The Essential
Legal Metrics Guide

How to effectively manage spend, matters
and deliver true value.

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As a general counsel managing a legal department you face a multitude of challenges. You want to ensure that your legal department is proving its value to the business while maintaining visibility on your external spend. Data-driven legal technology is ubiquitous and can help to uncover and manage the value driven by the legal department, yet buying is challenging, and there is a lot at stake.

To be successful, you need to identify the challenges that your legal department faces and determine whether and how a technology solution can help.

How are metrics used in legal department management?

In recent years, in-house legal department budgets have not always grown in line with the increasing volume of legal work. Findings in the 2021 State of Corporate Law Departments report from Thomson Reuters show that law departments have seen an increase in workloads over the last year, yet five times as many law departments suffered budget cuts as saw budget increases.

Nearly

5x

as many law departments suffered budget cuts as saw budget increases.

58%
Increased workload

7%
Decreased workload

6%
Increased legal budgets/spending

29%
Decreased legal budgets/spending
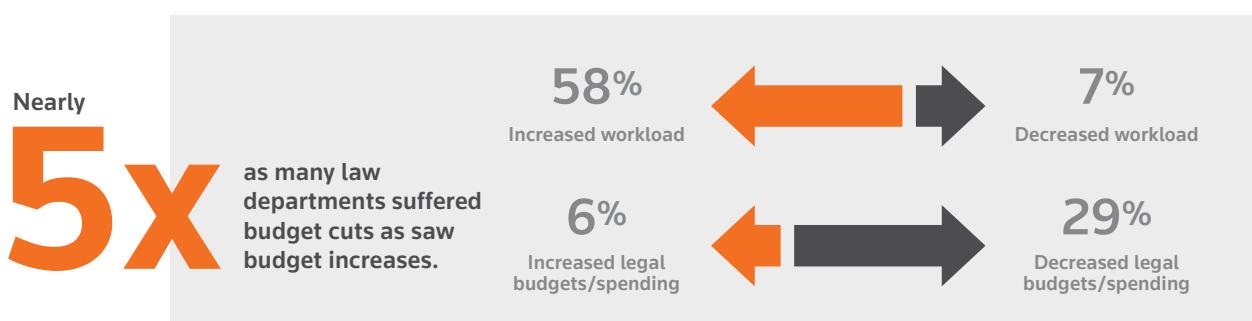
According to the Thomson Reuters Legal Department Operations (LDO) Index 2021 report, the top priorities for legal departments are:

1. **Controlling outside counsel costs**. The most effective cost-control measures include reducing invoice expenses, enforcement of billing guidelines, and providing standard discounts to proposed timekeeper rates.

2. **Using technology to simplify workflow and manual processes.** Legal technology is improving all the time. It has become ever more intuitive, simplified, and flexible, meaning that legal departments are much more inclined to invest in these capabilities.

3. **Data security focus.** Information and data within your organisation are valuable business assets. Because data breaches could have significant business and reputational costs, the role of the legal department in protecting sensitive information is vital.

4. **Increased focus on legal operations.** In organisations large and small, there has been an increase in the recruitment of dedicated legal operations staff. Having highly qualified lawyers set department budgets and strategy isn't always the most cost-effective solution, and legal departments can realise greater benefits from having specialised operations staff.

5. **Delivering internal efficiency in the delivery of legal services**. In demonstrating their value to the organisation at large, legal departments are increasingly focused on migrating to electronic storage, implementing document and knowledge management technology, and educating internal business stakeholders on legal guidelines.

Legal departments must now be able to explain exactly how they impact the overall business. Historically, in-house legal teams didn't usually track their spend or use metrics to measure performance and benchmark against their peers. However, this is no longer the case. Such activities are now critical to communicating how the team is driving value and contributing to the success of the organisation; and many legal departments are looking at process improvements and technology, particularly metric tracking, to deliver this. But what metrics should a legal department measure?

According to the LDO Index 2021, the top three metrics used were spend-based:

Total spend by law firm	Total spend by practice group	Total spend by matter type
90%	**59%**	**62%**
of legal departments track this metric		
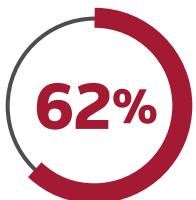
Although spend metrics are vitally important, they alone do not measure the core value a law department contributes. Findings in the LDO Index 2021 demonstrate that legal departments are also tracking the volume and quality of work that they do:

Number of legal matters opened and closed	Quality of legal outcomes	Outside counsel evaluation results
53%	**16%**	**11%**

These metrics can be incredibly important in helping law departments to demonstrate to the business how they create value and avoid losses. Ultimately this enables law departments, which are now often seen as cost centres, to fend off attacks on their budget.

How technology and metrics can support your strategic goals

Many successful in-house legal departments have turned to automated matter management and e-billing solutions. These solutions can help you to:

- Better track costs
- Control the number and type of matters handled by your legal department
- Improve communication within your legal department, and with outside counsel
- Provide greater insights to your C-suite that leads to a better bottom line for your organisation

To keep metrics at the forefront of its operations, your law department should put in place a regular reporting mechanism that helps the internal team stay on track, while remaining business leaders, especially those in charge of the purse strings, of the value added by your team. The information and insights provided by these metrics can be vitally important to the success of your organisation. Not only will you be able to measure the value that your department contributes, but you will be able to provide strategic benefits to your department by making data-driven decisions.

What are these tools?

Matter management

Matter management refers to the organisation and control of matters in a legal department. At a very basic level, matter management can be quite manual with some organisations relying on spreadsheets to track activities.

The basic solution may meet requirements of a smaller organisation, which carries out lower levels of activity in a market where there is less exposure to risk. However, as activity increases within the department, in-house counsel often look for more advanced technology to help.

