

Deploying AI to Meet Speed and Cycle Time Goals at TE Connectivity

“Who would have thought of the law department as a leader in implementing AI?”



A CONVERSATION WITH

Jim Michalowicz

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INTERVIEWED BY

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BRAD: Hi, Jim, and thanks for being on the advisory board for the Legal AI Efficacy Report and for joining us for the interview series. Jim, you've been one of the leading innovators in legal for decades. You were instrumental in some of the first of what we would now call law department innovation programs at DuPont back in the '90s, and you have been working with legal technology literally since you were a teenager. What impact do you see artificial intelligence having on the space? **What impact do you see artificial intelligence having on the space?**

JIM: I'll use the three words: faster, better and cheaper—both in-house, where I am, as well as for law firms and other service providers, Brad. So I think those are three possible impacts. Now, that might be aspirational, but I believe that some of the early returns are showing that all three can be accomplished. I would add one more thing, at least in my purview here in the law department: It will change the resourcing model.

BRAD: At TE Connectivity you recently implemented AI for contract management. Why don't you start by describing the problem you were trying to solve?

JIM: One of the things we do at TE is run what's called a “business engagement survey.” It's used to capture the voice of the customer; in this case that means the law department's internal business customers. We really try to understand what is most important to them, and a recurring theme is speed, speed, speed, speed. They want to reduce turnaround time and work at what we call the “speed of the business.”

So number one was how to quicken the process from the time from when, for instance, a contract is submitted to the law department to when the review is completed and it goes back to the requester.

Number two, though—which is kind of interesting—is how to increase capacity. Knowing that there will be continuing demand for these types of requests, how do we free up some of the services which are more repetitive—some may even say could be a commodity—and free staff up to do other work with higher value.

We decided to implement an AI-powered tool to help with the NDA and contract review process. Now what's interesting with some of our early

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findings is the quality. The way we're using machine learning is based on documents previously edited by the legal team. And we're finding that across our different 10 business units the commercial law teams have some very similar contract editing practices. They're finding that, "Wow, you know what? We can maybe have the standard 'TE' position for some of these clauses in the contracts." And maybe there will also be some places where there will be some differences based on the business, but we really didn't have that knowledge before. Now we have that insight. That was a bonus. Speed and capacity were the two problems we were trying to solve, but the third one, quality (not to mention consistency in approach), is probably going to really add a lot more to our ability to effectively work with our business units and TE enterprise-wide.

BRAD: Please talk a little bit about your selection process. How do you go about finding the tool to help you do this?

JIM: We started with the desire to test the waters with AI. I turned to the various trade publications to do research, talking to peers via the ACC, department of operations regional meetings, etc. And I learned that we were all pretty much at the same place. Others were looking to test the waters, too, and no one was ready to go ahead and say, "We'll be the first one to do this." We really had limited information. That was, I think, one of the big challenges. The process was to research and find what we could in the marketplace and identify providers and platforms that could address our greatest areas of need. That turned out to be reviewing contracts, especially ones that come in on the other party's paper. We had a pretty good process for our own templates but not as much when the contract was served onto TE by the other party.

BRAD: What specific challenges did you face?

JIM: The main one, as I said, was that we didn't have a really good guide as to what is in the space. There were some research materials that said, "Here are

all the providers that do AI" but left us to sort them out. One of the real challenges was the number of providers saying they had AI and it seemed like there was a new provider every week doing this. But for what we were looking for specifically—contract review and contract analytics—it was hard to decipher which ones really did it. That's actually why I was so excited when you asked me to join the advisory board for the Legal AI Efficacy Report. That kind of analysis is badly needed.

Also gaining an understanding about how providers define and apply AI is important because there really are different ways it is used and some really only offered analytics, which was not what we're looking for; we wanted true AI machine learning. We had to cut through all of this to ultimately get to the providers offering solutions in our needs area, and then we had to try to find out which providers we think are going to be successful in addressing the problems we at TE were trying to solve. Again, there was no real guide. I was trying to get information from various peers, but they were pretty much at the same place we were.

BRAD: Let's take a step back. You said the TE business units were looking for improved speed and reduced cycle time. How did you make the leap from that general need to, "We need a tool that will accelerate the review of contracts that come in on other parties' paper." How did you make that connection?

JIM: TE has about 180 members in our law department, and we serve the 10 TE business units along with other functions within the company and there are certain business units with greater volume and more need for contract review. We had already implemented some process improvements for contract drafting and review by applying business Lean methodology (in a program called the TE Operating Advantage or TEOA), but these were specific to TE-driven documents, where we use our templates. But when it came to the other party's paper, we just didn't have a vehicle by which we could reapply the work we'd done in the past. A lot of it was just what's in that reviewer's head.

