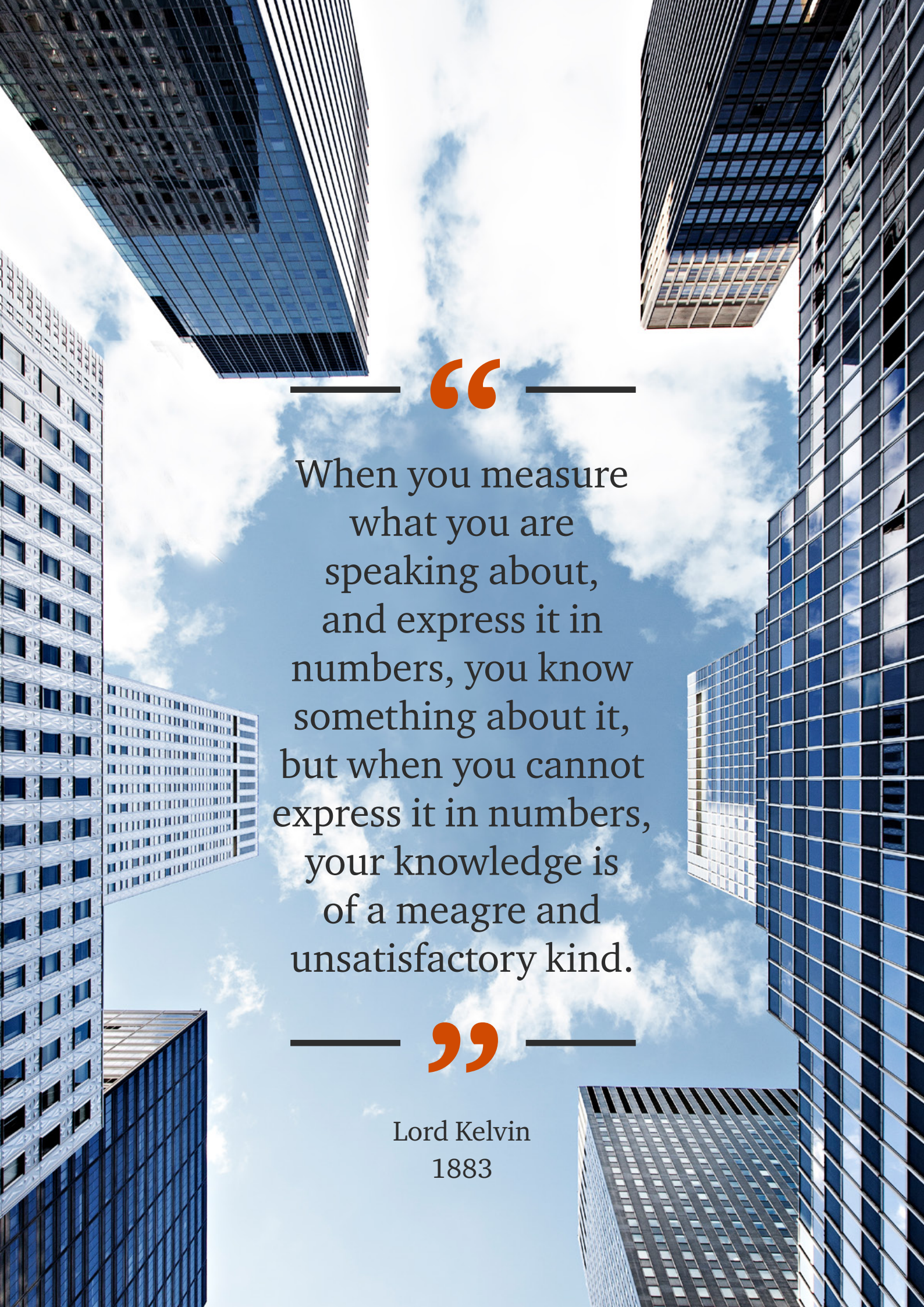


Legal department metrics: Understanding and expanding your impact

June 2020





“

When you measure
what you are
speaking about,
and express it in
numbers, you know
something about it,
but when you cannot
express it in numbers,
your knowledge is
of a meagre and
unsatisfactory kind.

”

Lord Kelvin
1883

Preface

At PwC NewLaw, we advise on and execute transformation for legal departments and law firms. For a long time, we've wondered why the legal profession has not been subject to, or for that matter subjected itself to, the same quantitative scrutiny other businesses and professions do. We set out to explore this question and see if we could contribute to overcoming some of the perceived barriers that get in the way of measuring legal inputs and outputs.

Over the last decade since the Global Financial Crisis law firms and legal departments have invested in operations functions to drive efficiency initiatives, process improvement and implement legal technology. Considerable progress has been made by legal operations and significant investment has correspondingly flowed to alternative legal and technology businesses. To raise the bar higher, we felt a more comprehensive set of metrics is required to measure relative performance.

Midway through our investigation, global stock prices were at an all-time high and the economic outlook was bright. In a very short time, markets dramatically collapsed in the wake of COVID-19.

The repercussions for legal functions are still to be played out, but we predict a return to heavily stretched legal teams and budget pressure. Naturally we reflected upon whether our project was still relevant to an industry that was fully absorbed in fighting to survive the day to day, with potentially less resources to invest in the future.

