

Cheap, Simple and Useful Metrics From Your Own Finance Department

By Rees Morrison
Altman Weil, Inc.

Most law departments rely on reports from their accounts payable group to know what they have spent on outside counsel. The A/P reports tell them amounts spent by invoice paid, and therefore when aggregated by law firm, client, and date. That is the minimum information available from A/P and it might well be what the law department keeps on its own spreadsheet.

The quality of the A/P data, the speed with which it is available, the flexibility of presentation, all fall far short of what a licensed matter management system can provide, but then again, it's free.

The finance group can export its data in a spreadsheet format. With that in hand, it is possible for the law department to add a range of additional information. Let's consider four pieces of incremental information and some insights they can provide.

Size of law firm:

You can readily find out the number of lawyers in each firm that you pay. If you add that data to your spreadsheet, you can calculate how the size of a firm corresponds to its overall billing rate or how much you use it.

Number of client employees:

You can also add for each client, be it a business unit or a staff unit such as Finance, IT, or HR, the number of employees in the unit. For example, sometimes it is revealing to match how much you have paid in legal fees for every hundred employees of a client. This calculation gives you an indication of the legal "intensity" of your various clients.

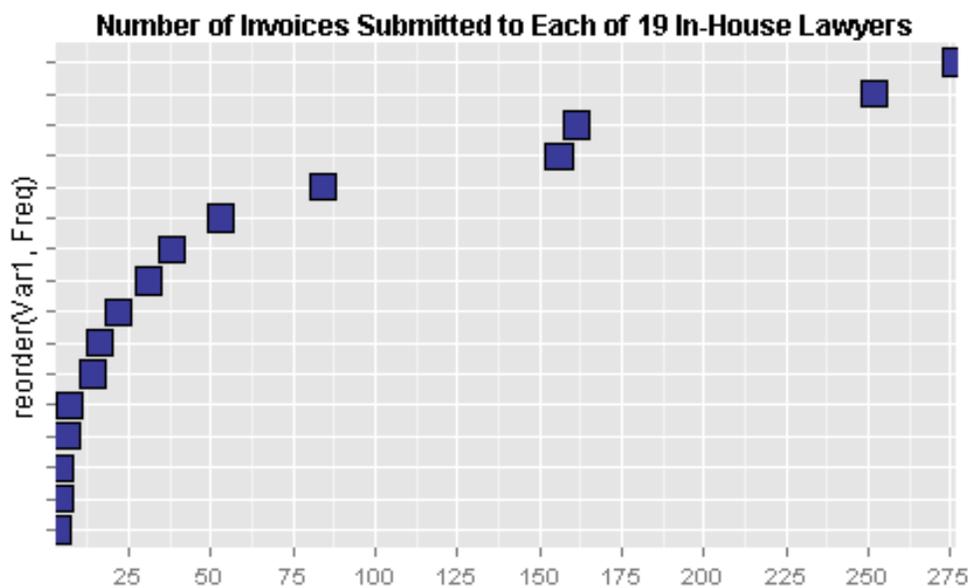
Client satisfaction ratings:

If you have conducted a formal client satisfaction study, you have available another set of data. Add a column in your spreadsheet so that each client row has the overall rating your department received from that client. Then, compare that rating to what you spent outside. You might

detect a pattern of spending more outside when your clients inside are less satisfied with your internal resources.

Experience of lawyers:

Almost always one or two lawyers in the department account for the bulk of the invoices handled. What is important about that typical situation is that training and tools should be directed at those key lawyers. Also, you may detect a pattern that suggests that more junior lawyers turn to outside counsel more often than experienced lawyers. Or the opposite.



The graph shows a hypothetical law department where five lawyers handled from one to 15 invoices; the next five moving up the curve from the lower left handled 15 to 30 invoices! At the other extreme, one lawyer had to review 275 invoices, only a few more than the next busiest with about 252 invoices.

About the Author

Rees W. Morrison is a principal of Altman Weil, Inc. He has over 25 years of experience advising law departments on cost control, department structure, process improvement, outside counsel management, performance benchmarking, and other key issues. He has developed a new practice specialty in data analytics for law departments.

Note

Rees Morrison's columns appear regularly in *Today's General Counsel*. This one appeared in the February/March 2014 issue.