A legal matter management solution can provide instant access to every aspect of every matter, from documents and emails, to deadlines and personnel—all in one place. Robust tools will connect with your law firms.

Utilising a matter management tool also enables you to track and report on what your department is working on. Increasingly, legal departments are using matter management tools to regularly report on the number of legal matters opened and closed, the litigation exposure of each matter, and the quality of legal outcomes. Such metrics will go a long way to demonstrating how the law department creates value and avoids losses for the organisation.

Note: Matter management is different than case management, which usually refer to activities within law firms. However, you may see the terms used interchangeably, which can lead to confusion.

Spend management

Spend management is a management discipline concerned with enabling businesses to gain full and complete control over their external spend. For corporate legal departments, spend management concentrates on managing spend with external counsel and other legal costs. There are now spend management software solutions on the market that have been specifically developed to meet the needs of in-house legal teams.

A spend management tool for legal departments is not the equivalent of an accounts payable tool. A standard spend management solution is designed to support the complexity of legal matters — considering the evolving nature of typical legal matters and pricing. While this is understood widely by the legal department, it can be a common misconception outside the legal team. Legal departments, particularly those with a high external spend or those interested in reducing costs, need a solution with spend management functionality for a key reason: accounts payable software is not designed to accurately capture and report data that is critical to effective management of the legal department.

Due to the unique type and volume of invoices received by the legal team, invoice approval software costs the legal and accounts payable department an enormous amount of unnecessary time and money. Matter management and e-billing software provide vital functionality and capabilities to the legal department that accounts payable software simply cannot. The correct solution will sit alongside your wider business' finance system, providing the facility to integrate into its accounts payable functionality.

The difference between spend management and e-billing

A best-in-class e-billing component is the cornerstone of a spend management solution. Most modern spend management software includes additional features alongside the e-billing functions, such as reporting and analytics components, and functionality to help manage legal spend.

Such features may include:

- Automatic or manual enforcement of timekeeper rates, expense compliance, AFAs and other billing guidelines
- Over-budget spending alerts for month, fiscal year, life of matter or phase
- Budgeting and unbilled time reporting to capture spending estimates directly from your firms

This is just a flavour of what is possible from a spend management perspective, but as you can see, the e-billing element is just the beginning. Spend management is where your department can gain the most value in terms of fully understanding and controlling legal spend.

Reporting and analytics

A quality reporting and analytics component can let you know exactly what is happening in the department. It can also help to transform raw data into a readable format, enabling you to produce reports that break down budgets and spending, summarise key information and identify developing trends, all of which will help to support better decision-making.

Though often talked about synonymously, reporting and analytics play distinct roles in terms of understanding how the legal department is performing. In a nutshell, while reporting focuses on compiling data, analytics focuses on exploring and interpreting that data to garner valuable insight.

True analytics deliver customisable interactive visual dashboards that provide real-time insights. These analytics can assist in comparing the impact of proposed rates before entering negotiations with your firms; as well as easily reviewing, adjusting, and approving the proposed billing rates on one page. Additionally, analytics can also enable peer benchmarking, revealing how client relationships have evolved and expose areas that need attention. You can leverage current market rate trends based on real up-to-date statistics, and view markdowns by area of law or matter type compared to industry benchmarks.

The sum of the parts is greater than the whole

| Matter management | + | Spend management | + | Reporting and analytics | = | Understanding and driving value |
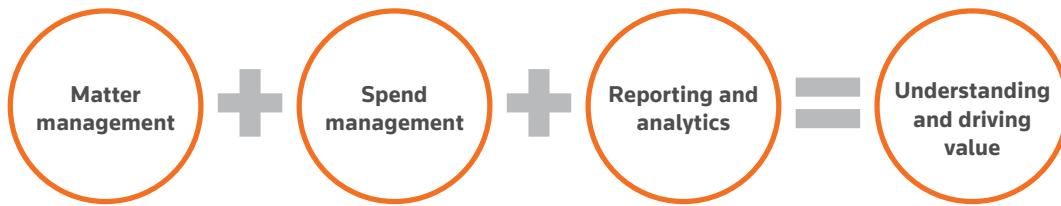
When combined, these four technologies create synergies, particularly in relation to transparency and the ability to analyse data.

While standalone solutions exist, integrating them can be incredibly complex as they require more supplier management, and you will need to ensure that any chosen solutions can be integrated with each other.

How these tools can support a project-oriented approach to legal work

A project-oriented approach to legal work is about adapting project management techniques in a legal context. It is the process of:

- Defining the parameters of a matter upfront
- Evaluating how the matter was handled, from the perspective of the legal department and the client
- Managing the matter
- Planning the course of the matter at the outset with the facts you have at the time

Many lawyers already use aspects of this to manage their work, however, client pressures on lawyers are driving the need for a more proactive, disciplined, and systematic way of working.

At its core, legal project management is about better communication with the matter team internally and between the lawyers and their clients, whether the matter is being handled by a law firm or done within a legal department.

Data-driven legal department management solutions such as Thomson Reuters® Legal Tracker provide in-house lawyers with the right tools to support the legal project management approach.

Conclusion

Because of the mounting pressures that your legal department and organisation faces, utilising metrics to measure your in-house legal team's value is more important than ever. Combined with automated matter management and spend management, data analytics and reporting can help to cement your legal department's position within the business as one that works smarter and more effectively, provides a best-in-class service to its internal and external clients, and is a valued facilitator of achieving commercial and strategic goals.

Take your corporate legal department to the next level

Find out more about the world's leading legal matter management and analytics system that gives complete visibility over all your legal work and costs.

Learn more about **Legal Tracker**

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