Our view is that metrics are just as important now, if not more. Legal departments are going to need to defend the value of their output more than ever and using metrics to do so in an objective and scientific way will be critical. We hope you find the framework we've produced both insightful and practical. It is our hope that it contributes to the discussion on how we drive better legal department decision making, which ultimately improves not just the legal team but also the organisations they support.



Value of metrics – how metrics are used to support decisions

The typical lawyer displays mastery in the use of words. But when it comes to numbers, lawyers often feel outside of their comfort zone. As a general rule, legal departments have been historically poor at quantifying performance.



Most business functions, including other internal corporate support services, have a long track record of using numbers to report past performance, predict future needs, justify capital expenditure, report risk and so on. Why have legal departments not been having the same conversations? There are a number of likely reasons:

1. Legal departments tend to be smaller than most other business functions and therefore under less scrutiny.
2. For their size, legal departments often punch above their weight in terms of the materiality of the matters they deal with, and therefore they have been under less pressure to justify their resources.
3. However, we suggest that the biggest reason is a belief within the legal department that they do work of a special nature incapable of being expressed in numbers and even if it can be, the effort involved in capturing the data doesn't justify the results.

Today however we have more data than ever, and as legal departments increasingly invest in technology, we have the tools to capture the data more effectively. In this current environment, especially where organisational costs come under more pressure and scrutiny, these reasons carry less weight.

As we explore in the next section, metrics are important to support decisions. Every day, legal departments make decisions. Decisions are made about resourcing, spending legal budget, training staff, engaging with clients, planning for risk events and so on. Many of these decisions are made based on judgement, experience, intuition or qualitative information. Often the basis for this type of decision making is essentially 'gut feel'. Applying metrics to analyse options reduces the uncertainty about decisions ordinarily made through gut feel. And so, we contend that all of these decisions will be made better with quantitative information.



Measurements vs metrics

It pays to be clear on what we mean by metrics, particularly as distinct from measurements. A **measurement** is a data point at a **single point in time**. A measurement also does not need to be 100% accurate or eliminate all uncertainty, a measurement merely reduces uncertainty based on one or more observations. A **metric** is a data point **in context**. Metrics, for example, express information at one point in time relative to another point in time, or data about one organisation relative to another organisation. Metrics are more useful than measurements because they provide the context to support decisions.



Lagging vs leading indicators

It is also useful to distinguish between lagging and leading metrics or indicators. A **lagging indicator** is an **output measurement** compared against other outputs, for example the number of lawyers in the department this year compared to last year. A **leading indicator** is a **predictive measurement**, for example the number of deviations in a set of contracts from standard positions is an indicator of the overall risk associated with the contract set. The difference between the two is that a leading metric can influence change whereas a lagging indicator is really only a record of what has happened. Leading indicators are typically harder to measure and even harder to tie directly to future performance given they tend not to be the only variable that will predict the future. As a rule, legal departments that do use metrics will likely be using lagging metrics more than leading metrics.

Determinative vs indicative metrics

The final concept to factor into a metrics exercise is separating determinative metrics from indicative ones. A **determinative metric** will make it clear what decision should follow, for example, a gender diversity score less than target, whereas indicative metrics will highlight the particular aspects of the legal department that warrant more attention and investigation. An indicative metric alone will not inform the decision that needs to be made, interpretation, context and judgement needs to be overlaid.



The what, when and how of legal department metrics

Our view is that legal departments can be quantifiably measured. We do not consider legal departments to be unique in this respect, in fact we would go further and say that legal functions are exactly the same as any other function we might measure. To back up this statement consider the following logic. If it matters at all, it will be observable. Or to put it the other way, if you can't observe something how can it matter? If it is observable it can be observed in an amount, or a range of possible amounts. And if it can be observed as a range of possible amounts, it can be measured.

It is also important to remember that not everything that can be measured should be measured. All measurements must support a decision. And something is a decision only if there are two or more realistic alternatives with potentially negative consequences if it turns out the wrong position is taken. In other words, **there must be something at stake**. If there isn't, then it's not clear why you would go to the trouble of measuring in the first place.

So, the exercise we recommend, is to identify the key decisions you need to make in your legal department. From there you need to identify the key metrics to support the decision. Once it has been decided what needs to be measured, the next question is how to measure and when to do it.

We know that collating these metrics can be difficult, and have provided the following scale which will help your legal team to understand the effort that will be required in collating these metrics.



Easier to obtain

Metrics based on data that should be already available through a desktop study. You may find this data through systems, analysis of existing information/ documents or with minimal interaction from your legal team and business partners.



Medium difficulty to obtain

Metrics based on data that is not likely readily available but can be obtained through a relatively straight forward gathering exercise. You may need to engage with your legal team and stakeholders through surveys, interviews, or simple workshops to obtain the metrics.



Harder to obtain

Metrics based on data that will only be available after considerable mapping, analysis and problem-solving exercises. You may need to engage with your legal team and stakeholders through detailed workshops or through observational/ time and motion studies. Specific legal technology tools may be desirable.



This catalogue is not exhaustive; however, it does reflect the views of a cross-section of legal experts from private practice and corporate legal departments. The metrics are deliberately broad in range and pitched at a strategic or higher level.

