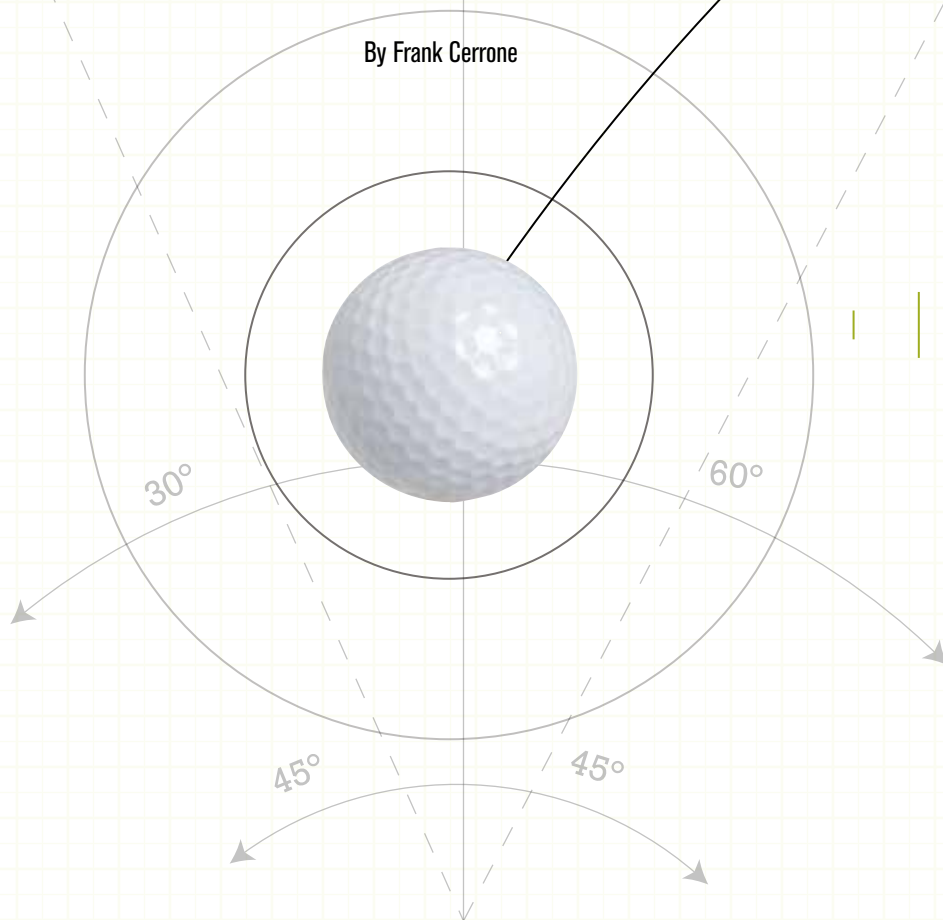



ACING THE

IN-HOUSE LEGAL DEPARTMENT PERFORMANCE REVIEW

By Frank Cerrone





With assistance from Richard Stock of Catalyst Consulting, we recently conducted a review of our in-house legal department at Revera, Inc., in which we analyzed our alignment with strategic objectives, workflows, workloads and capacity, organizational structure, management practices, and relationships with external counsel.

30-SECOND SUMMARY

When conducting a review of its in-house legal department, Revera, Inc., first determined the value of the department and its services, which include: taking a leading role in helping to accomplish the strategic objectives of the organization; strategically driving change and improvement in business results through a deep understanding of legal and operational issues; providing the highest and best use of time and expertise; and solving important problems in a manner that is proactive, accessible and responsive. After the review, the legal team concluded that it could improve in all of these areas by determining for itself what role it should be playing relative to each objective of the strategic plan, implementing a better process for the intake of matters and the reviewing of contracts, and converging areas of significant external referral to single specialty firm providers.

The purpose of the review was to answer three questions of critical importance to us:

1. What value do we deliver to our organization?
2. How can we increase the value that we deliver?
3. How can we demonstrate our value, and track and measure our efforts to enhance it?

We know the legal department is valuable to our organization, and that our colleagues think so, too, based on episodic feedback, and as confirmed annually in our internal peer survey results that reflect a high degree of satisfaction with us year after year. In addition, from a strictly monetary viewpoint, we save our organization substantial amounts in external legal costs annually.

But, we wondered, how do we unambiguously express our value, and do it in such a way that identifies the key indicators of performance, and allows for measurement, comparison and assessment, so that we can sustain and enhance it?

Initially, I thought that answers would be expressed quantitatively by way of objective and statistical data, such as the average turnaround time per inquiry, the number of billable hours, the number of inquiries handled each year, and the dollar amount of acquisitions and divestitures completed per year.

