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The Importance of Law Department Performance Benchmarking

By Debbie L. Rhodunda

December 2002 found many general counsel in end-of-year discussions with senior management about the performance of their law departments. We can rightly guess that the gist of most conversations focused on the bottom line and the overall task to “do better.” Goals were developed. Meetings ended.

If this sounds familiar, you are probably asking yourself what particular issues and actions your law department should focus on to meet 2003 goals. Benchmarking is an important part of the process to answer this question. With benchmarking, not only are challenges identified, but also, law department strengths are validated. These strengths can, and should, be exploited as needed to help meet 2003 goals.

How to Get the Benchmarking Ball Rolling

Your law department needs to generate basic information about its performance. Without such information, prioritizing issues and developing an action plan is difficult. Benchmarking performance compares specific performance measurements of your law department to comparable ones. It is a diagnostic tool that looks for significant variance from norms — both quantitative and qualitative. These variations can be analyzed to determine whether your law department has extraordinary strengths, or opportunities for significant improvement, in cost-effectiveness, quality, or performance.

The most relevant data collected will come from the peer law department group. A written questionnaire is often used to solicit data and after an in-depth analysis, a proprietary report is generated providing each law department’s data in a normalized manner to protect confidentiality. This type of custom benchmarking typically covers analysis of the following:

- ratio of total legal spending to revenues
- ratio of dollars expended for external versus internal legal work
- size and staffing (roles) of the legal department (i.e., lawyers per billion dollars of revenue, support staff ratios, paralegal ratios)
- internal legal spend per in-house lawyer

and per “legal service provider” (i.e., a combination of lawyers and paralegals)

- outside counsel expenditures per in-house lawyer
- average external hourly billing rates
- charge-backs to business units

Also important is relevant benchmarking data from publicly available sources, including publications such as Altman Weil’s *Law Department Performance Measures Survey* and the *Law Department Compensation Benchmarking Survey*. These surveys provide a good supplement to the peer law department group data.

Understand Client Expectations

Performance metrics, however, are just one part of the issue. What clients need and expect is the other. Understanding and meeting client expectations are equally as important as benchmarking performance — or perhaps even more so. Surveying clients will provide the needed feedback.

Client surveys help a law department understand, anticipate and meet client expectations. They are most beneficial to law departments when they are designed to determine:

- perceptions of the law department’s strengths and opportunities for improvement
- service priorities and expectations
- appropriate use of internal and external resources
- the image of the law department

Client surveys show a law department’s concern for servicing its clients, invite suggestions about other services that may be offered by the law department, and frequently lead to improved working relationships. In addition, a client survey helps law departments prioritize “next steps” to:

- improve client service

“[Benchmarking] is a diagnostic tool that looks for significant variance from norms — both quantitative and qualitative.”

- enhance relationships and communication with clients
- learn more about client needs and expectations
- prepare for future needs

Communicate with Your Lawyers

In addition to client feedback, a department’s lawyers will have much to add about the performance of the department. Have you asked them for their views lately?

That is, in addition to benchmarking performance and conducting client surveys, another important ingredient in a law department’s self-assessment is obtaining input from department members. Having the metrics and clients’ side of the story is critical, but talking with the department’s lawyers will balance the story. From them, you might solicit input regarding:

- how and how well the law department serves its clients
- what is working well (and what is not)
- how service could be improved
- identification of obstacles to excellent client service

Comparisons can then be made between what the clients actually say and the internal perceptions. A gap analysis of client feedback and lawyer input will lead directly to potential law department initiatives.

Develop an Action Plan

After a complete and comprehensive review of the benchmarking pieces, an action plan should be developed. Ideally, the plan will align with law department goals. If it doesn’t, talk with senior management about the results of the benchmarking. Re-prioritizing goals may be in the law department’s best interest. And, basing your reasoning on facts generated by benchmarking will

allow a better foundation for the conversations with senior management.

The plan should also communicate to clients and law department personnel the “next steps” resulting from the benchmarking findings. Participants in the process typically want to hear about benchmarking results and potential, upcoming changes. Communicating highlights of the results and anticipated next steps shows concern for client service and strengthens relationships. Similar communication within the law department builds “buy-in,” which helps in the implementation phase. Lastly, plans should be supplemented with an implementation schedule. Without a successful implementation process, goals may fall to the wayside.

Conclusion

The bottom line is that assessing law department performance and service levels is critically important. The results of benchmarking will provide a sound information base for a law department to prioritize issues and develop an action plan to meet 2003 goals, and to start to focus on longer-term goals.

Any investment will be well worth it. Especially when December, 2003 rolls around and you undergo another discussion with senior management about your law department’s performance and its 2004 goals. ♦

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