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We didn't have a clear way to share that knowledge among our various commercial law teams. There was a need to have something to accelerate the speed—some form of technology. And the existing contract management system we had was not going to be the answer for that. We did look at other options before we made this decision, which included outsourcing. We did a cost/benefit analysis but ultimately decided, "Let's keep the work in-house, but let's use a tool that can serve to accelerate the review."

BRAD: Jim, let's talk about the implementation and the change management process, which I know can be, if not the deal killer, certainly the effectiveness killer on this type of project. What did you learn from your implementation and change management processes?

JIM: I will say—because you mentioned earlier about the number of years I've been doing this—that I think I've actually matured in my ways of how to do these types of implementations. I was very honest with the team, especially the lawyers and the paralegals I work with at TE. I'm not a practitioner. I don't review contracts myself. I really wanted them to be the guides here. Again, one of the triggers was there were a couple of the commercial law teams that were under extreme pressure with high demand for contract review. They really welcomed a tool that could help them keep up with the "speed of the business."

There were other groups that were curious about AI but had questions about the impact on the work and the services they provide. Questions like, "Will AI replace what I am doing now?" A better understanding of the AI platform deployment and how it reuses and applies the editing practices of the practitioner helped alleviate some of those concerns. It was quite an eye-opener.

The reaction then became, "That's great: It's not like I'm being replaced; I'm basically replicating what I've done in the past in this machine learning

platform and then being able to do it faster." So I think that was helpful because it is going to be disruptive technology, but if it feels like the computer is replacing the person, then you're going to get heavy pushback. And that's not what we were saying. That's not the way we rolled this out.

It was also very helpful that some of the attorneys I worked with on this project had some exposure to AI previously working with their outside firms. Familiarity with AI terminology, for example, aided in translating the application of these tools to how a lawyer thinks and works. Working within legal operations you often have to wear a salesperson's hat. This is true in terms of gaining buy-in, being mindful of the change management process, and also financially, how to get a budget for doing it.

We are very fortunate at TE because we have quarterly meetings between the law department and company leadership teams with quarterly progress reviews. In one of these meetings, the law department highlighted artificial intelligence and our plans for deployment and how it addressed the specific "voice of the customer" desire to increase speed. I guess you could say we greased the skids in that meeting.

And then we got lucky in that there was a program started this past year at TE called the ECE Accelerator, an idea generator for eliciting big ideas to address big problems from anyone within the company. ECE stands for "Extraordinary Customer Experience." ECE is a theme and a program that's been at TE for a long time. And it can mean customer experience externally or internally or both. We submitted our AI project, and lo and behold, we were one of the three finalists. It was pretty cool for our team, and we got a lot of exposure within the company. We found also that there wasn't as much AI being applied throughout the company as we expected. Who would have thought of the law department as a leader in implementing AI? Getting that kind of exposure helped us a lot.

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But, as I mentioned, it truly was a selling process. And to sell it, we wanted to give it some kind of catchy name: we chose Fast Track. It's just a sexier name that productizes it, and people understood it. Actually, the term "Fast Track" was originally coined and rolled out by one of our paralegals for the TE template for NDA drafting. And now we've included the AI for other parties' paper under that umbrella. We call it Fast Track 2.0.

BRAD: How's it been working? Can you share any metrics?

JIM: Once we gleaned through who the providers were that we thought could meet our needs, we did pilots with two different tools, and the one we eventually selected was BlackBoiler. The company is a bit under the radar, but we were really attracted by the fact the founder of the company is a lawyer who reviewed many contracts for clients while working at a law firm and sought to finding a better way of handling this repetitive work. That background brought credibility and resonated very, very well with some of our commercial lawyers.

Even in the pilot with BlackBoiler we were able to see a reduction in review time by 50%. And as far as the cycle time, we saw a 67% reduction. Our actual implementation started in June 2019, and the early returns do look like we're going to be able to meet targets.

We have started our AI project with NDAs as we thought those would be the easiest ones to do first and get some confidence as far as the machine learning is concerned, but the Fast Track 2.0 will also include smaller customer contracts. It's also helpful to gain the confidence of the lawyers. Once they see it's working out, they'll up the ante a little bit so we can say, "Let's take it to the next form of contract," which might have a little bit more complexity to it.

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BRAD: How do you think this will change how the law department is staffed going forward?

JIM: The resourcing model we're using currently may ultimately change in that more of the lower risk contract drafting and review can be serviced by administrative or paralegal resources and aided by the AI. And then, when we are staffing down the road, if there's an opening for a contract attorney we may make a decision to staff it at a different level. We are focusing on faster, better, cheaper and also how it will affect the resourcing of certain types of tasks that now can be aided by AI.

