

# Innovation as a Performance Indicator

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

Why change anything in a law department when nothing is wrong? Work is plentiful, most of it is interesting and the other departments genuinely appreciate the contribution of the in-house counsel and have no real complaints.



Innovation in legal services is not invention. It is about introducing something new that perhaps has been done elsewhere. Or it is about improving what is being done and the way it is being done. Legal professionals do this by inclination and training.

Over the last 5 years, I have noticed that more law departments have formal, annual business plans in place than in the early 2000s. Some are developed from the bottom up after consulting the members of the department. However, not enough of these seem clearly aligned with the company's corporate business plan and operating priorities. All the boxes are ticked, but it is difficult to see how the legal team leverages its knowledge of the company and its skills to add value in the company. There is lots of activity, but the strategic impact of the plan is indirect at best.

By definition, a key performance indicator (KPI) is designed to focus resources on priorities that will make a difference to the company and to those who rely on the law department. The earliest editions of performance plans for law departments always contained activities to improve service levels and overall satisfaction with the law department. This was pretty much the same basic approach that one would expect from a law firm.

The next generation of business plans saw the introduction of KPIs tied to corporate targets. These were more sophisticated in that they included contributions to specific projects, controlling the cost of external counsel, and developing the capabilities of senior members of the law department. Every one of the objectives had an innovation component. Innovation was embedded and assumed in the initiatives or actions supporting other KPIs like efficiency, cost-reduction, technology and knowledge transfer.

Yet in the last 4 years, I have come to the conclusion that having a stand-alone KPI for innovation, as well as having “innovative” activity supporting other KPIs, is well worth it. This is not because law departments need a longer list of things to do or to measure. Instead, an innovation KPI requires that the leadership and members of the law department actually discuss innovation, develop initiatives that make a difference in the company, and then invest the resources to make this happen.

There are several categories that should be priorities for innovation in the law department. These include:

- shifting more of the resources from daily operational support of business units to devel-

opmental and corporate projects that the company regards as priorities

- insuring a much greater self-sufficiency of business units with a combination of training, systems, templates and a more limited role in contract reviews, all with a view to boost the available capacity of the law department by 25 %
- abandoning hourly-based legal work in favour of performance-based fees for external counsel
- making sure that the lawyers and other members of the law department have substantially challenging work most of the time
- raising the proficiency of the department’s lawyers in skill areas: leadership, business negotiations, and project management – all intended to ensure that they are not “strictly legal” as time goes on

Innovation has several beneficial side effects: it demands creativity; it depends on discipline to execute the initiatives; and it is transformative. Moreover, innovation is interesting – far more than working faster or longer hours or getting greater discounts from law firms.

For the most part, the best innovations for a law department are externally focused. They are dedicated to corporate projects and to the priorities of the business units rather than to the internal workings of the law department. Successful innovation answers the question “What difference do the lawyers make?”

Many legal trade associations now have national and international awards available for law departments that innovate. Service and adaptability can be replaced by innovative contributions on multiple fronts as the hallmark of law departments determined to add

value. May the best innovators win.

Adapted from an article of the same name published by Lexpert in April 2015.

### **About the Author**

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