We soon came to realize that, while such numbers might be interesting (at least to us), they were meaningless without context. Numbers can't explain the multitude of variables we are confronted with on an hourly basis, such as competing priorities in importance,

risk and urgency, which require us to re-order or defer many of the projects we work on. Numbers don't explain the strategic importance of our work (e.g., how, perhaps, the best deal was the one we didn't do but spent the entire year working on) or the quality of the advice or service (e.g., the good job that was done on achieving a settlement in one single but crucial lawsuit). We quickly concluded that the time and energy that would be required to try to accurately reflect these nuances would be impractical, if not impossible.

We probed a little deeper and asked ourselves: Even if we could easily explain these intangibles, what result were we hoping would flow from our explanation? What reaction did we want from our colleagues? And that's when it became clear to us that we had to start with abstract concepts to build our value proposition. Fundamentally, what we wanted from our colleagues, and would demonstrably reflect our value, is their respect as esteemed professionals, recognition as significant contributors, and regard as valued members of their team. We concluded that we could best earn their respect, recognition and regard by delivering on a worthy value proposition.

Our value proposition

Through a Socratic process, we sought to answer our first question by developing our value proposition; namely, we offer value by being an in-house legal department that:

1. takes a leading role in accomplishing and helping to accomplish the strategic objectives of our organization, and of its lines of business (LOBs) and corporate support functions (CSFs);

2. strategically drives change and improvement in business results through a deep understanding of legal and operational issues;
3. provides the highest and best use of our time and expertise, using outside lawyers at a minimum; but when we must, using those most appropriate, with the best service and at the least cost;
4. solves important problems in a manner that is proactive, accessible, responsive, creative and quick; and
5. promotes a challenging, rewarding, collegial and respectful workplace.

We believe our value proposition details the value we can offer to our organization.

But we recognized that our value proposition would remain merely aspirational unless we were able to deliver on it. It was pointed out to us that much in our value proposition typifies better in-house law departments, but that delivering on it is what distinguishes "best in class" in-house legal departments that structure and position themselves for achievement.

Delivering on our value proposition

In answering the first question, and with the insight we were provided, the solution to the second question seemed obvious: We add value by ensuring that we operate as a "best in class" in-house legal department and actually deliver on our value proposition.

To examine our readiness to operate as a "best in class" legal department and be able to deliver on our value proposition, we engaged in an honest self-evaluation. Such inquiry involved, among other things, an assessment of our alignment with the strategic objectives of our organization, and its LOBs and CSFs; a review of our workflows, workloads and capacity, as well as our organizational structure and management practices;



Frank Cerrone is senior vice president, general counsel and secretary of Revera, Inc.¹, a privately held company, which provides care, accommodation and home health services to seniors in Canada and the United States. frank.cerrone@reveraliving.com

and finally, an evaluation of our relationships with, and the management of, our external counsel.

Alignment

We learned that “best in class” in-house legal departments operate in alignment with their enterprise strategy objectives, and take meaningful roles to assist and complete such objectives, rather than merely providing operational support. Alignment means that each team member functions efficiently and productively to do its part (and more) to achieve an objective with proper outcomes. To be aligned, the team members must be properly identified, their respective roles must be defined, and they must be made accountable and given authority for those roles. Otherwise, misalignment may result in loss of productivity, inefficiency and poor operating outcomes.

In looking at our alignment, workflows and workloads, we found that while we have “linkage” to our organization’s strategic plan,² we are not as aligned as we should be, for three main reasons. First, in our organization, like many others,³ strategic plans necessarily tend to be framed broadly and do not comprehensively identify and assign responsibility for the achievement of the objectives in a systematic way. As a result, they often overlook or underestimate the critically important role of the legal department and other CSFs. If we are not involved as deeply and early on as we should be, our ability to contribute is often limited by insufficient time or bearings to plan and scope out our role, forecast resources, estimate timing and develop budgets. Improper planning can lead to inefficiency, compromised productivity and extra expense. Second, LOBs are typically regarded as the primary leads in accomplishing strategic objectives, with CSFs such as the legal department taking secondary roles on an “ad hoc” and “as needed” basis. Yet in many instances, the legal department’s

involvement is essential and integral to the accomplishment of these objectives. Failure to clearly delineate those roles may result in blurred accountabilities and authority, leading to suboptimal outcomes.

Third, role stereotyping is a factor. While we feel respected as professionals and well regarded for the contributions we make, there is no denying that we often function and are regarded as gatekeepers and firefighters, not as colleagues and leaders who must be involved early and regularly in tackling our organization’s most important strategic objectives.

In considering those findings, and in keeping with the example of “best in class” in-house legal departments that are proactive, creative and solve important problems, we concluded that the most constructive and expeditious way for us to promote alignment in our organization was to immerse the legal department into our enterprise strategic plan, and ascertain our role relative to each objective. A thoughtful analysis of roles would include a forecast of activities with timelines, together with an estimate of required resources and corresponding budgets.⁴ Once armed with that analysis, we resolved to boldly articulate our proposed roles to our organization, confirm our accountability for their execution, and explain how our contributions to the achievement of strategic objectives should be measured.

Workflows

The purpose of a workflow analysis is to study how inquiries come into, and are handled by, the legal department.

