Legal departments are navigating unique pressures

Pressures on legal departments in 2023

- **Flat Headcount and Rising Workloads**
- **Escalating Outside Counsel Costs**
- **Lawyer Burnout and the Great Resignation**
- **Constant State of Disruption**

- Despite macroenvironment trends, recent polling data shows legal spending is expected to increase.
- Environment of cost consciousness vs. cost-cutting — willingness to spend opportunistically.
- Law firm billing rates increased 3.9% from Nov 2020-2021.
- 65% of legal departments are planning to keep a higher percentage of matters in-house.
- 57% of in-house lawyers are actively looking or planning to look for a new job.
- 54% of lawyers are exhausted. Worse, one in five were highly exhausted and therefore more likely to underperform and quit.
- Legal teams are navigating unfamiliar and complex issues triggered by events such as the COVID-19 pandemic.
- Legal leaders must find new ways to free capacity to focus on these high-risk issues.

Source: Gartner analysis
How metrics help

Identify Ways to Operate More Efficiently

- Identify real vs. perceived process failures.
- Diagnose inefficiencies and size potential impact of problem.
- Identify opportunities for automation of routine tasks.

Monitor and Manage Performance

- Make smarter decisions about what work to take on, who should do it and how to execute.
- Identify lower-value work to shift or stop to ensure in-house lawyers are working at the top of their licenses and free up capacity to manage disruption.
- Manage external providers and identify opportunities for cost savings.

Communicate Legal’s Value and Improve Business Partnership

- Show how the legal department has an impact on business goals.
- Allow legal to be more proactive in identifying sources of demand and anticipating areas of business need.
- Drive strategic focus and support continuous improvement.
Where are legal departments today with metrics?

2022 Legal Department Metrics Use

- **66%** of Legal Departments Doing This: Track and report on financial metrics
- **41%**: Tie legal metrics explicitly to enterprise and business goals
- **26%**: Create and apply metrics to guide and business goals performance measurement

Source: Gartner Legal and Compliance Score Benchmark

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Identify metrics that matter

The Metrics Framework

Corporate Goal

What is your corporate goal?
What is the business outcome of this goal?

Legal’s Goal

What is legal’s goal?
What business outcome is impacted by this goal?

Objective

How will legal achieve this goal?

Activity

What are the tasks needed to meet this objective?

Activity

How does legal measure the performance of these activities?

Metric

Metric
# Common business value drivers

<table>
<thead>
<tr>
<th>Business Value Drivers</th>
<th>Improve Efficiency</th>
<th>Increase Revenue</th>
<th>Decrease Costs</th>
<th>Reduce Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legal Goal</strong></td>
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<tr>
<td><strong>Legal Objective</strong></td>
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<td><strong>Legal Activity</strong></td>
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<tr>
<td><strong>Metrics</strong></td>
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</tbody>
</table>

- **Increase Revenue**
  - Support expansion to new geography or industry
  - Improve contracting processes to accelerate speed to signature
  - Develop centralized intake process for contract requests
  - Percentage of intake through prescribed channel

- **Decrease Costs**
  - Reduce legal department spend
  - Reduce outside counsel spend
  - Analyze outside counsel spend to identify areas to bring work in-house or shift to ALSPs
  - Ratio of in-house vs. external spend
  - Percentage of low complexity matters currently with outside counsel

- **Reduce Risk**
  - Improve proactive risk management and mitigation
  - Conduct enterprisewide risk assessment
  - Develop risk-tolerance training for business partners
  - Number of risk incidents by type (e.g., policy violations)

- **Improve Efficiency**
  - Increase legal speed to support growth at scale
  - Identify bottlenecks in assigning work to legal
  - Implement data tracking exercise to identify process failures
  - Percentage of process issues by type (data hygiene, not enough information from business, etc.)
Prioritize metrics investments

Screen for relevant and attainable information: Metrics are an investment, and you will not be able to track everything all at once. Once you have identified the metrics that matter most to your audience, you will need to prioritize using criteria such as effort and value.

