



DELIVERING STRATEGIC SOLUTIONS ACCA'S 2000 ANNUAL MEETING

AMERICAN CORPORATE COUNSEL ASSOCIATION

2000 ANNUAL MEETING

PROGRAM: STRATEGIES FOR MEASURING THE VALUE ADDED

MONDAY, OCTOBER 2, 4:30 - 6:00 P.M.

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Executive Vice President, General Counsel & Corporate Secretary

COMERICA INCORPORATED

Strategies for Measuring the Value Added

- Depends upon the type of legal service delivery model used by the Law Department

- Types of Legal Service Delivery Models

1. Business Partnership

2. Centralized Private Law Firm

- Measuring Value Added Under a Centralized Private Firm Model

- I. Quantitative Measurements

- A. Surplus-Deficit Reporting

1. Time Records

- less frequent than law firms

- honestly record client billable time that could be charged to private clients

- record non-client billable time

- give credit toward monthly/yearly goals

- encourage pro bono/community

- set reasonable monthly/yearly goals for attorneys and

paralegals

- have managers monitor and verify client billable hours
- establish goals per PMP process
- timekeeping done by attorneys and paralegals only

2. Establish Hourly Rate to value time

- proxy could be average compact rate charged by outside firms
 - varied by geographic location
- proxy could be discounted standard rates charged by outside firms
- proxy could be expense base for base-line year divided by aggregate attorney/paralegal hours per annual goal

3. Allocate Annual Expense Budget to Legal Units

- could be allocated by head count
- could be allocated based on aggregate salary base as percentage of unit salaries
- apply same percent to salary and non-salary direct and indirect costs
- allocate costs to non-timekeeping (administrative) units

4. Establish Annual "Revenue" Budget for Legal Units

- establish goal of annual/monthly hours for attorneys and paralegals
- goal could be tied to percent of aggregate legal services (outside & inside) expected to be performed inside
- model requires recognizing this time as a displaced

cost. . . department is displacing the cost of outside

counsel

5. Compare Budgeted/Actual Periodic Costs

- create a financial statement showing displaced costs

and direct/indirect expenses

- monthly basis and year to date

Example:

Legal Units

1 2 3 4

Budget/Actual

Displaced Costs \$ _____/\$ _____

Expenses

Salary \$ _____/\$ _____

Fringe Benefits \$ _____/\$ _____

Consultants \$ _____/\$ _____

Non-Salary

T & E \$ _____/\$ _____

Books/Subs \$ _____/\$ _____

Equipment \$ _____/\$ _____

Total Direct Expenses \$ _____/\$ _____

Indirect Expenses

Insurance \$ _____/\$ _____

Rent \$ _____/\$ _____

Depreciation \$ _____/\$ _____

Total Expenses \$ _____/\$ _____

Surplus/Deficit \$ _____/\$ _____

6. Use Legal Software to simplify

7. Purpose of Surplus/Deficit Report is to demonstrate

that Corporate Legal handles a volume of work
more efficiently (surplus) than if work was referred to outside counsel

8. Weakness: Not all work performed inside is chargeable
by outside counsel but still has to be done
(e.g. training, preventative advice, etc.)

B. Litigation Exposure Reporting

1. Maintain Litigation Report for Management and Board

2. Create Exposure Schedule

- monthly reporting
- determine exposure by reference to damages alleged
- determine potential loss exposure
- guess-estimate of likely results...i.e., likelihood

of loss times alleged damages

- keep track of settlement offers during reporting
periods

- both bid and ask

- record actual result of settlement
- record extent to which covered by insurance
- purpose of schedule is to demonstrate Corporate

Legal actual settlement/disposition results are

better than estimated potential loss

Example:

Covered By Last Actual

Insurance Alleged Potential Settlement Settlement Settlement Trial

Case (Yes/No) Damages Exposure Demand Offer Made Result Result

1 N \$25 MM \$2.5 MM \$14 MM \$500 K \$750 K N/A

2

3

4

C. Legal Unit Annual Reporting

1. Legal Unit Managers prepare annual reports indicating how they have managed legal risk and expense during period
2. Reports are "puff" pieces based upon quantitative criteria, e.g. successful negotiations, differences between bid and ask, regulatory investigations averted or closed, number of non-suited claims, etc.
3. Reports used as basis for overall department report to Management on "State of Legal Department"

D. Establish Gatekeeping System

1. Centralize referrals to outside counsel through Corporate Legal
2. Record Inside and Outside Referrals
 - keep track of types of matters
 - monitor attorneys performing service
 - produce periodic reports
3. Purpose: Manage legal risk and expense while demonstrating how client base "votes with its feet"

II. Qualitative Measurements

1. Surveying Business Unit Satisfaction with Legal
 - should be done annually
 - should be statistically valid
 - broad-based across all business/staff units
 - not rigged....survey individuals who are known to be dissatisfied as well as those who are satisfied
 - follow up, if necessary, to ensure significant sample obtained
 - should include feedback on both inside and outside counsel
 - ask standard questions applicable to both inside and outside counsel so information is comparable
 - should be made easy...Lotus Notes, etc. delivery
2. Number of times attorney is invited to client team meetings
3. How often is attorney consulted at the last minute after business deal is structured?
4. What is interpersonal relationship like between attorney and client? Is attorney viewed as a scrivener or a business advisor?

5. When business manager organizes a task force to handle discrete problem, how often does he/she include the attorney as an original member without prompting?
6. During annual budgeting/planning process, how often does client base defend Corporate Legal's budget?
7. Does management support greater insourcing of legal services?

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