

GENERAL COUNSEL BEING ASKED TO ADOPT METRICS TO DEMONSTRATE 'VALUE'

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In-house College Lisbon – Domingos Cruz, CCA Advogados (left), Luis Barreto Xavier, Universidade Católica Portuguesa, (right)

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For in-house lawyers, demonstrating their legal team's 'value' is becoming intrinsically linked to KPIs and metrics. So, how does a lawyer communicate in numbers?

Historically, lawyers and numbers don't mix, other than when it comes to fees. However, times have changed, and never before have internal and external lawyers faced such intense pressure to demonstrate the value that they provide to their clients.

These issues were discussed at the recent Iberian Lawyer's In-House Club in Lisbon, in association with Eversheds, Universidade Católica Portuguesa and Católica Global School of Law.

Participants included both in-house lawyers as well as Managing Partners, Heads of Legal, Legal Counsel and Heads of Compliance, from, among others, Banif, PLMJ, Martifer, PepsiCo, Miranda Correia Amendoeira & Associados, Siemens and Hewlett-Packard Portugal.

Issues discussed included tackling the pressures clients were placing on their lawyers, how to live up to these and ensure that the true legal value of their services is being communicated and understood. Participants shared their experiences and concluded that it is no longer good enough to say that "lawyers are different"; either in-house lawyers take the lead in developing KPIs or Heads of Finance will do it for them.

KPIs

Businesses increasingly want to measure performance in numbers, and central to this are key performance indicators (KPIs) or metrics that can demonstrate the value being provided to the client in a language they can understand and in a way that is quantifiable.

Clients want clear financial information on the results that are being achieved, performance, annual savings, how the work of the in-house team is supporting the overall objectives of the business, and how the in-house team compares to their competitors in terms of delivering legal services, among others.

No two KPIs are the same, and the list of available measures can seem exhaustive; but those a business chooses to use are very industry, business and strategy specific, and no one metric fits all. This allows management to narrow down those that will track its specific performance, successes and downfalls to be able to adjust its strategy accordingly.

However, while we live in a world of numbers, lawyers are often still uncomfortable using statistics to demonstrate their value, and there are not many that are at ease with knowing how to use KPIs effectively.

To unravel some of the mystery surrounding KPIs, and help focus on those that are truly important in a legal team context, Kevin Doolan, Partner and Head of Client relations at Eversheds, showed how KPIs can be divided into relevant sections.

In-house team performance

Finance Directors can easily monitor the total cost of the in-house team, so they must be sure to demonstrate their performance and value in a quantifiable way so as to counter this. Also, looking at the right division of labour between in-house and external lawyers.

External law firm performance

Getting the best out of external firms is a struggle between prices and what you get for your money. But it's not just about negotiating the lowest possible rates; more sophisticated indicators are required. Important areas to tackle are how to become a better buyer of legal services, segmenting types of legal work using different measures and different numbers, creating the right measures for routine or expert work, and improving law firm reporting in terms of data to assist the client.

Performance benchmarking and best practice

In-house lawyers must proactively demonstrate value while highlighting improvements that could be made in performance. This could be through learning from past cases those factors that produced the best results, identifying key areas of spend (not just legal cost), sharing savings, look at potential for value-based billing and launching a cost savings initiative.

As businesses worldwide continue their regime of belt tightening, reducing costs and finding efficiencies is becoming an almost mandatory requirement, including using KPIs to control internal and external expenditure.

In-house and external lawyers, therefore, need to better understand and communicate the value that they provide to their clients. To do so, KPIs must become second nature when it comes to client reporting.