Within many of the catalogue categories, further drilling down to the tactical level can be done but we recommend this be done only after the higher-level metrics are in place. For example, the catalogue lists metrics to inform how much work should be sent to different types of legal service providers. This is an important strategic decision that should be answered before delving into more tactical metrics such as fee rates, budget adherence or quantum of value-adds, just for example.

Within the catalogue you will see that a number of the metrics are used to compare against benchmark data. Some benchmarking data is already periodically published by service providers and industry bodies. As legal departments become more sophisticated at capturing and reporting data the breadth and quality of industry benchmarking data will improve.

Which metrics you choose is an individual choice for every legal department and will be based on the difficulty to collate, and the value of measuring, a choice that directly impacts our final topic: legal department dashboards.

A dashboard must tell a story that is personal to you and your legal department



As we've already suggested, metrics for the sake of metrics are a waste of time. They must support a decision. To support a decision, metrics must be presented in a compelling and user-friendly way. And that is why we use dashboards. Dashboards need to tell a story of past performance, highlight measurements and trends that provide insight, and most importantly aid the decision-making process. Decades of research and testing have been devoted to designing airplane cockpits so that the instruments provide pilots with critical information in the most effective manner. Whilst the stakes may not be as high for corporate dashboards, the same principles around intuitiveness, simplicity and meaningfulness are equally applicable.

Importantly, not all dashboards will be the same. We would expect dashboards to differ across industry vertical and legal department size. We would also expect legal department maturity to be a major swing factor. The metrics important to a legal department at the beginning of a transformation journey will be different to the metrics needed when the transformation journey is drawing to an end.

And finally, always keep in mind the dashboard audience. A General Counsel using a dashboard to make decisions about the day to day running of a legal department will require a very different dashboard to a Chief Financial Officer forming a view about whether to increase next year's legal budget or not. Our catalogue should go some way towards helping you construct a dashboard tailored to your legal department.



Conclusion

For too long legal departments have been exempt from using metrics to support decisions and demonstrate effectiveness. This has been to the detriment of better decision making. We hope this paper will help legal departments better arm themselves with relevant metrics. And if you're still doubtful legal departments can be expressed in numbers, take a look at the other functions in your organisation that use numbers every day. We think that you will find they're already measuring similar data points to the ones you need. You likely already have far more data than you think, and you may need far less data for key decisions than you expect.

*We thank each member of our legal industry network who generously provided invaluable feedback to help us construct the metrics catalogue. We also acknowledge the work of Douglas W Hubbard and his book *How to Measure Anything: Finding the Value of Intangibles* which is a great resource should you wish to explore this subject more thoroughly.*

Appendix

PwC NewLaw's catalogue of key decisions and supporting metrics:
Visit www.pwc.com.au/legal-department-metrics for visual examples

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1. Strategy

1.1 Work type

Decision	What types of work should the legal department do and what types of work shouldn't the legal department do?
Why this decision matters	How a legal department uses its scarce resources is one of the most significant choices impacting the effectiveness of the function. Setting a clear framework to determine what work is the responsibility of the legal department and what isn't, is important for the legal team and clients alike. How the work that sits within the legal department gets done becomes a secondary although equally important consideration.
Metrics	% work strategically aligned (i.e. work that should be done by the legal department)
How to measure	<ul style="list-style-type: none">• Establish criteria to define 'strategic alignment' for the legal department• Compile a master list of work that is strategically aligned to the purpose of the legal department• Auto-tag all strategically aligned matters as strategic in a matter repository / platform (can be done in Excel if no platform exists)• Ensure all new matters are logged• Periodically report how many current matters are strategically aligned• To be most useful, matters need to be broken down as much as possible into sub-categories
How to use	<p>Legal departments should be targeting high % work that is strategically aligned. If the % work strategically aligned is either low and/or trending lower, a review of the type of work being undertaken by the legal department is warranted.</p> <p>Of course, not all work is of the same strategic value, but that is not relevant to this metric as it is not measuring relative value, only whether work is strategic or not.</p>
Level of difficulty to obtain metric	Medium - all legal departments should be able to define what work should and shouldn't be done by the legal department, although considerable work is required to compile a master list and tag work. The benefits of this work to support other decisions (e.g. resourcing, outsourcing, automation, etc) should justify the effort.

1.2 Work value

Decision	What is the right balance in the legal department between high strategic value work and low strategic value work?
Why this decision matters	Not all work has the same strategic value. Legal departments should be applying their more expensive and experienced resources to work of higher strategic value and finding innovative new ways to execute necessary work of lower strategic value.
Metrics	<ul style="list-style-type: none">• Ratio of high value work to low value work performed by legal department lawyers• Ratio of high value work to low value work performed overall
How to measure	<ul style="list-style-type: none">• Assign a relative strategic weight to each matter type in the master list of work• Allow weight to be adjusted at the individual matter level depending on factors such as deal value and risk• Through a matter repository / platform (can be done in Excel if no platform) calculate the relative amount of time spent on higher value work and lower value work
How to use	The appropriate ratio of high value to low value work will differ between legal departments based on factors such as size and industry sector. The ratio of high value work to low value work performed by lawyers however should always be high. Where lawyers are performing large amounts of low value work, alternative resourcing solutions should be considered.
Level of difficulty to obtain metric	Harder - considerable work is required to compile the master list of matter types and tag work and assign relative weights. Once compiled this is a very useful metric for a range of important decisions and reporting.

