LAW DEPARTMENTS

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Eight Transformative KPIs

These key performance indicators should be recognizable by all business units and remain constant over the years

EVEN THOUGH business plans, priorities and targets must be customized for a law department, key performance indicators for the legal function should be easily recognizable by all business units across the organization and remain constant over several years. Carefully selected and twinned with stretch goals for the law department and for individual lawyers, today's KPIs transform the necessary overhead that is a law department into a strategic contributor to the company.

Eight KPIs can anchor a law department business plan by changing the priorities, influencing behaviours and saving money. A balanced scorecard framework — clients / people / operating practices / financial — can be used to categorize the performance indicators.

> 'EIGHT KPIs can anchor a law department business plan by changing the priorities, influencing behaviours and saving money. A balanced scorecard framework can categorize the KPIs.'

Strategic impact is a KPI designed to capture and communicate the contribution of the law department to high-visibility, high-risk, high-reward priorities of the company and of business units. A project with strategic value typically requires at least 200 hours of lawyer time in a year. Ownership of most strategically valuable activity resides with business units rather than with the law department.

Over the past 15 years, companies have placed less importance on satisfaction and general service levels of law departments than on the results they produce. Organizations and business units with tight deadlines and chronically insufficient resources care more about "getting the job done." Selecting **results** as a KPI for the law department tells business units that legal is focused on delivering against set expectations. Performance against this indicator is not intended to report on a law department's activity levels or costs.

While a legal team can be innovative in what it does and in all the initiatives it selects against the seven other KPIs, designating **innovation** as a standalone KPI for at least three years shifts the priorities of law departments to more developmental and strategic contributions that are valued by clients. These contributions should be different than strategic projects and from the legal team's other initiatives.

In the spirit of LEAN and Six Sigma methodologies, an **operating practices** KPI encourages initiatives that target productivity improvements in the delivery of legal services. "Doing more with less" has been a corporate mantra for over 10 years. However tedious and boring, trimming infrastructure, leveraging technology, simplifying processes, and reducing costs are the hallmarks of this performance indicator. Law department business plans and scorecards typically start out with an emphasis on this KPI because the projects are easier to control. Targets must still be significant and pass the S.M.A.R.T. test.

A performance indicator for **service** is unavoidable. Discussions with business units over the years reveal that they are often late and incomplete when requesting legal advice or documentation review. Except for the most complex files, turnaround is a proxy for service. Professionalism, accessibility and thoroughness should be taken for granted and do not warrant KPIs of their own. Because everyone is in a hurry, initiatives for the service KPI should target turnaround performance for both regular and complex work.

Lawyers represent intellectual capital in an organization. Counsel should possess business and legal knowledge, skills and attributes aligned with corporate priorities as well as professional and personal development targets. A performance indicator for **knowledge transfer** encourages initiatives that make the law department, lawyers and their firms more efficient and effective as they are developed during the course of careers.

Law departments should calculate the total cost of external counsel to the organization as well as their own legal and advisory services. A performance indicator for **total legal spend** tests the ability to manage all fees for external counsel despite the uncertainty of litigation, labour issues, legislative and commercial activity. It also tests the ability to manage internal legal costs regardless of the budgets to which these are attributed.

Too few law departments manage to reduce the cost of external counsel beyond the traditional volume discounts. A performance indicator for **external counsel**, supported by initiatives such as law firm delegation protocols, legal project plans and budgets, and alternative fee arrangements, can reduce projected legal spend by at least 15 per cent beyond projected levels.

CLOs would do well to introduce these eight KPIs as the 2018 planning season gets underway.

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