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MANAGING METRICS FOR SUCCESS

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This whitepaper presents insights, tips and field-proven guidelines that corporate legal departments can follow to help ensure they are setting the correct objectives and metrics, and the processes they implement support those goals.

As the responsibilities of corporate legal departments become increasingly focused on providing strategic support for business goals, general counsels and legal operations leaders are relying on data to set objectives and track performance.

Successful legal departments that establish effective processes for identifying, capturing and analyzing relevant data benefit significantly from an investment in an enterprise legal management solution. However, based on our experience helping hundreds of legal departments implement the CounselLink ELM solution over the years, we've learned that establishing the required processes isn't necessarily intuitive.

This whitepaper presents insights, tips and field-proven guidelines that corporate legal departments can follow to help ensure they are setting the correct objectives and metrics, and the processes they implement support those goals.

7 Characteristics of Effective Metrics

Every legal department is unique and may require a specific set of metrics, but we have identified seven characteristics that all successful metrics initiatives share.

1. **CLEARLY LINKED TO ORGANIZATIONAL OBJECTIVES.** Although metrics of any kind can be interesting, the goal should be to identify metrics that help the legal department support the company's overall business goals. In doing so, the legal department positions itself as a strategic partner and demonstrates its value to the organization. Examples of legal department objectives and metrics that align with them are shown in the accompanying chart.

Examples of metrics that align to legal department objectives

TYING METRICS TO DEPARTMENTAL OBJECTIVES

Objective	Metric	Metric Type
Manage overall matter costs by requiring budgets for all matters	% of active matter with budgets	Financial Control
Regulatory compliance	Regulatory fines per property Total regulatory fine $	Outcomes and/or Risk Management Financial Control
Reduce case assessment period	Median case assessment days	Financial Control & Outcomes and/or Risk Management
Leverage paralegals for less complex matters	Workload complexity per lawyer (scale of 1-5)	Operational Efficiency
Improve turnaround time to the business	Number of times matters come back to the legal department	Operational Efficiency
Increase the use of non-hourly (AFA) fee arrangements	% of matters in non-detailed hourly fee structures $ of matters in non-detailed hourly fee structures	Financial Control
Manage trends in matter volume	New matter count New matter count by source (business unit)	Financial Control & Outcomes and/or Risk Management
Balance the workload of in house counsel	Active matters per counsel New matters per counsel Total exposure managed per counsel	Operational Efficiency & Outcomes and/or Risk Management
Matters of similar types have similar hourly rates	Range of weighted average hourly rates (25th to 75th percentiles)	Financial Control
Matters of similar types have similar durations, staffing profiles, activities, etc. (Matter Lifecycle Management)	Hours and $ by activity/task Matter duration to 90% of total matter cost # of timekeepers	Financial Control
Internal matters are turned around quickly to business units	Days with legal department	Operational Efficiency

2 **WELL-BALANCED ACROSS DIFFERENT TYPES OF OBJECTIVES.** Generally, a law department should focus on metrics that provide information necessary to gain financial control, better manage legal outcomes and risk, and improve operational efficiency. The most commonly used metrics are financial in nature, but it is critical to include other types of measures in a metrics programs. A corporate legal department may also be interested in metrics that don't fall into one of the three categories. For example, if an organization has a strong diversity program the legal department may need a metric related to vendor diversity.

3 **INCLUDE BOTH LEADING AND LAGGING PERFORMANCE INDICATORS.** Some data can be used to assess the law department's past performance, such as outside counsel spending, while others are useful for predictive purposes, such as the number of new matters coming into the department. Ideally, a metrics toolkit should contain both kinds of data to ensure that the law department can develop a performance roadmap that uses historical data to inform future behaviors.

4 **LIMITED TO A MANAGEABLE NUMBER.** When it comes to metrics, the Goldilocks-inspired, just right approach is best. Gather too few metrics, and you won't have enough data available to draw conclusions. Focus on too many, and the excess "noise" will similarly obscure useful insights. Limit your metrics to a manageable number, however, and the analyses that follow will yield an abundance of valuable information you can leverage to achieve your departmental goals. Between six and 10 key performance indicators per practice area is a manageable number of metrics.

5. **CONTROLLABLE AT THE LEVEL BEING MEASURED.** Measuring a variable over which the law department has little or no control may possibly produce an interesting piece of information, but ultimately wastes time in terms of the metric's potential contribution to process improvement.

6. **COMPARABLE TO A BASELINE – EITHER A PRIOR PERIOD, BUDGET, OR BENCHMARK.** Every legal department metrics program has to begin somewhere. But when considering which set of metrics you will use, make sure that the data you generate can be analyzed against an existing data point such as a relevant benchmark, a prior time period, or a budget, for example.

