



## Controlling Legal Costs – Service Providers

# Five Innovative Developments For Law Department Benchmarking

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Benchmarks have an important role to play for general counsel who want to run their legal department effectively. Good benchmarks, from companies that are reasonably similar, provide guidance about staffing, leverage, spending levels, allocation of spending between internal and external expenditures, and changes over time. In many ways, relevant benchmarks provide a useful scorecard of performance, economics, and structure.

Early this year, a new era began for general counsel who appreciate and learn from benchmark information. The old style of reports is yielding to new benchmark techniques that offer significant improvements in scope, timeliness, format, international reach, industry orientation and continuous improvement. Here are some of the highlights of this transformational benchmarking service from General Counsel Metrics, LLC that is now available to general counsel and others who care about management of legal departments.

Readers are invited to take part, at no charge, in this groundbreaking benchmark effort. Visit [LawDepartmentManagementBlog.com](http://LawDepartmentManagementBlog.com) for details.

Five of the innovative improvements that this service offers are described in more detail below, after the summary:

1. Behind are the days of small collections of disparate companies; now 500-plus participants are in prospect.

2. No longer will administrators and paralegals toil to fill out surveys and wait months to get back the report; now the turnaround time is less than two weeks.

3. Traditional surveys produce page after page of text-based tables; the new reports display multi-colored graphics, with averages, medians and quartiles clearly displayed.

4. The day is past for a U.S.-centric view of the legal department world; hundreds of law departments around the world now take part and the focus is on industries.

5. Finally, the rigidity of a one-shot report has given way to an evergreen service that lets general counsel submit their data when they want and obtain new reports at frequent intervals, with data refreshed continuously as other companies take part.

What most general counsel want is

*Rees Morrison, Esq., for two decades the pre-eminent management advisor to general counsel, founded General Counsel Metrics, LLC to offer a transformational benchmarking service, of which a few new offerings are described herein. This is the largest benchmarking study of law departments around the world. For more information, visit Rees Morrison's [LawDepartmentManagementBlog.com](http://LawDepartmentManagementBlog.com).*



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fundamental benchmark data, and only that data that has value to them as a steward of the legal function. An astute general counsel can put comparative metrics to many uses, such as to argue for more staff, to defend against staff cuts, to get more out of the resources available, to increase the budget or treat it more flexibly, and to describe the efforts and successes of the legal team. Indeed, to compare a department's spending and staffing figures to the comparable figures of other law departments takes a long step toward realizing where to improve. Consider the range of improvements available from the General Counsel Metrics' benchmark service.

**More relevant findings since hundreds of legal departments provide data:** The largest collection of law department management benchmarks ever assembled means that the comparisons are much more fine grained, reliable and persuasive. The level of statistical analysis that is possible from a large pool – make that a lake – of legal departments means that much more will be learned from benchmarking. It is a dramatic upgrade from the 100 or so companies that have constituted the largest available collections until now.

Each metric is normalized, so it is stated in terms of units of revenue or lawyer hours; figures are reported as ratios, which allows large companies to compare themselves with validity to small companies. This technique permits the benchmark population to be as large as possible, and therefore as rich as possible in analytic insights.

The analysis needs a large enough data set – on the order of 500-plus law departments – to show, for example, whether changes in non-lawyer support ratios pay off in lower total legal expenditures.

**Reports available within two weeks:** Timing is everything. A general counsel may not care about benchmark data in March but may really need it in October when strategic plans and budgets are due for the coming year. Yet old-style lead times of three to four months do not fit such unpredictable demands. That is not the responsiveness

that chief legal officers in the fast-paced world of today need.

By using an innovative approach (fundamental data sought, sophisticated online survey, powerful analytic and graphing software, and a business process that puts a premium on speedy turnaround), you can receive the full report with your data when you need it.