How did we stack up? Similar to many in-house legal departments, we found that lawyer intake and involvement on matters can be “ad hoc” or the result of “no one else being available;” many times, matters are referred to us with no or little background, incomplete facts, or incomplete and poorly drafted documents that have obviously not

A thoughtful analysis of roles would include a forecast of activities with timelines, together with an estimate of required resources and corresponding budgets.

been read by the person referring the matter. Almost everything is referred to as a “rush,” making it necessary for lawyers to take the extra time to prioritize matters and expectations for turnaround times that are unrealistic.

We are frequently interrupted and distracted by unnecessary drop-ins and emails that soak up about 15 percent of our time, and some of us are spending more than 10 percent of our time on practice management. We are often working more than 50 hours per week, and, as revealed in our employee engagement survey, the legal department’s satisfaction rate for work/life balance averaged 50 percent, well below our company average of 69 percent.

In the course of our analysis of workflows, we were advised that certain key characteristics distinguish a “best in class” in-house legal department. Among them, “best in class” in-house legal departments assign responsibility for work intake and allocation to “relationship lawyers” who are designated to specific LOBs and CSFs as their lead referral lawyer (i.e., a relationship lawyer). In-house lawyers can be assigned to one or more LOBs and CSFs as a relationship lawyer to find the right person, either inside or outside the legal department, who can best answer their questions.

Relationship lawyers effectively become part of the team of their assigned LOB and CSF, attending all meetings, and having visibility on key initiatives and strategies so they are involved early and “see the big picture.” In this

Sample Scorecard: 2012 and 2013

Category	Indicator (KPI)	Initiative (40 characters)	Target/ Measure	Result
Clients	Results	1. "Did legal department deliver on its Value Proposition?" Annual survey of all users requiring 50 or more hours of legal service per year.	The extent (5-part scale) to which planned results are delivered by legal counsel. Target: 70 percent satisfied.	
		2. Conduct a Board effectiveness audit in Q2 2013	75 percentile on Canadian index	
	Strategic Alignment and Input	1. Introduce Positioning Statement and KPIs	Circulate by end of Q4 2012	
		2. Complete Project A as per Strategic Objectives and according to CEO approved specifications	3-part scale (did not meet, met, exceeded) evaluated by the CEO	
		3. Complete Project B as per Strategic Objectives and according to CEO approved specifications	3-part scale (did not meet, met, exceeded) evaluated by the CEO	
		4. Complete Project C as per Strategic Objectives and according to CEO approved specifications	3-part scale (did not meet, met, exceeded) evaluated by the CEO	
		5. Complete Project D as per Strategic Objectives and according to CEO approved specifications	3-part scale (did not meet, met, exceeded) evaluated by the CEO	
	Overall Satisfaction	1. "Are you totally satisfied with the service from the legal department?" Annual survey of all users requiring 50 or more hours of legal service per year	The extent (5-part scale) to which primary users are satisfied with legal services by internal and external counsel. Target: 80 percent satisfied.	
		2. "Are you totally satisfied with the service from your Relationship Lawyer?" Annual survey of LOB and CSF primary users	The extent (5-part scale) to which primary users are satisfied with legal services done by the Relationship Lawyer. Target: 80 percent satisfied.	
	Operating Practices	1. Complete Demand Forecast 2013 – 2016, Legal Budget 2013 and Special Projects Budget 2013	Complete by Q4 2012.	
		2. Reduce the proportion of operational support legal work done by lawyers in favor of strategic and developmental projects	70 percent strategic and project work as per results of intra-department survey tool	
		3. Establish Work Intake Protocols	Complete by Q4 2012. The extent (5-part scale) to which primary users are satisfied with legal services by internal and external counsel. Target: 80 percent satisfied.	
4. Establish Standard Operating Procedures		Complete by Q4 2012. Work-life balance score above 50 percent as per Employee Engagement Survey. The extent (5-part scale) to which primary users are satisfied with legal services by internal and external counsel. Target: 80 percent satisfied.		
Business Process Improvement	5. Establish Contracts Review Policy	Complete by Q4 2012. 70 percent strategic and project work as per results of intra-department survey tool.		

