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EVALUATING YOUR LAW DEPARTMENT:

WHAT METRICS MATTER MOST?



What does success look like for your law department,
and how do you know when you've achieved it?

How do you communicate that success to your CEO?

How do you determine how to compensate your
lawyers and how to reward top performers?

It's different at every company depending on objectives, but there are
some basic measurements common among most law departments.



BarkerGilmore spoke with law department leaders at three companies in various industries to get their take on what metrics matter most.

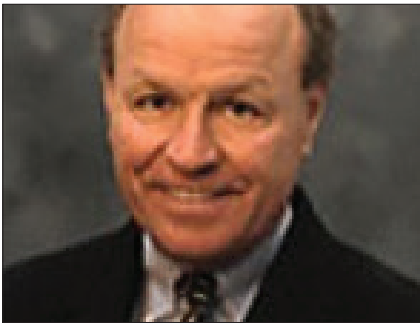
Meet the Experts



Matthew Hamel

General Counsel and Secretary, Brown-Forman Corporation

Hamel leads the law department at [Brown-Forman](#), one of the 10 largest spirit companies in the world. Headquartered in Louisville, Kentucky, the company has more than 4,000 employees across the globe and sells its products in 135 countries.



Ken Schaumburger

General Manager, Strategic Planning and Law Administration, Chevron

Schaumburger has more than 39 years of experience with [Chevron](#), a multinational energy corporation headquartered in San Ramon, California. The company has more than 400 lawyers in 35 countries. Schaumburger is responsible for the administrative management of the Chevron Law Function, including administering their performance and compensation system.



Dennis Holland

**Executive Vice President, General Counsel and Secretary
Retail Properties of America, Inc.**

Holland brings a background in corporate finance and real estate to [RPAI](#), a self-managed real estate investment trust and one of the largest operators of shopping centers in the United States. He's responsible for overseeing legal, transactional and litigation matters at the company.

Evaluating Employee Performance

It's crucial to have a uniform, transparent system in place so every employee in your law department knows what's expected and how he or she will be evaluated.

- **Determine which goals** are most important for each position and assign a weight to them in order of importance.
- **Limit the number of goals.** Five tends to be a good, realistic number, according to Brown Forman's Matthew Hamel; "If you have much more than that, you're not really prioritizing anything."
- **Consider using an objective third party** to determine these metrics. This adds credibility, making employees more likely to buy in to the process.
- **Make sure your department's goals** line up with corporate objectives.
- **Give your employees a chance to evaluate themselves** before you do. Most employees are honest about what they've done well and where they've fallen short. Although you have the final say, they'll appreciate this opportunity to reflect.
- **Evaluate behaviors as well as accomplishments.** Brown-Forman focuses on the "five Cs": curiosity, courage, collaboration, creativity and being a champion.
- **Don't skip the senior staff.**
- Once you have performance metrics in place, **revisit them every 3-5 years.**



Pro Tip #1:

RPAI used Aon Hewitt to conduct a benchmarking study of all positions across its company. They assigned each role in the company to a “band” with a minimum, mid-range and maximum level. As employees went up within their specific band, their compensation rose to match it.

“You need key executives involved in the process, supporting it and buying into the results.”

- Dennis Holland, Executive Vice President, General Counsel and Secretary
Retail Properties of America, Inc.

“While you hire the consultant who gives you the information, it takes a lot of commitment and time from senior execs, so it’s really a cooperative effort. You all have to agree. The communication and structure has got to be transparent to the employees if you want them to buy into it.”

Pro Tip #2:



Brown-Forman asks its senior staff to evaluate their ability to meet previously set goals. The company also asks them to assess how well they used the five Cs: curiosity, courage, collaboration, creativity and being a champion, to achieve them.

“That gets figured into the mix as well, the way in which they achieve the goal.”

- Matthew Hamel, General Counsel and Secretary, Brown-Forman Corporation

“If they steam-rolled something through without gaining buy-in from a bunch of people, for example, they wouldn’t have been collaborative. They might get dinged on that although they ultimately got the new policy approved. Our CEO says we have a corporate goal we want to grow 8-10 percent a year. So that means each of us has to grow 8-10 percent a year.”

Evaluating Performance of the Law Department

Not all companies require the law department to report specific numbers (aside from an annual budget), but keeping a close eye on these numbers will help you assess how your department is performing as a whole. How well are you controlling costs? Is your department properly staffed to meet your workload? Are you getting a good return on your investment in outside counsel? **Chances are, you can't accurately answer these questions without considering the following metrics:**

Total legal spending as a percentage of revenue - This should include both inside and outside spending. The percentage is more important than the dollar amount. Assuming you have to put more resources into an acquisition, your added costs should be proportionate to the additional revenue you're bringing in as a result.

