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**TOP
10**

ways to run your
legal department
like a business unit



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Top 10 ways to run your legal department like a business unit

Law firms have famously struggled with marrying the business of law with the practice of law, but less talked about is how in-house legal departments, for the same reasons, often struggle with integrating into their companies as a collaborative and effective unit of the business. To run like a business unit, it is important that your entire legal department have a culture of collaboration, an understanding of your company's business and how to demonstrate your department's success within the business. The following is a list of top ways that will help both you and your legal department integrate with your company to function more like a business unit:

1. MANAGE YOUR DEPARTMENT'S WORKLOAD

As with any business unit in a company, an initial determination of how to allocate resources, evaluate performance and establish success can't be made unless the totality of the work in your department is captured and understood. This may seem like an easy task, but without a systematic way to track internal projects and what outside counsel is working on, a legal department—big or small—can lose track of all the legal work being done. Once you know what work is being done and by whom, it will enable you to start prioritising projects and allocate resources accordingly to enable you to be as efficient with your workforce as possible.

2. KNOW YOUR SPENDING AND USE BUDGETS

The most basic question a stakeholder can ask any business unit is "What is your spend?" Whether it's the last fiscal year, this fiscal year to date or this quarter, every business unit should know the answer to this question. However, ask a legal department and the most common answer you will hear is "I have no idea."

The next basic question is "How does this spend compare to expectations?" To determine this, a legal department should have a budget or way to measure expected spending. There are many ways to budget for legal matters: on a per matter basis, per business unit generating the work, per practice group or even on a department-wide level. Regardless of which type of budget is used, a legal business unit cannot determine whether it's received good value for the money spent if there is no expectation of what should be spent in a given time frame.

3. UNDERSTAND WHAT SUCCESS MEANS FOR YOUR STAKEHOLDERS

To achieve success, a legal department must firstly determine who their stakeholders are, i.e. who determines success. In a legal department, the CFO, CEO or Board of Directors may all be stakeholders who in the past may have only been interested in the successful-outcome rate of matters, large matters whose costs had skyrocketed or the status of a major litigation case. Increasingly however, legal departments are being asked to measure success not only by those standards, but also by traditional business unit standards, such as: "What is the total spend this year compared to last year, and if it's more, then why?"; "Are you above or below the department's projected budget?"; "How is the department reducing costs and increasing efficiency?"; and "What legal trends are you seeing in our legal work and how should we respond?" Once it's understood how success is being measured by stakeholders, then the legal department can go about tracking those metrics.

4. DEMONSTRATE YOUR DEPARTMENT'S SUCCESS

With stakeholders being properly identified and success factors known, the next question is how can the success of the department be demonstrated? Knowing that your legal department is doing a great job isn't enough. The Director of Sales can't simply tell the CEO that the company has had a bumper sales year, they must prove it. Similarly, your department must have a method to accurately track and report success metrics to your stakeholders. One way to demonstrate performance is by showing how your achievements have aligned directly with established strategic goals (including certain matters results) and spend to budget. Whether done manually via spreadsheet programs or through a more sophisticated, legal department management system, tracking and reporting success metrics is a key component to being a successful legal business unit.

5. EVALUATE VENDOR PERFORMANCE

Very few departments in a company, if any, outsource as much work to outside vendors as the legal department, yet only more sophisticated legal departments regularly review outside counsel performance and make changes based on those reviews. If Marketing Managers hired an ad agency that put together an expensive yet unsuccessful ad campaign, they would replace the agency or risk poor performance reviews themselves. For the same reason, a well-run legal department should regularly review the performance of individual lawyers, as well as law firms as a whole, for overall value to make sure they are getting the best and most cost-effective service possible.

6. INNOVATE

Members of the legal industry—whether in-house counsel or law firms—are not traditionally early adopters of change. But technology has invaded every aspect of working at a company and is evolving rapidly. Matter management and e-billing, document management software, e-discovery, IP management, mobile technology and legal hold management are all examples of software that can help lawyers and legal department staff work more efficiently and effectively. A progressive legal department should always be looking for ways to make itself better managed and more efficient.

7. EXPLORE ALTERNATIVE FEE ARRANGEMENTS (AFAS)

Legal departments, more than other business units, rely on their vendors to achieve their department goals, so it is important to align their law firms' interests regarding results and efficiency with the company's goals. AFAs can be a powerful tool in creating the proper incentives for law firms and help counter the perverse incentives created by the billable-hour. These fee arrangements are advantageous to a legal department, for various reasons including predictability in costs (blended rates, capped fee, flat fees, collars); shared risk (contingency agreements, success fees); and incentives for efficiency (flat fees, flat fees with shared savings, holdbacks). AFAs may take extra work and thought to set up with your firms, but the benefits—aligning interests, predictable costs and reduced costs—are all strategic initiatives that would be clear wins for any business unit.

8. KNOW YOUR COMPANY'S BUSINESS AND KNOW YOUR ROLE IN THE BUSINESS

Lawyers in private practice are trained to look at a set of facts, spot legal issues and give legal advice based on those issues. However, once a lawyer goes in-house, these discrete legal issues and questions become part of a greater goal—running a successful and ongoing business. In-depth knowledge of the business informs legal advice, and understanding that the legal department's role is to assess risk and give business solutions, is another key to success in-house. Knowing the company's particular business is critical to the successful performance of the legal function and facilitates a more proactive approach to risk management, cost avoidance and value creation.

9. NETWORK WITH OTHERS IN YOUR COMPANY

One of the first lessons new MBAs will learn at almost any company is that networking within the company is vital to their success. Cross-collaboration amongst different departments in today's corporate world isn't just business-speak, it's a necessity. Lawyers, however, often think of themselves as legal practitioners at a company rather than as a team member with the ultimate goal of helping the company succeed. Having relationships with colleagues in other departments, along with understanding the roles and pain-points of other departments, helps gain trust with the legal department's internal clients and will allow lawyers to give better advice within your company. So when was the last time you had lunch with someone from finance?

10. APPLY PROJECT MANAGEMENT TECHNIQUES

The basics of project management are determining the scope, the estimated schedule and the required resources to finish that project. Regardless of the size or complexity of the legal matter, project management techniques can always be applied and the scope and estimated cost of the project calculated beforehand. For complex litigation matters, the scope and cost can be estimated

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by phases of litigation (discovery, preparation, trial, etc.) whereas for a transaction, they may be estimated for the matter as whole. Again, using AFAs where possible can help with the predictability of costs. Having your outside counsel provide you with estimated resolution dates and liability estimates that you can track and report on are also key to understanding the time and scope of these projects. Furthermore, having to provide your regular status reports and budget updates keeps you informed about scope-changes and cost overruns.

CONCLUSION

During tight economic times, all departments must justify their existence in a measurable way and legal departments are no different. Legal department members who adopt the best practices of other successful business units within the company will find themselves better able to give counsel to their clients, and will also be seen as trusted advisors when important decisions are being made within a company.

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