Category	Indicator (KPI)	Initiative (40 characters)	Target/ Measure	Result
Business Process Improvement	Accessibility	1. Enter into SLAs with LOBs and CSFs.	Have SLAs signed and teams in place by end of Q4 2012. Target: 100 percent of LOBs and CSFs. 70 percent strategic and project work as per results of intra-department survey tool.	
		2. "Is legal department accessible as promised under SLA?" Annual survey of all users requiring 50 or more hours of legal service per year	The extent (5-part scale) to which primary users are satisfied with legal services by internal and external counsel. Target: 80 percent satisfied.	
		3. Introduce guidelines on "When to Call Your Lawyer"	Circulate by end of Q4 2012. 70 percent strategic and project work as per results of intra-department survey tool. The extent (5-part scale) to which primary users are satisfied with legal services by internal and external counsel. Target: 80 percent satisfied.	
	Turnaround	1. New staffing configuration for legal department and arrangements with external counsel resulting from demand forecast in place for 2013.	70 percent strategic and project work as per results of intra-department survey tool. The extent (5-part scale) to which primary users are satisfied with legal services by internal and external counsel. Target: 80 percent satisfied.	
		2. "Did legal department meet turnaround times as promised under SLA?" Annual survey of all users requiring 50 or more hours of legal service per year	The extent (5-part scale) to which primary users are satisfied with legal services by internal and external counsel. Target: 80 percent satisfied.	
		3. Application of Legal Project Management methodologies for files over 50 hours to both external and internal counsel.	Accuracy of Project Plans. Target: maximum variance of 10 percent.	
People	Knowledge Management	1. 80% of required competencies exceeded for each lawyer, 20 % are met; based on "Competencies for Counsel".	GC and HR to produce a joint evaluation by end of Q2 2013.	
		2. Roll out Standard Form Contracts.	Revera forms used in 80% of all contracts after introduction by end of Q2 2013.	
		3. Law firms to prepare three (3) litigation prevention educational programs in Canada and the US by Q2 2013	Attendees 90% satisfied.	
		4. Establish FAQ Site	The extent (a 5-part scale) to which primary users are satisfied with legal services by internal and external counsel. Target 80% satisfied.	
	Lawyer Performance	1. Measurable performance goals set for each lawyer in support of scorecard by Q3 2012.	GC to sign off and evaluate.	
2. For Relationship Lawyers – "Are you totally satisfied with the service from your Relationship Lawyer?" – Annual Survey of LOB and CSF primary users.		The extent (a 5-part scale) to which primary users are satisfied with legal services performed by the Relationship Lawyer. Target 80% satisfied.		
Financial	Total Legal Spend	1. Convergence of legal work, accompanied by multi-year partnering agreements, legal project management and alternative fee arrangements.	Achievement of reduction of external legal fees as per Forecast and Budget.	
	Unit Costs	1. Convergence of legal work, accompanied by multi-year partnering agreements, legal project management and alternative fee arrangements.	20% reduction in average unit cost compared to previous year and reduction of higher average rates to median compared to previous year.	

“Best in class” in-house legal departments offer programs to continuously improve and upgrade the competencies of their staff. As well, they encourage lawyers to spend 90 percent of their time on work intake and production, and not more than 10 percent on practice management.

way, they develop trust and confidence with their teams, can spot and handle issues early on, and can help the legal department to ensure that: priorities and deadlines are defined; needs and expectations are classified; matters are appropriately allocated to lawyers and paralegals — according to complexity, experience and cost effectiveness, both inside and outside the legal department; and that workloads remain as even as possible. As well, relationship lawyers can redirect non-legal operational support questions to appropriate persons within their LOB or CSF and reduce intake of inappropriate matters.⁵

Many “best in class” in-house legal departments negotiate and enter into formal written “service level agreements” (SLAs) with LOBs and CSFs. SLAs set out mutually agreed expectations and obligations regarding the referral and handling of legal matters by the legal department. As an example of a typical provision in an SLA, LOBs and CSFs may promise to only refer a contract that contains fully completed schedules, and which they have fully read and confirmed that it reflects the agreed business terms. In turn, the legal department may agree to provide its comments and approval within 72 hours of receipt of such a contract.

“Best in class” in-house legal departments also employ educational

materials — such as “when to call your lawyer” brochures — to ensure, as far as possible, that only appropriate legal matters are referred to lawyers. This can help to reduce frequent drop-ins and emails so that work disruptions can be kept at a minimum and lawyer productivity can be maximized; and to ensure that all relevant facts, background and complete documents are provided to lawyers.⁶ They implement proper processes for the intake of matters, as time constraints can result in a hurried and unfocused approach to matter intake, creating the risk that tasks labeled as unimportant will be completed before important ones.⁷

“Best in class” in-house legal departments offer programs to continuously improve and upgrade the competencies of their staff. As well, they encourage lawyers to spend 90 percent of their time on work intake and production, and not more than 10 percent on practice management. They target a 50-hour workweek to be a maximum threshold for effectiveness for each lawyer.

We recognized that taking corrective measures to deal with our operational shortcomings is crucial to our development as a “best in class” legal department, for at least two reasons. First, creating a platform and processes to achieve and continuously improve upon our operational efficiency is an inherent element of our value proposition. Second, such a platform and processes will enable us to deliver on our value proposition of functioning in a leading and strategic role.

Workloads

A workload analysis focuses on the types of inquiries that come into the legal department and the time spent on them. After looking at our legal department’s activities according to complexity level, category and number of matters, average time spent per matter, and time spent by LOB and CSF, we found that about 52 percent

of our time is spent on non-complex operational support. Contract review takes much of our time, but our process is inefficient due to incomplete or poorly drafted documents, incomplete facts and late involvement, leading to unrealistic expectations that work be done on an “urgent” or “rush” basis. Our individual workloads are spread out among various LOBs and CSFs on an “ad hoc” basis instead of being designated and concentrated primarily on one or two or more LOBs and CSFs. Finally and shockingly, we discovered that about 400 hours of my time annually is spent signing documents!

