

In his previous job, Trevor Faure's legal team was overworked and under-resourced, and spent too much time on relatively minor commercial matters responding to managers' urgency pleas. Sound familiar?

As head of Tyco's European legal group, Faure was certainly bold, famously cutting the number of law firms from 280 to just one. Media in-

rise from 2/10 to 9.5/10, and client satisfaction increase 20-30 percent, as costs fell 20 percent.

Using a new triangulation of (a) coverage/compliance/client satisfaction, (b) headcount (measured with industry metrics such as lawyers per billion-dollar revenue), and (c) costs (with several distinctive elements), any legal team can assess its posi-

framework. Making sure that lawyers achieve their potential improves motivation and makes it easier to prove their value to the business; and demonstrate when more headcount is needed or cuts should not be made.

- No "one size fits all" answers — with tools for legal teams to analyze their own situations.
- Drawn directly from practical experience rather than theory, which adds force to messages about the value of the legal function. Consultants can create vast spreadsheets detailing every cost, yet the combination of the usual cost of providing legal services, plus the cost of *failing* adequately to do so (e.g., regulatory fines and indemnity payments), resonates with any CEO.

The Smarter Legal Model: More From Less

BY RON POL

terest in that initiative risks overshadowing that this was only a small part of a broader exercise, since dubbed The Smarter Legal Model.¹

More from less

Unlike change initiatives and management consulting engagements that focus on specific areas (e.g., law firm engagement processes, legal department structures, the optimal in-house/outside mix, etc.), Faure examined the *entire* role of lawyers in any modern enterprise.

He illustrated how lawyers impact every element of a company's ability to generate a return on investment, from revenue to costs, and demonstrated the legal team's value against the organization's core activities.

The goal was equally expansive: to increase legal coverage (doing what needs to be done), improve legal compliance, and increase client satisfaction — all for less cost. With headcount unchanged, Faure's results saw legal coverage increase by 50 percent, independent governance metrics

tion. This configuration illustrates the pinnacle of what needs to be achieved, and the key drivers affecting the team's results.

Ironically, the best way for modern in-house counsel to avoid the procurement squeeze is to join the budgetary conversation.

Other defining features include:

- Diagrams that assimilate the usual individual analyses, such as stakeholder needs and challenges assessments, into a balanced picture across the wider legal function.
- A holistic focus on numbers *and* people, including key personality components and a detailed performance review

And that's the point. The traditional approach of law as an art, science or profession — and the implication that budgets are merely a guide — is over. Good legal management is all of those, yet prolonging the debate about legal being "different" — somehow incapable of applying the rigour in every other part of the business — is a prescription for irrelevance.

The trick then is not to wait for the request to reduce legal costs by [insert random percentage], which simply confirms such arguments have fallen on deaf ears as the business applies the same procurement process to the legal function as to other "commoditized" services.

Ironically, the best way for modern in-house counsel to avoid the procurement squeeze is to join the budgetary conversation. Use key business



RON POL is past president of New Zealand's Corporate Lawyers' Association, acting general counsel for public and private organizations, and advises legal departments and law firms. He welcomes comments at ronald.pol@teamfactors.com.

techniques proactively demonstrating the value of the legal function in such a way that can obviate the need for outside control.

Value: Define, measure, analyze, improve

And that's another key point. Faure reiterates the adage "If you can't measure it, you can't manage it." Yet it's not enough to measure and monitor the cost base and follow leading metrics to benchmark progress, as many legal departments now do well.

A more sophisticated analysis illustrates the *value* of the legal function, which can also be done more expressively than through the usual thicket of words and figures; in my own experience, this involves the development of a series of "dashboards."

Using the above example — illustrating actual costs and the cost of *not* obtaining or following legal ad-

vice — makes chief executives think in terms of cost *and* revenue. Gross these figures up by the company's profit margin to reflect the revenue that would need to be generated to cover losses made by ineffective use of the legal function. Add this figure to your dashboard (it is often much larger than the cost of the legal department) and you may never again have to justify hiring more lawyers.

Step up from "costs"

Assimilating other best practices with Faure's maze of insightful practical imperatives may require an investment in time by a dedicated in-house manager or consultant, yet the common "golden thread" is return on investment.

To put it bluntly, if you still mostly see costs, however well you've minimized some and sliced and diced others to draw countless metrics, the legal function as a cost

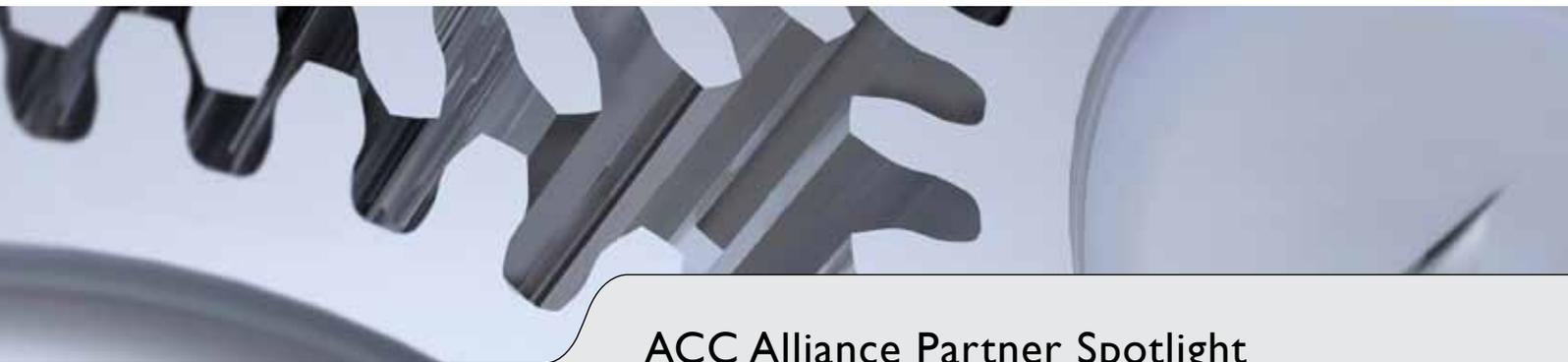
center will continue to be squeezed remorselessly. And you haven't yet started the transition to a smarter legal model.

However, if you invest time, expertise, passion and expenditure in systems and processes demonstrating value to the business — and the costs, metrics and benchmarks the best legal teams already track — your lawyers might achieve Faure's ultimate goal: to "fulfil their potential as the pivotal and most important function in business." 

Have a comment on this article? Visit ACC's blog at www.inhouseaccess.com/articles/acc-docket.

NOTES

- 1 "The Smarter Legal Model: More from Less," Trevor Faure, global general counsel, Ernst & Young (published by Practical Law Company).



ACC Alliance Partner Spotlight



COPYRIGHT CLEARANCE CENTER

Millions of people in corporations, universities, law firms and government agencies rely on Copyright Clearance Center to use and share published content with ease and confidence. CCC has assisted attorneys from thousands of U.S. corporations and law firms with their copyright compliance challenges. ACC members can take advantage of special new customer discounts.



ACC Alliance partners mesh with your business needs. Take advantage of exclusive offers for ACC Members on a variety of products and services.

Find out more: www.acc.com/alliance