

Value Practice:**Using Balanced Scorecards to Demonstrate Law Department's Value: Value-Add Practice for Southern California Edison's Law Department****Stephen Pickett****Interviewed while Senior Vice President and General Counsel
Southern California Edison Company****June 2009****QUARTERLY REVIEWS AND BALANCED SCORECARDS**

At Southern California Edison, all business functions, including the legal function, provide a quarterly report to management. The report is an opportunity to highlight progress against goals. Reports are presented to the company's Corporate Management Committee. The General Counsel presents the law department's report; also present for the reporting session are the principal Deputy General Counsel.

As part of this reporting process, the legal function produces a 'balanced scorecard' that measures progress in four key areas:

- **Results achieved-** for key matters, cases, policy decisions and governance questions with business impact, shows results to highlight the importance of achieving appropriate results. Important not to be 'penny wise and pound foolish.' Helps examine whether the company is getting the right outcomes and learning lessons.
- **Progress against goals-** each year, the law department establishes goals that include: (1) partnering the right legal team with business units, and (2) internal goals such as hiring and budgets.
- **Performance against budget-** important to show that the legal function is judicious in its application of outside resources and how legal work is staffed; law department is a 'cost center' so legal function needs to show how it is managing costs.
- **People-related goals-** while a 'softer' area, the law department considers talent management to be important. The scorecard includes information on efforts to attract and retain the right talent, attrition (and the reasons for attrition—more money or more attractive position, etc.). The General Counsel views this parameter as a long-term barometer of the health of the law department.

RESULTS- IN SPECIFIC

The law department is focused on results and whether the right outcomes are being achieved. As part of the scorecard report, the General Counsel highlights results for top matters in litigation and transactions, and outcomes on policy decisions/governance questions to engage business leaders in lessons learned discussions and help demonstrate the value of the law department.

- **Litigation matters-** report shows costs of top 20-30 matters, disposition and highlights lessons learned.
- **Transactions-** report shows what transactions cost, internal and external resource allocation, lessons learned and key outcomes/business impacts.
- **Regulatory matters-** regulatory proceedings can take a long time, so results for this category of matters can be demonstrated in subsets such as: outcome, costs, and progress against intermediate milestones or goals.

LEGAL COSTS, INCLUDING SETTLEMENTS, CHARGED TO LEGAL FUNCTION- BENEFITS

All legal costs (except for tax-related costs) are charged to the law department's budget. The General Counsel views this as positive because:

- **Cost is not a disincentive to seek legal guidance-** view that clients who might be charged for legal costs may be more likely to avoid seeking preventive legal guidance. By bearing all costs within the law department, clients need not worry whether legal costs will be charged against their business budgets.
- **Promotes preventive law-** without the cost-sensitivity for clients, in-house lawyers are viewed as a great asset and perform a key preventive law function.
- **Clients make settlement decisions but costs borne by legal department-** although clients make the ultimate call on settlements in litigation and business deals, the costs of those settlements are borne by the law department. Costs for top matters are included in the scorecard results to inform management on legal costs and as a platform for lessons-learned discussions.

Contact Information

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