In addition to our previous conclusions, we drew two broad conclusions from our workload analysis after considering “best in class” practices.

First, our lawyers are spending far too much time providing operational support rather than strategic input and action, and our paralegals are spending too much time on administrative and clerical matters. Further, many of the inquiries could be handled within the own LOBs or CSFs, but are referred to us because people either are unsure how to respond, or simply do not want to take accountability for the issue. We have become a dumping ground for non-legal problems that should never have been referred to us in the first place.

Not only does this rob the lawyers of valuable time that could otherwise be spent on “highest and best use” strategic objectives, but it also prevents our paralegal staff from absorbing appropriate operational support work that should be delegated to them. We need to initiate a culture change, so that all users of legal services come to regard us and relate to us as resources rather than firefighters, and to understand how to work with us so that we can provide “highest and best use” services in the most efficient manner. If our LOBs and CSFs take responsibility to manage operational issues within their capabilities, two improvements in efficiency will be immediately realized:

The number of inappropriate inquiries will be reduced so that appropriate operational issues can be dealt with by our paralegal staff, with input from our lawyers where necessary; and the amount of operational support that our lawyers are asked to provide will be reduced, so that they can instead focus on strategic work.⁸

Second, we need to change the way that contracts are reviewed and approved for execution to increase efficiency and value. A primary feature of such a new protocol is that LOBs and CSFs take greater accountability to involve the legal department as early as possible, to review and approve contracts for submission to the legal department with full facts and background, and to provide realistic turnaround timeframes and direction on priority. In turn, we must make it easier for LOBs and CSFs by developing standard form template contracts and clauses, to enable self-service to the greatest extent possible, and to avoid using versions offered by third parties.

We can also reduce costs and gain efficiency, as well as make work more fun and challenging for our staff, by leveraging paralegals to review, or at least pre-screen, contracts regarding designated provisions that are identified as sensitive or risk areas. Lawyers should “sign off” that they support the execution of the contract after review, but LOB and CSF leaders should take responsibility for executing them, and for warehousing and managing them in the absence of a designated contract management office, either newly created or nominated, such as the Procurement Department. The processing for review and approval of legal invoices should be streamlined to reduce administrative time, and allow our staff to use the time saved on paralegal activity.⁹

Structure and organization

In assessing our legal department’s structure and organization, we

learned that “best in class” in-house legal departments are organized and structured so that they not only use technology systematically to automate routine or repetitive processes, but also integrate that technology with other core business systems to provide insight into business and risk. They also measure their performance and improve upon it year after year.

As a result of our structure and organizational analysis, we found that, like many other in-house legal departments, we need to advance our efforts to automate all common processes and become “paperless,” as well as adopt measures to continue our process of self-evaluation for improving effectiveness and efficiency. We also need to develop and continuously augment an “FAQ” resource that allows interested persons to gain insight into commonly asked legal questions. Most important, we need to develop and operate with reference to “key performance indicators.”¹⁰

External firm relationships

Several interesting facts came to light from our review of the data on our external law firms. First, while the hourly rates of most of our external law firms were within an average range across all our matters, some firms were well above the average, suggesting they staffed files with more senior personnel. Second, some firms appear to make excessive use of students and other staff who may make some contribution, but seem to be learning on the fly. Third, for some matter categories, the work is spread out among a number of external firms within the same jurisdiction, rather than just a primary firm with an agreed upon arrangement in such jurisdiction. Fourth, budget and file management plans are being used only on larger transactions and matters. Fifth, non-hourly rate fee arrangements are being used only on larger transactions and some litigation matters; and billing is not done on a systematic basis and is predominantly done on paper.

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In studying the data on our external law firms, we were advised that “best in class” in-house legal departments typically have a relationship with one primary full-service law firm for each country their organization operates in, and with designated boutique specialty law firms for specific matters by jurisdiction. Usually, such relationships are formed after candid discussions and agreement about service-level standards and expectations, billing rates and processing, file management practices and, where appropriate, non-hourly fee arrangements.¹¹

Action plan

Based on our review and findings, we developed an action plan to address our operational weaknesses and to set us on course to become a “best in class” in-house legal department so that we can position ourselves to deliver on our value proposition. In all, we considered 30 recommendations, most of which directly or indirectly address the findings resulting from the analyses, and are designed to allow us to practice according to our ideals, and as a “best in class” in-house legal department, to earn our stated goals of respect, recognition and regard.

