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The pressure is on for corporate legal departments throughout the world to manage themselves more like businesses. This requires legal managers to control spend and operate more efficiently across all of the legal department's activities. By implementing KPIs, legal department leaders can demonstrate that they are taking control of their department's spend and aligning their day-to-day performance with the goals of the business as a whole. In addition, by using KPIs consistently over time, the organisation builds a record of ongoing performance and encourages a culture of leveraging data for strategic legal department management.

I have been involved in numerous implementations of Enterprise Legal Management solutions, enabling organisations to accurately collate the aforementioned data. Based on my experience, I recommend the following five KPIs as a starting point, because I have seen them demonstrate tangible benefits to the legal departments that measure them:

1. Budget vs. Actual Legal Spend

This KPI can be structured to present data in a number of ways. Depending on your business goals and approach, you may choose to include one or more of the following budget vs. actual metrics:

- By month, quarter, and/or year
- Year over year
- Month over month
- As a percentage of the company's revenue

You can go as granular or high level as need dictates, but the key is to have visibility into your spend against what's been budgeted, and to have that data immediately to hand when questioned. This is arguably the most important financial KPI if cost control is important to your business. Even when cost is a secondary concern, this KPI is an important first step towards more predictable legal spend management.

2. Budget vs. Actual Legal Spend by Practice Area

By refining your budget-to-actual KPIs down to specific practice areas, you can discern spend patterns on a much more detailed level. In addition to practice area, you may want to include other criteria that are important to your business, such as matter type and law firm. Not only will this KPI keep you on track financially, it will also allow you to identify trends and therefore predict legal spend against a number of criteria, mitigate against nasty financial surprises, make more strategic decisions about future spend allocation, and justify these decisions to the board.

3. Top Firms by Spend by Role

Gaining visibility into the outside counsel firms taking up the greatest share of the legal department's financial resources is an important step towards

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leverage to make comparisons and take informed decisions about which firms should get future work or be included on panels. There is also an opportunity to use this information in fee negotiations, focusing efforts on those roles that will have the greatest impact on spend.

4. Matter Volume by Practice Area/Timekeeper

As well as providing visibility into matter volume and mix, this KPI provides the first step to ensuring you are sufficiently staffed, both in-house and externally, and that timekeepers are spending time on the items that are most aligned to your goals and key matters. The data from this metric then enables you to make appropriate outsourcing decisions and manage your timekeepers more effectively, with an end result of a more efficient legal department. Keeping a close watch on timekeeper volume also assists in managing workloads, helping the business achieve employee retention targets.

5. Volume of High Profile Matters

A KPI dedicated to these matters is an excellent way to ensure that all interested parties have a shared source of up-to-date information on the most impactful work that the legal department is currently undertaking, and how it impacts them. For example, this helps ensure that risk and compliance managers [or officers] have visibility into matters for which they may have particular concern. By providing this level of visibility, the legal management team also positions itself as a cohesive, transparent operation in the business.

While this list provides a good start for legal departments, it is by no means exhaustive. As you grow used to using KPIs in the management of the legal business, there will be a natural tendency to seek out related, spin-off analytics, as well as operational metrics, to measure the department's progress on the most essential efforts. These metrics also provide a valuable tool for helping to set employee goals that roll-up to the central KPIs, so that they reflect the core goals of the legal department and the larger organization. The right technology can provide the metrics you need for strategically managing the legal department and its work, ensuring that the current, up-to-date numbers are available whenever they are requested or needed.

Are there other KPIs you consider to be even more critical? Share this post on LinkedIn and tag [Wolters Kluwer ELM Solutions](#) [6] to let us know which KPIs are most valuable to you.

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