1.3 Fit-for-purpose

Decision	Should my legal department strategy be more specific?
Why this decision matters	A legal department strategy should be aligned to the strategy of the organisation it supports. However, this alone is not sufficient: a legal department strategy must also specifically address the operational effectiveness and future direction of the legal department itself.
Metrics	% of legal department's strategic objectives that are quantifiable.
How to measure	<ul style="list-style-type: none">• Compile list of strategic objectives• Identify which have qualitative versus quantitative measures (if any)
How to use	Where the % of legal department strategic objectives are less than 100%, consider how to quantifiably measure those that are not currently expressed that way.
Level of difficulty to obtain metric	Easier - assuming strategic objectives have been put in place.



2. Outsourcing and vendor management

2.1 Legal work

Decision	To what extent should the legal department outsource (traditional law firm, alt legal, client self-service) specific types of legal work, and if so what types?
Why this decision matters	Effective legal departments will become increasingly better at unbundling legal work and allocating it to the most effective resources. Many of those resources will be external providers to the legal department. Right-resourcing of legal work is a critical decision framework for legal departments.
Metrics	<ul style="list-style-type: none">• % legal work done by traditional law firm• % legal work done by alt legal• % legal work done by client self-service• Ratio of high value work to low value legal work performed by legal department lawyers
How to measure	<ul style="list-style-type: none">• Compile list of all work done by legal department in central matter repository / platform• Identify the work done by traditional law firms, alt legal providers and client self - service• Assign a relative strategic weight to each item in the master list of work• Through the matter repository / platform calculate the relative amount of time spent on higher and lower-value legal/non-legal work.
How to use	<p>%s of work done by different types of providers are useful point in time measures. These measures are useful references against best practice benchmarking metrics. Further, comparing these measures over time provide useful trend information about how different types of providers and solutions are being used.</p> <p>A lower ratio of high value work to low value work performed by legal department lawyers is a leading indicator that a more effective outsourcing strategy should be considered.</p>
Level of difficulty to obtain metric	Harder - considerable work is required to compile the master list of matter types and tag work and assign relative weights. Once compiled this is a very useful metric for a range of important decisions and reporting.

2.2 Non-legal work

Decision	To what extent should the legal department outsource (alt legal, non-legal providers, client self-service, tech) specific types of non-legal work, and if so what types?
Why this decision matters	Not all work within a legal department is legal work (e.g. admin and reporting). Unbundling work to separate non-legal work and finding optimal ways to execute it will be increasingly important for high performing legal departments.
Metrics	<ul style="list-style-type: none">• % non-legal work done by traditional law firm• % non-legal work done by alt legal• % non-legal work done by client self-service• Ratio of high value work to low value non-legal work performed by legal department lawyers
How to measure	<ul style="list-style-type: none">• Compile list of all work done by legal department in central matter repository / platform• Identify the work done by traditional law firms, alt legal providers and client self-service• Assign a relative strategic weight to each item in the master list of work• Through the matter repository / platform calculate the relative amount of time spent on higher and lower-value legal/non-legal work.
How to use	<p>%s of work done by different types of providers are useful point in time measures. These measures are helpful references against best practice benchmarking metrics. Further, comparing these measures over time provide valuable trend information about how different types of providers and solutions are being used.</p> <p>A lower ratio of high value work to low value work performed by legal department lawyers is a leading indicator that a more effective outsourcing strategy should be considered.</p>
Level of difficulty to obtain metric	Harder - considerable work is required to compile the master list of matter types and tag work and assign relative weights. Once compiled this is a very useful metric for a range of important decisions and reporting.

2.3 Vendor rationalisation

Decision	To what extent should the number of legal vendors be reduced/rationalised?
Why this decision matters	Whilst different vendors will be required for different types of work, having too many vendors can be inefficient and costly to manage.
Metrics	<ul style="list-style-type: none">• Total # of vendors• Total external legal spend• # of vendors per specialist area
How to measure	<ul style="list-style-type: none">• Calculate # of vendors (total and per specialist area)• Calculate total p.a. legal spend
How to use	Typically, the # of vendors appropriate for a legal department will have a correlation with the amount spent by the legal department on external vendors. Benchmarking information will be informative as to whether the total number of vendors should be reduced.
Level of difficulty to obtain metric	Easier - this information should be readily available from the legal department finance support.



3. Ways of working

3.1 Team alignment

Decision	To what extent should the legal department be functional/practice area aligned or organisation/business unit aligned?
Why this decision matters	Organisational design of legal teams can have a significant impact on the efficiency of the function as well as the internal client experience. The design of legal functions can range from fully business aligned, with all legal team members dedicated to specific business functions to fully centralised with legal team alignment around practice areas rather than clients. The optimal design for most legal teams will likely fall somewhere within this range.
Metrics	Ratio of Full Time Equivalent (“FTE”) lawyer centralised to decentralised lawyers.
How to measure	<ul style="list-style-type: none">• Identify number of FTE lawyers that are only servicing a specific business unit(s)• Identify number of FTE lawyers that are servicing the wider organisation
How to use	The ratio in itself will not inform whether or not a shift in alignment will be required, however a comparison over time is a useful metric for understanding organisational evolution. Furthermore, a ratio where decentralised lawyers are significantly higher than centralised lawyers suggests there may be productivity opportunities to be obtained by shifting to a more centralised operating model.
Level of difficulty to obtain metric	Easier - this information should be readily available from the legal department human resources support.

