



705 How to Measure the Effectiveness/Value of the Legal Department

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Faculty Biographies

Deryl L. Earsom

Deryl L. Earsom is vice president and director of legal services for Environmental Management Corporation & BOC Water Services, a subsidiary of The BOC Group, located in O'Fallon, Missouri, a world wide provider of water, environmental, and gas services.

Prior to joining Environmental Management Corporation, Mr. Earsom was a corporate counsel for Jacobs Engineering Group Inc. and with the firm of Bryan Cave LLP where he specialized in construction law and litigation. Mr. Earsom is a licensed professional engineer who managed engineering and construction projects before practicing law.

He received his B.S. and M.S., and later his law degree, from Washington University in St. Louis.

John Ogden

John Ogden is a corporate and commercial attorney in private practice as well as innovation facilitator and president/CEO of Innovative Results LLC, located in Ramsey, New Jersey, which develops and maintains consensus in organizations.

Previously, he was general counsel of U.S. subsidiaries of European-based engineering, manufacturing, and construction companies. He also had operating responsibility for various business functions including procurement, facilities engineering, security, import/export, and health/safety/environmental affairs.

While in-house, Mr. Ogden was an active ACC member and leader. He was the founding chair of both the Small Law Dept Committee and the Leadership Development Institute. He is a past president of the New Jersey Chapter as well as a former ACC officer and Director. He has authored numerous articles and received awards. Currently he is on the board of trustees of the New Jersey State Bar Foundation and the philanthropic and education arm of the organized bar in New Jersey, for which he founded and chaired the conflict resolution committee focused on youth. He is also a volunteer reader in an inner-city school through Rolling Readers USA, a San Diego based not-for-profit, of which he is a director and secretary, which fosters literacy in under served communities. He maintains an active pro bono practice.

Mr. Ogden has degrees from Villanova University and Fordham School of Law. He has been a frequent faculty member as well as student in various continuing education programs. Most recently he earned a certificate in proactive leadership from Cornell University.

Dennis L. Schoff

Dennis L. Schoff is senior vice president and general counsel for Lincoln Financial Group in Philadelphia. As general counsel, he is the chief legal officer of the corporation, responsible for providing legal counsel to the board of directors and senior management. The law, compliance, corporate secretary, and federal relations departments report to him. He also serves on the senior management committee and is a member of the corporate conflicts of interest committee.

Mr. Schoff joined Lincoln in the investment section of the law division. Then he moved to the corporate section of the law division working on acquisitions, divestitures, and other corporate matters, including maintaining the corporation's insider trading policies and procedures. Later, he was promoted to senior vice president and general counsel. Prior to Lincoln, he was in private practice with the law firm Taft, Stettinius & Hollister in Cincinnati focusing in the business and finance department.

He is a member of ACC, the Indiana, Pennsylvania, and American Bar Associations, and the Executive Board General Counsel Roundtable. He serves on the boards of ACC's Delaware Valley Chapter, the Association of Life Insurance Counsel, the YMCA of Philadelphia, and the Steppingstone Scholars, Inc.

Mr. Schoff received his B.A. and J.D., cum laude, from Indiana University in Bloomington, Indiana.

ASSOCIATION of CORPORATE COUNSEL
2005 ANNUAL MEETING – WASHINGTON, D.C.

PROGRAM 705
HOW TO MEASURE THE EFFECTIVENESS/VALUE
OF THE LEGAL DEPARTMENT

Synopsis of the Presentation by:

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I - One Current Approach: SYNCHRONIZATION©

A. What is It ?

Simply put, it is a formal system of ensuring that legal priorities (and therefore, resource allocation) are aligned as closely as possible with business priorities. Because one of its core elements is effective communication, it is critical that this alignment is set forth in a joint document(s) so that the legal and business functions are “on the same page”. Agreed upon metrics are required in order to use Synchronization© as a dynamic tool. Choosing the optimum process components for measurement and the appropriate methodology for calculating the metrics yields a set of dashboard indicators which can be used to proactively manage the legal function and retroactively measure the degree of success.

In summary, it is:

- Formal
- Written
- Measured
- Both Proactive & Retroactive

B. Why Use It ?

The answers are found in the title and description of this Annual Meeting program. It is a proven method to “Measure the Effectiveness/Value of the Legal Department” – indeed, it can measure the value of the entire legal function including retained counsel and other key suppliers such as independent research experts, web-based transaction data room services and myriad others being managed by in-house attorneys, paralegals, legal department IT professionals etc.

This is one way to answer the call for:

- finding or developing tools which measure value
- key performance indicators and benchmarking data
- measurement & tracking tools applicable to individual legal departments

PERSONAL NOTE: In some corporations or divisions, senior management, the CFO or process improvement teams may request/require actions such as those discussed above. I submit that it is highly preferable to take the initiative. In discussing it with other legal managers, I have found that the circumstances which led me to take action form a useful context in which to consider the process generally. I was approximately ten years into a twenty year stint as General Counsel of U.S. operations for a European-based group of companies. The group of companies changed from being family owned to being part of a large conglomerate. My relationship with U.S. management was fairly low key and grew organically as we faced issues together. Although each CEO during that period had been born in Europe they had a minimum of 15 years U.S. experience before taking that office. My in-house legal colleagues in Europe were sophisticated international practitioners who “understood” (although they were frequently aghast at) the differences between the Civil Code under which they practiced at home and common law jurisdictions in general as well as the oft daunting peculiarities of the U.S. specifically.

THEN . . . a new CEO was sent from Europe. He had very little experience in the U.S or in general management. He had a doctorate in engineering and a background as a high level conglomerate staff technical expert. In case anyone has doubt, an engineering doctorate from a German university is not ideal preparation for tackling the vagaries of U.S. jurisprudence as it impacts corporations. Due to background and predilection, he rolled up his sleeves and immersed himself in details. As one accustomed to finding logic and precision by drilling down into those details, his sessions with me were very frustrating. I was also frustrated, but soon had a moment of enlightenment. What I was seeing was very dramatic due to the significant disconnect between his expectations and harsh unpredictable reality. In fact, absent business C level executives with legal training and experience, I was probably just at the extreme of a continuum for any senior managements’ confusion and discomfort with legal issues and particularly the uncertainties of common law, U.S. Jury attitudes toward corporations and so on. Rather than viewing his situation as sui generis, it proved very useful to think in terms of the continuum. This was particularly true when the next CEO was an American with whom I had worked frequently and successfully for 15+ years. All of our past dealings had been focused primarily on commercial and IP matters. When we sat down to address the full scope of legal issues which face a CEO I found the processes put in place for his ex pat predecessor to be just as efficacious with my long term American colleague facing broader and more perplexing (frequently aggravating) legal issues he viewed as distractions – an assessment with which I was frequently hard pressed to disagree.

BOTTOM LINE – I believe very strongly that in-house counsel are most effective when emphasizing commonality with our business colleagues. HOWEVER, FOCUSING ON THE DIFFERENCES BETWEEN LEGAL ISSUES AND OTHER ISSUES FACED BY SENIOR MANAGEMENT (and most employees, particularly HR, Contract Admin etc) IS AN EXTREMELY USEFUL STARTING POINT FOR ANY PROCESS AIMED AT A DIALOGUE ABOUT THE EFFECTIVENESS/VALUE OF THE LEGAL FUNCTION.

C. How Do You Do It ?

The quickest answer is to do whatever works in a given setting. Following are specific steps taken in the above described situation. They are described in some detail in the attached article from the October 2000 ACCA Docket "Synchronization of Business and Legal Priorities" by John Ogden.

1. **JOINT ISSUE PRIORITIZATION** - As previously mentioned, this is a formal process which includes meetings with appropriate members of senior management, preferably suggested by legal management. The initial goal is to reach agreement concerning a list of general legal issues confronting the corporation [or division etc since this can generally be done for the entire enterprise or e.g. between a Division Counsel and the G.M.]. The next step is to agree upon priorities as follows:
 - **Core Issues:** These are categories of issues in which legal difficulties can adversely impact the company's ability to do business in the way it chooses. The days since the above article was written have seen several very significant "corporate comets" which shine brilliantly only to "crash and burn" upon impact with fundamental laws, regs or merely a jury's idea of what is right. A less spectacular example would be a crucial R+D facility shut down due to an environmental mishap. Although, to the extent they ever existed for certain companies, the days of an open blank checkbook for legal problems are pretty much gone, significant trouble in a core area could come close. Having pre-discussed this with senior management allows for more expeditious response to a problem and also lets counsel know that authorizing those extra depts is less likely to be second guessed in a core area than any other. **AN ADDED BENEFIT CAN RESULT IF THE DISCUSSIONS RAISE THE VISIBILITY OF THESE ISSUES [WHICH MAY NOT BE INTRINSICALLY OBVIOUS TO BUSINESS PERSONNEL e.g. ensuring a blue collar shipping clerk is adequately trained and supervised for the proper preparation of docs such as bills of lading and package labeling for shipments to and from the aforementioned R+D facility] SUCH THAT THE ULTIMATE VALUE OF IN-HOUSE COUNSEL PRESENTS ITSELF – THE AVOIDANCE OR MININIZATION OF SIGNIFICANT PROBLEMS.**
 - **Key Issues:** These are issues which have the potential of seriously impacting the financial health the company through very high fines, judgments, punitives etc. There is no clear bright line between Core and Key. A big enough hit in a

key area could have a detrimental impact on many companies' ability to conduct business in the manner it chooses simply because funds have been diverted elsewhere. Another example would be a consumer company dealing with a very visible and comprehensive discrimination action(s) which finds itself also having to address those who, whether organized or not, simply chose to shop or eat elsewhere in response to the alleged discrimination.

- **Other Issues:** Five years after first publishing the article no better terminology has suggested itself for these issues. It may be perfectly legitimate to treat matters as commodities in this category. Goals such as cycle time, average settlement cost etc could be the metrics here. I am a very strong advocate for ADR but have always been leery of arbitration because of bad results which would have given rise to appeals if it had been litigation and would have been fruitless mediation sessions if that was the best being offered. A very respected colleague [I guess 3rd party full disclosure is in order – he is an Exec Committee member of the AAA Board] has argued that one should not view these individually and he can demonstrate that his company is way ahead in overall costs and expenses through arbitration even if there are the occasional outlandish awards.
2. **OPTIMIZATION THROUGH INTEGRATION** - Identification and prioritization of issues will be all for naught if the legal department does not operate (and continuously improve)so as to maximize the value of having skilled and well informed attorneys as part of the company in addition to providing first class representation. To accomplish this – In-house attorneys should conduct themselves a businesspeople whose specialty happens to be the law just as others specialize in marketing, IT, finance, HR etc.
 3. **OPTIMIZATION THROUGH A COMMON LEXICON: METRICS** – The Docket article referenced above describes how these were used in one particular situation as well as industry wide applications. Section II of this synopsis contains information about a comprehensive effort currently underway to develop metrics which are both actionable in particular settings and consistent with transparent methodology so as to foster benchmarking data of real value. Metrics can be presented in a compelling format which quickly makes an effective point which stays with the audience long after the presentation. See the attached bar graphs, each depicting the same four year period. The graph on the left shows declining legal costs and the one on the right shows increasing percentages being spent on issues jointly agreed as important.
 4. **THEORY IN ACTION/MEASURED RESULTS** – Value is produced when the forgoing concepts are vigorously and creatively put into action. We began by noting that Synchronization© is dynamic and both prospective & retrospective. Highest value is generated when Prioritization & Integration coalesce with Metrics to define goals/methods, direct ongoing performance & measure success.

II The Future – A Robust and Visionary Approach
THE OPEN LEGAL STANDARDS INITIATIVE

A. What is It ?

An insightful group of corporate practitioners and process experts (the Panel) are at work developing a comprehensive list of activities (see Exhibit A) common to virtually all legal departments. An overview of this Initiative is set forth on Exhibit B to this synopsis.

B. Why Use It ?

The Initiative will provide an opportunity for meaningful measurement of the activities of a legal function [ultimately it is planned to develop standards for law firms] to allow benchmarking and meaningful actionable identification of best practices.

C. How is it Done ?

For all identified activities, appropriate metrics will be developed. A detailed example of those metrics in a litigation setting is set forth on Exhibit C to this synopsis.

Below is an excerpt from the Panel's action plan

- a. **Useful and Actionable Metrics** – The Panel should focus on compiling a comprehensive list of useful and actionable metrics data, rather than providing a list of every type of metric that can be gathered.
- b. **Consistent Collection and Methodology for Benchmarking** – In developing the metrics list, consideration should be given to:
 - a. **Collection** – how metrics will be collected (will it be overly cumbersome, etc.).
 - b. **Methodology** – how numbers will be calculated (the methodology needs to be consistent for the metrics data to be more valuable for benchmarking purposes)
- c. **Additional Subcategories** – Where relevant, metrics under each performance category (cost, staffing, process efficiency and cycle time) can also be further subcategorized under the following subcategories (total, average, comparison, personnel, general). There is a danger of having these additional subcategories create interesting metrics (that are consistent in structure with other headings), but would not provide useful or actionable metrics.