7. **DEMONSTRATIVE OF THE VALUE ADDED BY THE LEGAL DEPARTMENT.** This last characteristic is closely related to the first one we outlined above. One of the benefits of linking law department metrics to organizational goals is that the metrics can then be used to illustrate the department's contribution to the organization and demonstrate that it is a partner to the business. Metrics that document cost savings in legal spend or a reduction in exposure, for example, are especially useful in terms of proving value.

Good Data is Essential to a Metrics Program

Obviously, a metrics program can't succeed without good data. By "good data," we mean data that lends itself to meaningful analysis. There are several things to keep in mind in order to capture data that supports analysis rather than hinders it.

First of all, it's important to make sure that the law department's matter classifications are meaningful for purposes of analysis. A best practice is to establish a matter-type hierarchy that distinguishes core matters vs. extraordinary matters and takes varying levels of matter complexity into consideration. Doing so facilitates an apples-to-apples analysis of similar matters that's not skewed by the unusual characteristics of the occasional outlier. Avoid the temptation to make matter types too granular, however. Doing so increases the likelihood of misclassified matters and can result in population sizes too small to provide analytic value.

A second best practice for ensuring data integrity is to enforce consistent billing. For example, if the law department and an outside law firm have agreed to a fixed fee to handle a matter and the firm submits an invoice for a matter that expresses the agreed upon fee as an hourly rate, any future analyses of hourly rates will be compromised by the drastically skewed calculation. Similarly, it's important that the law department insist that firms accurately distinguish between fees and expenses when submitting invoices. An additional component of consistent billing practices is ensuring that firms establish and use meaningful timekeeper titles. Taken together, these data hygiene practices help ensure that analyses can be efficiently performed and that they will yield trustworthy insights.

Common Pitfalls

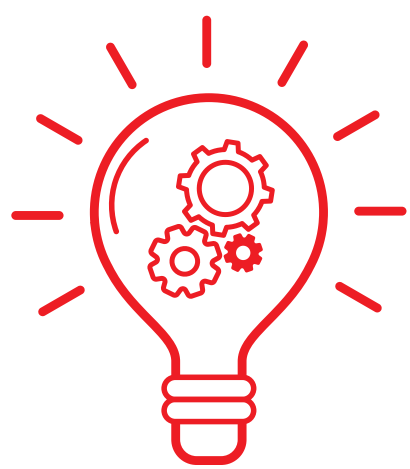
We have observed that there are a number of pitfalls that law departments sometimes encounter when establishing a metrics program.

- **CHOOSING TOO MANY METRICS.** Choose quality over quantity and you won't be disappointed.
- **CHOOSING METRICS THAT ARE INTERESTING, BUT NOT ACTIONABLE.** Tying meaningful metrics to departmental and/or the organization's goals helps avoid wasting time with metrics that can't be acted upon to improve performance.
- **METRICS PROGRAMS THAT LACK ACCOUNTABILITY.** It's important to establish a regular cadence of reviews during which metric program stakeholders discuss what's working, what's not, and what they are learning from the metrics. A clearly defined plan for follow-up and a discussion of ways in which results can be improved should also be a part of a successful program.

BEYOND THE METRICS:

Mining Data to Inform Future Decisions

Once a successful metrics program has been established, leveraging the analytic capabilities of an ELM solution such as CounselLink can identify key drivers of metric results. It is only when the drivers of negative performance variances are clearly understood that an action plan can be developed to improve performance going forward.



Conclusion

Applying relevant metrics and powerful analytics to first inform, and then to achieve, departmental and organizational goals allows legal department managers to make data-driven decisions that help increase the value of their contributions to the enterprise.

With corporate legal departments under increasing pressure to maximize efficiency without sacrificing value, the importance of analytics that fuel strategic decision-making cannot be understated. Legal departments that embrace the technology that makes that possible don't have difficulty proving their worth.

ABOUT THE AUTHORS

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As Director of Analytic Consulting at LexisNexis, Kris leads the LexisNexis CounselLink team's efforts to advise corporate legal departments on improving operations with data driven decisions. She is an expert in managing the business of law and in data mining, with specific expertise in matter pricing and staffing, practice area metrics, and scorecards.

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Justin Silverman serves as Vice President of Product Management for the LexisNexis CounselLink business. He joined the CounselLink team in 2011, coming from a two-year assignment as Senior Director of Global Strategy and Business Development for LexisNexis. Prior to that, he managed a professional services business at Gerson Lehrman Group.

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