Measuring the In-house Legal Team
Discussion paper: LexisNexis® in-house Advisory Board
LexisNexis In-house Advisory Board Discussion paper: Measuring the in-house legal team

In January 2012, our UK LexisNexis In-house Advisory Board met to share practical experiences of using metrics to demonstrate the value of the in-house legal team.

The following main points that arose during the discussion are highly relevant to the challenges faced by Australian and New Zealand Legal Counsels in Corporate and Government sectors today.

### Why measure?

<table>
<thead>
<tr>
<th>Self-diagnosis</th>
<th>Implement strategic improvements</th>
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<tbody>
<tr>
<td>Identifying trends and the current state of play, for example:</td>
<td>Gathering the information you need to build business-wide support for your management strategies, for example:</td>
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<tr>
<td>• Workload;</td>
<td>• Maintaining headcount;</td>
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<td>• Spend;</td>
<td>• Pushing work to the business;</td>
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<td>• Staffing.</td>
<td>• Outsourcing or insourcing;</td>
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<td></td>
<td>• De-skilling or skilling up;</td>
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<td>• Technology or further investment.</td>
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Focus on reducing costs

A true focus on savings means keeping on top of data on costs or income, for example:
- Monitoring volume of external spend, discounts and rebates under alternative fee arrangements;
- Building a platform from which to work closely with finance and procurement functions to achieve further savings.

Increase the influence of your legal function

Helping your legal team to become a key influencer in the business, for example through
- Demonstrating the value to the business of the legal team and its advisors;
- Showing that the legal function is working efficiently, and is fully in control;
- Using language that the business understands to show that legal is aligned with the business' goals.

Develop and motivate your team

Measuring your legal team’s output can develop and motivate individuals through:
- Focusing members of the legal team on where they deliver the most value;
- Shifting culture towards pragmatic advice rather than private practice style “copper-bottoming”;
- Emphasising the value of legal work to the wider business.
### What to measure

Producing metrics can be extremely time-consuming. It is important to be clear on what you intend to do with your data once you have collected it, and how this relates to your legal team’s wider objectives.

#### Common objectives

The ability to demonstrate:
- Cost effectiveness;
- Productivity;
- Process efficiency;
- Cycle time;
- Quality and business satisfaction.

#### Metrics that can support these objectives

**Staffing, for example:**
- Ratio of lawyers to overall employees;
- Ratio of lawyers to revenue;
- Ratio of non-lawyers to lawyers within the legal team.

**Utilisation, for example:**
- By which departments;
- Volume;
- Turnaround time;
- Value to business (transaction size).

**Income (if any), for example:**
- Licensing;
- Litigation;
- Intellectual property.

**Costs, for example:**
- Spend (internal and external);
- Training;
- Know-how;
- Software.

**Compliance, for example:**
- Percentage of managers who have attended relevant training;
- Percentage of contracts that include certain clauses;
- Percentage of people surveyed who know about compliance initiatives.

**Client satisfaction, for example:**
- Employee engagement;
- Employee enablement;
- General satisfaction.
How to measure

The In-house Advisory Board focused its discussion on four crucial, but practically challenging metrics: staffing, spend, income, and client satisfaction.

**Staffing and time recording**

Many legal teams are internalising work as a cost-saving strategy. Measuring the work performed by lawyers and comparing these metrics to sector-based benchmarks such as the Rees Morrison’s General Counsel Metrics survey¹, can help build a powerful business case for greater investment in the legal team. This may be true where there is a company-wide freeze on recruitment, for example.

Crude time recording, coupled where possible with case management software, can generate metrics that are sufficiently detailed to support these aims.

**Process-mapping**

Lean process-mapping was originally developed to create greater efficiency in the manufacturing sector, but is now commonly adopted in other contexts.

One Advisory Board member had used this technique to refocus the legal team on its core purpose and to demonstrate that savings achieved through reduced headcount amounted to only one-third of the consequent cost of greater reliance on external advisers. At a high-level, this project involved the following steps:

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<th>Break down typical work processes into broad categories</th>
<th>For example:</th>
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<td>• Take instructions;</td>
<td>• Undertake initial research;</td>
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<tr>
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<td>• Apply findings to situation;</td>
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<td>• Deliver advice.</td>
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| Gather high-level data from the team regarding time allocation for each category | This can be as high-level as asking how they typically spend their day. The experience of answering this question can in itself encourage individuals to take responsibility for their own efficiency; they may never have looked at their workload in this light before. |

| Determine how each category should be resourced | For example, you may wish to consider: |
|-------------------------------------------------|• The number of FTEs dedicated to each category. |
|                                                 |• The level of experience necessary to perform each category. |

| Use the data to reshape the team | The data can lead to helpful conclusions on how the team should be shaped. It will also help persuade and reassure the CFO/FD of your strategy. The process can be revisited on a regular basis. |

In this example, a management consultancy was instructed to help the legal team work through this process. Crucially, the consultancy was also asked to train members of the legal team in lean process-mapping, enabling them to regularly review and maintain this efficiency drive without outside help.