EXHIBIT A

Primary Categories of Processes to be Acted Upon
 THE OPEN LEGAL STANDARDS INITIATIVE

ACC 2005 Annual Meeting
 Program 705

How to Measure the Effectiveness/Value of the Legal Department

**Uniform Corporate Law Department Business Process
 Classification System Version 2.0**

Index of Main Headings

- 1.0 **Handle Legal Matters**
 - 1.1 **Start Legal Matter**
 - 1.2 **Manage Litigation Matters**
 - 1.3 **Manage Transactional Matters**
 - 1.4 **Manage Intellectual Property Assets**
 - 1.5 **Manage Security Interest-Related and UCC Filings**
 - 1.6 **Manage Real Estate Assets**
 - 1.7 **Manage Subsidiaries**
 - 1.8 **Manage Contracts**
 - 1.9 **Manage Corporate Compliance**
 - 1.10 **Manage Audits**
 - 1.11 **Manage Internal Investigations**
 - 1.12 **Manage Employee Compliance Program**
 - 1.13 **Manage Government Inquiries**
 - 1.14 **Manage Crises Management**
 - 1.15 **Manage Opinions of Counsel**
 - 1.16 **Manage Legal Research**
- 2.0 **Manage Outside Counsel and Vendors**
 - 2.1 **Manage Strategic Partnering and Convergence**
 - 2.2 **Manage Alternative Fee Arrangements**
 - 2.3 **Manage Invoicing and Bill Review**
 - 2.4 **Manage Outsourcing**
- 3.0 **Manage Board/Management Matters and Relations**
- 4.0 **Manage Company Matters and Relations**
- 5.0 **Manage Law Department Operations**
 - 5.1 **Managing Law Department Reporting and Metrics**
 - 5.2 **Responding to Industry Surveys**

- 5.3 Engaging in Strategic Planning and Budgeting
- 5.4 Managing Law Department Human Resources
- 5.5 Engaging in Effective Legal Assistant Utilization
- 5.6 Handling CLE/Training
- 5.7 Purchasing, Implementing and Using Technology
- 5.8 Managing International Law Department Offices
- 5.9 Handling General Law Department Matters

6.0 Manage Document Management, Document Retention and Knowledge Management Systems

For a full copy (68 pages at the time this Exhibit is being prepared) contact Nena Wong at 310-704-6603 or at nwong@corplegalstandard.com.
Alternatively it can be accessed at www.corplegalstandard.com/processlistversion2

EXHIBIT B – THE CORPORATE LEGAL STANDARDS INITIATIVE

Overview

The Corporate Legal Standard, Inc. is spearheading the development of the first ever uniform classification system of legal business processes and metrics, with the assistance of the American Productivity and Quality Center (www.apqc.org) and the Open Legal Standards Panel, an industry panel comprised of leaders in the legal community.

The Industry Panel and the APQC

The Open Legal Standards Panel (Panel) and the American Productivity and Quality Center (APQC) are tasked with leading the effort to create this classification system in order to allow for more organized dialogue on best workflow practices, to encourage the development of best practices for the identified processes, and to develop consistent methodologies for the identified metrics.

The Panel currently includes several current and former in-house lawyers as members along with a representative from the Association of Corporate Counsel. The APQC has significant experience developing standards in various industries and was responsible for developing the Malcolm Baldrige National Quality Award and organized the first White House Conference on Productivity.

Mission

The Panel will develop separate business process and metrics classification systems for: (1) corporate law departments; (2) government law departments (federal, state, county and local); and (3) law firms.

The first phase of the Panel's work focused on corporate law departments. The Panel and the APQC have reviewed the preliminary business process and metrics classification system developed by The Corporate Legal Standard that identified a comprehensive list of business processes and metrics for corporate law departments.

The work of the Panel and APQC will result in surveys and reports to be distributed to law departments and to the legal community in general. Efforts are currently underway to develop classification systems for government law departments.

For more information about this initiative or to receive a copy of the current legal business process and metrics classification systems for corporate law departments, please contact Nena W. Wong, at 310-704-6603 or at nwong@corplegalstandard.com

EXHIBIT C
 Detailed Example of Metrics - Litigation
 THE OPEN LEGAL STANDARDS INITIATIVE
 ACC 2005 Annual Meeting Program 705
 How to Measure the Effectiveness/Value of the Legal Department

Uniform Corporate Law Department Metrics Classification System Version 2.0

1.1 Manage Litigation Matters Metrics

1.1.1 Cost Effectiveness Metrics Relating to Manage Litigation Matters Processes

- 1.1.1.1 Average cost per case to litigate each of the following types of lawsuits internally:
- Administrative Law : \$ _____
 - Admiralty Law: \$ _____
 - Antitrust and Trade Regulation: \$ _____
 - Bankruptcy Law: \$ _____
 - Commercial Law: \$ _____
 - Communications Law: \$ _____
 - Constitutional Law: \$ _____
 - Corporation and Partnership Law: \$ _____
 - Criminal Law: \$ _____
 - Cyberspace Law: \$ _____
 - Education Law: \$ _____
 - Energy Law: \$ _____
 - Environmental Law: \$ _____
 - Family Law: \$ _____
 - Government Contracts: \$ _____
 - Healthcare Law: \$ _____
 - Immigration Law: \$ _____
 - Intellectual Property Law: \$ _____
 - Labor and Employment Law: \$ _____
 - Military Law: \$ _____
 - Personal Injury Law: \$ _____
 - Products Liability: \$ _____
 - Securities Law: \$ _____
 - Space Law: \$ _____
 - Sports, Entertainment and the Arts: \$ _____
 - Tax Law: \$ _____
 - Transportation Law: \$ _____

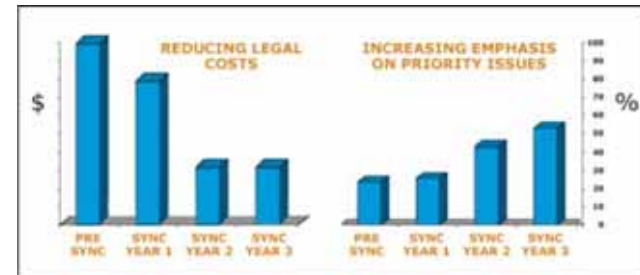
- Wills Trusts and Estates: \$ _____
- 1.1.1.2 Total costs per year to litigate each of the following types of lawsuits internally:
[Insert types of lawsuits from above here]
- 1.1.1.3 Average cost per case to litigate each of the following types of lawsuits externally (using standard billable hour billing format):
[Insert types of lawsuits from above here]
- 1.1.1.4 Total costs per year to litigate each of the following types of lawsuits externally (using standard billable hour billing format):
[Insert types of lawsuits from above here]
- 1.1.1.5 Average cost per case to litigate each of the following types of lawsuits externally (using alternative fee arrangement billing format):
[Insert types of lawsuits from above here]
- 1.1.1.6 Total costs per year to litigate each of the following types of lawsuits externally (using alternative fee arrangement billing format):
[Insert types of lawsuits from above here]
- 1.1.1.7 Average cost per case to litigate each of the following types of lawsuits internally using early case assessment procedures (BPCS Section 1.2.1.1.2)¹:
[Insert types of lawsuits from above here]
- 1.1.1.8 Total costs per year to litigate each of the following types of lawsuits internally using early case assessment procedures (BPCS Section 1.2.1.1.2):
[Insert types of lawsuits from above here]
- 1.1.1.9 Average cost per case to litigate each of the following types of lawsuits externally using early case assessment procedures (BPCS Section 1.2.1.1.2) (using either standard billing or alternative fee arrangement billing format):
[Insert types of lawsuits from above here]
- 1.1.1.10 Total cost per case to litigate each of the following types of lawsuits externally using early case assessment procedures (BPCS Section 1.2.1.1.2) (using either standard billing or alternative fee arrangement billing format):
[Insert types of lawsuits from above here]
- 1.1.1.11 Average cost per case to litigate each of the following types of lawsuits internally using alternative dispute resolution (BPCS Section 1.2.2.2.9) procedures:
[Insert types of lawsuits from above here]

¹ BPCS refers to the Uniform Corporate Law Department Business Process Classification System.

- 1.1.1.12 Total costs per year to litigate each of the following types of lawsuits internally using alternative dispute resolution (BPCS Section 1.2.2.2.9) procedures:
[Insert types of lawsuits from above here]
- 1.1.1.13 Average cost per case to litigate each of the following types of lawsuits externally using alternative dispute resolution (BPCS Section 1.2.2.2.9) procedures (using either standard billing or alternative fee arrangement billing format):
[Insert types of lawsuits from above here]
- 1.1.1.14 Total cost per case to litigate each of the following types of lawsuits externally using alternative dispute resolution (BPCS Section 1.2.2.2.9) procedures (using either standard billing or alternative fee arrangement billing format):
[Insert types of lawsuits from above here]
- 1.1.1.15 Total potential liability in dollar to Company for all lawsuits filed each year against Company
- 1.1.1.16 What percentage of the litigation against Company falls within each of the tiers of potential liability identified below:
\$0 to \$75,000: _____
\$75,001 to \$500,000: _____
\$501,000 to \$1 million: _____
\$1,000,001 to \$7.5 million: _____
Over \$7.5 million: _____
- 1.1.1.17 Average costs per case spent on discovery (BPCS Section 1.2.2.2.5).
- 1.1.1.18 Total costs per year spent on discovery (BPCS Section 1.2.2.2.5).
- 1.1.1.19 Average costs per case spent on legal research (BPCS Section 1.2.2.2.6).
- 1.1.1.20 Total costs per year spent on legal research (BPCS Section 1.2.2.2.6).
- 1.1.2 **Staff Productivity Metrics Relating to Manage Litigation Matters Processes**
 - 1.1.2.1 Total number of litigation matters per responsible attorney for matters handled internally
 - 1.1.2.2 Total number of litigation matters per responsible attorney for matters handled externally
 - 1.1.2.3 Total number of litigation matters per responsible legal assistant for matters handled internally
 - 1.1.2.4 Total number of litigation matters per responsible legal assistant for matters handled externally
 - 1.1.2.5 Average number of hours per litigation matter per responsible attorney for matters handled internally²
 - 1.1.2.6 Average number of hours per litigation matter per responsible attorney for matters handled externally
 - 1.1.2.7 Average number of hours per litigation matter per responsible legal assistant for matters handled internally
 - 1.1.2.8 Average number of hours per litigation matter per responsible legal assistant for matters handled externally
 - 1.1.2.9 Average number of hours per litigation matter spent per responsible attorney on early case assessment processes (BPCS 1.2.1.1.2) for matters handled internally
 - 1.1.2.10 Average number of hours per litigation matter per responsible attorney on early case assessment processes (BPCS 1.2.1.1.2) for matters handled externally
 - 1.1.2.11 Average number of hours per litigation matter per responsible legal assistant on early case assessment processes (BPCS 1.2.1.1.2) for matters handled internally
 - 1.1.2.12 Average number of hours per litigation matter per responsible legal assistant on early case assessment processes (BPCS 1.2.1.1.2) for matters handled externally
- 1.1.3 **Process Efficiency Metrics Relating to Manage Litigation Matters Processes**
 - 1.1.3.1 Ratio of amount budgeted for cases versus actual costs
 - 1.1.3.2 Ratio of costs of cases under alternative fee arrangements and those of under standard hourly billing arrangements
 - 1.1.3.3 Ratio of cycle time of cases undergoing early case assessment and those not
 - 1.1.3.4 Ratio of cycle time of cases undergoing alternative dispute resolution and those not
- 1.1.4 **Cycle Time Metrics Relating to Manage Litigation Matters Processes**
 - 1.1.4.1 Average number of hours per case to litigate each of the following types of lawsuits internally:
[Insert types of lawsuits from above here]
 - 1.1.4.2 Average number of hours per case to litigate each of the following types of lawsuits externally (using standard billable hour billing format):
[Insert types of lawsuits from above here]

² All references internally to hours metrics for a law department assumes that the law department tracks hours internally.

- 1.1.4.3 Average number of hours per case to litigate each of the following types of lawsuits externally (using alternative fee arrangement billing format):
[Insert types of lawsuits from above here]
- 1.1.4.4 Average number of hours per case to litigate each of the following types of lawsuits internally using early case assessment (BPCS 1.2.1.1.2) procedures:
[Insert types of lawsuits from above here]
- 1.1.4.5 Average number of hours per case to litigate each of the following types of lawsuits externally using early case assessment (BPCS 1.2.1.1.2) procedures (using either standard billing or alternative fee arrangement billing format):
[Insert types of lawsuits from above here]
- 1.1.5 **General Metrics Relating to Manage Litigation Matters Processes**
 - 1.1.5.1 Total number of lawsuits filed each year against Company
 - 1.1.5.2 Total number of domestic jurisdictions in which lawsuits were filed each year against Company
 - 1.1.5.3 Total number of foreign jurisdictions in which lawsuits were filed each year against Company
 - 1.1.5.4 Total number of lawsuits filed in each state each year against Company
 - 1.1.5.5 Total number of lawsuits filed in each country each year against Company
 - 1.1.5.6 Total number of lawsuits filed each year against Company in the following areas:
[Insert types of lawsuits from above here]
 - 1.1.5.7 Total number of lawsuits filed each year by Company
 - 1.1.5.8 Total number of domestic jurisdictions in which lawsuits were filed each year by Company
 - 1.1.5.9 Total number of foreign jurisdictions in which lawsuits were filed each year by Company
 - 1.1.5.10 Total number of lawsuits filed in each state each year by Company
 - 1.1.5.11 Total number of lawsuits filed in each country each year by Company
 - 1.1.5.12 Total number of lawsuits filed each year by Company in the following areas:
[Insert types of lawsuits from above here]
 - 1.1.5.13 Percentage of matters for which early case assessment processes were applied



For a full copy (75 pages at the time this exhibit is being prepared) contact Nena Wong at 310-704-6603 or at nwong@corplegalstandard.com. Alternatively it can be accessed at www.corplegalstandard.com/metricslistversion2

Case Study: Synchronization in the Coperion Corporation Legal Department

By John G. Kelly, Esq.

