**LEARNING TO LOVE DATA – METRICS THAT MATTER**

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Metrics. Analytics. Dashboards. Tracking. Reporting.

We’ve all heard the various buzzwords related to tracking all things legal. Whether you are an advocate for data analytics or have just been trying to avoid the topic, there is no denying that the use of data is becoming an important component of how corporate legal departments prioritize, approach and deliver work.

If you are far down the path with leveraging data, congratulations! Keep up the good work. If you’re closer to the beginning of the journey, you should take comfort that you have lots of company and there has never been a better time to start. Tools are less expensive, less cumbersome to implement and easier to use compared to any previous point in time. You can also benefit from listening to the successes and failures of those that got an earlier start. And the beauty of using analytics is that you can take a measured approach – start with something that has the potential to drive real value, and grow from there.

We’ve seen a number of successful use cases where in-house legal departments are improving how they engage with their business partners by using data. This normally begins with an analytical view of what the legal department is doing and why.

Simple use case: If your business is trying to improve cash flow, it would probably be helpful to understand and track payment terms imbedded in all those contracts your business partners have been signing over the years. In this example, understanding just a few data points enables you to partner with the business to set standards and improve against a baseline on a go-forward basis.

Slightly harder use case: If your department has more work than resources (and who doesn’t, by the way?), then you need to have a method of understanding what people are working on and what your internal clients are asking for to ensure you are making the most out of your limited budget.

Working Backwards – Begin With the Why

If you’re new to this, one approach we like is to think about is the end state – where you want to be — and work backwards to identify the metrics that you need to achieve it. Implement the tools to track and report these data points, and then bring your team along.

“We don’t know where to start.”

That’s something we’ve all probably said and heard more than a few times. It’s difficult to assess and create a strategy when there are dozens of projects on your desk and clients constantly asking for more. But that’s actually when you need it most. There comes a point when you need to prioritize planning to have a holistic view of the work at hand and the players involved.

Here are a few of the areas we typically look at when we build a strategic process that captures the data we need to be successful – not just on one project but on future matters and across multiple areas of work:

* **Cost Allocation – Tracking people and cost centers**  
  Who is keeping us busy?
* **Resource Allocation – Combining matters and people**  
  Who is doing what among our partners?
* **Demand Management / Time Allocation – Tracking matters and activities**  
  What are we doing and what is in the pipeline? Finding the highest and best uses for our team members.
* **Knowledge Management / Risk Management / Compliance – Tracking contractual terms**  
  Mining for business-valuable data in contracts to partner with your business.
* **Demonstrating Value / ROI – Formulating and showing results**  
  Automated reporting and dashboards. It kind of matters what a report looks like. (Sorry, but no one really wants to read your multi-page brief.)

Once you take a holistic look at these areas, you can start building processes and tracking metrics that work for your organization and department. There are numerous forums for you to exchange ideas and learn from the success of other companies, but just keep in mind that every company and legal department is different.

Agile Metrics for the Individual

While the points above may be fairly obvious, it’s worth noting that doing to the work to understand cost, time and resource allocation may not be your in-house team of attorneys’ favorite activity. Actually, no one really likes tracking time. Don’t worry, we are not suggesting that you track activity to the level that might be required at a law firm. We have found that much of this initial activity data gathering can be done over a very short period of time. It will involve asking your in-house colleagues to estimate (or track) how much time they spend on specific pieces of work, who sends them the work, and asking law firm partners to better track and categorize how they spend their time.

How this is communicated to the team and implemented is important. When done well, it does not come across as asking for people to justify their time. Rather, this is a way to determine if you are collectively leveraging the highly valuable know-how of the individuals in the best way for them and the company. This is best done with a low touch and in an expeditious manner, and it is key to demonstrating how you are spending your limited budget dollars – how your department functions and who your highest users are. Understanding and demonstrating this will underpin your ability to improve efficiency and effectiveness.

How Much is Enough

If we don’t get the “We don’t know where to start” point, we often hear the “We already track 50-plus metrics” comment. Careful. It can be tempting to start piling on to the things that you want to measure. That’s not necessarily a bad thing until, of course, it becomes a bad thing. You can quickly reach the point of diminishing returns where you are not getting value out of much of your data, and your team may get bogged down with tracking excessive data points.

The key questions to keep in mind: “What information do you REALLY need?” and “How to we build an efficient, repeatable process around getting it?”

A good example is the simple use case from above. We worked with a corporation that was trying to improve their cash flow, and better define their risk management strategy and related insurance requirements. They came to the legal department to understand how to approach this business improvement exercise, considering the company had thousands of vendor and customer contracts with a wide variety of terms.

Rather than extracting all contractual data points in the subsequent project, we were able to focus in on the key items that were relevant to the goal: specifically, data points around payment terms and risk. By simply identifying a handful of fields and putting the contracts in a uniform environment, the in-house team was able to demonstrate the following at the end of the initiative:

* **The average payment terms in the quantum of contracts.** This baseline was used to improve non-legal back office workflows, which led to a 10% improvement in DSO (Days Sales Outstanding), a common metric for tracking receivables. This meant increased cash that could be used to accelerate corporate debt repayment and reduce related interest expenses.
* **The legal department narrowed the company’s risk profile** – demonstrating that for 92% of its contracts, the company was liable for less than $5,000 over a six-month period of time. This turned out to be a good “risk profile” metric to understand when considering insurance coverage options.
* **Higher-value contracts could be prioritized** and made consistent with the other 92%.

So while the initial thought was that the tracking needed to be very wide, it became readily apparent that to make better business decisions the actual metrics were much more straightforward and narrow – and much less expensive to achieve.

Of course, the best thing about this example is how the legal department’s work underpinned the creation of real shareholder value by improving cash flow and reducing liability assumptions around risk.

While all of the above may still sound like a bit of a mountain to climb, it doesn’t have to be if you take the right approach and get help along the way. Some of these steps are straightforward and simple. Others take the right guidance and a deliberate process to implement. For pros and novices alike, we wish you luck in finding the legal metrics that matter.

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