

An Innovation Audit for the Law Department

By Richard G. Stock, M.A., FCG, CMC, Partner with Catalyst Consulting

This is the thirty-fourth in a series of articles about how corporate and government law departments can improve their performance and add measurable value to their organizations.



It is never too late to innovate. Not every legal professional enthusiastically embraces “change management” and corporate “transformation initiatives”. But “innovation” seems better aligned with the values and sub-culture of many law departments. In 2018, I wrote “[Innovation as a Performance Indicator](#)” [1] and in 2019 “[Getting Traction for Innovation in the Legal Department](#)” [2]

For ten years, the Association of Corporate Counsel has been recognizing dozens of law departments for all types of innovation with their Value Champions program. Other organizations have similar award programs. Still, like “excellence”, innovation can be elusive to define, time-consuming to isolate, and counter-intuitive in a risk-averse legal world. The practical benefits may not be readily apparent.



I believe that demonstrating the value of the law department depends on innovation. The General Counsel should be the “innovator-in-chief” of the department. Like Finance, HR and IT, law departments are enablers to get business done. Service to business units by law departments can be assessed with six factors:

1. understanding of objectives and expectations
2. responsiveness/communications
3. efficiency/process/management
4. predictable cost/budgeting skills
5. legal expertise at the correct levels
6. execution/results delivered

All of this resonates with corporate counsel and with professionals of all types. It is a good place to start thinking about innovation in the

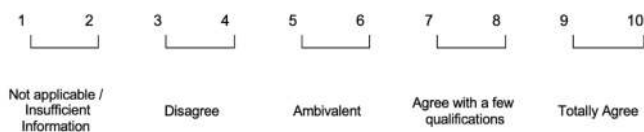
law department, but it does not quite pass the Specific, Measurable, Achievable, Results-Oriented, Time-limited test. Ehasoo & Sons (www.ahasoo.com), an Estonian consultancy focussed on innovation, conducts in-depth analyses of organizational blind spots and capabilities.

Their “audit” maps out the innovation challenges and risks that prevent an organization from achieving its full potential. Ehasoo customizes a variety of audits that can be applied at the law department level: assets and resources, communications and organizational knowledge, talent management, culture and leadership, and organization and structure.

Quite a few years ago, based on the work of E&Y’s Mary Campbell and Andrew Collins

“In Search of Innovation”, I customized 45 survey questions that can serve as predictors and indicators of innovation for law departments. Innovation neutralizes boredom. It appeals to the problem-solving and creative dimensions in professionals. The survey / audit also tests for attitude – traits which are particularly valuable in mature organizations, at mid-career, and when times are hard in the market.

The survey questions were answered using a Likert scale:



Five categories were covered. A sampling of survey questions follows, and each is answered on the scale.

Vision and Culture

- The department’s vision is clearly defined
- Bureaucracy does not constrain the department’s workings
- A learning-organization mentality is embedded throughout the department’s culture
- People are encouraged to think creatively and challenge the *status quo*

Passion

- Individuals are excited about their work and their colleagues
- Individuals are fiercely competitive yet support one another
- Individuals in the department are

constantly seeking to establish connections and relationships

- The department has a track record of sharing information, resources and processes
- The best practices are captured, evaluated, and made available to other teams

Resource Commitment

- The department recognizes the importance of human capital, leverages individuals’ skills, and works to cross-fertilize teams to increase innovation
- The department’s structures and processes are constantly improving to ensure congruence with key success factors

Measurement and Reward Systems

- The department’s leadership is tuned in to key success factors and monitors their performance

Consolidating the Survey Results

Consider the following 15 propositions to anchor innovation in the law department.

Innovation with Strategic Projects

Typically, these are business unit projects with significant impact on the company and significant involvement of inhouse counsel.

- The choice of strategic project (s) should be one that is in the corporate or business unit annual plan
- The contribution of the law department is evaluated by the business unit using exceeds/meets/does not meet

Innovation for Capacity and Speed

Projects can include efficiency targets, dealing with backlogs, and changing work intake

protocols.

- There is a detailed forecast of the annual demand for internal and external counsel for other than budget purposes
- Performance against the forecast is shared with the members of the law department and corporate leadership quarterly

Innovation for Organization and Resources

Projects can include the elimination of silos and solo practices, a paperless environment, and a reduction in administration time.

- There is a commitment to legal project management (LPM) and budgets for all matters over 50 hours
- LPM includes phases, tasks, assumptions, percentage certainty, optimal staffing, hours, and schedule
- Firms and inside counsel are proficient in LPM
- Firms and the law department have a financial incentive to achieve LPM success

Innovation with External Counsel

These projects can include extreme convergence of the law firm supply chain, performance and metrics applied to legal fees, and finding ways to have external counsel invested in the success of the company and the law department.

- There is a formal plan to eliminate

hourly-based fees within 2 years

- The law department is highly proficient in alternative fee arrangements (AFAs).
- There is a financial incentive for firms to embrace alternative fee arrangements
- There is a target to reduce external spend by 20% from projected levels over the next 2 years

Innovative Leadership

Projects can include a focus on results over process, the acquisition of business competencies by internal counsel, and ensuring that the GC is available enough to the law department to drive the innovation agenda.

- Innovation should be the primary key performance indicator of the law department
- Each lawyer should have annual objectives aligned with specific business unit objective(s)
- Each lawyer should have formal leadership training.

Innovation in the law department is the key to “staying ahead of the curve” and getting business done.

About the Author

Richard G. Stock, M.A., FCG, CMC is the Managing Partner of **Catalyst Consulting**. See www.catalystlegal.com Richard can be contacted at (416) 367-4447 or at rstock@catalystlegal.com.