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LawPartneringSM Institute



Introduction

Necessity breeds innovation and invention. To meet the necessity at Coperion Corporation, general counsel John H. Ogden came up with a concept that he labeled "synchronization." The concept, as the label suggests, is that ensuring that the strategic plan and service goals of the corporate legal department are on the same wavelength as those of management is mutually beneficial. However, synchronization is not the result of a sales job by general counsel; it is the result of a buy-in

between the senior executive team and general counsel, and that's achieved through a consensus process that aligns legal services' mission and goals with those of the corporation.

Coperion Corporation was formed in May 2001 as a result of the merger of three well-known European-based industrial companies -- Buss, Waschle, and Werner & Pfleiderer -- all leaders in process technology. Coperion is a leading supplier of systems, subsystems, key components, and engineering services to many industries, with a primary focus on plastics, chemicals, and foods. It has a global mandate, but its principal domicile is in Germany.

Synchronization Started Out of Practice Management Report Challenge

Ogden has been general counsel of Coperion or one of its predecessors (Werner & Pfleiderer) for 18 years. During that tenure all but one chief executive officer (CEO) had extensive management experience in the United States prior to becoming CEO. Several years ago, a new CEO was assigned directly from Germany. Ogden explains how this situation started him down the road to what is now known as synchronization at Coperion. He said, "My expatriate CEO had virtually no experience with legal matters in a common law jurisdiction. After several months of back and forth questions about why I was taking certain courses of actions and making specific recommendations, I decided that what I should do was come up with a comprehensive presentation of how legal issues impacted corporations in the North American legal environment generally and our situation in particular."

The starting point for that presentation was a list of the tasks and activities that were encompassed in the legal department's service mandate. The tasks and activities were divided into three categories:

1. Core. Core issues were legal issues critical to the core function and mission of the corporation.
2. Key. Key legal issues were important with the potential for serious implications that required best practices management capability.
3. Other. Other legal issues were routine legal matters that should be handled on the basis of the least-cost solution.

What Started as a Report Evolved Into a Management Dialogue

The list became the focal point for a strategic management dialogue between company executives and Ogden. It was a learning experience for both parties. The expatriate CEO got a firm grasp of what the legal

implications were for doing business in the United States. From interfacing with the CEO, Ogden gained a much better idea, beyond what was available in routine reports and meetings, about the company's business mission and where and to what extent the corporation wanted to focus its resources. The company is an engineering-driven organization. The CEO was an engineer. Engineers are accustomed to using numbers in evaluations. Ogden facilitated communications and understanding in discussions by using graphs and numerical representations. He explains, "I prepared a document with a description of legal issues, examples, and metrics that demonstrated trends. I put together several surveys that showed ours was a cost-effective legal department as compared with others in various industry surveys."

The approach was successful. The CEO and Ogden reached consensus on how the legal department should allocate its resources to add the most value to the business mission of the corporation. In fact, a graphical presentation format was subsequently built into the legal department's reporting function. This dramatically demonstrated that increasing percentages of decreasing allocations were spent on core and key issues.

A Performance Management Framework is the Foundation for Synchronization

Ogden's next step was to take what was agreed upon and configure it into a performance framework. Ogden calls this process "joint issues prioritization." This is where tasks and activities are rated as core, key, or other. Joint issues prioritization has become the baseline for determining how the legal department should commit its resources and energy. Once issues have been prioritized, they are integrated into what Ogden labels the "optimization of the legal function." Legal matters are correlated with the corporate business plan and fitted with metrics that track their performance relevant to specific business objectives.

Any general counsel who has looked into performance measurement knows how critical it is to identify and apply metrics that have a meaningful correlation with outcomes relevant to achieving desired performance. In an article in the October 2000 issue of the ACCA Docket, a publication of the American Corporate Counsel Association, Ogden describes the criteria he uses for metric selection:

"Many metrics may be used in a legal department, but to be used in the synchronization process, a metric must pass a two-part test. First, the metric must measure something that contributes to the effective delivery of legal services. An example would be a fully loaded internal hourly rate

compared with retained counsel rates. Second, the metric must be expressed in terms that are meaningful to business people. An example would be the average number of attorneys per billion dollars of sales in the client's industry. It is extremely important for business and legal leadership to agree at the beginning of the synchronization process on the relevance of specific metrics and to jointly decide where the company should be in relation to external norms."

Synchronization is an Effective Outside Law Firm Management Tool

Ogden also discovered that the synchronization and reassessment process had an impact on how the legal department viewed its relationships with law firms providing legal services to the company. Ogden describes what occurred:

"Joint issues prioritization with a focus on optimizing our legal functions ultimately changed the way all legal costs (inside and outside) are incurred. More specifically, key, core, and other areas were identified signifying cost centers that could be handled by generalists in-house or those requiring the expertise of specialists -- typically, but not exclusively, retained counsel. For example, we found certain employment, environmental, and intellectual property issues were best suited to the specific expertise of outside counsel as well versed in company matters as in-house attorneys would be. Commercial and corporate matters could be effectively handled by the use of two part-time attorneys who regularly work at the company and are familiar with both our business and personnel. This shift in approach dramatically reduced our outside legal costs while strengthening our relationship with those select attorneys who consistently work with us. With this 'virtual' legal department intact, we were well suited for the challenges brought on by due diligence requirements and ultimately our sale and subsequent merger. The relationships with outside counsel that had been established years ago and then refined in the past few years served us well this past year. It was both efficient and reassuring to be able to reach out to these outside counsel and part-time attorneys, often requiring immediate resolution of an issue, and receive timely and thorough responses without needing to elaborate on the nuances of the matter due to their existing familiarity with our company. Since, as general counsel, I had business functions outside of my legal capacity, my legal team's ability to handle matters from inception to completion freed me to focus on other issues, while offering the company services at below-market rates."

ACCA Supports Conceptualization Process

It wasn't until Ogden was well into the ongoing management of his system that he realized he had developed what might well be a methodology. Synchronization was an after-the-event label that, upon reflection, Ogden felt best described the process he had designed. He now views his efforts over the past six years as a work in progress. In the past couple of years, Ogden has begun writing and speaking about what he's accomplished. He credits his active involvement in ACCA with helping him in his efforts to conceptualize and articulate what he has done in a strategic management context: "I've been active in ACCA for many years. My ACCA experience enables me to write about my activities. Participating in ACCA allows you to extrapolate from your specific situation to general initiatives which, in turn, improves your operations. Synchronization was a word I thought best described what we were doing."

Synchronization is a Strategic Management Tool

There's no question that synchronization started out as the personal creation of Ogden; however, whether it can succeed as a stand-alone methodology and service process depends on the ability of others to understand it and find value in its application. Coperion's legal department consists of two regular part-time counsel who report to Ogden. Mary Barnes is senior counsel. Here's how Barnes recounts her experience in working within the synchronization framework: "The creation of core, key, and other areas has been instrumental in tracking our outside legal costs, as well as providing analyses on past and future spending to senior management. What has proven particularly helpful is charting our expenses vis-à-vis subject matter on a monthly basis, thereby providing an instant snapshot as to costs in a general category (e.g., patent) or a specific matter within that grouping."

Ogden is extremely positive about the learning experience that synchronization has been for him. He is also proud of the value-added service record that the legal department has been able to demonstrate to the corporation through the performance measurement system that synchronization incorporates. What are some of the major lessons Ogden has learned from this experience and what advice does he have for his colleagues in light of his success? He answers: "Whatever form it takes, the legal function must engage in a dialogue with senior management of the enterprise. Among the purposes of this dialogue is to ensure legal activities are, in fact, consistent with the needs of the company. Absent this process, legal could perform excellent work in a vacuum, which does not add as much value to the organization as it would if synchronized with other corporate goals and objectives. A key

method of identifying and measuring the level of synchronization is developing appropriate metrics.

He continues, "That said, Coperion Corporation's law department continues to face new challenges of incorporating all that we have learned and implemented during the last year into our new corporate structure. In particular, we are attempting now to synchronize all of our legal documents and procedures with those of the other merged companies and familiarize new faces with our virtual legal department. Most importantly, we are trying to do all of this while keeping our outside legal costs well below industry average with an increasing percentage spent in core and key areas."

Synchronization is Part of a Bigger Practice Management Picture

In his efforts, Ogden finds value and inspiration for new ideas in contributing to the corporate counsel community by working with organizations committed to developing strategic relationships between legal departments and their clients. In this regard, he devotes time to presentations at national LawPartneringsSM Forums designed to provide introductory and intermediate level education about the partnering business model and the strategies and tactics involved in providing more cost-effective legal services to corporate clients. He also serves as a faculty member of the LawPartneringsSM Institute (www.lawpartnering.com), a Web site dedicated to providing comprehensive education, information, and support for attorneys, legal administrators, law marketers, and others interested in developing effective and mutually beneficial partnering relationships. In addition, Ogden is a founding member of the National LawPartneringsSM Council, a newly formed association of law department leaders from companies committed to developing and utilizing partnering business models in providing cost-effective legal services to their internal clients.

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ACCA DOCKET FEATURE

October 2000

Synchronizing Business and Legal Priorities-A Powerful Tool

by John H. Ogden

This article will describe a powerful and dynamic process for dramatically improving the delivery of legal services to a corporation

With the pace of business today and the increasing need for efficiency and cost effectiveness in all corporate endeavors, it is not enough that the legal function merely coordinate its activities with the business. To productively provide the level of service a corporation or business unit requires, the legal function must be totally synchronized with business goals and activities. Only a legal function that is synchronized with the business can fully practice preventive law and respond most effectively when, despite preventive measures, a problem occurs.

What exactly is meant by the term "synchronized" in this context? Among the definitions in Webster's for synchronous is to be "in the same phase." An example from the new economy might be a brick-and-mortar company with a .com element synchronizing its catalog, web, and retail sales/service channels so its customers see a seamless entity.¹ The harmonious sound achieved by a symphony orchestra is the result of a number of professionals, all with different roles, working toward the same goal-literally playing from the same sheet of music. To achieve optimum performance, a corporation's legal function must similarly match its performance with the needs and goals of the enterprise-to get on the same page as the client.

This process is not merely low-key ad hoc coordination but express, highly active (indeed, interactive and proactive) synchronization. Express agreement is reached with whatever level of management is appropriate (for example, corporate, division, general management, functional management, and so on) about the legal elements of significant business activities and their relative importance. In addition to securing the cooperation and support of business colleagues at various levels, this process also helps in managing the legal function. This is particularly true in

setting priorities for resources (time, money, staffing, technology, and so on). Both business and legal leaders should recognize that this process is the same as what our business colleagues do to develop and execute plans for running the business.

Generally, it is a good idea to reduce those understandings to writing. It can begin either with freeform brainstorming between lawyer and businessperson or with a memorandum from the lawyer suggesting what legal issues are central to the business and why. It can be bilateral-the legal function with one business unit-or multilateral-with several (or all) business units represented, along with other key staff functions such as finance, HR, and so on. It can take place periodically (annually or perhaps more frequently) or the full process might take place once, with adjustments occurring as necessitated by changing business conditions or significant changes in the law. Many approaches can yield success in various corporate cultures.² The author will describe what, after several years of fine-tuning, has worked in his corporation.

Before addressing the means and methods of synchronization, it is important to identify the goals. The intermediate goal should be understanding between lawyer and client about the legal elements of important business activities. That understanding should include agreement about identification and prioritization of those issues. The next goal at the beginning of the process should be to optimize corporate performance vis-à-vis legal issues. The ultimate goal, perhaps unachievable since this is a continuous improvement process, is to maximize corporate legal performance.

The synchronization process consists of two elements. The central element is joint issue prioritization, in which business and legal leaders agree upon the relative importance to the enterprise of certain areas of the law. The other element is optimization of the legal function, which consists of two related components: integrating the legal function into the enterprise and developing a common metric lexicon with the business. One element cannot be accomplished without the other. These elements are interrelated and occur in repetitive and/or continuous iterations that can be both parallel and serial. Since joint issue prioritization is the central element of synchronization it will be addressed first.

Joint Issue Prioritization

The most critical part of the synchronization process is joint issue prioritization. A prerequisite is a common understanding between business and legal leaders about the legal aspects of an enterprise's activities. Once this has

been achieved, specific issues or topics can be identified and prioritized. In some instances, this may be straightforward. For example, a company doing business within a regulated industry, such as securities or communications, would set regulatory compliance as a high priority. Indeed, these issues may be so ingrained in the business that the synchronizing process may be fairly quick. The situation with companies in less regulated industries,³ however, may be more nuanced.