3.2 Headcount: lawyers

Decision	How many FTE equivalent lawyers should the legal department have?
Why this decision matters	The most important assets of a legal department are its lawyers. Having the optimal number of lawyers for the size and type of organisation it supports is a key driver for effective performance of the legal function.
Metrics	Ratio of # FTE equivalent lawyers in the legal department compared to the overall internal and external legal spend.
How to measure	<ul style="list-style-type: none">• Identify number of FTE lawyers in the legal department (through payroll data)• Calculate overall internal and external legal spend
How to use	This overall number of FTE lawyers as a ratio against total legal spend is a number that can be tracked over time and compared to industry relevant benchmarks.
Level of difficulty to obtain metric	Easier - this information should be readily available from the legal department human resources and finance support.

3.3 Headcount: non-lawyers

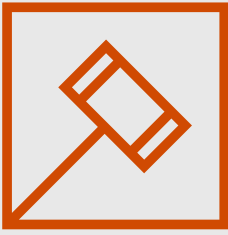
Decision	How many FTE equivalent non-lawyers should the legal department have, and what roles should these be?
Why this decision matters	Legal departments need to be run by skilled legal operations resources. Legal departments also do non-legal work more appropriately performed by non-lawyers. How many and what types of these types of resources should be employed inside the legal department or alternatively provided by third party suppliers is a critical decision for legal departments.
Metrics	Ratio of # FTE equivalent non-lawyers in the legal department compared to the overall internal and external legal spend.
How to measure	<ul style="list-style-type: none">• Identify number of FTE non-lawyers in the legal department (through payroll data)• Calculate overall internal and external legal spend
How to use	This overall number of FTE non-lawyers as a ratio against total legal spend is a number that can be tracked over time and compared to industry relevant benchmarks.
Level of difficulty to obtain metric	Easier - this information should be readily available from the legal department human resources and finance support.

3.4 Ways-of-working

Decision	To what extent should the legal department improve ways of working?
Why this decision matters	Legal departments can deliver their legal work using a variety of different team structures and collaboration processes. Depending upon a range of cultural, structural and strategic considerations, there may be an optimal level of transparency and collaboration between legal team members. Factors such as trust and psychological safety are critical enablers for high-performing teams.
Metrics	<ul style="list-style-type: none">• User survey - trust• User survey - collaboration• User survey - transparency
How to measure	Run a survey periodically to understand team members' perceptions of trust, collaboration and transparency in the legal department and wider organisation.
How to use	The user survey measurements can be tracked over time and compared to industry benchmarks. Further the measurements will typically be a score out of 10 or % and low scores will highlight areas that require particular attention.
Level of difficulty to obtain metric	Medium - if they don't already exist surveys will need to be designed, distributed and analysed.

3.5 Diversity

Decision	To what extent should the legal department increase diversity?
Why this decision matters	Diversity across properties such as gender, race, background and age, has proven to be an important characteristic of better performing teams. Understanding how a legal team compares to the benchmark in diversity and knowing where to make improvements is important to optimise team diversity.
Metrics	<ul style="list-style-type: none">• % of legal department with different personality / communication profiles (such as DISC or Caliper)• % legal department headcount and YoY turnover by gender• % legal department headcount and YoY turnover by age (decades)• % legal department headcount and YoY turnover by ethnicity
How to measure	<ul style="list-style-type: none">• Run a personality / communication profile session across the legal team (and subsequently also for new joiners)• Measure gender / age / ethnicity ratios across the legal team
How to use	The measurements can be tracked over time and compared to industry benchmarks to inform how in line or not the legal department is with market practice.
Level of difficulty to obtain metric	Medium - whilst some information will likely already exist e.g. headcount data, some information may need to be collected e.g. personality profiles.



4. Legal skills

4.1 Legal skills

Decision	To what extent should the legal department consist of legal specialisations versus generalists?
Why this decision matters	Specific types of legal work requires specialist lawyers. However assuming that more work requires specialists than is needed can lead to inefficiencies. Optimising the number of generalists versus specialists should help improve productivity.
Metrics	Ratio of FTE legal specialists vs generalists Ratio of generalist vs specialist matters
How to measure	<ul style="list-style-type: none">• Define specialised skill sets/legal practice areas within the legal department• Identify number of FTE lawyers that have deep expertise in a specialised skill set, as compared to total FTE lawyer count• Calculate the percentage of generalist vs specialist matters, and compare this to the percentage of specialist vs generalist FTE lawyers
How to use	<p>The ratio of FTE legal specialists vs generalists in itself will not inform whether or not more or less generalists are desirable however a comparison over time is a useful metric for understanding capability evolution. Further a ratio where specialist lawyers are significantly higher than generalist lawyers suggests there may be productivity opportunities to be obtained by shifting to a more generalist capability model.</p> <p>Also where the ratio of FTE specialists vs generalists and the ratio of generalist vs specialist matters is significantly different, consideration should be given to adjusting the weighting of specialists vs generalists.</p>
Level of difficulty to obtain metric	Medium - work is required to identify generalist and specialist lawyers and matter types.