Source: Adapted from one technology company; Gartner analysis
Two audiences: Legal and the business

Legal-department-facing metrics measure how the department runs:

- Spend
- Resource allocation
- Adherence to processes
- Solution effectiveness

Business-facing metrics measure high-level outcomes that matter to the business:

- Speed
- Reduced cost
- Increased revenue
- Risk reduction
- Customer satisfaction/experience
What this looks like in practice

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Business Priority</th>
<th>Improve commercial contracting performance to achieve revenue and customer growth.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Legal Goal</td>
<td>Accelerate contract turnaround times.</td>
</tr>
<tr>
<td></td>
<td>Objective:</td>
<td>Accelerate intake of contract request.</td>
</tr>
<tr>
<td>Steps 2 and 3</td>
<td>Master Services Agreements</td>
<td></td>
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<tr>
<td>Step 4.1</td>
<td>Activity 1:</td>
<td>Centralize intake process and develop standard intake form.</td>
</tr>
<tr>
<td></td>
<td>Benefit:</td>
<td>Ensure legal team has the information required to begin work on request. Enable prioritization of requests.</td>
</tr>
<tr>
<td>Step 4.2</td>
<td>Business-Facing Metric:</td>
<td>Average cycle time for intake phase (receipt to distribution)</td>
</tr>
<tr>
<td>Step 4.3</td>
<td>Department Metric:</td>
<td>Percentage of requests received through intake form</td>
</tr>
<tr>
<td></td>
<td>Department Metric:</td>
<td>Percentage of requests assigned using predefined criteria</td>
</tr>
<tr>
<td></td>
<td>Department Metric:</td>
<td>Percentage of requests where manual intervention is involved</td>
</tr>
<tr>
<td></td>
<td>Activity 2:</td>
<td>Develop triage routing criteria/distribution matrix for requests.</td>
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<tr>
<td></td>
<td>Benefit:</td>
<td>Streamline request distribution with predefined routing criteria.</td>
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<tr>
<td></td>
<td>Activity 3:</td>
<td>Automate routing based on predefined criteria.</td>
</tr>
<tr>
<td></td>
<td>Benefit:</td>
<td>Remove manual effort from assigning requests, freeing up capacity for higher-value tasks.</td>
</tr>
</tbody>
</table>
Build your value narrative with a message map

The Metrics Framework The Message Map

1. Who is your audience?
2. What do they care about most (critical business outcomes/value drivers)?
3. How does legal impact what they care about?
4. How does legal measure impact to the things they care about (business-critical outcomes)?
Metrics help tell a story

The metric is not the story.
It supports the narrative of the story.
Here is a metric without a story:

Average Contract Cycle Time:
6 rounds (12 days)
Here is a metric with a story

**Business Outcome:** Accelerate contract turnaround times to increase revenue and customer growth.

**Where we started**
- No data on average cycle time
- No way to surface actual, rather than perceived, bottlenecks and process failures

**What we did**
- Designed a simple data tracking exercise to track average rounds of review and identify drivers of longer turnaround times

**Value narrative** (high-level story the metric supports)

**Story has a beginning, middle and end**

**Initial results**
- Identified actual process failures

**Contract Process Issues**
- 15% Other
- 15% Untimely notification of legal
- 20% Not a request appropriate for legal support
- 20% Incomplete review of business terms
- 30% Not enough information from the business

**Where we are now**
- Cut average contract cycle time by 1 round of review (about 2 days).
- We are still in the red results goal band.

**What’s next**
- Implement intake form for contract requests.
- Revise tracking sheet to address evolving hypothesis around root causes of delays.

**Average Cycle Time:**
- **Where we started:** 7 rounds (14 days)
- **Where we are now:** 6 rounds (12 days)

**Shout Outs:**
- Maya: Early design of the intake form
- Clint: Critical feedback on data tracking

**Metrics audience = Business**
How Gartner Can Support You
Gartner’s Budget and Efficiency Benchmark

Use Gartner’s best tool to benchmark staffing, spending and structure and make effective resource allocation, organizational structure and staffing decisions.