Internal to external spending ratio - The most common split was 43 percent "make" (work performed in-house) to 57 percent "buy" (work performed by outside counsel and other vendors), according to a 2014 [Altman Weil 2014 Chief Legal Officer Survey](#).

Lawyers per billion dollars of revenue

As your company grows, your corporate counsel should grow accordingly. Among more than 280 corporate legal departments across the globe, the average number of lawyers per billion dollars was 3.7 in the United States, according to [HBR Law Department Survey](#).

Total Costs of In-House Counsel - This can be a deciding factor in whether to add another lawyer to your department in the coming year. Take the total internal cost of your law department and divide it by the number of lawyers. If you're regularly spending three times that amount on outside counsel, it's time to consider hiring a full-time corporate counsel, [according to Law360](#).

Budgeted to Actual Costs - Review your overall budget, but pay close attention to budgets for specific matters. In how many areas did you exceed your budget? Was it justified?

Pro Tip #3:

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Maintain open communication not only with the lawyers in your department, but also with the rest of the organization. Be proactive about identifying the needs of your staff and addressing them.

“Our Vice President and General Counsel is a proponent of frequent, transparent communications.”

- Ken Schaumburger, General Manager, Strategic Planning and Law Administration, Chevron

“We conduct several town halls each year for our lawyers and non-attorney professionals, and quarterly “Messages from the General Counsel.” Additionally, our General Counsel conducts face to face communications with many of our lawyers around the world to understand what they are working on and any issues or barriers that they face.”

Evaluating Client Satisfaction

The way you define success in your law department may not be the same as your clients' view of success. Your employees don't just work for you; they ultimately work for your clients. You want to be sure your clients feel they're being given sound advice in a timely manner by someone with expertise in their business.

Take the time to survey your clients to get their opinions on the lawyer who advises them. You're likely receiving some feedback already if you have regular conversations with your clients, but it's worthwhile to have a standardized process.

You could survey your clients and ask them to strongly disagree, somewhat disagree, neither agree nor disagree, somewhat agree or strongly agree with statements that include:

- Our lawyer has a deep understanding of our business.
- We are confident in the advice we have received over the past year.
- Our lawyer is approachable.
- He or she is able to meet our deadlines.
- I can trust him or her to act with integrity.

Give clients the opportunity to express any concerns they may have so you can be sure you and the employee work together to address them.

Pro Tip #4:



At Chevron, client feedback is a substantial component of the performance evaluation process. Chevron's law leadership solicits performance feedback periodically from their business clients.

“We believe it is important to understand what our lawyers do well and any performance gaps that require attention.”

- Ken Schaumburger, General Manager, Strategic Planning and Law Administration, Chevron

“We believe that a primary component of the delivery of our legal services includes our lawyers understanding their client's business.”

Chevron's lawyers gain a deep knowledge of their clients' business by staying in constant contact with them and in some cases, being members of their leadership teams.



Evaluating Employee Satisfaction

For many legal professionals, it's still an employee's market. Other companies are making enticing offers that can be hard to refuse—if your staff feels undervalued or less than satisfied. Employees who feel engaged in their position and have ample opportunities to stretch their skills are much less likely to leave, even if they're being offered higher pay elsewhere.

Here are some key indicators to consider when measuring employee satisfaction:

General satisfaction - This includes having clearly defined goals, the resources to meet them and the support of a team. **Questions may include:**

- How satisfied are you with your involvement in decisions that affect you?
- There are ample opportunities for me to grow and stretch my skills.
- My family, friends and others have a positive perception of what I do.

Passion for the job - This measures the extent to which your staff feels they are having a positive influence and taking pride in what they do. **Employees could be asked to strongly disagree, somewhat disagree, neither agree nor disagree, somewhat agree or strongly agree with statements that could include:**

- I feel I have the ability to make a difference in my position.
- There are ample opportunities for me to grow and stretch my skills.
- My family, friends and others have a positive perception of what I do.

Work/life balance - Do employees feel constantly overwhelmed by what's expected of them, or do they feel the expectations are realistic?

- The stress of my job negatively impacts my physical well-being.
- Most of the time I am able to maintain commitments to my family as well as to my job.
- I feel I have enough time to meet deadlines most of the time.

Pro Tip #5:



Brown Forman works with [Aon Hewitt](#) to conduct a global employee engagement survey every two years. The survey asks the same set of questions for each survey so the company can track trends in employee engagement over time.

As you measure success for your department, it can be tempting to zero in on the numbers and miss some of the intangible measures of success. That includes your staff's ability to develop client relationships, work as a team and make good judgment calls under tight deadlines.

Taking the time to evaluate your law department can help you identify gaps in skills or staffing. A legal recruiting firm and executive search agency can help you prepare your department to continue performing at a high level in the coming year.

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top talent from a diverse pool of candidates.*

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