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BY RICHARD STOCK

MANAGING IN-HOUSE

World-Class Effectiveness

Advisory firms like Corporate Executive Board offer assessment tools to help guide a law department

I RECENTLY HAD the opportunity to review the approach taken by multinational advisory firm Corporate Executive Board to assess 20 law department activities, all with a view to developing a “world class” legal department. The tool used by CEB sets out questions in four categories: opportunities for creating value in the company; optimizing talent for higher-value work; operational efficiencies; and the effectiveness of external counsel. These categories are compatible with the four perspectives anchoring a balanced scorecard: customers; learning and growth; internal business processes; and financial.

The balanced scorecard system, however, is not an assessment tool. With its initiatives and targets, it is a strategy and performance-management tool. CEB’s self-assessment process, on the other hand, can help a law department decide whether it needs to take action on a number of fronts. In turn, the resulting priorities can find their way onto a law department’s scorecard.

An examination of CEB’s 20 assessment statements does, in my opinion, suggest a few opportunities to improve the assessment tool. Six statements are intended to find “opportunities” for creating value: providing key legal services; spotting client opportunities; identifying risks early; collaborating effectively; enabling greater self-sufficiency; and communicating clearly.

The first two are really important but they are under-emphasized in the overall scheme because they do not directly target a company’s strategic business priorities. The closest they come to this is in the “spotting client priorities” opportunity. Moreover, this does not actively promote a strategic contribution by the legal department. The last four statements in this section deal

more with how the legal department works and less with what it does.

Using department talent for higher-value work is assessed in four ways. The first is in identifying key skills for lawyers. My preference would be to expand the targeted skills beyond legal to include leadership and business skills. The same should be said for targeting lawyer development beyond strictly legal competencies. I do like the last two effectiveness statements in this series: ensuring lawyer engagement and reducing low value work.

THE SELF-ASSESSMENT tool used by CEB can help a law department decide whether it needs to take action. The resulting priorities can then find their way onto a law department’s scorecard

The third part of the self-assessment consists of six statements to assess the extent to which the law department is creating operational efficiencies. These include: choosing alternative (non-law firm) providers; aligning non-traditional providers with legal needs; streamlining processes; creating work flow transparency, mostly with clients; measuring law department performance; and optimizing knowledge management.

In my experience, the last two deliver the greatest improvement in operational effectiveness. Knowledge management in the form of a transfer of skills and knowledge to clients is a prerequisite to the quest for greater client self-sufficiency mentioned earlier. I would add two questions in this series: the first regarding practice-management skills for individual lawyers, and

another concerning work intake and allocation protocols.

The last set of four statements is focused on managing external counsel. In that sense, they are financial. The statements deal with: assessing external legal spend; evaluating law firm performance; strengthening relationships with external counsel; and cost and quality management. These are excellent assessment criteria and should drive 75 per cent of companies to improve the cost-effectiveness of external legal spend. I would add two other areas of assessment: the extent that legal project budgeting and management are applied for complex work; and migration away from hourly to non-hourly fee arrangements as a way to secure measurable performance from law firms.

Looking over the revised set of 20 questions, I rely on four guiding principles when evaluating world-class law departments. The first is a significant contribution to strategic and developmental projects in the company, many of them market-facing. The second is a specialization of department lawyers by type of law or by business sector or both. The third is formal training in leadership, business fundamentals, project management and negotiation skills. The last performance driver consists of retaining external counsel using performance-based fee arrangements.

It is easy to be an armchair quarterback when it comes to what is already a fairly comprehensive diagnostic tool. Replacing five or six of the areas of assessment will better challenge corporate legal departments that are already performing well. 🗨️

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