10 use cases for the Budget and Efficiency Benchmark

- Inform Structure and Resourcing Investments
- Reallocate Outside Counsel Spending
- Compare Staffing Models to Peers
- Build a Business Case for Technology
- Benchmark Resourcing of Legal Practice Areas
- Build a Business Case for a Function
- Redistribute the Portfolio of Outside Counsel Work
- Assign, Expand or Change Risk Ownership
- Rebalance Portfolio Mix of Law Firm Support
- Inform Expansion of Liaison Programs

Our all-new 2023 Legal Budget and Efficiency Survey is available now!
# Benchmarking topics available

To streamline our all-new 2023 Legal Budget and Efficiency Survey, we have streamlined the question set to focus on the most critical benchmarking elements for legal and compliance leaders.

Participants receive online, interactive reporting and a PowerPoint summary that displays their responses benchmarked against their closest peers, as well as an advisory walkthrough of key findings.

<table>
<thead>
<tr>
<th>Legal</th>
<th>Corporate Compliance and Ethics and Privacy</th>
<th>Privacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Staffing and Staffing Structure</td>
<td></td>
<td>2. Staffing, DPO Staffing, Reporting Lines and Liaisons</td>
</tr>
<tr>
<td>3. Legal Operations</td>
<td></td>
<td>3. Technology (Deep Dive)</td>
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<tr>
<td>4. Resourcing by Activity/Practice Area</td>
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<td>4. Activity Ownership and Functional Involvement</td>
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<tr>
<td>5. Technology (Deep Dive)</td>
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<tr>
<td>6. Outside Counsel Management</td>
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<tr>
<td>7. Structure and Effectiveness</td>
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<tr>
<td>8. Corporate Compliance and Ethics Resourcing (Optional)</td>
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<tr>
<td>9. Privacy Resourcing (Optional)</td>
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</table>
Executive summary: Strategy for 20xx

Legal Strategy
To help achieve company goals of improving profitability and customer loyalty by providing streamlined legal services and innovation that reduce legal risks and enable cost and operational efficiencies.

State of Legal in 2022
- Legal cost as a % of revenue: 1.2%
- Percentage of contracts turned around within designated time frame: 87%
- Increase in client satisfaction score relating to contract turnaround year-over-year: 0.5 pts
- Total outside counsel savings due to department inefficiencies: $200K
- Decrease in percentage of code violations year-over-year: 7.5%
- [Metric] [Current State]
- [Metric] [Current State]

Top Urgency Drivers
1. [Urgency Driver #1]
2. [Urgency Driver #2]

State of Legal in 2026
- Legal cost as a % of revenue: 1.0%
- Percentage of contracts turned around within designated time frame:
- Increase in client satisfaction score relating to contract turnaround year-over-year: 0.5 pts
- Total outside counsel cost savings due to department efficiencies: $100K
- Decrease in percentage of code violations year-over-year: 5%
- [Metric] [Target]
- [Metric] [Target]

Legal Initiatives
1. Establish a global outside counsel shared services center to reduce overall costs.
2. Implement a contracts management system to enhance functionality and improve efficiency of key business processes.
3. Develop no less than three contract templates for commonly used agreements.
4. Work with IT to create a breach response plan that fits within the current incident response plan.
5. Develop a training calendar for key regional and compliance risks and roll out no less than two new trainings by the end of 20xx.

Critical Underlying Beliefs and Assumptions
1. The company will achieve x% revenue growth in 20xx.
2. The regulatory environment will not change considerably.
3. There are no plans for acquisitions or divestiture that will shift current priorities.
Actionable, objective insight

Position your legal and compliance organization for success.
Explore these additional complimentary resources and tools:

Research
Develop a Legal Strategic Plan You Can Use
Put your legal strategic plan on one page with this template.

On-Demand Virtual Briefing
Legal Operations – Using Metrics to Drive Decisions and Value
Define a set of metrics that enables clear, visual communication of legal’s strategy and impact.

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