During joint issue prioritization, legal topics are categorized as core, key, or other. Although in some instances it may make sense to rank issues within categories (in other words, designate a particular core topic as more important than another) or develop subcategories, for the purposes of this article, the author will only address the three primary categories.

Core issues are defined as areas of the law in which difficulties could affect the enterprise's ability to conduct business in the manner management determines is best. In a core area, it would be expected that agreement between business and legal leadership could be reached such that a major resource commitment would be devoted to preventive law. Certainly the same would be true if and when problems arose. Even if the approach were not "no hold barred" or "cost is no object," certainly the cost side of the cost/benefit equation would have relatively less priority. An example is a securities firm violating important securities laws or regulations.

Key issues are those that do not necessarily have the potential to affect the fundamental conduct of the business but can nonetheless have a serious financial impact on the company. In managing preventive and remedial legal activities associated with key issues, pressure to reduce costs will be greater than in core issues, but the cost would not be emphasized as much as in the "other" category, discussed below. An example of a key issue would be harassment or discrimination. It is highly unlikely that management of any substantial company would adapt a conscious policy of harassment or discrimination, so legal difficulties would not affect the enterprise's ability to conduct business as management determines is best. Significant legal claims in these areas can be very expensive, however, including the cost of defense and judgments or settlements, as well as bad publicity and loss of goodwill among various stakeholders, such as the community, employees, and prospective employees.

The boundary between "core" and "key" can change based on the seriousness of a matter. For example, a consumer goods company with many products geared to an

upscale female market might be adversely affected by a sexual harassment or discrimination suit. A multitude of suits or a class action suit would have the potential of even greater harm.

The category of other is just that: matters that are not "core" or "key." An example of an "other" issue would be non-pattern product liability claims arising from a discontinued product line. As long as sufficient reserves are available for deductibles or self-insurance costs, the cases can be handled as they arise without a need for major emphasis. Identifying and reaching agreement about these areas in advance is useful for dealing with problems and for targeting areas for cutbacks if needed.

Take, for an example, a company or unit of a company that decides its central business strategy will be to develop and license chemical processes to third parties worldwide.⁴ To the extent regulatory approval is needed to operate the pilot plant where the processes are developed, the attorney and lead business executive would most likely have little difficulty deciding that a core area would be securing necessary permits and ensuring compliance. The same would be true for suitable intellectual property protection: patents, trademarks, trade secrets, and so on. What might be less obvious, absent the specific focused discussion that takes place during joint issue prioritization, are the areas of customs law and TSCA (Toxic Substance Control Act) as they apply to overseas customers sending raw materials to the U.S. pilot plant. If there are U.S. and non-U.S. based rival technologies, the legal function would play an important role by assembling the necessary team, chemists, customs specialists, and so on, to address foreign customer needs as quickly or more quickly than the licensors of the rival technology.

A key area, which might not be immediately obvious without the joint issue prioritization process, could be tax. Once the most likely license markets have been identified, issues such as how foreign technology is taxed and various depreciation issues could lead to a combined team of legal, tax, and technical personnel to design technology and license terms addressing such issues generally and/or for specific jurisdictions. The best (and possibly only) means to address such issues is in advance, while they can be influenced. It cannot be done by lawyers alone and must have approval at the necessary level of management to ensure optimum interaction among the functions, hence the need for joint issue prioritization.

Once there is agreement as to what is core and what is key, resource allocation decisions follow. If a problem arises in a core area, it is very useful to be able to decide on short

notice to seek a temporary restraining order against a competitor. Since there has been preagreement on the matter's importance, critical assistance can be assured from business and/or technical personnel who have to be taken off normal assignments to assemble the necessary factual foundation. Similarly, a rapid decision may need to be made to alter a certain business practice due to a potential problem in a core area. This is accomplished most readily if the appropriate legal and business personnel have addressed the subject matter in advance in a noncrisis mode.

It must be stressed that the foregoing categories should not be applied rigidly. Changing operations and/or legal developments may modify the relative importance of issues. Additionally, a particular matter may arise that transcends previously agreed upon categories. For example, a criminal complaint or action by a competitor could bring increased antitrust scrutiny, giving rise to a significant expenditure of resources to interview employees, analyze markets, and so on to confirm that your company was not involved.

Optimization through Integration

Attorneys and the legal function must be as fully integrated as possible into the business. In the synchronization process optimizing through integration is both a cause and effect of joint issue prioritization. Business and legal leaders can be much more effective in jointly prioritizing legal issues if the legal function has been well incorporated into the business processes. Additionally, one of the results of joint issue prioritization is that both business and legal management can agree on the subjects that are appropriate for intensive integration. For example, an attorney should be at virtually every meeting on core issues and invited to all meetings on key issues, with decisions on attendance at particular meetings made jointly by business and legal personnel. For other issues, however, the legal function may need only to be copied on meeting minutes.

There are obviously aspects of practicing law in-house (for example, attorney-client privilege) that differentiate attorneys and their activities from business colleagues and their activities. It is the responsibility of individual attorneys and the legal function in general to ensure the business receives the full benefit of having an in-house legal staff. Naturally, one part of doing this is to rigorously conduct matters in a way that preserves the attorney-client and work product privileges. For purposes of this article such conduct is presumed and will not be addressed further.²

It is just as crucial to take conscious steps toward developing and expanding the commonality between the legal function and the business functions. Simply put, in-house attorneys should view themselves and be viewed by

their clients as businesspeople who specialize in the law just as others specialize in marketing, HR, and other matters. In a well-integrated legal function attorneys understand and can describe corporate goals and activities as well as those of the specific units they represent to the same extent as business colleagues at a similar level in the organization. The need for continuing legal education is well accepted. An in-house attorney should undergo similar continuing education about the business he or she represents. Ideally this is accomplished on both formal and informal levels.

On the formal level, individual attorneys, with support from legal management if and when required, should be invited to general meetings, not only those at which specific legal issues are expected to arise. Attorneys should regularly study company (and competitor) brochures and websites as they apply to their client departments. This should be more than a legal review. The goal should be a comprehensive understanding of the business. If possible, trade show or industry conferences should have attorney attendees. If travel is not possible, ask to sit in on the briefing and debriefing sessions. Additionally, long- and short-term multidiscipline teams are common ways of addressing business issues today. Attorneys should be on such teams whenever appropriate, using a very liberal definition of appropriate.

In addition to formal steps to integrate the legal function and its practices with the corporate mainstream, informal steps are also important. The legal profession is not particularly well liked or respected in America. Corporate America may, on average, be somewhat more accepting (although some companies may be more or less accepting based on how they perceive the legal system has treated them), but it is still important that key individuals with whom corporate attorneys interact come to understand them beyond stereotypes. The more corporate attorneys can be seen as businesspeople who specialize in the law rather than some significantly different kind of person, the better attorneys and corporate clients can productively interact. Informal socializing (for example, joining company sports teams, engaging in casual discussions while traveling, attending after-hours gatherings, and so on) with business colleagues can engender this type of understanding.

The reader may be saying "I'm already too busy, I don't have time for those distractions." It is suggested, however, that such activities would enhance the effectiveness of your practice. A legal function that is well integrated into the business provides the opportunity to practice preventive law, thus decreasing the number of problem issues and allowing for a more orderly practice than constantly putting out fires. A short comment during a staff meeting or team brainstorming session can effectuate a relatively minor and

well-accepted change early in the life of an initiative. If the attorney were not there to make the comment, he or she would instead be scrambling to modify a much more fully developed issue, with buy-in from many quarters, at the eleventh hour. Even worse would be dealing with the repercussions if a program with a legal flaw has been rolled out to the company's customers, and thus its competitors, regulators, stockholders, neighbors, and various other stakeholders.

Optimization through a Common Lexicon: Metrics

An essential means of integrating the legal function into the enterprise and of establishing a foundation for synchronization is to speak the same language as the businesspeople. Typically, this language is quantitative. The legal function should set goals and measure performance to the fullest extent possible, using statistical methodology that is transparent and therefore readily understood inside and outside of the legal department. This should not be limited to merely going through the same capital and expense budgeting process as the other business units. It means aggressively seeking methods of measuring the operation of the legal function in a meaningful way.

The search for such methods must be well considered because many aspects of the law admittedly do not lend themselves to meaningful measurement. The keyword is meaningful. Virtually anything can be measured. Since it is well accepted that there is a strong tendency to perform in accordance with what is being measured, measuring the wrong elements can do more harm than good. A simple example would be hourly rates of retained counsel. If the only measure is the hourly rate, among the negative outcomes could be ineffective representation because the wrong attorney is on the matter and/or no cost savings because more hours would be spent at the lower rate.

Many metrics may be used in a legal department,⁶ but to be used in the synchronization process, a metric must pass a two-part test. First, the metric must measure something that contributes to the effective delivery of legal services. An example would be a fully loaded internal hourly rate compared with retained counsel rates. Second, the metric must be expressed in terms that are meaningful to businesspeople. An example would be the average number of attorneys per billion dollars of sales in the client's industry. It is extremely important for business and legal leadership to agree at the beginning of the synchronization process on the relevance of specific metrics and to jointly decide where the company should be in relation to external norms.⁷

Many possible measurement methods are available and can

be used, customized, or combined to meet the needs of the legal function and its clients. Following are several of the most important benchmarks.⁸

Lawyers per \$1 Billion of Revenue

A much-touted metric in law department management compares the number of lawyers a company has per \$1 billion of the company's revenue to the same figure for companies of the same size, industry, or location. This benchmark calculation normalizes the data per billion dollars of revenue so that companies of all sizes can compare themselves. For example, a \$2 billion company with eight lawyers has four lawyers per billion or \$250 million in revenue per lawyer.

Figure 1, "Lawyers per \$1 Billion," arrays 15 industries according to their weighted average of lawyers per \$1 billion of revenue. The number following the industry name indicates how many companies were in that industry. The length of each bar represents the number of lawyers per \$1 billion of revenue in the industry. Overall, the 1912 lawyers and 211 companies represented in this chart amount to 3.5 lawyers per \$1 billion of revenue (\$54 billion of total revenue).



Figure 1
Lawyers per \$1 Billion of Revenue by Industry (1998)
Source: Morrison, Rees W., "Directory of Corporate Counsel-Special Supplement" 24

Inside Spending Per Lawyer

By contrast, consider in this benchmark the perspective of inside spending per lawyer. Inside spending includes compensation of all forms (except stock options and awards), facilities, equipment, depreciation, and vendor costs (excluding outside counsel costs and patent fees). For example, the median inside spending per lawyer in 1998 for 50 manufacturers was \$274,000.

Fully Loaded Cost per Lawyer Hour

Many law departments compare their own cost, as if their lawyers were to charge their clients an hourly rate sufficient to cover all inside costs, with a comparable figure for outside counsel, a blended rate of all the company's outside lawyers that includes the full amount billed to the company. The inside cost per hour should include similar costs to what law firms must pay, notably rent. Figure 2, "Fully Loaded Hourly Cost per Lawyer," suggests the range of this internal cost.



Figure 2
Fully Loaded Cost per Lawyer Hour (1998)
Source: Op. cit., Chart 16.4.

For the entire group of 3551 lawyers in 70 corporate law departments, a group that excluded government law departments, the weighted average internal cost per lawyer came to \$167 an hour. The median size law department in the group counted 32 lawyers, so these were large departments. The calculation assumed 1850 hours per year of chargeable time.

Outside Counsel Spending Per In-house Lawyer

Approximately half of all spending by a typical law department goes to outside counsel. One benchmark, therefore, normalizes outside counsel spending per lawyer. Figure 3, "Lawyers and Outside Counsel Spending per In-house Lawyer," presents some data on this topic.

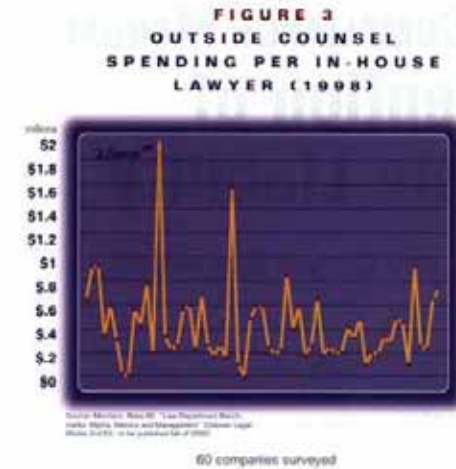


Figure 3
Outside Counsel Spending per In-house Lawyer (1998)
Source: op. cit., Chart 16.4.

In this group, of the 60 law departments that employed at least 10 lawyers, the average spending on outside counsel per inside lawyer was \$471,760. Because two departments stated very high figures, the median figure is much lower: \$350,000.

Ratio of Inside Legal Spending to Outside Counsel Spending

The typical law department spends between 40 and 60 percent of its total budget on its inside costs, with the remainder on outside costs. From a group of approximately 75 law departments, the average ratio of outside counsel spending to inside budget was 1.5 to 1, which amounts to a 60/40 ratio.