While our action plan is particular to our legal department, it may be of interest or instructive for others. With

reference to our organization’s strategic plan, to create better alignment, we determined that we should:

- develop a forward-looking three-year demand forecast for internal and external legal services, for both recurring and existing strategic projects, broken down to show the number of estimated hours of legal work, allocation by LOB and CSF, and allocation by category of law, level of complexity and principal jurisdiction (the “Demand Forecast”);
- develop an annual legal budget the general counsel is responsible for managing, which will consolidate all existing amounts for legal expenses now spread among various LOBs and CSFs, and include consideration of the Demand Forecast for each year (the “Legal Budget”). The Legal Budget will be allocated annually by the general counsel among all LOBs and CSFs. Special projects that arise and were not included in the Legal Budget will carry an associated budget for legal expenses, as estimated by the general counsel, and will be in addition to the Legal Budget, for which he shall also be responsible to manage (each a

Develop and disseminate a brochure that sets out “when to call your lawyer — and when not to,” as a guide to assist in ensuring that appropriate legal matters are referred to the legal department and are directed to the right person.

“Special Projects Budget”); and

- develop and disseminate a positioning statement of the legal department (the “Positioning Statement”), which sets out the mission, value proposition and key performance indicators of the legal department. This will allow measurement of the achievement by the legal department of its mission and value proposition (the “KPIs”).

To become “best in class” in respect of workflow management, we determined that we must:

- assign a “relationship lawyer” to each LOB and CSF to act as their primary contact and lead lawyer. Each Relationship Lawyer will be responsible to attend all meetings of their assigned LOB and CSF, and conduct themselves as a member of their teams; proactively manage their practices and meet their commitments under their SLAs; consult with, allocate and delegate legal work appropriately to internal and external lawyers, and to paralegals; and not exceed their allocated portion of the Legal Budget and any Special Projects Budget, except as approved by the general counsel;
- develop and enter into SLAs with each LOB and CSF, which sets out the mutually agreed expectations and obligations of all parties. These include guarantees of observing standards for referral of work by the LOB and CSF, and service quality guarantees by the legal department (the “Service Level Agreements”); and
- develop and disseminate a brochure that sets out “when to call your lawyer — and when not to,” as a guide to assist in ensuring that appropriate legal matters are referred to the legal department and are directed to the right person. This will reduce the number

of inappropriate and misdirected ones (the “When to Call Your Lawyer Brochure”).

To advance into our desired “best in class” status regarding workloads, structure and organization, we concluded that we should:

- establish work intake protocols, including: rejection of incomplete documents, background facts or requests for assistance; acknowledge receipt and set out agreed deadline for turnaround; service standards, including that all contracts and agreements will be summarized for ease of reference; file opening for all matters of over five hours of legal work; checklist for handling matters (the “Work Intake Protocols”);
- develop standard form contracts and contract provisions, and education programs for their use (the “Standard Form Contracts”);
- develop and continuously augment an “FAQ” resource that allows interested persons to gain insight into commonly asked legal questions (an “FAQ Site”);
- revise the contract review policy so that: LOB and CSF leaders are responsible to sign contracts after they have been reviewed and approved for legal risks by their Relationship Lawyer; their Relationship Lawyer confirms that all necessary approvals have been obtained under our Bylaws and Delegation of Authority, and the Procurement Department confirms that all procurement rules have been followed. Original contracts are to be warehoused and catalogued with their summaries by each LOB and CSF who are each responsible to manage them and to diarize future dates (the “Contracts Review Policy”); and
- develop a program designed to continuously increase operational efficiency within the

legal department by enhancing alignment with corporate strategies, documenting processes and utilizing technology to automate processes, and ultimately, to allow insight and to measure performance (the “Standard Operating Procedures”).

With respect to external law firms:

- develop a program designed to maximize external lawyer value and reduce costs by optimizing staffing profiles, utilizing a legal plan and budget, and automated billing (the “File Management Program”);
- converge areas of significant external referral to single specialty firm providers within each jurisdiction pursuant to “requests for proposal” competitions, with the remainder of work for single primary full-service law firm in both Canada and the United States (each a “Law Firm Partner”); and
- reduce external costs through a combination of reduced external fees under new arrangements with Law Firm Partners; in-sourcing by hiring additional in-house staff; utilizing and re-directing appropriate work to internal paralegal staff; and operating more efficiently in-house (the “External Cost Reductions”).

Tracking and measuring our value: Key performance indicators

We started this review and analysis to develop key performance indicators (KPIs) so we could have a tool to assess our effectiveness and identify areas for improvement. We learned that to develop meaningful KPIs, we would first have to define the value we offer, and put forward a plan for how to address our operational shortcomings and to improve our value, which our Action Plan is designed to achieve.

In answering the third question, KPIs should reflect and measure the ability to execute on an action plan that identifies activities, to correct deficiencies and improve upon efficiencies, and measure both their achievement and contributions to accomplishing an organization’s strategic objectives. In other words, and as general principles:

- KPIs should define how we will achieve value and improve it, and measure to what extent we are successful in meeting such goals.
- KPIs should not reflect anything that does not directly and fundamentally drive our value proposition — to be “best in class” and achieve strategic objectives.
- To the greatest extent possible, KPIs should be measured as objectively as possible and with reference to available data for comparison purposes.
- KPIs should be continuously reviewed to include measures to keep improving performance and alignment with strategic objectives.

