



ACC's Law Department Executive Leadership Series 2007

“DEVELOPING AND IMPLEMENTING LAW DEPARTMENT METRICS THAT WORK”

**Hosted by David Reid, Managing Partner—Legal and Corporate Affairs,
Senior Vice-President, Associate General Counsel, Pfizer**

**September 27, 2007
10:00 a.m. – 3:00 p.m.
Pfizer Corporate Offices — New York, New York**

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Participants' Briefing Materials

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SUMMARY/OUTLINE OF DISCUSSION TOPICS

Developing and Implementing Law Department Metrics that Work

The following outline is intended to provide a short overview of some of the issues at the heart of this discussion topic. There may be other issues we've not identified or perspectives on the identified issues that are not adequately represented in the outline: you should feel free to raise these additional thoughts, as you like. *The outline is merely intended as a starting point to help you identify discussion topics and tee up your conversation.*

A. Law Department Metrics: Practices & Strategies

- 1. Organizational Metrics:** Do all business units or support functions within your company have performance metrics? Are there corporate guidelines on the types of information the law department is required to track? Are there guidelines on the types of measurements to use when tracking? To whom/what group within the company do the law department's performance metrics get reported to? Does the law department's success/metrics performance impact your CLO's compensation?
- 2. Law Department Metrics- does your law department have them:** Does your law department have department-wide performance metrics? Who was/is on point for creating these metrics? Did you develop them internally or work with outside consultants to create them? If you don't have performance metrics, why not? Do you think law department metrics are important regardless of size of the department? How do you demonstrate value-added by the law department in the absence of such metrics?
- 3. Law Department Metrics- process for developing them:** How did you decide what metrics to use/what would be most meaningful to track? Did you benchmark other law departments to determine what types of indicators to track? What types of law departments did you benchmark (e.g., same industry, same geographic region, same size law department)? What practices did your department implement to develop them? Did your company's business team or the Board play a role in reviewing/approving these metrics? Do individual teams/practice areas within the law department also develop & track performance metrics?
- 4. Law Department Metrics- tracking performance:** Who is on point for tracking performance against metrics? What is the process? Does your law department use technology to help gather information on performance against metrics? How often do you measure? What practices/processes do you find most helpful?
- 5. Law Department Metrics—reports:** How does your law department report performance against metrics (verbal presentation, written reports, etc.)? Who receives these reports within the law department? Who receives these reports outside the law department? How often does the law department generate and send reports?

Links to Resources

Law Department Metrics (ACC Leading Practices Profile)

<http://www.acc.com/resource/v5899>

How to Measure the Effectiveness/Value of the Legal Department

<http://www.acc.com/resource/v6911>

Metrics to Creating & Fostering a Successful Law Department

<http://www.acc.com/resource/v8441>

Litigation Management: Using Metrics to Demonstrate Value

<http://www.acc.com/resource/v5585>

B. Types of Law Department Metrics- What types of performance indicators do you track (e.g., costs, cycle time, quality, productivity, retention, “value,” caseload management, etc...)?

- 1. Legal Costs:** Does your law department track internal and/or external spend? Do you compare spend rates with other similarly situated companies? Do you compare spend rates internally on a historical basis (e.g., last year against this year)? Do you calculate an ‘hourly rate’ for in-house lawyers based on spends? If so, what factors do you include? How do you use this information?
- 2. Litigation Metrics- spend & caseload:** Does your law department track litigation metrics? Are there subcategories within litigation that you track (e.g., spend, inside spend vs outside spend, caseload, cycle time to resolve, types of cases, results, etc...)? How do you ‘slice’ the data you collect (e.g., do you have the ability to search the data by business unit or geographic area to help see whether there are any trends, etc...)? Do you require your outside law firms to track their performance on your matters and report data into your systems? How do you use this information?

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- 3. Cycle Time:** Do you track cycle time? For what types of matters (e.g., to resolve cases, to produce/review contracts, etc...)? How do you use this information?
- 4. Matter Outcomes:** Does your law department track matter outcomes vs potential (e.g., cost to resolve an enforcement or litigation matter vs. potential penalties and fines defined by statute or included within pleadings)? How do you use this information? Do you capture value-added by including risk-shifting provisions in contract clauses?

5. **Value from Moving Beyond Cost Center:** Do you track value add from ‘offensive-type’ practices (e.g., patent prosecutions, insurance recovery, contract/claims enforcement, etc.)? How do you use this information?

Links to Resources

Adding Value and Moving Beyond the Cost Center Model (ACC Leading Practices Profile)

<http://www.acca.com/resource/v5900>)

Constructing Standard Metrics of Your Law Department’s Value

<http://www.acc.com/resource/v7716>)

Ins and Outs of Metrics that Matter

<http://www.acc.com/resource/v8050>)

6. **Staffing; Resources; Diversity:** Do lawyers and legal assistants within the law department complete timesheets? Is the data used internally for management/staffing decisions? Is it used to allocate legal costs to company business units? What type of timekeeping system do you use? Do you compare number of in-house lawyers and legal assistants within your law department to those same numbers in other law departments? Do you track diversity metrics within your law department? What types of benchmarks do you compare these staffing numbers to?

