of the key business challenges facing departments across all industry sectors.

### 1. Data visibility

Availability and visibility of information - or the lack of it - is one of the biggest causes of inefficiency, with two out of five employees lacking access to the legal information they need to make appropriate business decisions, [according to Gartner](#).

Manual cataloguing can be one cause of this problem, with end users manually classifying documents. Those few cataloguing tools that are being used, are based on metadata (customer, date, etc.) and not the semantic content of the documents. This makes digital or even automatic searching of the meaning of documents largely impossible.

There is also likely to be a wide variety of non-standardized formats and sources of information used in legal and compliance. These are typically non-digitized information in a variety of unstructured formats and accessed via different platforms and tools (for example, Lexnet, emails and written documents) and within images and documents in heterogeneous environments - local and in the cloud.

Legal data is also often scattered across an organization. A single case could easily involve papers relating to harassment and discrimination in the HR department, fraud and bribery matters in compliance and embezzlement with the Chief Security Officer. *"Each has different systems and nearly all [organizations] have these entirely siloed,"* [says Eugene Soltes](#), a Harvard Business School professor, who specializes in studying corporate wrongdoing.

Sholark uses Natural Language Processing (NLP) to build a 'knowledge graph' about the information in hand, mainly in text format, and finding all the links that may exist between the items of information. This is akin to exploring a person's ID, from which you build up details such as property ownership.

Based on the knowledge graph, it then builds services: mainly search engines as well self-service discovery tools to give lawyers easy and fast access to the right data she or he is seeking for case work. Another possible output is finding non-obvious, hidden data links, as when legislation has resulted in positive outcomes in two apparently unrelated cases.

### 2. Data analysis

Once data is visible, it becomes possible to interrogate it for meaning and insight. Analysis of past contracts might reveal that legal teams are spending too much time negotiating low risk items, while those where risks are higher are receiving insufficient attention. In litigation, more accurate predictions of the likelihood of winning a case could help companies decide whether and how to settle. This sort of risk management often goes by the wayside, even in high-value work, with only 15% of legal departments integrating legal risk requirements into business workflows, and only 21% tracking the efficacy and impact of risk mitigation plans.<sup>4</sup>

Sholark uses advanced analytics and data visualization to compare different cases and to make predictions, based on the links discovered as part of knowledge graph visibility extraction (see Data Visibility business challenge left). These predictions can help users evaluate the likelihood of winning a case, or decide which strategy is most likely to win, based on an analysis of similar cases. This process involves:

- » Monitoring what is happening from a business point of view
- » Enabling self-discovery analytics to identify the most relevant insight needed to win a case
- » Assessing the probability of winning or not winning a case
- » Checking if something has changed from a regulatory point of view, for example, a new law or precedent
- » Finding the key information a client needs to ensure an existing contract is compliant with new regulations.



<sup>4</sup> [Financial Times](#)

### 3. Automation

Manual task performance has been a hallmark of legal and compliance processes in the past and, as we have seen, often with a sub-optimal balance between the nature of the task and the skills (and costs) of the person performing it.

It has been calculated that 15% of lawyers' time is spent on identifying the current stage of a case for reporting to internal and external clients and that 40% of end users' time goes on non-added value tasks.<sup>5</sup> Often, the choice that legal and compliance departments take to focus on interactions with clients, with the consequences for case cost and delay, are well motivated. Gartner describes them as *"...a good way to build client relationships and increase lawyer influence... but it limits the scalability of the legal department and creates operational risks and losses."*

Then there are non-structured customer relationship processes, such as shared documents, meetings and billing, leading to duplication of customer tasks.

Much of this sort of work can be automated. Sholark is being used for automatic indexation of legal documents as they are received via email. The process of reading and understanding documents to make reports and summaries can also be automated, allowing lawyers to increase the value contributed to their day to day. Sholark makes automatic summaries of legal documents to speed up the process of analyzing them - the user can quickly see what the document is about and decide whether it is of interest. It automatically classifies documents using machine learning-powered classification engines. This might include extracting and categorizing judicial court sentences or clauses within a real estate contract (for example, the value of the rent, who is the owner and who is the tenant).

Classification can also involve automation of the process of sending information to relevant stakeholders for analysis or acknowledgement. This could include, for example, official questions from political parties to a government, directing them efficiently to the correct ministry for attention.

### 4. Knowledge sharing

Knowledge sharing is often weak or wholly absent as legal experts' knowledge is usually contained within their own heads or PCs. This tends to lead to decision-making based on the experience and knowledge of discrete users, who are aware of a limited sub-set of documents only, with instructions often transmitted verbally without being written and available to other colleagues.

Because Sholark creates a knowledge graph (see Data Visibility business challenge) as part of creating data visibility, the experience of different users is digitalized, opening up access to certain documents and the knowledge and jurisprudence they contain to the wider group.

In addition, all the services created with Sholark are accessible from a single user application, which also promotes knowledge sharing, making Sholark a kind of case management tool and a key for defense lawyers managing a legal case.