As with “best in class” in-house legal departments, our KPIs are drawn from our action plan, which is based on the objective of delivering on our value proposition. Our KPIs are mapped according to a balanced

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scorecard and are organized within four main categories with primary measurements. The first category is “clients,” which we have targeted as primary measurements of the satisfaction with counsel, contribution to success of LOBs and CSFs, and the achievement of strategic objectives of the organization. Second is “business process improvements,” which are measured by accessibility and turnaround, automated systems, precedents and resource base, and general law office efficiency. Third is “people,” with educational programs and tools for LOBs, CSFs and legal department staff, lawyer competency levels, project management, and work/life bal-

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ACC Docket

Best Practices for Leading Change in Your Law Department (Mar. 2013). www.acc.com/docket/bp-leading-change_mar13

Presentations

Metrics and Concrete Measures to Demonstrate Increasing Tangible Legal Value (May 2012). www.acc.com/metrics-value_oct11

Are We Great or Just So-So? Finding the Benchmarks Necessary to Assess the Performance of Your Law Department (Oct. 2012). www.acc.com/benchmarks-lawdept_oct12

Quick References

Law Department Benchmarking Source List (Oct. 2012). www.acc.com/quickref/benchmarking_oct12

What Have You Done For Us Lately? Enhanced Law Department Reporting to Management (July 2012). www.acc.com/quickref/lawdept-report_jul12

Form & Policy

Categories and Examples of Metrics (Sep. 2012). www.acc.com/forms/metrics_sep12

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ance within the legal department as metrics. Fourth is “financial,” which is measured by the reduction in overall use of external counsel, reduction in average hourly rates, relationships with law firms and file management.

On pages 27-28, there is a simplified version of a sample KPI balanced scorecard, based upon the version we intend to use for the 2013 calendar year. In it, we have sought to incorporate initiatives and measurement techniques for all aspects of our action plan and strategic objectives, as well as ancillary initiatives designed to complement them.