Total Legal Spending as a Percentage of Revenue

Total legal spending consists of a law department's

spending for its own costs and its spending on outside counsel. For government and nonprofit law departments, the nearest equivalent to revenue seems to be the budget of the organization.

Figure 4, "Total Legal Spending," divided companies in the data set by revenue, representing the companies that had revenue of more than \$2 billion in 1998. The revenue axis is at the bottom, and the left axis stands for total legal spending in 1998-inside budget and outside counsel spending-per \$1 billion of revenue. The median figure for all the companies was .31 percent of revenue. The weighted figure was .27 percent (\$572 billion of 1998 revenue compared to \$1.56 billion of total legal spending).²



Figure 4
Total Legal Spending per Lawyer-Over \$2 Billion Revenue (1998)
 Source: Morrison, Rees W., "Directory of Corporate Counsel-Special Supplement" 32 (Aspen Law & Business 2000).

Theory in Action/Measured Results

The title of this article identifies synchronization as a powerful tool. The theory has been explained. Following is an actual example of how powerful and dynamic it is in practice.

The author created this method and has used it successfully with two different CEOs. It was developed when a CEO joined the company from Europe. It was his first full-time U.S. posting. Naturally, many elements of U.S. law were

perplexing to an executive with experience operating in the more certain environment of Civil Code jurisdictions. Joint issue prioritization and metrics were excellent vehicles to engender understanding.

The next CEO was an American with whom the author had worked closely for more than 15 years. Synchronization also worked extremely well when joint issue prioritization discussions expanded from important but relatively narrow commercial and intellectual property issues to the full range of legal issues facing the company.

With both CEOs, outside counsel expenses were identified as a key metric, both in terms of the actual costs and as a method of identifying the scope of issues being addressed. Using composites of several studies, industry averages were agreed upon based on company revenue and department size. Intensive and rigorous efforts succeeded in keeping actual expenditures well below those industry averages.

Among the steps taken to reduce costs was the use of part-time attorneys.¹⁰ These attorneys received ongoing specific training in core and key issues as they pertained to the company. The formal and informal integration process was undertaken for and by them. They had company voice mail and email addresses just as staff attorneys would. They were invited to company social functions. They practiced proactive preventive law. Yet, because they were retained and not actually on staff, their costs (substantially lower than traditional outside counsel because of decreased overhead, assurance of billings, and other factors) were included in outside counsel costs.

In Figure 5, average outside legal costs based on department size and company revenue are measured and compared with actual costs. Dramatic actual cost reductions are shown between 1995 and 1998, with a subsequent leveling off to an appropriate percentage of industry averages.





Figure 5

Additionally, several significant trends are depicted in Figure 6 (portions redacted and modified due to the confidential nature of the subject matter). First, overall legal expenses declined significantly from 1998 to 1999. From the point of view of synchronization, an even more significant trend is the steady increase from 24 percent to 52 percent of the amount of expenditures allocated to core and key subjects. To a large extent, Figure 6 shows what synchronization is all about, allocating resources based on the relative impact of legal issues.



Figure 6

In Figure 6, the core and key portions of the chart literally jump out at the reader. It is an extremely powerful means of demonstrating to the attorneys and to the business executives that the company's legal expenditures address to a greater and greater extent those matters that have been jointly agreed as being most important. That, combined, of course, with excellent results achieved through those expenditures, makes for a smooth and effective working relationship in which the right issues can be addressed rather than reacting haphazardly to issues.

Conclusion

Legal problems will arise no matter how much effort has been devoted to preventing them. A legal function that is well integrated into the enterprise is in a strong position to deal with those problems quickly, efficiently, and as proactively as possible. Building an effective partnership between business and legal functions calls for the legal department to match its efforts to business priorities. This effort should move beyond ad hoc coordination to an actual synchronized effort. Once the issues have been prioritized, activities and resource allocation can be managed accordingly, with attention being devoted to issues based on relative importance to the enterprise. Crucial to the effort is the development of meaningful metrics to understand the extent to which legal and business priorities are, in fact, synchronized.

To return to our beginning example of the symphony orchestra, just as the percussion section may be substantially different in function from the woodwinds, the two groups of professionals must operate in accord to produce music rather than cacophony. These musicians and others are working toward the same goal, delineated by the sheet of music. When this organization functions wells, the result is complex, rich, and rewarding. When the legal department operates from the same sheet of music as its clients, the result is also rewarding.

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ACC Annual Meeting

*Session 705: How to measure
the effectiveness / value of the
legal department*

**John H. Ogden
Dennis L. Schoff
Deryl L. Earsom**



ACC Annual Meeting

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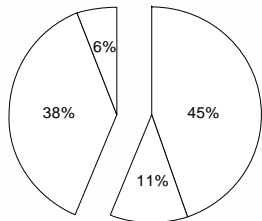
Dennis Schoff
Senior Vice President & General Counsel
Lincoln Financial Group



October 18, 2005

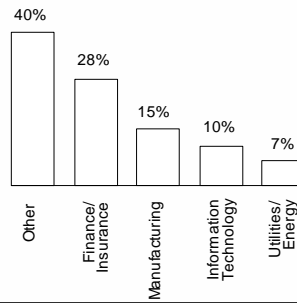
Demographics

Company Size

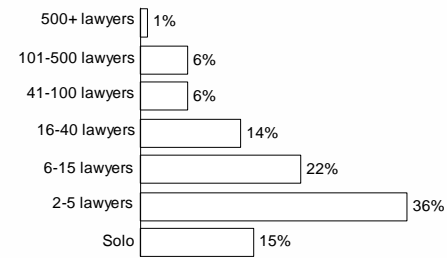


- Publicly-traded >\$500M
- Publicly-traded <\$500M
- Privately-owned >\$100M
- Privately-owned <\$100M

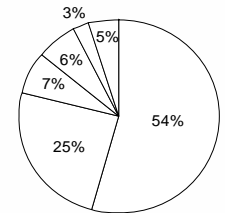
Industry Grouping



Law Department Size



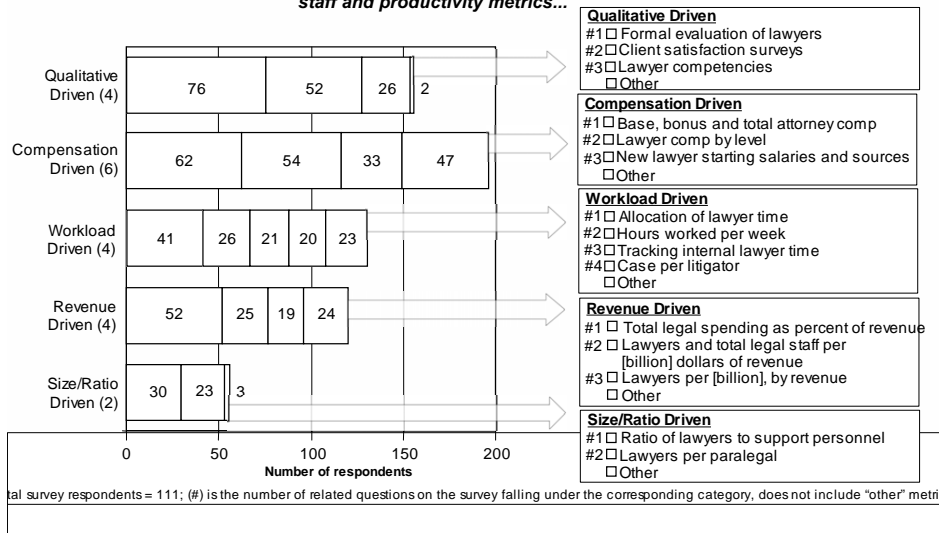
Respondent Position



- Chief Legal Officer/General Counsel
- Assistant/Associate/Deputy General Counsel
- Senior Attorney/Specialty Practice
- Managing Counsel
- Staff Attorney
- Other

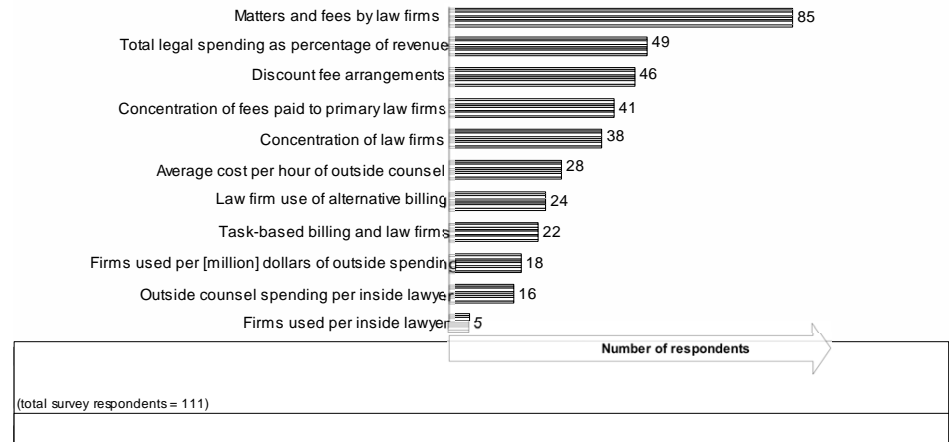
Current Practices: Internal Staff and Productivity Metrics

My company currently tracks the following internal counsel - staff and productivity metrics...



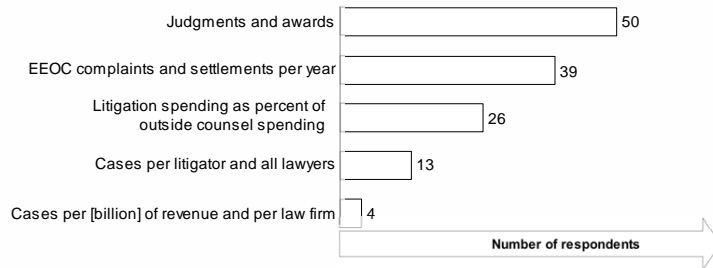
Current Practices: Outside Counsel Metrics

My company currently tracks the following outside counsel metrics...



Current Practices: Litigation Metrics

My company currently tracks the following litigation metrics...



(total survey respondents = 111)

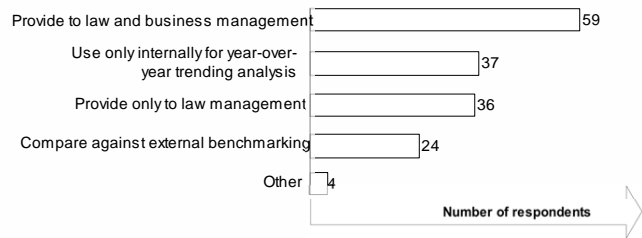
Top Metrics by Law Division Size

Top Metrics by Law Division Size

<u><16 lawyers</u> (81 respondents)	<u>16 - 100 lawyers</u> (22 respondents)	<u>100+ lawyers</u> (8 respondents)
#1 Matters & fees by law firm (outside counsel)	#1 Matters & fees by law firm (outside counsel)	#1 Lawyers, support staff and total legal spending (Administrators/ support staff)
#2 Formal evaluations of lawyers (inside counsel)	#2 Client satisfaction surveys (client relations)	#1 Matters & fees by law firm (outside counsel)
#3 Attorney total compensation (base & bonus) (inside counsel)	#3 Total spending as percent of revenue (outside counsel)	#1 Attorney total compensation (base & bonus)
		#1 Formal evaluations of lawyers (inside counsel)

Current Practices: Metrics Report Usage

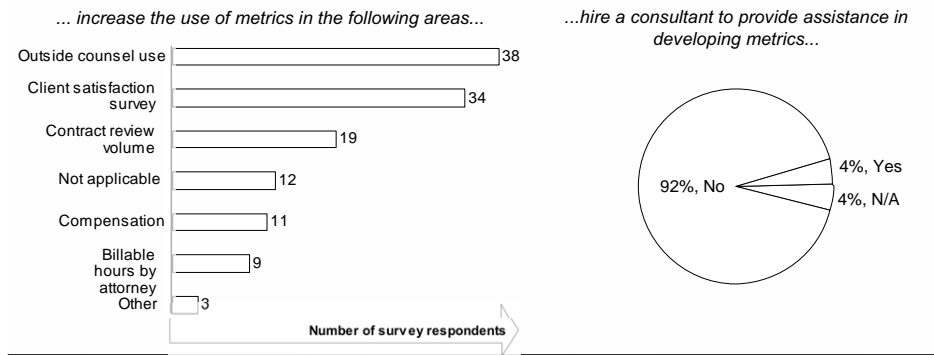
The reports generated by the tracked metrics are used to...



(total survey respondents = 111)

Future Plans

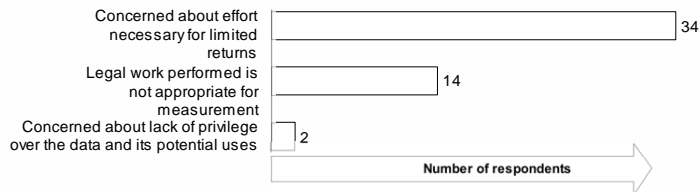
In the next calendar year, we intend to...



(total survey respondents = 111)

Concerns

My company has not put metrics in place because...