**Overcoming a cultural resistance to time recording**

The cultural resistance to time recording among in-house lawyers can be a serious obstacle in gathering data – even though the measurement is likely to be much less granular than may have been experienced in private practice. There can be a frosty reception to establishing metrics over work processes.

The In-house Advisory Board discussion revealed two approaches to overcoming this:

<table>
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<th>Avoid private practice terminology</th>
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<td>Avoid terminology redolent of private practice management, and describe the process as “achievement recording” instead. This has been proven effective, especially when coupled with an incentive program that rewards those who exceed targets in terms of response times.</td>
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<th>Sell the benefits</th>
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<td>Alongside this, it is important to continually sell the benefits of the process to members of the team. Depending on what you are trying to achieve, these benefits might include refocusing individuals on higher-value work, better communication of the value of the legal team to the business, or exposure of areas where greater support or training is needed; all of which can lead to greater job satisfaction. One advisory board member found it useful to keep repeating “what’s in it for me?” messages, particularly if the team initially remains sceptical.</td>
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Solely focusing on the speed at which work is performed can improve response times at the expense of the quality of advice. Therefore it can be important to gather metrics around compliance and client satisfaction as well as time recording.

**Spend and the value of external lawyers**

Measuring the value of external spend.

The following are examples of KPIs for panel firms:

- Actual cost versus work estimate;
- Accuracy of case plan/efficiency/transparency of cost info and cost-consciousness;
- Added value (no. of hours) versus net spend with each firm;
- Understanding our needs (rated 1-5);
- Cost of outsourcing versus insourcing;
- Inclusion and diversity statistics;
- The cost of secondments;
- Knowledge management (such as the provision of extranets).
Law firms are usually able to self-report in these areas. Once a template is established, the process can be managed by secretaries.

The way in which financial data is stored and reported can make a difference to its practical usefulness. One Advisory Board member stores this information in SharePoint; but it is also visible through a dashboard on the legal team’s intranet. Crucially, this allows real time visibility of spend on each firm, alongside rebate thresholds (allowing the legal function to spend with one firm rather than another if a greater rebate is available).

**Using procurement to help achieve granular metrics**

How an organisation responds to cost can vary greatly depending on how the cost is categorised. For example, it can be relatively easy to find $300k to spend in the context of an already large project; but at the same time impossible to get approval to hire a single lawyer.

In order to pull together meaningful information on internal and external spend, and to show how it relates to business value, financial data must be subjected to detailed coding. Otherwise spend can become “invisible” and hard to justify.

One approach is to make sure that all invoices are properly coded within spreadsheets. It can also be useful to engage the procurement function to help gather granular information from external advisers. This can also preserve the relationship between the legal team and the law firm; you can avoid asking nasty questions. For example, a procurement officer might typically present the lowest and highest rates charged to the company, indicate where the law firm is and ask how this will be improved. This achieves another level of savings and sets rebate thresholds at a better level.

However, it is crucial that the legal team retains the final veto over which firms are engaged. This will help ensure that there is a focus on the quality of external advice as well as costs.

**Savings and income**

One approach to demonstrating value is to measure any financial gains that the in-house team may have generated—for example, through avoided litigation costs, increased savings, or actual income generated. A degree of creativity may be required. Another approach is to calculate the cost of litigation compared to the cost of not proceeding (software models can help generate these figures).

As a way to encourage a cost-saving culture, one Advisory Board member logs all savings, however small (including lower printing costs, for example). The team is rewarded for contributing to this.

Another Advisory Board member realised that various business units (some of which were no longer part of the corporate entity) were storing documents within a facility that fell within the legal team’s remit. Instead of attempting to increase efficiency by outsourcing record management, the legal team managed to generate around £90K a year by charging for the storage space.
Client satisfaction
Employee surveys are a crucial way to demonstrate the value delivered by the legal team.

One Advisory Board member uses free survey software to gather feedback on both internal and external legal advice. The survey focuses on the following areas, which are measured and reported on a quarterly basis:
• Engagement;
• Enablement (i.e., do you have the right tools to be independent where appropriate);
• Measures around culture (such as training, recruitment and retention);
• General satisfaction (a 1-5 rating in terms of quality, timeliness and ease of understanding and applying advice).

Practical lessons learned
The Advisory Board distilled five core considerations for an in-house lawyer embarking on a metrics project:

| Don’t be afraid | Discard any preconceptions that lawyers are just “word” people. You can build powerful metrics that influence the rest of the business. |
| Be conscious of the time commitment | Try to get as sound a starting point as possible – for example, law firms, procurement or finance can often quickly provide basic information. |
| Be very clear on your objectives | Don’t create metrics for the sake of it. Focus your efforts on the data that really matters to you. One Advisory Board member quoted Einstein: “Everything that can be counted does not necessarily count; everything that counts cannot necessarily be counted.” |
| Beware of unintended consequences | Keep an open mind and be prepared to challenge your own assumptions about the best route to efficiency. |
| Use industry benchmarks | Benchmarks help you answer the question “Am I normal?” and play a significant role in business cases. |

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