<sup>5</sup> <https://lexgoapp.com/blog/digitalizacion-y-transformacion-digital-en-los-despachos-de-abogados/>

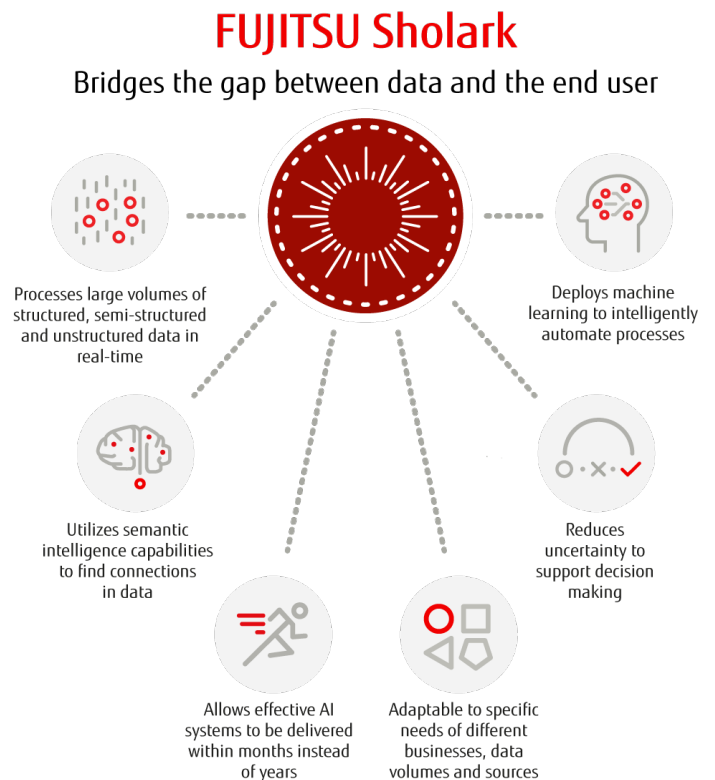
## A new way of working

Sholark has been designed to be easy to use for non-technical end-users. It consists of a flexible architecture composed of four layers that makes it independent of the type and volume of information being considered. Fujitsu has put aside a 'black box' paradigm and given non-technical users the ability to maintain control in data analytics processes. In addition, the solution can be implemented in public cloud, private cloud or on-premise in the client's facilities, or a hybrid mix of these environments.

The solution's goal is to improve the efficiency of legal departments by creating a unified repository of information (both internal and external), allowing legal employees to answer business questions and structuring the relationship process with the customer. In addition, Sholark provides intelligent workflow, with standardized workflows for efficient documentation management and performs as a knowledge platform, built of top of multiple data sources.

Sholark has already been implemented to solve various Legal and Compliance use cases, such as automatic classification, search and summarization of judicial sentences, which can often create day-to-day bottlenecks for lawyers. For the Justice Department of a Spanish Government ministry, Sholark has reduced the time dedicated to this type of task by 60% and increased the efficiency of its cataloging process. Using AI-based cognitive computing techniques, Fujitsu Sholark has automated tasks currently performed by lawyers in this department, with improvements including:

- » An advanced search engine, allowing lawyers to see jurisprudence related to the case they are working on
- » Elimination of bottlenecks generated by manual classification process, by using a machine learning generated decision tree for categorizing all the documents automatically
- » Automatic document summaries to simplify the review process
- » Tracking the performance of relevant KPIs using data visualization techniques (for example, the number of sentences per organization or per category, the duration of the legal process, most common searches, etc.).



## About Fujitsu: applying Data Analytics to Legal & Compliance

Sholark was developed by the Fujitsu Data Analytics Center of Excellence (CoE), centered in Madrid with a team distributed across several European countries. The CoE is helping customers to transform their organizations through the application of advanced analytics techniques. From the design of data analytics architectures to the creation of algorithms to automate complex workflows, the Fujitsu Data Analytics CoE covers the entire lifecycle of data analytics solutions.

Fujitsu embraces co-creation methodologies, working with lawyers and legal experts to understand our customers' deep requirements and business processes. It is a trusted partner focused on helping its customers implement their medium to long term strategies. Its industrialization framework is a modular platform that speed-ups the implementation of use cases and is adaptable for specific business needs.

The speed of change in Legal and Compliance is accelerating. Acceptance, or perhaps toleration, of slow, expensive, inefficient processes is evaporating quickly. The search is on for ways to automate, simplify and improve how legal cases operate, and data analytics and AI have been clearly identified as the breakthrough technologies in this new drive for optimization. Fujitsu is a world leader in both technologies and its Sholark Legal & Compliance solution makes the power of those technologies readily available for non-technical users.

To find out more about how Sholark Legal & Compliance powerful data analytics and AI capabilities can transform Legal and Compliance departments, contact Fujitsu at [info.spain@ts.fujitsu.com](mailto:info.spain@ts.fujitsu.com) »

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