4.2 Training

Decision	What legal and non-legal training should the legal department engage with?
Why this decision matters	Training is critical for all professional services. The bodies governing professions set out minimum training requirements. Legal departments need to determine what, if anything, is materially missing from the prescribed training requirements and if necessary, arrange supplemental training.
Metrics	<ul style="list-style-type: none">• cumulative time (total and per FTE) of formal legal (i.e. black letter law) training p/a for legal department• cumulative time (total and per FTE) of formal non-legal training p/a for legal department
How to measure	Identify all CPD training p/a undertaken by the legal team, categorised according to whether it was legal (i.e. law) or non-legal (e.g. practice management, professional skills or ethics).
How to use	The measurements can be tracked over time and compared to industry benchmarks to inform how in line or not the legal department is with market practice.
Level of difficulty to obtain metric	Easier - this information should be readily available from the legal department HR support/training registers.



5. Finance management

5.1 Budget planning

Decision	<p>Should the legal department's budget increase, decrease, or stay the same next financial year?</p> <p><i>Unlike all other decisions in this catalogue this decision will ultimately be made by the business. The legal department should use data to help inform and influence how this decision should be made.</i></p>
Why this decision matters	<p>Like all support functions the legal department competes for budget each financial year. The amount of investment an organisation commits to a legal department will be a combination of assessing the value of having the legal department, the organisational risk it manages and protects, the return on investment of the function and the relative performance to other support functions. A legal department needs to have a perspective on these values to inform discussions with the organisation about future budgets.</p>
Metrics	<ul style="list-style-type: none">• FYoY % change in legal budget• % total legal budget as a % of total organisational revenue• Legal department Return on Investment (ROI)*
How to measure	<ul style="list-style-type: none">• Identify legal budget for current and previous financial years• Calculate the percentage change year on year• Identify total organisation revenue
How to use	<p>The measurements can be tracked over time and compared to industry benchmarks to inform how in line or not the legal department is with market practice.</p> <p>*Developing a Legal Department ROI is a very useful but complex metric that is a synthesis of the other decisions and metrics in this schedule, and that requires a bespoke in-depth diagnostic and formulation.</p>
Level of difficulty to obtain metric	<p>Easier - this information should be readily available from the legal department finance support</p> <p>*ROI - hard</p>

5.2 Control of legal spend

Decision	To what extent should the legal department be responsible for all legal spend across the organisation?
Why this decision matters	Leveraging supplier arrangements is an important discipline for legal departments to maximise quality of service and price effectiveness. Where legal spend is dispersed across an organisation it will be harder to fully leverage supplier relationships and adopt a consistent approach to risk.
Metrics	% of legal spend outside of the legal department
How to measure	<ul style="list-style-type: none">• Calculate current spend on external legal from outside of the legal department (through coordination with external vendors or survey to business)• Calculate current external legal spend by the legal department
How to use	As a general rule legal spend will be more optimally managed by one rather than multiple business units. A high % of legal spend outside the legal department is a strong indicator that legal spend can be more effectively managed.
Level of difficulty to obtain metric	Medium - if legal spend is being directly made by the business most likely work will be required to collect this data from finance support outside legal.

5.3 Billing guidelines

Decision	To what extent should the legal department formalise external billing guidelines?
Why this decision matters	Billing guidelines specify what a law firm can and cannot charge for. Having billing guidelines and enforcing them should have a direct impact on the overall fees charged by a firm. There needs to be sufficient volume of work to justify the effort putting in place and then enforcing billing guidelines.
Metrics	Monthly rebates / savings (from law firms) as a result of incorrect billing expressed as a % of total monthly fees
How to measure	<ul style="list-style-type: none">• Use invoices to identify rebates / savings on monthly rebates• Use invoices to identify monthly spend
How to use	If the current rebates / savings level is very low or zero, consider implementing, and enforcing, billing guidelines.
Level of difficulty to obtain metric	Easier - this information should be readily available from the legal department finance support.



6. Knowledge management

6.1 Where to focus

Decision	Where should the legal department focus its efforts in knowledge management?
Why this decision matters	As knowledge workers, effective storage, sharing and re-use of information has a significant impact on the legal department's effectiveness. However, not all knowledge is equally valuable or worth the same amount of effort to manage. Prioritising knowledge management efforts will focus scarce resources on the right knowledge and information.
Metrics	Most commonly searched for information by %.
How to measure	<ul style="list-style-type: none">• Compile a list of all information searches across the legal department and frequency of these (through system data and surveys)• Identify top 80% based on frequency of searches
How to use	The top searches by volume will inform where knowledge management efforts should be focussed.
Level of difficulty to obtain metric	Medium - this data will be easier to collect if a knowledge management system exists but even without one useful data can be collected from existing systems and supplemental surveys.