Links to Resources

Compensation: Techniques for Getting Your Department What They Need

<http://www.acc.com/resource/v8152>)

Motivating In-House Lawyers

<http://www.acc.com/protected/reference/performance/mayes.pdf>)

Pitney Bowes Spreadsheet Resources (2 of these)

http://www.acc.com/protected/reference/performance/client_assessment.xls)

http://www.acc.com/protected/reference/performance/competency_model.xls)

Job Titles for In-House Lawyers

<http://acc.com/resource/v5986>)

Compensation & Retention Strategies for In-House Lawyers

<http://acc.com/resource/v5905>)

ACC 2006 CLO Survey

<http://acc.com/resource/v7882>)

7. **Metrics Relating to Outside Counsel:** What types of metrics do you track relating to outside counsel? Do you track number of firms used (and/or convergence progress)? Do you compare performance on matters/spend across law firms? Do outside law firms track how they staff matters (e.g., use of paralegals, use of partners vs associates, diversity metrics, etc.) and report that to you? Do in-house lawyers rate the performance of outside lawyers? How do you use metrics information relating to outside counsel?

Links to Resources

Hands On: Benchmarking the Performance of Outside Counsel

<http://www.acc.com/resource/v7174>

Five Ways In-house Counsel Can Talk to Law Firms

<http://www.acc.com/resource/v6474>

The Quest For Seamless Service: Ensuring Consistency With Multioffice Law Firms

<http://www.acc.com/resource/v4985>

Print Screen from ACC Serengeti Survey page

<http://www.serengetilaw.com/Survey/default.htm>

8. **Quality of Work; Client Satisfaction:** Do you track quality of work/client satisfaction? What tools do you use to track performance in this area? Do you use periodic written/electronic surveys? Are these submitted on an anonymous basis? Do you have discussions with clients on their satisfaction? Do outside counsel rate the performance of in-house lawyers? How often do you collect this data? How do you use this information?
 9. **Climate; Leadership & Culture:** Do you use surveys or other tools to track satisfaction within the law department? Are these surveys law department-specific or company-wide with the ability to select employee function (e.g., law department) and track feedback specific to the law department? Does climate/leadership satisfaction within the law department get compared to satisfaction among employees in other departments? How does this information get communicated and used?
- 10. Other Metrics?**

C. Getting the Data: What types of practices do you implement to help ensure you receive the data you need?

1. **Part of job requirements for in-house lawyers/legal assistants:** Does your law department require that in-house lawyers and legal assistants input metrics data into a central tracking/collection point? With in-house legal staff focusing primarily on substantive issues, what types of incentives do you provide to help encourage data collection and tracking?
2. **External legal service providers:** Do you require that outside counsel/legal service providers track and provide data to your law department? Are these requirements written into outside counsel engagement agreements? What types of practices do you implement to help facilitate information-sharing? Are there technology/security issues in connection with data transfer? What types of practices have you implemented to overcome any challenges? Ideas on best practices? Is there someone within the law department designated as the point person for receipt and analysis of this data?
3. **Survey Tools:** If you create and use surveys to help gather data (e.g., client satisfaction, climate within the law department, etc.), what types of practices have you implemented? Have you found best practices in survey questions/tools? How often do you survey? Do you use an outside company to facilitate information-gathering? What do you consider to be a robust response rate?

4. **Benchmarking:** What types of benchmarking has been most helpful? How can ACC help in this regard?
5. **Corporate data/other:** What types of corporate data do you include in metrics considerations? How do you get this data? Who is on point to coordinate with other corporate groups to collect this data? Other practices regarding input data for metrics?

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D. Taking Action—How Metrics are Used: Does your law department use metrics defensively (e.g., to help justify legal spend, make case for staffing and budget numbers, etc.), offensively (e.g., to show value added by the law department, penalties avoided, moneys recovered, intellectual property rights protected, licensing revenues achieved, etc.) or both?

1. **Law Department Competitive with Outside World:** Do you use metrics to show that the law department is competitive with the outside world (e.g., compute in-house counsel rates vs outside counsel; compare staffing levels and legal spend with other benchmark companies/law departments, etc.)? Is this something the law department takes the initiative to demonstrate or is it required by overall company metrics expectations?
2. **Law Department Compensation:** Do you use metrics to help validate compensation practices? What types of tools are most helpful in this regard? Are there tools/resources that you don't currently have access to that you'd find to be helpful? What stakeholders within your company are most interested in this data—HR, executive team, business units? How do you present this information to them?
3. **Law Department Staffing Levels:** Do you use metrics to help validate law department staffing levels? What stakeholders within your company are most interested in this data—HR, executive team, business units? How/how often do you present this information to them?
4. **Law Department Adds Value- Offensive Use of Metrics:** Have you implemented practices using metrics to demonstrate that the law department adds value? What types of metrics do you implement in this regard? Who do you present reports of these metrics to? Examples might include:

- Costs avoided (fines, penalties, litigation costs, outside spend avoided based on successful implementation of law department practices)
 - Business case analysis (showing how involving the law department early, integrating legal up front in the strategic business planning analysis, implementing innovative legal practices can help save money)
 - Root cause analysis (showing trends and hot spots in issue areas and implementing practices, training, etc. to decrease claims and cases)
 - Intellectual Property practices (showing how the law department's role in protecting and offensively using the company's intellectual property can generate revenues for the company)
 - Recovery Cases (showing the law department's role in recovering moneys owed to the company via indemnities, insurance, etc..)
- 5. Performance Assessments/Compensation:** Does metrics performance impact compensation for in-house lawyers and legal staff? For some (e.g., CLO, Section Chiefs, Managing Lawyers, lawyers only) or for all? Does it impact promotion opportunities? Does it impact base pay or only incentive comp? Are metrics a factor in individual performance assessments? What are the pros and cons of including consideration of metrics performance as a factor in determining individual performance/compensation? What role (if any) does HR play?