(total survey respondents = 111)

PRESENTATION BY JOHN OGDEN
ACC 2005 Annual Meeting
Program 705

How to Measure the Effectiveness/Value of the Legal Department

I. One Current Approach:

SYNCHRONIZATION™

II. The Future – A Robust and Visionary Approach:

THE OPEN LEGAL STANDARDS INITIATIVE

I. One Current Approach:

SYNCHRONIZATION™

A. What Is It?

1. Aligning Legal and Business Priorities

A formal system of ensuring that legal priorities (and therefore, resource allocation) are aligned as closely as possible with business priorities.

2. Preparing Joint Document

Because one of its core elements is effective communication, it is critical that this alignment is set forth in a joint document(s) so that the legal and business functions are “on the same page”.

3. Agree on Metrics

- Agree on metrics in order to use Synchronization© as a dynamic tool.
- Choose the optimum process components for measurement
- Choose appropriate methodology for calculating the metrics
- Prepare set of dashboard indicators which can be used to proactively manage the legal function and retroactively measure the degree of success.

I. One Current Approach:

SYNCHRONIZATION™

4. Summary of Synchronization™

- Formal
- Written
- Measured
- Both Proactive & Retroactive

I. One Current Approach:

SYNCHRONIZATION™

B. Why Use It?**1. Proven Method to “Measure the Effectiveness/Value of the Legal Department”**

- Can measure the value of the entire legal function
- Sample measures: retained counsel and other key suppliers such as independent research experts, web-based transaction data room services and myriad others being managed by in-house attorneys, paralegals, legal department IT professionals etc.

2. Answers the Call for:

- Finding or developing tools which measure value
- Key performance indicators and benchmarking data
- Measurement & tracking tools applicable to individual legal departments

I. One Current Approach:

SYNCHRONIZATION™

C. How Do You Do It?

The quickest answer is to do whatever works in a given setting. Following are specific steps taken in the above described situation. They are described in some detail in the attached article from the October 2000 ACCA Docket “Synchronization of Business and Legal Priorities” by John Ogden.

- Joint Issue Prioritization
- Optimization through Integration
- Optimization through a Common Lexicon: Metrics
- Theory in Action/Measured Results

I. One Current Approach:

SYNCHRONIZATION™

1. Joint Issue Prioritization

As previously mentioned, this is a formal process which includes meetings with appropriate members of senior management, preferably suggested by legal management. The initial goal is to reach agreement concerning a list of general legal issues confronting the corporation [or division etc since this can generally be done for the entire enterprise or e.g. between a Division Counsel and the G.M.]. The next step is to agree upon priorities as follows:

- **Core Issues**
 - **Adverse impact on company**
 - **Could help raise visibility of an issue not intrinsically obvious to management**
 - **Helps avoid or minimize significant problems**
- **Key Issues**
 - **Issues which have the potential of seriously impacting financial health of company through high fines, judgments, etc.**
 - **No clear bright line between Core and Key**
- **Other Issues**
 - **All other issues**
 - **Includes “commodity” and ADR issues**

I. One Current Approach:

SYNCHRONIZATION™

2. Optimization through Integration

Identification and prioritization of issues will be all for naught if the legal department does not operate (and continuously improve) so as to maximize the value of having skilled and well informed attorneys as part of the company in addition to providing first class representation. To accomplish this – in-house attorneys should conduct themselves a businesspeople whose specialty happens to be the law just as others specialize in marketing, IT, finance, HR etc.

I. One Current Approach:

SYNCHRONIZATION™

3. Optimization through a Common Lexicon: Metrics

- The Docket article referenced above describes how these were used in one particular situation as well as industry wide applications.
- Section II of this synopsis contains information about a comprehensive effort currently underway to develop metrics which are both actionable in particular settings and consistent with transparent methodology so as to foster benchmarking data of real value.
- Metrics can be presented in a compelling format which quickly makes an effective point which stays with the audience long after the presentation. See the attached bar graphs, each depicting the same four year period. The graph on the left shows declining legal costs and the one on the right shows increasing percentages being spent on issues jointly agreed as important.

I. One Current Approach:

SYNCHRONIZATION™

4. Theory in Action/Measured Results

Value is produced when the forgoing concepts are vigorously and creatively put into action. We began by noting that Synchronization™ is dynamic and both prospective & retrospective. Highest value is generated when Prioritization & Integration coalesce with Metrics to **define** goals/methods, **direct** ongoing performance & **measure** success.

II. The Future – A Robust and Visionary Approach:

THE OPEN LEGAL STANDARDS INITIATIVE



A. What Is It?

1. **Standards-Setting Body**
Standards-setting body spearheaded by the Corporate Legal Standard, Inc., to develop first ever uniform classification system of:
 - Legal business processes for corporate law departments
 - Metrics for corporate law departments
2. **Led by Industry Experts**
Initiative underway with the assistance of the American Productivity and Quality Center (www.apqc.org) and the Open Legal Standards Panel, an industry panel comprised of leaders in the legal community.
3. **Future Expansion**
Future expansion in process and metrics lists for government legal agencies, law firms and the judiciary.
4. **Leading Industry Survey on Performance Metrics Planned in conjunction with Association of Corporate Counsel**
See sample draft Survey for comment.

II. The Future – A Robust and Visionary Approach:

THE OPEN LEGAL STANDARDS INITIATIVE

B. Why Use It?

1. **Uniform Process and Metrics List Provides Basis for Organized Dialogue on Best Practices**

Uniform Corporate Law Department Business Process Classification System Version 2.0

(Draft Version Dated Aug 7, 2005)

Index of Main Headings

- 1.0 **Handle Legal Matters**
 - 1.1 **Start Legal Matter**
 - 1.2 **Manage Litigation Matters**
 - 1.3 **Manage Transactional Matters**
 - 1.4 **Manage Intellectual Property Assets**
 - 1.5 **Manage Security Interest-Related and UCC Filings**
 - 1.6 **Manage Real Estate Assets**
 - 1.7 **Manage Subsidiaries**
 - 1.8 **Manage Contracts**
 - 1.9 **Manage Corporate Compliance**
 - 1.10 **Manage Audits**
 - 1.11 **Manage Internal Investigations**
 - 1.12 **Manage Employee Compliance Program**
 - 1.13 **Manage Government Inquiries**
 - 1.14 **Manage Crises Management**
 - 1.15 **Manage Opinions of Counsel**
 - 1.16 **Manage Legal Research**

- 2.0 Manage Outside Counsel and Vendors**
 - 2.1 Manage Strategic Partnering and Convergence**
 - 2.2 Manage Alternative Fee Arrangements**
 - 2.3 Manage Invoicing and Bill Review**
 - 2.4 Manage Outsourcing**
- 3.0 Manage Board/Management Matters and Relations**
- 4.0 Manage Company Matters and Relations**
- 5.0 Manage Law Department Operations**
 - 5.1 Managing Law Department Reporting and Metrics**
 - 5.2 Responding to Industry Surveys**
 - 5.3 Engaging in Strategic Planning and Budgeting**
 - 5.4 Managing Law Department Human Resources**
 - 5.5 Engaging in Effective Legal Assistant Utilization**
 - 5.6 Handling CLE/Training**
 - 5.7 Purchasing, Implementing and Using Technology**
 - 5.8 Managing International Law Department Offices**
 - 5.9 Handling General Law Department Matters**
- 6.0 Manage Document Management, Document Retention and Knowledge Management Systems**

For a full copy of the survey, contact Nena Wong at 310-704-6603 or at nwong@corplegalstandard.com. Alternatively it can be accessed at <http://www.corplegalstandard.com/OLSI/RequestSurveyandLists.htm>

II. The Future – A Robust and Visionary Approach:

THE OPEN LEGAL STANDARDS INITIATIVE

2. Addresses Gap in Available Metrics Data

This Survey seeks to address a significant gap in metrics data collected and used in the legal industry.

3. Focus on Performance Metrics

The Survey will focus on performance metrics – metrics that can be used to provide: (1) feedback to guide change, (2) assessment and baseline information, (3) a compelling business case, and/or (4) a diagnostic tool to identify areas for improvement and set priorities.

There are four general types of performance metrics:

- **Cost effectiveness** (e.g., \$6.22 per invoice): these measures tell how well companies manage cost, including allocation of personnel resources.
- **Staff productivity** (e.g., 93 invoices processed per FTE): these measures describe how much output each FTE has produced.
- **Process efficiency** (e.g., 11.2 percent error rate): these measures provide insight into how well procedures and systems are supporting an organization.
- **Cycle time** (e.g., processing time of 3.8 days): these measures describe how long it takes to complete a task.

II. The Future – A Robust and Visionary Approach:

THE OPEN LEGAL STANDARDS INITIATIVE

C. How Is It Done?

1. Survey to Be Launched 1Q 2006

Survey is organized into top 25 lists:

- Top 25 General Law Department Metrics
- Top 25 Law Department Operations Metrics
- Top 25 Litigation Metrics
- Top 25 Non-Litigation Metrics
- Top 25 Intellectual Property Metrics
- Top 25 Knowledge Management Metrics
- Top 55 Compliance Metrics

2. Draft Survey Provided for Comment as to Form and Content

- Provide comments by sending into Flinn Flexer at the Corporate Legal Standard, Inc.:
fflexer@corplegalstandard.com
- Send comments by mail or email to contact info noted in Survey
-

For a full copy of the survey, contact Nena Wong at 310-704-6603 or at nwong@corplegalstandard.com. Alternatively it can be accessed at <http://www.corplegalstandard.com/OLSI/RequestSurveyandLists.htm>

Draft Version Prepared For Participants of the 2005 ACC Annual Meeting

2006 Performance Metrics and Benchmarking Survey

October 2005

An opportunity to shape the way law departments measure performance and utilize benchmarking data to promote improvements in quality, productivity, and efficiency.

Draft Version Prepared for Participants of the 2005 ACC Annual Meeting

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TOP 25 NON-LITIGATION METRICS

TOP 25 INTELLECTUAL PROPERTY METRICS

TOP 25 KNOWLEDGE MANAGEMENT METRICS

TOP 55 COMPLIANCE METRICS

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INTRODUCTION

1.0 Performance Metrics and Benchmarking Survey

1.1 Overview

During 2006, the Open Legal Standards Initiative, in partnership with the Association of Corporate Counsel and The Corporate Legal Standard, Inc., will administer an extensive benchmarking Survey of metrics utilized by General Counsel and other senior counsel to measure performance within the corporate legal department. The framework for the Performance Metrics and Benchmarking Survey ("Survey") is derived from the Open Legal Standard Initiative's Uniform Corporate Law Department Business Process Classification System and its associated Uniform Corporate Law Department Metrics Classification System (collectively, the "Process and Metrics Classification Systems").

The Survey will present an in-depth look at how corporate legal departments manage their activities and measure performance. The Survey results will be segregated by number of employees, revenues, law department size, industry and other relevant factors so that participants can see how they compare against a global sample, as well as peers.

This Survey seeks to address a significant gap in metrics data collected and used in the legal industry by:

- Collecting data that will inform the Open Legal Standard Initiative's uniform list of key performance metrics for managing corporate legal departments;
- Benchmarking performance metrics to promote increases in quality, productivity and efficiency in the management of corporate legal departments.

The performance-related metrics are also tied directly to the business process classification system developed by the Open Legal Standards Initiative. This system, in turn, is tied to the business process classification system used by many companies (APQC Process Classification Framework). This allows law departments to be better aligned with the companies they serve.

Creating and organizing law department metrics around performance categories will help law departments apply operations and strategic management principles to in-house law practice management.

1.2 ACC Annual Meeting Participants – Feedback Wanted

The Open Legal Standards Initiative intends to distribute the Survey in the first quarter of 2006 to approximately 2,000 corporate legal departments in the United States. Upon collecting and analyzing the Survey results, the Open Legal Standards Initiative will publish a report of its findings.

At this juncture, the Survey is in draft form. Prior to finalizing the development of the Survey, we are asking for your assistance. Specifically, we are seeking feedback to help ensure that the Survey achieves the Open Legal Standards Initiative's objectives of:

- Developing a uniform list of performance metrics that are most relevant to corporate legal departments; and
- Offering benchmarking information related to this list that can help facilitate increases in quality, productivity and efficiency in the management of corporate legal departments.

As you will see below, this Survey is organized into the following categories:

- Demographic Information
- Top 25 General Law Department Metrics
- Top 25 Law Department Operations Metrics
- Top 25 Litigation Metrics
- Top 25 Non-Litigation Metrics

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- Top 25 Intellectual Property Metrics
- Top 25 Knowledge Management Metrics
- Top 55 Compliance Metrics

Each "Top 25" suggested list of performance metrics is classified by type of metric, and asks you for feedback as to the following:

- Level of Importance to the Corporate Legal Department
- Corporate Legal Department's Ability to Measure the Metric

We greatly appreciate any feedback you are able to provide.

NOTE: If particular sections or questions are not relevant to your experience or position, please do not feel obliged to provide feedback to those sections or questions.

2.0 Methodology for Metrics

After the Open Legal Standards Initiative obtains industry feedback on the list of relevant key performance indicators to be included in a benchmarking Survey, the Initiative will also develop appropriate definitions, calculation formulas, explanatory guidelines, and recommended standardized methodologies for gathering the necessary data. This allows organizations to benchmark against consistently defined and measured data for more accurate comparisons.