BRAD: What was the reaction from the law department and throughout the company?

JIM: I mentioned the ECE Accelerator program already—where our project was selected as one of three finalists companywide. I had been really concerned about pushback, especially folks who'd said, "You know what, I've got a good process. My internal customers aren't complaining. Why do I need this?" But we got very little of that. In fact, so many were supportive of this and saw it was resonating within the company and, more importantly, company leadership. They said, "Hey, I want to be part of it."

I was actually really excited when a few of the folks who were lower down on our implementation schedule were asking, "How can I get moved up?" And we also saw that there might be more and more opportunities to apply this outside of just the contracts themselves. It was really exciting when some of the folks in the department asked, "I wonder if it could be used for reviewing marketing materials? I wonder if it can be used when we get certain customer compliance surveys or questions that come up?" The AI rollout piqued curiosity and opened up minds to the possibilities.

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BRAD: Amazing. So what's next? What's next for you and TE Connectivity? What are the new problems you are going to try to solve?

JIM: We're going to let this play out for a while and then move on to Fast Track 3.0 and 4.0. The program we are talking about here is Fast Track 2.0, but we have plans for 3.0 and 4.0 with the idea being how to take it closer and closer to the actual customer. Again, Fast Track 2.0 is for NDAs and other simple contracts on other parties' paper. Fast Track 3.0 will be for larger customer contracts, both on the TE template and other parties' paper. And Fast Track 4.0, which we are just now conceptualizing, will be a portal where customers can come in and submit their contracts rather than email back and forth—maybe with instantaneous response. We are thinking it may only work for small contracts, but we have a large volume of those.

Another area of focus right now is looking deeper at our outside legal spending. We have an initiative called the Outside Legal Spend Productivity Project, or OLSPP. Like many other companies, we have been very reliant on discounted hourly rates from our law firms, and we are really looking to transform that billing model into one of measurable value-based fee arrangements. We want to pay our firms not for just hours spent, but for results. Even further, we want to be able to measure productivity gains by our outside providers just like how we are measuring productivity of our in-house services.

Start by making sure that you define the problem. In our case, we were looking for speed, productivity and also to improve capacity. So that's number one. Then determine what type of current processes you have in place and what type of targets you are trying to hit so it's measurable.

BRAD: Of course, there are some AI-powered tools that are designed to help with outside legal spend productivity metrics. Are you planning to implement some of those to help you on this journey?

JIM: I do think there is a place for such an outside spending management tool. Of course we've got our own e-billing and matter management system, which at least gives us the baseline of where our spend is right now. But what I'm really interested in doing is—if there is indeed a shared goal of trying to achieve a certain productivity improvement with our outside counsel—using a tool that measures that in real time so that the data itself is available to our outside firm and also to TE. And if we move to these different types of fee arrangements, we can use this data to both monitor and support them.

I'm looking for a system that offers a lens into true productivity tracking. So it's not just billing rates, but a look at the time needed to complete a variety of tasks and activities, and which resource/timekeeper is the most efficient and effective to be assigned to this type of work. Having access to this data allows for more sophisticated conversations instead of the typical, "You need to reduce your rates by X amount." We're really looking for something that can measure true productivity.

BRAD: Final question. Many in legal ops or elsewhere in law departments are in a situation like you described and probably have some sense that maybe there are AI tools out there that can help. It may be real pressure from the business units or just the GC wondering if there are better ways to take advantage of all this AI we're hearing about. What tips would you give them? What would you tell them to do first?

JIM: Start by making sure that you define the problem. In our case, we were looking for speed, productivity and also to improve capacity. So that's number one. Then determine what type of current processes

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you have in place and what type of targets you are trying to hit and make it measurable.

There are various claims that are being made out there, so make sure whatever tool you ultimately select is going to be able to offer you metrics so you can show the before and after, because you need to prove out whatever claims you're going to need to make within the company. So define the problem, but also come up with a way to measure to what extent you are making progress.

And the other thing is that there just really has not been a type of guide out there to get an overview of the players. So I think the Legal AI Efficacy Report will be a huge boost to consumers by providing really good practical knowledge for the selection process. I also find that when I talk to a provider, I start with, "Tell me how you've implemented this for a company like ours." And I've got to tell you I haven't gotten a lot of good stories, but I think that's maybe getting a little better. I think that getting those types of case studies out there is also going to be very, very helpful to the people who are just starting to get into this space.

BRAD: Thanks, Jim, for delivering just such a case study today.