6.2 How to deliver

Decision	To what extent should the legal department have a formalised process, governance and/or a technology platform for knowledge management?
Why this decision matters	Which type of system is appropriate to manage knowledge will depend on the commonality, frequency and value of specific information types. The more common, frequent and valuable the information, the more important it is to have an efficient and effective knowledge management system.
Metrics	Total time spent searching for (or assisting with searching for) legal department knowledge and documents as a % of average working hours.
How to measure	Compile a list of all information searches across the legal department and time taken to complete these (through system data and surveys)
How to use	As knowledge workers it would be typical for lawyers to spend a considerable % of time information searching, and therefore justify the investment in formal knowledge management processes and systems. For the fewer in number legal departments where the % of time spent searching for information is low then such an investment may not be warranted.
Level of difficulty to obtain metric	Medium - this data will be easier to collect if a knowledge management system exists but even without one useful data can be collected from existing systems and supplemental surveys. Some targeted time recording may be desirable.



7. Technology and innovation

7.1 Enterprise tech vs legal tech

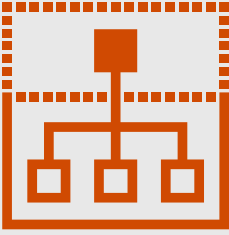
Decision	To what extent should the legal department use enterprise versus specific legal technology?
Why this decision matters	Utilising enterprise technology to leverage existing and available resources is important for legal departments. However, understanding where enterprise technology is not fit for a legal department's purpose and where those gaps need to be filled is increasingly important for legal departments to build effective end to end digital workplaces for team members, clients and suppliers.
Metrics	<ul style="list-style-type: none">• User awareness score for functionality of existing technology stack• User satisfaction score for functionality of existing technology stack• User satisfaction score for support for existing technology stack
How to measure	Run a survey periodically to understand team members' perceptions of technology / systems functionality within the legal department and support for the current technology stack.
How to use	Where user satisfaction scores are high for both functionality and support there may be less justification in exploring new or alternative forms of technology. Conversely lower scores are indicators that new, fit for purpose, legal technology should be considered.
Level of difficulty to obtain metric	Medium - if they don't already exist surveys will need to be designed, distributed and analysed.

7.2 Automation

Decision	What documents and/or processes should be automated?
Why this decision matters	Significant productivity gains, as well as better internal client experiences, can be realised through automation tools. With all automation projects it is important to ask whether the volume of work being automated will justify the up-front effort required to automate the work as well as the ongoing effort of maintaining the automated solution.
Metrics	Highest volume, lowest strategic value work.
How to measure	<ul style="list-style-type: none">• Assign a relative strategic weight to each item in the legal department's master list of work types• Through the repository / platform identify the types of work that are both (i) lower in strategic value and (ii) requiring higher amounts of overall time to deliver this work
How to use	The highest volume, lowest strategic value work types are typically the categories of work most suited for automation solutions.
Level of difficulty to obtain metric	Harder - considerable work is required to compile the master list of matter types and tag work and assign relative weights.

7.3 Legal department efficiency

Decision	How much effort should be allocated towards legal department-specific efficiency and innovation initiatives?
Why this decision matters	Continuous improvement should be part of the DNA for all legal departments. For legal departments behind the curve more radical transformation might be needed. How much effort needs to be invested into continuous improvement and transformation turns in part on how the effectiveness of a legal department compares against the benchmark.
Metrics	% of FTE time is currently spent towards legal department-specific efficiency and innovation initiatives?
How to measure	Calculate the total time of legal department FTE that are working on legal department-specific efficiency and innovation initiatives.
How to use	The measurements can be tracked over time and compared to industry benchmarks to inform how in line or not the legal department is with market practice.
Level of difficulty to obtain metric	Medium - targeted time recording will be required



8. Data and information

8.1 Data strategy

Decision	Should the legal department improve its data strategy?
Why this decision matters	Legal departments typically sit on significant volumes of valuable information. Managing information to inform better performance of the legal department and provide insights to the business will be increasingly important for legal departments as technology enables better data capture and processing.
Metrics	<ul style="list-style-type: none">• Ratio of decisions about legal department performance made using qualitative data vs quantitative data• Ratio of decisions about legal advice made using qualitative data vs quantitative data
How to measure	Review legal department dashboard / report card and identify extent to which these metrics are based on qualitative versus quantitative data.
How to use	As a general rule, all important legal department decisions should refer to metrics contained in some form of dashboard or report card. To the extent those metrics are not quantified, consideration should be given to how they can be.
Level of difficulty to obtain metric	Harder - unless best in class dashboards already exist, considerable work will be required to construct them.

8.2 Reporting

Decision	What types of reporting should the legal department be undertaking?
Why this decision matters	Good reporting enables better decision making both by leaders within the legal department and also within the business. What should be reported, how and when are important decisions to determine reporting effectiveness.
Metrics	<ul style="list-style-type: none">• % time the legal team spends doing reporting• End user/reader satisfaction based on utility of reports
How to measure	<ul style="list-style-type: none">• Identify total time the legal department spends on reporting• Identify total time spent on all other legal/non-legal activities in the legal department• Survey business to understand utility of reports
How to use	The measurements can be tracked over time. High % of time combined with low end-user / reader satisfaction scores indicate opportunities to improve reporting productivity.
Level of difficulty to obtain metric	Medium - targeted time recording will be required and if they don't already exist surveys will need to be designed, distributed and analysed.