2.1 About Performance Metrics

The Survey will focus on performance metrics – metrics that can be used to provide: (1) feedback to guide change, (2) assessment and baseline information, (3) a compelling business case, and/or (4) a diagnostic tool to identify areas for improvement and set priorities.

There are four general types of performance metrics:

- **Cost effectiveness** (e.g., \$6.22 per invoice): these measures tell how well companies manage cost, including allocation of personnel resources.
- **Staff productivity** (e.g., 93 invoices processed per FTE): these measures describe how much output each FTE has produced.
- **Process efficiency** (e.g., 11.2 percent error rate): these measures provide insight into how well procedures and systems are supporting an organization.
- **Cycle time** (e.g., processing time of 3.8 days): these measures describe how long it takes to complete a task.

2.2 About Key Performance Indicators

Groupings of Key Performance Indicators (KPIs) are also known as dashboards. Dashboards provide insights into business performance in a snapshot and provide a high-level understanding of how a business is performing.

The proposed KPIs are structured into the following relevant dashboard groupings:

- **General Top 25 KPIs:** listing KPIs that the Initiative encourages all law departments to track; and
- **Specialized Top 25 KPIs:** listing KPIs in several specialized areas that law departments are encouraged to track if relevant to their needs (law department operations, litigation, non-litigation, intellectual property, knowledge management, and compliance). Given the role of compliance, we've include the Top 55 instead of Top 25 metrics.

Although there are many bases for choosing relevant KPIs, the Open Legal Standards Initiative is focusing on "performance-metrics" KPIs, that is, metrics that drive the desired increases in quality, productivity and efficiency that law departments are increasingly

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interested in seeking. The Initiative is opting for a KPI approach over a more detailed "drill-down" into the numerous supporting performance indicators and data points that can be measured for more detailed segments of the Process and Metrics Classification Systems in order to encourage the broadest level of response and, as such, to generate more helpful data for benchmarking purposes.

2.3 Developing Common Definitions and Methodologies for Metrics

Effective "apples to apples" and "oranges to oranges" benchmarking comparisons require common measurement approaches. The final version of the Survey will contain, where relevant: (1) definitions of appropriate terms; (2) consistent formulas for calculating KPIs, (3) guidance on the utility of the particular KPI, and (4) suggested standardized methodologies for collecting and tracking metrics data.

The Initiative is mindful that certain metrics, although highly useful, may be difficult to measure and track. Accordingly, if in the process of identifying methodologies the Open Legal Standards Initiative determines that the cost of tracking a particular metric outweighs its usefulness, the Open Legal Standards Initiative may recommend against including that metric in the proposed KPIs.

2.4 A Word About Measuring Quality

Defining consistent criteria for measuring quality in the execution of legal service delivery and departmental operational activities is a difficult task. The Open Legal Standards Initiative has received feedback about concerns over including KPIs that would be subjective in nature. Accordingly, select KPIs have been included that in effect measure quality, but do so in an objective way. For example, instead of a measure that directly goes to satisfaction ratings (which may largely not exist in areas like proactive delivery of legal advice), we have normalized the KPI to measure the degree to which the department is meeting the client satisfaction targets it has set for itself. In this way, there is flexibility, but also, there is a degree of comparability. Since there is no distinct category for "quality" in the metric types, "quality" focused metrics have been classified as process efficiency metrics as these metrics really measure efficacy of the process.

3.0 Acknowledgements and Thanks

The Open Legal Standards Initiative thanks you for providing feedback to help ensure that the form and content of the Survey expected to be release in early 2006 addresses your organization's metrics and benchmarking needs.

The Open Legal Standards Initiative also thanks the Association of Corporate Counsel for supporting this important initiative and providing the Open Legal Standards Initiative this opportunity to solicit comments on how to make this Survey better. The Open Legal Standards Initiative also thanks Moderator Deryl Earsom along with faculty members John Ogden & Dennis Schoff for including a discussion of the Survey in Session 705 of the 2005 ACC Annual Meeting in order to obtain valuable feedback from participants as to how the form and content of the Survey should be structured to address the needs of the corporate legal community.

The Open Legal Standards Initiative extends its appreciation to and wishes to acknowledge that the KPIs in the Compliance segment of this Survey arise from the work of the Open Compliance and Ethics Group (OCEG). OCEG is a not-for-profit organization that provides a framework (the "OCEG Framework") for integrating governance, compliance, risk management, and integrity into the tangible practice of everyday business; drives adoption of the OCEG Framework through a multi-industry, multidisciplinary coalition; and provides a community of practice for the exchange of information, tools, benchmarking and feedback for continual improvement of the Framework. For more information on OCEG and the OCEG Framework, visit www.oceg.org.

The Open Legal Standards Initiative looks forward to further collaboration with OCEG going forward and appreciates its collaboration on the Compliance Section of this Survey,

In addition, the Open Legal Standards Initiative wishes to thank The University of Florida, PricewaterhouseCoopers, and Legal Research Center, Inc. for their contribution of the Survey questions from the 2003 PricewaterhouseCoopers – Legal Research Center Knowledge Management Survey as potential source material for KPIs.

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Lastly, we would like to acknowledge all of the Open Legal Standards Initiative individual members and organizations that have contributed key comments and proposed metrics to this Survey and thank the Corporate Legal Standard, Inc. for its administration of this Survey.

4.0 Providing Feedback on Survey Form and Content

The following tables provide candidate metrics for the final top 25 metrics to be chosen in each category. Please provide feedback as to the value of each metric and suggestions for additional metrics of value to you.

If you have any questions regarding the OLSI or the Survey, please contact Flinn Flexer, Survey Committee Chair of the Open Legal Standards Initiative. You may also submit comments about the Survey to his attention at the following address:

Flinn Flexer
 VP, Strategy and Business Development
 The Corporate Legal Standard, Inc.
 6080 Center Drive, Suite 600
 Los Angeles, CA 90045
 Direct Line: (310) 270-6679
 Email Address: flexer@corplegalstandard.com
 Web site: www.corplegalstandard.com

Electronic copies of the Survey are also available at www.corplegalstandard.com/OLSI/MetricsSurvey.

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DEMOGRAPHIC INFORMATION

1. Which of the following best describes your company or organization? (please check all that apply)

- Publicly-Traded Privately-Held Non-Profit
- U.S. Headquarters Europe Headquarters Other Headquarters

2. If a for-profit company, how much revenue did your company generate in the last calendar year?

- <\$1 Billion \$1-2 Billion \$2-5 Billion \$5-10 Billion > \$10 Billion

3. How many fulltime employees are in your company or organization?

- < 2,500 2,501-5,000 5,001-10,000 10,001-20,000 > 20,000

4. Which of the following categories best describes your industry? (please check all that apply)

- Manufacturing Food & Beverage Insurance Tech/Software
- Services Medical Services Media/Entertainment Tech/Hardware
- Aerospace Pharmaceutical Construction Tech/Services
- Automotive Biotechnology Real Estate Telecom
- Chemicals Medical Products Retail Textiles
- Electronics Professional Services E-Commerce Diversified
- Energy Financial Services Internet Services Other

5. In which of the following regions does your company or organization have offices?

- North America Europe Asia
- South America Africa Australia

6. How many employees do you have in your legal department?

- < 10 11-25 26-50 51-100 101-200 201-300 >300

7. How many attorneys do you have in your legal department?

- < 5 6-10 11-25 25-50 51-100 101-200 >201

8. How many staff do you have in your legal department?

- < 5 6-10 11-25 25-50 51-100 101-200 >201

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TOP 25 GENERAL LAW DEPARTMENT METRICS

No.	Metric	Type of Metric*	Importance of Metric (5 is highest)	Ability to Measure Metric
1	Time to resolve/conclude matter (transactions)	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
2	Time to resolve/conclude matter (disputes)	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
3	Percentage of disputed matters resolved by ADR	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
4	Law-related total expense relative to corporate revenues	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
5	Cost to resolve matter (excluding liability)	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
6	Percentage of matters for which budget prepared	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
7	Percentage of matters handled under alternative fee arrangements	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
8	Percentage of budgeted matters handled within budget	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
9	Percentage of matters handled entirely consistently with established law department procedures	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
10	Ratio of cost of legal research conducted by outsourcing firms as compared to law firms	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
11	Ratio of cost of legal research conducted internally as compared to externally	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
12	Percentage of client reviews that rank as "very satisfied" or equivalent	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
13	Percentage of time devoted to review and improvement of existing practices and procedures (time approximations okay for departments that do not report time)	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
14	Geographic dispersion of law-related costs as compared to geographic dispersion of company revenues	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
15	Ratio of time devoted to substantive legal matters as compared to operational and administrative tasks (time approximations okay for departments that do not report time)	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
16	Percentage of matters for which prior work product located and applied	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
17	Ratio of non-management in-house attorneys to in-house management attorneys	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
18	Percentage of law firm invoices processed without question by in-house lawyer or law firm and within budget	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
19	Percentage of transactions closed with no unscheduled post-closing items	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
20	Average cost to resolve matter (law-firm specific)	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
21	Outside legal expense per in-house attorney	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
22	Percentage of in-house time devoted to counseling/proactive risk-reduction efforts (time approximations okay for departments that do not report time)	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
23	Percentage of cost of resolving a matter associated with non-professional staff time (time approximations okay for departments that do not report time)	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure

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24	Ratio of time devoted to strategic planning to time devoted to specific liability matters (time approximations okay for departments that do not report time)	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
25	Technology-related expense as percentage of law-related expense	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
26	Percentage of matters handled purely by means of data- and information-sharing extranet (excluding self-contained communications with outside counsel and other parties, like phone calls and letters)	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
27	Suggest other metrics:			

* Types of Metrics: Cycle Time (CT); Productivity (P); Process Efficiency (PE); and Cost (C)

TOP 25 LAW DEPARTMENT OPERATIONS METRICS

No.	Metric	Type of Metric*	Importance of Metric (5 is highest)	Ability to Measure Metric
1	Law department's total budget	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
2	Law department's total fees for outside counsel	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
3	Law department's total fees for outside legal vendors and suppliers (excluding law firms)	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
4	Law department's total budget on compensation/benefits/bonuses	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
5	Law-related expense as percentage of total revenue	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
6	Inside expense as percentage of total expense	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
7	Inside expense as percentage of total revenue	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
8	Expense of temporary staffing	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
9	Outsourcing expenses (excluding outside law firms and temporary staffing)	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
10	Total liability of matters handled by law department	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
11	Budget to actual internal and external expenses ratio	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
12	Average time to respond to company request for legal advice/work product	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
13	Allocation of law department attorney time spent on following matters: Corporate governance, strategic business planning, risk management, overseeing outside counsel, compliance/ethics training, lobbying, managing litigation, learning the business, managing law department operations, providing legal counsel	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
14	Ratio of law department business processes undergoing automation/business processing reengineering/Six Sigma-TQM-other quality improvement	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure

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15	Ratio of law department FTE time spent on preventive/training versus other legal matters	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
16	Ratio of legal work awarded through competitive bidding versus non-competitive bidding	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
17	Technology spending per law department FTE	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
18	Training spending per law department FTE	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
19	Number of matters handled per attorney	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
20	Number of matters handled per paralegal/legal assistant	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
21	Legal invoices processed per accounts payable FTE	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
22	Remittances processed per accounts receivable FTE	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
23	Cost per invoice	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
24	Cost per remittance	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
25	Average time to process each legal invoice	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
26	Suggest other metrics:			

* Types of Metrics: Cycle Time (CT); Productivity (P); Process Efficiency (PE); and Cost (C)

TOP 25 LITIGATION METRICS

No.	Metric	Type of Metric*	Importance of Metric (5 is highest)	Ability to Measure Metric
1	Average cost to litigate each lawsuit internally	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
2	Average cost to litigate each lawsuit with outside counsel	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
3	Average cost to litigate each lawsuit using alternative fee arrangement with outside counsel	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
4	Average cost to litigate lawsuit using alternative dispute resolution	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
5	Average cycle time to handle each lawsuit internally	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
6	Average cycle time to handle each lawsuit through outside counsel	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
7	Average cycle time to handle each lawsuit using alternative dispute resolution	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
8	Average number of internal hours billed for each lawsuit	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
9	Average number of outside counsel hours billed for each lawsuit	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
10	Average number of cases handled by each law department attorney	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
11	Average number of cases handled by each law department legal assistant	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
12	Ratio of hours spent per lawsuit by law departments attorneys compared to law department legal assistants	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure

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13	Ratio of hours spent per lawsuit by outside law firm attorneys compared to outside law firm legal assistants	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
14	Pre-discovery resolution rate of lawsuits handled internally	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
15	Pre-trial resolution rate of lawsuits handled internally	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
16	Pre-discovery resolution rate of lawsuits handled by outside counsel	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
17	Pre-trial resolution rate of lawsuits handled by outside counsel	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
18	Pre-trial resolution rate of lawsuits handled through alternative dispute resolution	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
19	Average budget to actual legal expense ratio per lawsuit handled by outside counsel	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
20	Average cost of legal research for each lawsuit (for matters handled internally)	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
21	Average cost of discovery for each lawsuit (for matters handled internally)	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
22	Average cost of trial for each lawsuit (matter handled internally)	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
23	Average cost of legal research for each lawsuit (for matters through outside counsel)	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
24	Average cost of discovery for each lawsuit (for matters handled through outside counsel)	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
25	Average cost of trial for each lawsuit (matter handled through outside counsel)	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
26	Suggest other metrics:			