**Graphical display of results, for ease of comprehension:** The best way to convey statistical results is to present them graphically. The eye more readily sees patterns and makes comparisons in graphs rather than in lifeless figures spread on a page in tabular format. Most lawyers are more comfortable with a chart that vividly shows what's important and how the data fits together than with trying to interpret busy tables of numbers.

Consider an example. One kind of graphic is a scattergram. A scattergram from the new-generation study can show, for example, data from hundreds of legal departments that have already participated with General Counsel Metrics. It would display the number of their lawyers along the bottom axis matched to their revenue along the other axis. A scattergram instantly gives a sense of the growth of departments in line with a growth in revenue. Moreover, a trend line can produce an equation that converts any number of lawyers into the revenue of the company as determined by this subset of data. One that was done with preliminary data shows that 50 lawyers matches to \$7 billion in revenue, about 7 lawyers per billion.

**Global basis for comparison, on an industry-by-industry basis:** In years past, U.S. law departments cared only how they stacked up against U.S. law departments. No longer. When companies around the world compete in the global marketplace, their legal teams need to match themselves against peers from whichever country has capable competitors. Companies can't hide behind tariff and trade barriers; their legal departments can't settle for a partial comparison on benchmarks to competitors only in their domestic market. Thus, a benchmark study that has participants roughly in proportion to the dispersion of corporate wealth makes for a much more powerful and competitively appropriate analysis. One of the ways to encourage a global perspective is to translate the survey into multiple languages and accept spending data in different currencies.

Even more than matching their numbers against the performance numbers of competitors from any country, general counsel need to scrutinize benchmarks from players in their own industry. Industry depth correlates to benchmark populations double or triple of what has been the norm. For example, when you have findings on median total legal spending as a percentage of revenue or lawyers per billion from 26 companies in "telecommunications,"

you can be much more confident that the staff and spending metrics represent reliable and relevant findings than when you have 20 companies in the catchall "technology and related." The more legal departments, the more finely they can be subdivided into narrower industry groups.

Even better, customized reports from General Counsel Metrics are available for any two or three characteristics within an industry. For example, if your company is in manufacturing and has revenue of \$4 billion, it is easy to create the full report from manufacturing companies in the relevant revenue range. Based on the same capabilities, you can find out how many companies in your industry have contributed data and even the distribution of them by revenue. The turnaround time for these drill-down reports are even faster than for the overall reports.

**Constant addition of new participants plus your ability to rerun your report later:** With the cutting-edge technology behind this new benchmarking, you can submit your data and learn from the first report, then wait a few months. This opportunity to have an "evergreen" report is made possible in part by emphasizing the fundamental benchmark metrics rather than requesting participants to fill out pages and pages of questions that have dubious reliability and usefulness. Also, the paradigm of the "annual benchmark report" falls to the wayside when a pool of data keeps growing throughout the year and can be dipped into at any time.

This 21st century benchmark service targets just the most important data and ratios, avoiding questions that delve into your future guesstimates or numbers that are hard to compile, understand, believe in, or use. By concentrating on core numbers rather than hoping for sort-of-possible numbers from a smaller portion of the respondents, the new benchmarking data collection is short and feasible for respondents, gaining a correspondingly high response rate.

Benchmarking for law departments has come of age. With Internet technology, large-scale participation, international scope, an industry emphasis, and a focus on core metrics usefully displayed, benchmarking for legal departments has come a long way. Provided with a set of fundamental metrics, motivated to track them and compare them to robust numbers of similar law departments in their industry, and armed with a sophisticated understanding of their strengths and weaknesses, a general counsel is much better positioned to make management changes if necessary and to demonstrate the relative value to other senior executives provided by the legal department.

The report will help you manage your legal team even more effectively. Also, you can be part of the advent of a new style of benchmarking. Gather your basic data and take part in the General Counsel Metrics survey.

*For more information, visit [Rees Morrison's LawDepartmentManagementBlog.com](http://ReesMorrison'sLawDepartmentManagementBlog.com).*