9. Business partners

9.1 Engagement

Decision	To what extent should the legal department put effort into improving its client engagement?
Why this decision matters	Positive client engagement should always be a legal department priority. Strategically and proactively managing the client relationship as opposed to tactically reacting to individual client interactions will typically provide a better overall outcome for clients and the organisation the legal department supports.
Metrics	Average internal client customer satisfaction score (e.g Net Promoter Score).
How to measure	Run a customer satisfaction survey for the legal team.
How to use	The measurements can be tracked over time and compared to industry benchmarks to inform how in line or not the legal department is with market practice.
Level of difficulty to obtain metric	Medium - if they don't already exist surveys will need to be designed, distributed and analysed.

9.2 Expectations

Decision	To what extent should the legal department improve legal advice to meet the expectations of its clients (through quality, timelines and cost)?
Why this decision matters	An important subset of a legal department's overall productivity and efficiency measures is the level of interaction with its clients. A specific focus on optimising the client experience is warranted.
Metrics	<ul style="list-style-type: none">• Cycle time ratio of time taken to do work vs. time taken to return work (aka velocity)• % of legal advice leads to rework• % of over / underspend
How to measure	<ul style="list-style-type: none">• Compile a list of all work• Identify cycle time of work for each matter type (i.e. from receiving instructions to completing work)• Identify actual time spent by legal team on each matter type (i.e. 'recordable time')• Identify amount of work that required change (for any reason)• Calculate actual cost vs budget cost of work sent externally
How to use	The measurements can be tracked over time and compared to industry benchmarks to inform how in line or not the legal department is with market practice.
Level of difficulty to obtain metric	Harder - considerable work is required to compile the master list of matter types, measure cycle times, record changes and collect financial data. Some targeted time recording may be desirable.

9.3 Organisational value

Decision	To what extent should the legal department improve the broader effectiveness of the organisation?
Why this decision matters	Innovative legal departments won't limit innovation efforts to only productivity initiatives. Better performing legal departments will find ways to provide new material value to the organisations they support. One example will be the synthesis of organisational data that flows through a legal department to provide organisational insights.
Metrics	% of legal department report card / dashboard focused on the delivery of non-legal activities aligned with broader strategically aligned initiatives.
How to measure	Review legal department dashboard / report card and identify metrics concerned with non-legal activities.
How to use	Strategic contributions of the legal department that are over and beyond what is expected should be captured on internal stakeholder dashboards / report cards. The extent to which the proportion of these strategic contributions can increase over time, will indicate how well the legal department is comparing against typical legal departments in delivering new organisational value.
Level of difficulty to obtain metric	Easier - even if best in class dashboards do not exist it should be relatively simple to roughly determine the relative amount of effort dedicated to innovation.



10. Risk

10.1 Risk framework

Decision	Should the legal department be more aligned with the organisation in its approach to risk?
Why this decision matters	A formal process that outlines both how and when the legal department reviews risk (including its interface with any separate risk team or enterprise risk policy) should be considered to ensure that risk management is aligned with the organisation's risk appetite.
Metrics	Number of material legal risks for the enterprise not already identified in the enterprise's risk management framework.
How to measure	<ul style="list-style-type: none">• Review the enterprise's risk management framework• Identify any gaps where material legal risks are not reflected in the framework
How to use	All material legal risks for an organisation should be reflected in the enterprise risk management framework.
Level of difficulty to obtain metric	Easier - this information should be readily available.

10.2 Risk appetite

Decision	Should the legal department be more or less conservative in its approach to risk?
Why this decision matters	A legal department's approach to risk should not only protect but also enable the organisation. Lawyers are in general very competent in identifying risks - however, this needs to be moderated to align with the risk appetite of the organisation. Too little risk management of high-risk matters can overly expose the organisation to risk, but equally too much risk management of low-risk matters can stifle an organisation.
Metrics	<p>Quantum of fines, penalties, damages and settlements paid by the organisation for a given period.</p> <p>Negotiated contracts materially deviating from standard fall-back positions captured in playbooks.</p>
How to measure	<p>Calculate the quantum of fines, penalties, damages and settlements paid by the organisation for a given period.</p> <p>Measure material variance from standard risk positions across contract portfolios.</p>
How to use	<p>A high quantum is an indicator that the legal department's approach to risk may be overly aggressive and a low quantum indicates it may be overly conservative. Root cause analysis may also be required to understand whether it is the legal department, other parts of the business or external factors that is principally the cause of the fines, damages, etc.</p> <p>Material variance in contracts from standard risk positions is a leading indicator of future risk. This metric is particularly insightful when compared against actual future outcomes.</p>
Level of difficulty to obtain metric	Harder - calculation of fines, damages and settlements should be relatively easy with the assistance of the legal department finance support. Measure material variance from standard risk positions across contract portfolios will likely require sophisticated contract lifecycle management technology and processes.

Contacts



Mick Sheehy

Partner
+61 400 882 764
mick.sheehy@pwc.com



Marlo Osborne-Smith

Director
+61 417 974 416
marlo.osborne-smith@pwc.com



Adj.Assoc.Prof Peter Dombkins

Director
+61 416 940 875
peter.dombkins@pwc.com



Krisson Nandha

Transformation Lead
+61 448 878 339
krisson.nandha@pwc.com



Alex Rosenrauch

Manager
+61 488 008 146
alex.rosenrauch@pwc.com

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