* Types of Metrics: Cycle Time (CT); Productivity (P); Process Efficiency (PE); and Cost (C)

TOP 25 NON-LITIGATION METRICS

No.	Metric	Type of Metric*	Importance of Metric (5 is highest)	Ability to Measure Metric
1	Average number of general corporate matters per attorney for matters handled internally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
2	Average number of hours per general corporate matter per attorney for matters handled internally	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
3	Average number of general corporate matters per legal assistant for matters handled internally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
4	Average number of hours per general corporate matter per legal assistant for matters handled internally	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
5	Average number of general corporate matters per attorney for matters handled externally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure

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6	Average number of hours per general corporate matter per attorney for matters handled externally	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
7	Average number of general corporate matters per legal assistant for matters handled externally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
8	Average number of hours per general corporate matter per legal assistant for matters handled externally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
9	Ratio of amount budgeted for general corporate matters versus actual costs	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
10	Ratio of hours spent per general corporate matter by attorneys compared to legal assistants for matters handled internally	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
11	Ratio of hours spent per general corporate matter by attorneys compared to legal assistants for matters handled externally	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
12	Average number of transactional matters per attorney for matters handled internally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
13	Average number of hours per transactional matter per attorney for matters handled internally	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
14	Average number of transactional matters per legal assistant for matters handled internally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
15	Average number of hours per transactional matter per legal assistant for matters handled internally	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
16	Average number of transactional matters per responsible attorney for matters handled externally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
17	Average number of hours per transactional matter per attorney for matters handled externally	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
18	Average number of transactional matters per legal assistant for matters handled externally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
19	Average number of hours per transactional matter per legal assistant for matters handled externally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
20	Ratio of amount budgeted for transactional matters versus actual costs	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
21	Ratio of hours spent per transactional matter by attorneys compared to legal assistants for matters handled internally	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
22	Ratio of hours spent per transactional matter by attorneys compared to legal assistants for matters handled externally	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
23	Total number of transactional matters per attorney for matters handled internally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
24	Total number of transactional matters per attorney for matters handled externally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
25	Total number of general corporate matters per attorney for matters handled internally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
26	Total number of general corporate matters per attorney for matters handled externally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
27	Suggest other metrics:			

* Types of Metrics: Cycle Time (CT); Productivity (P); Process Efficiency (PE); and Cost (CT)

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TOP 25 INTELLECTUAL PROPERTY METRICS

No.	Metric	Type of Metric*	Importance of Metric (5 is highest)	Ability to Measure Metric
1	Average cost per filing to handle filings and registrations internally	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
2	Total cost to handle filings internally	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
3	Total cost to manage intellectual property assets internally	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
4	Total number of filings per responsible attorney handled internally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
5	Total number of filings per responsible legal assistant handled internally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
6	Average number of filings per responsible attorney for filings handled internally	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
7	Average number of filings per responsible per legal assistant for filings handled internally	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
8	Total number of hours to manage intellectual property assets internally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
9	Total number of hours to manage intellectual property assets externally	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
10	Ratio of amount budgeted for filings versus actual costs	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
11	Ratio of filings and registrations versus those issued	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
12	Average number of hours per filing per attorney to handle internally	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
13	Average number of hours per filing per legal assistant to handle internally	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
14	Average cost per filing to handle filings externally using standard billing arrangements	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
15	Average cost per filing to handle filings externally using alternative fee arrangements	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
16	Total cost to handle filings externally	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
17	Average number of hours per filing per responsible attorney for filings handled externally	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
18	Average number of hours per filing per responsible legal assistant for filings/registrations handled externally	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
19	Ratio of costs of patent filings under alternative fee arrangements and those of under standard hourly billing arrangements	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
20	Total number of patents filed last year	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
21	Total number of patents issued filed last year	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
22	Total number of trademark registrations filed	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
23	Total number of trademark registrations issued	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
24	Total number of copyright registrations filed	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
25	Total number of copyright registrations issued	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
26	Ratio of hours spent per intellectual property matter by attorneys compared to legal assistants for matters handled internally	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
27	Ratio of hours spent per intellectual property matter by attorneys compared to legal assistants for matters handled externally	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure

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28	Suggest other metrics:			
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* Types of Metrics: Cycle Time (CT); Productivity (P); Process Efficiency (PE); and Cost (C)

TOP 25 KNOWLEDGE MANAGEMENT METRICS

No.	Metric	Type of Metric*	Importance of Metric (5 is highest)	Ability to Measure Metric
1	Average cost of maintenance of each knowledge object (across all types of knowledge objects)** need to define elements of cost – applies to all cost questions	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
2	Average cost of development of each knowledge object (across all types of knowledge objects)	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
3	Average cycle time expended transforming a nominated knowledge object into an approved and published knowledge object	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
4	Average cycle time expended between nomination of a knowledge object and approval/rejection of that object for inclusion in the knowledge repository(ies)	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
5	Annual growth rate of published knowledge objects	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
6	Percentage of nominated objects transformed into published knowledge objects	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
7	Percentage of instances where a customer completes a favorable survey on the value of the knowledge object	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
8	Percentage of knowledge management staff meeting annual continuing education/certification targets	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
9	Volume of unique published knowledge objects across knowledge repositories	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
10	Percentage of employees meeting individual knowledge contribution measures	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
11	Average cycle time for establishing a new knowledge repository or system	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
12	Percentage of legal matters that receive a KM-specific post-mortem review	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
13	Cost of dedicated legal department KM staff relative to total legal department staff expense	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
14	Cost of dedicated law department KM lawyers relative to total legal department lawyer staff expense	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
15	Cost of dedicated KM technology relative to total technology expense	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
16	Percentage of employees that meet targets for individual use of formal KM systems	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure

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17	Percentage of matters in which formal KM resources have been used (Need to define whether KM resources are people and/or objects)	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
18	Average age of documents in KM collection	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
19	Frequency with which documents in KM repository(ies) are checked for continuing applicability and accuracy	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
20	How quickly can lawyers locate relevant prior work product or expertise	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
21	With what level of accuracy can lawyers locate relevant prior work product or expertise (how likely is it that they will miss relevant results)	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
22	Percentage of matters that involve repetitive as opposed to unique issues or processes	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
23	Estimated dollar savings through use of knowledge objects	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
24	Estimated time savings through use of knowledge objects	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
25	Estimated quality improvement percentage through use of knowledge objects	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
26	Percentage of time each lawyer in the department is expected to dedicate to KM activities	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
27	Percentage of individual lawyer evaluation that is based on KM participation	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
28	Suggest other metrics:			

* Types of Metrics: Cycle Time (CT); Productivity (P); Process Efficiency (PE); and Cost (C)

TOP 55 COMPLIANCE METRICS¹

No.	Metric	Type of Metric*	Importance of Metric (5 is highest)	Ability to Measure Metric
GENERAL				
1	Total budget for the compliance/ethics program (per employee, and as a percentage of revenue, operating costs, operating cash flow and market capitalization)	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
2	Direct FTEs assigned to the compliance/ethics program as a percentage of workforce	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
3	Indirect FTEs with substantial compliance/ethics responsibilities (greater than 10 hours per week) as a percentage of the workforce	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure

¹ © OCEG, 2005 – Compliance Metrics were provided by the Open Compliance & Ethics Group (OCEG) and are part of the OCEG Foundation Guidelines (Beta Version Published May, 2005). A complete library of metrics can be found at www.oceg.org.

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No.	Metric	Type of Metric*	Importance of Metric (5 is highest)	Ability to Measure Metric
	PREVENT (metrics that help determine how well the compliance program prevents noncompliance)			
4	Total number of laws, rules and regulations that apply to the entity	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
5	Total number of related key risks (by inherent likelihood and impact)		_5 _4 _3 _2 _1	__Able __Not Able __Unsure
6	Total Value at Risk (by geography, business unity, and department)	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
7	Percentage of workforce that receives Code of Conduct	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
8	Percentage of workforce that confirms understanding of Code of Conduct	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
9	Percentage of workforce that is tested to confirm understanding of Code of Conduct	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
10	Cycle time to distribute the Code of Conduct to confirmation of understanding	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
11	Spend per employee for compliance/ethics training (by subject area, geography, department, job family, and level of employee)	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
12	Total hours of compliance/ethics training (by subject area, geography, department, job family, and level of employee)	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
13	Percentage of workforce trained regarding compliance/ethics responsibilities (by geography, department, job family, and level of employee)	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
14	Cycle time to train workforce (by geography, department, job family, and level of employee)	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
15	Percentage of workforce that have compensation incentives aligned with compliance/ethics objectives	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
16	Percentage of workforce that have performance evaluation incentives aligned with compliance/ethics objectives	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
17	Percentage of workforce that used the helpline to guide future behavior	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
18	Percentage of workforce that understands how to use the hotline/helpline	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
19	Percentage controls that are appropriately designed (as determined by an internal audit of the program)	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
20	Percentage controls that are appropriately designed (as determined by an external audit of the program)	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
21	Percentage controls that operate as designed (as determined by an internal audit of the program)	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
22	Percentage controls that operate as designed (as determined by an external audit of the program)	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
23	Percentage of workforce that believes the company is compliant/ethical	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
24	Percentage of workforce that believes executive management is compliant/ethical	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
25	Percentage of workforce that believes supervisor is compliant/ethical	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
26	Percentage of workforce that believe peers are compliant/ethical	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure

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No.	Metric	Type of Metric*	Importance of Metric (5 is highest)	Ability to Measure Metric
27	Percentage of workforce that believes the company wants them to "do the right thing"	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
28	Percentage of workforce that believes there is an open environment to raise issues and questions	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
	DETECT/MONITOR (metrics that help determine how well the compliance program detects noncompliance)			
29	Spend to operate hotline/helpline / total number of calls	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
30	Spend to operate hotline/helpline / total confirmed incidents	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
31	Number of hotline/helpline calls (by type of allegation, severity, geography, department and level of employee) per employee	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
32	Percentage of hotline calls that are confirmed as incidents (by type of allegation, severity, geography, department, and level of employee)	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
33	Percentage of hotline calls that are false positives (by type of allegation, severity, geography, department, and level of employee)	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
34	Cycle time from hotline/helpline call to confirmation of incident (by type of allegation)	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
35	Number of incidents initiated by government entity (by type of allegation, source government entity)	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
36	Number of incidents initiated by non-government legal action (by type of allegation, source entity)	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
37	Percentage of external incidents that should have been detected via internal mechanisms (by type of allegation, source entity)	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
38	Percentage controls that are triggered (by risk area type; e.g., money laundering, insider trading, etc.) by ongoing monitoring	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
39	Number of incidents discovered via internal audit of the program (by type of incident, department and geography)	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
40	Number of incidents discovered via external audit of the program (by type of incident, department, and geography)	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
41	Spend to conduct an internal evaluation / total number of controls tested	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
42	Spend to conduct an external evaluation / total number of controls tested	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
43	Percentage of workforce that has observed misconduct	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
44	Percentage of those who observe misconduct that do not report (and why)	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
45	Percentage workforce that believes wrong-doing is detected	PE	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
	REACT/REMEDIATE (metrics that help to determine how well the compliance program reacts to noncompliance)			
46	Cycle time from begin investigation to resolution of incident (by type of allegation)	CT	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
47	Resolution rate of incidents (by type of allegation)	P	_5 _4 _3 _2 _1	__Able __Not Able __Unsure
48	Spend in costs per investigation to resolve an incident (by type of allegation, internal/external consultant costs, litigation costs, fines/penalties)	C	_5 _4 _3 _2 _1	__Able __Not Able __Unsure

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No.	Metric	Type of Metric*	Importance of Metric (5 is highest)	Ability to Measure Metric
49	Spend in costs due to incidents (including all investigation costs, litigation costs, fines/penalties) as a percentage of revenue, operating costs, operating cash flow and market capitalization	C	_5 _4 _3 _2 _1	_Able _Not Able _Unsure
50	Estimated spend in business interruption (including debarment)	C	_5 _4 _3 _2 _1	_Able _Not Able _Unsure
51	Estimated spend in reputational damage (including lost sales, market capitalization affected)	C	_5 _4 _3 _2 _1	_Able _Not Able _Unsure
52	Percentage resolutions that involve changes to the program (by magnitude of change)	PE	_5 _4 _3 _2 _1	_Able _Not Able _Unsure
53	Percentage resolutions that involved employee discipline (by type of discipline including terminations)	PE	_5 _4 _3 _2 _1	_Able _Not Able _Unsure
54	Percentage workforce that believes detected wrong-doing is punished	PE	_5 _4 _3 _2 _1	_Able _Not Able _Unsure
55	Percentage workforce that believes punishment is adequate	PE	_5 _4 _3 _2 _1	_Able _Not Able _Unsure
56	Suggest Other Metrics:			

* Types of Metrics: Cycle Time (CT); Productivity (P); Process Efficiency (PE); and Cost (C)