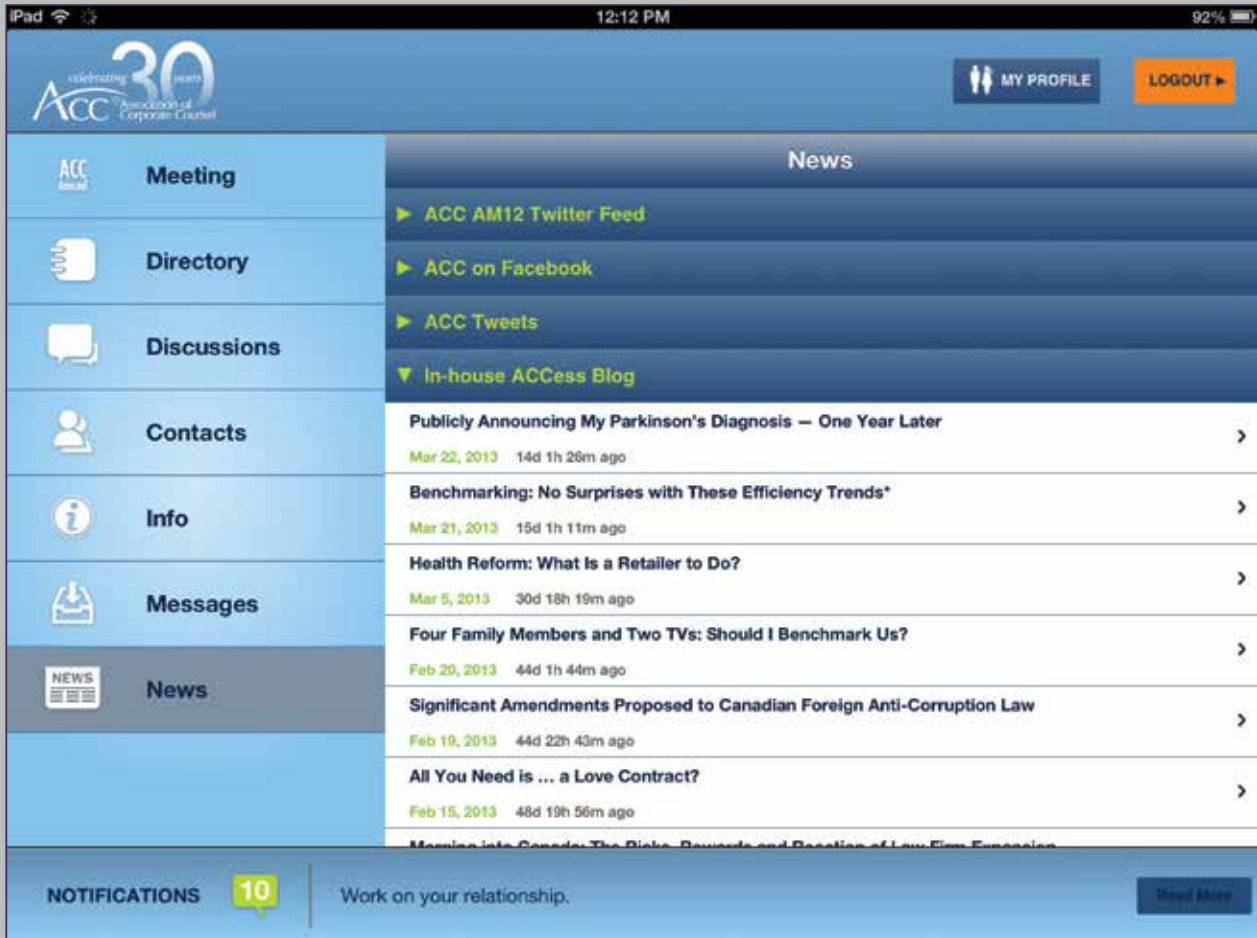
Keeping our balance

So we return full circle to the three questions that prompted our review and have led us to where we have ended up, with a KPI balanced scorecard:

1. What value do we offer to our organization? The value we offer our organization is captured in our value proposition.
2. How can we increase our value? By delivering on our value proposition, and to do this, we must operate as a “best in class” in-house legal department and achieve strategic objectives.
3. How can we demonstrate our value, and track and measure our efforts to enhance it? Our KPIs set out what we have to do to become a “best in class” in-house legal department, what our strategic goals are, and the methods to be used to measure our success in accomplishing them.

NOTES

1. Revera, Inc., has annual revenues of about \$1.5 billion and assets currently valued at approximately \$3.2 billion. It has over 29,000 employees, and over 50,000 residents and clients. Its subsidiaries own and operate 209 retirement and nursing homes in Alberta, British Columbia, Manitoba, Ontario, Saskatchewan and Quebec, as well as provide home healthcare in such provinces and in New Brunswick and Nova Scotia. Its subsidiaries also own and operate 10 retirement homes in Oregon and 30 skilled nursing facilities in Connecticut, Maryland, Massachusetts, New Hampshire, New Jersey, Rhode Island, Vermont, Virginia and Washington. In addition to the general counsel, the legal department of Revera, Inc., is currently made up of two lawyers, one law clerk, one executive assistant and one administrative assistant.
2. Our organization has a five-year strategic plan. Together with board oversight and insight, the senior leadership team develops and periodically reviews that plan. Each year, our CEO drafts his personal objectives, which must drive the furtherance or completion of certain aspects of the strategic plan. These objectives become his target for bonus compensation for the year. Once approved by our board, our CEO's objectives become those of the senior leadership team, and each member of the team, in turn, develops a set of personal objectives that are designed to advance or fulfill those of the CEO for our bonus compensation. We, as senior team members, then delegate some of these objectives to our respective team members for their bonus compensation. Our linkage is a good starting point, but a direct and clear alignment that establishes the legal department's role, position and responsibility relative to strategic objectives is necessary to provide clarity of purpose and focus, not only for the legal department, but for the rest of the organization as well.
3. Leading business analysts contend that a staggering 66 percent of all corporate support functions are not aligned with the strategic objectives of their organization, its lines of business and other support functions.
4. See “Demand Forecast,” “Legal Budget,” “Special Projects Budget,” “Positioning Statement,” and “KPIs” in Paragraph One under heading of “Action Plan.”
5. See “Relationship Lawyer” in Paragraph Two under heading of “Action Plan.”
6. See “Service Level Agreements” and “When to Call Your Lawyer Brochure” in Paragraph Two under heading of “Action Plan.”
7. See “Intake Protocols” and “Standard Operating Procedures” in Paragraph Two under heading of “Action Plan.”
8. See “Service Level Agreements,” “When to Call Your Lawyer Brochure” and “FAQ Site” in Paragraphs Two and Three under heading of “Action Plan.”
9. See “Contracts Review Policy” and “When to Call Your Lawyer Brochure” in Paragraphs Two and Three under heading of “Action Plan.”
10. See “Standard Operating Procedures,” “FAQ Site” and “KPIs” in Paragraphs One, Two and Three under heading of “Action Plan.”
11. See “File Management Program,” “Law Firm Partners” and “External Cost Reductions” in Paragraph Four under heading of “Action Plan.”



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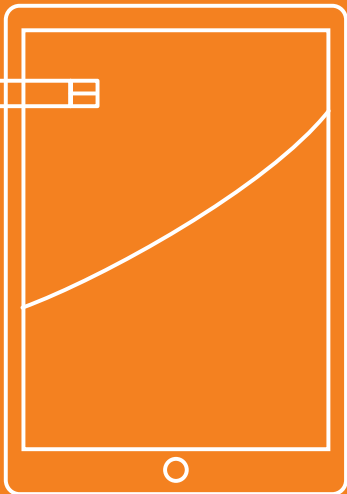
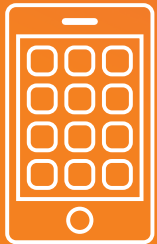


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