SimpleLegal

9 essential reports every general counsel needs

Introduction

99% of in-house legal professionals indicated that analytics will be very important, indispensable, and have widespread use.

Source: Coalition of Technology Resources for Lawyers

Numbers and metrics have taken an important role in legal departments over the last decade. The growth of the legal operations role and their focus on technology, reporting, and cross-functional collaboration, to name a few, has fueled the need for efficient, data-driven legal departments.

Without the right reports at their fingertips, Chief Legal Officers (CLOs) and General Counsel (GCs) lack the ammunition to get the resources required to manage the legal affairs of the entire company. Ideally, these reports are accessible in real time and there isn't manual work needed to compile or quickly see trends within the data.

You can't manage what you don't measure

Whether you're a CLO, GC, or legal operations professional that supports one of these roles, it's not always clear where to start when it comes to collecting legal data. How do you determine:

- **What metrics your team should focus on?**
- **What data matters most?**
- **What reports will offer the best insights and deliver the most value?**

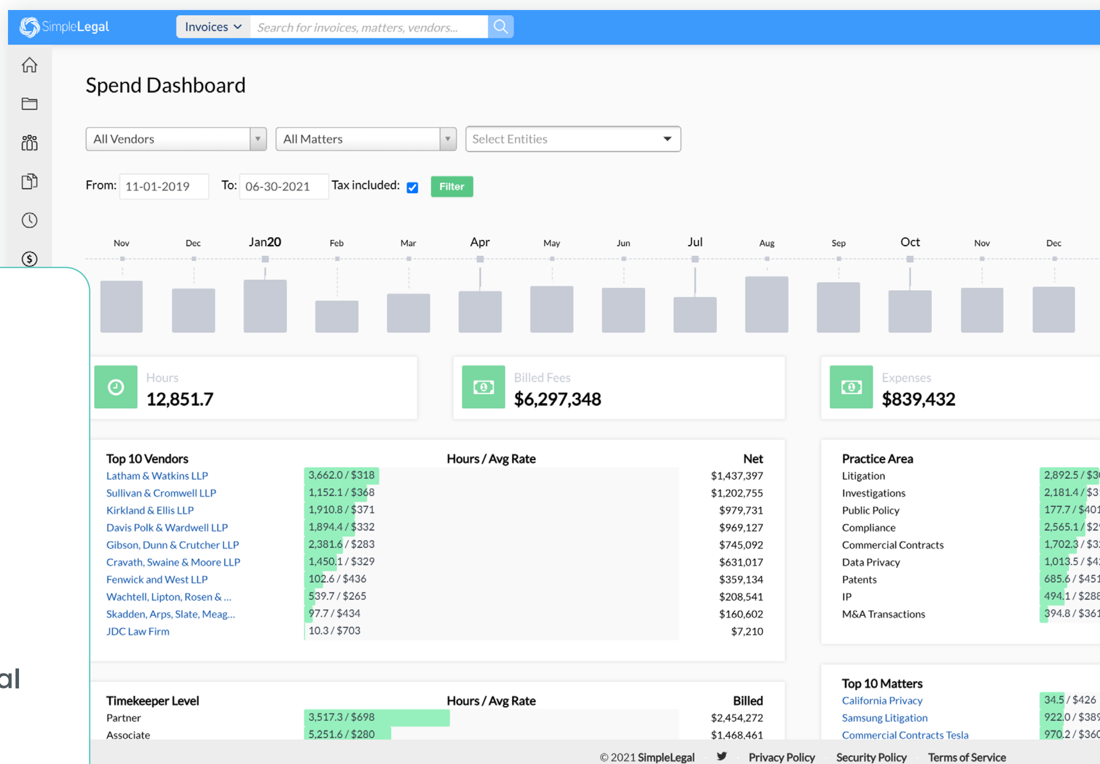
To help answer these questions, we've identified 9 essential reports that every legal leader needs. The valuable data within these reports will arm CLOs and GCs with insight into departmental performance which can be connected to broader corporate objectives. By ultimately demonstrating how the legal department strategically supports and protects the entire organization, these reports are helpful for conversations with the rest of their peers on the executive team.

REPORT 1

Overall spend by practice area & business unit

Legal tends to be outlier driven. It's easy to identify one large litigation and how it might affect spend and the overall budget during a specific period. What it fails to illustrate is the big picture and provide a framework for future budgeting and forecasting.

CLOs and GCs can only speak intelligently with their CEO, and the other leaders in their organization, about budget and costs if they know exactly what is being spent in each practice area (intellectual property, litigation, transactions, employment and labor). Having the ability to isolate and analyze data by a particular time period can also reveal trends that result in better management of the overall budget.



Tracking against business units?

Being able to quickly see spend by unit is helpful to uncover any outliers and determine if teams in other locations required additional trainings on your invoicing process.

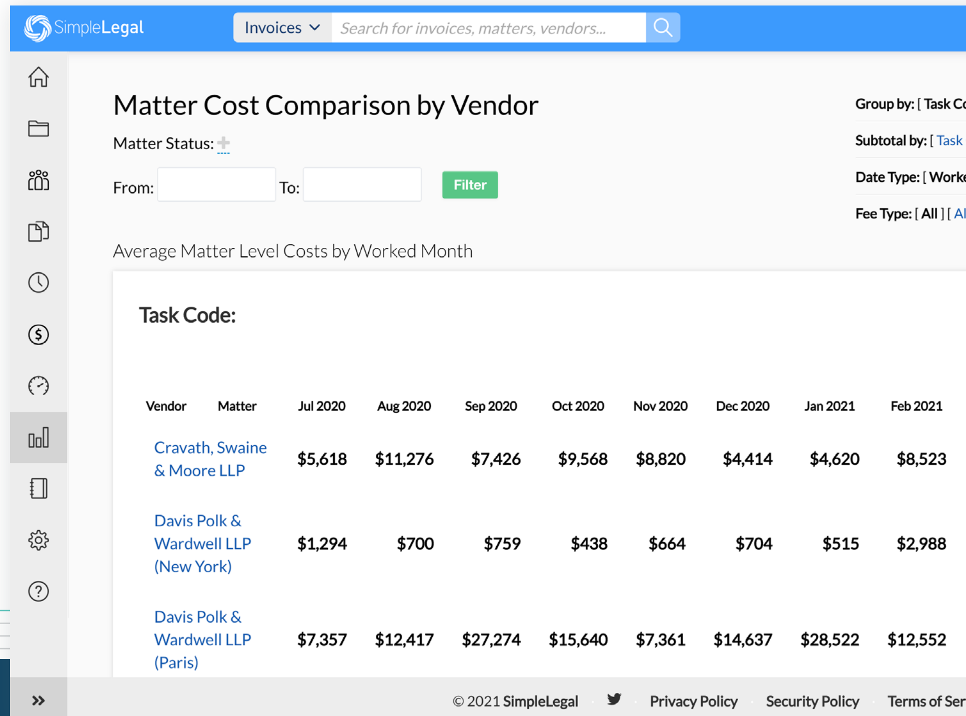
REPORT 2

Vendor matter activity

In addition to knowing the amount spent in each practice area or business unit, CLOs and GCs need to be able to identify where money is going and who it is going to. A report that shows monthly spend for each matter broken out by vendor provides the visibility into legal spend that's needed to effectively control costs and run an efficient department.

A law firm matter activity report provides key data points to:

- **Identify which law firms are working on what matters**
- **Understand the breakdown of spend if multiple law firms are working on a single matter**
- **Evaluate a law firm's performance if their rates are consistently higher than others doing similar work**



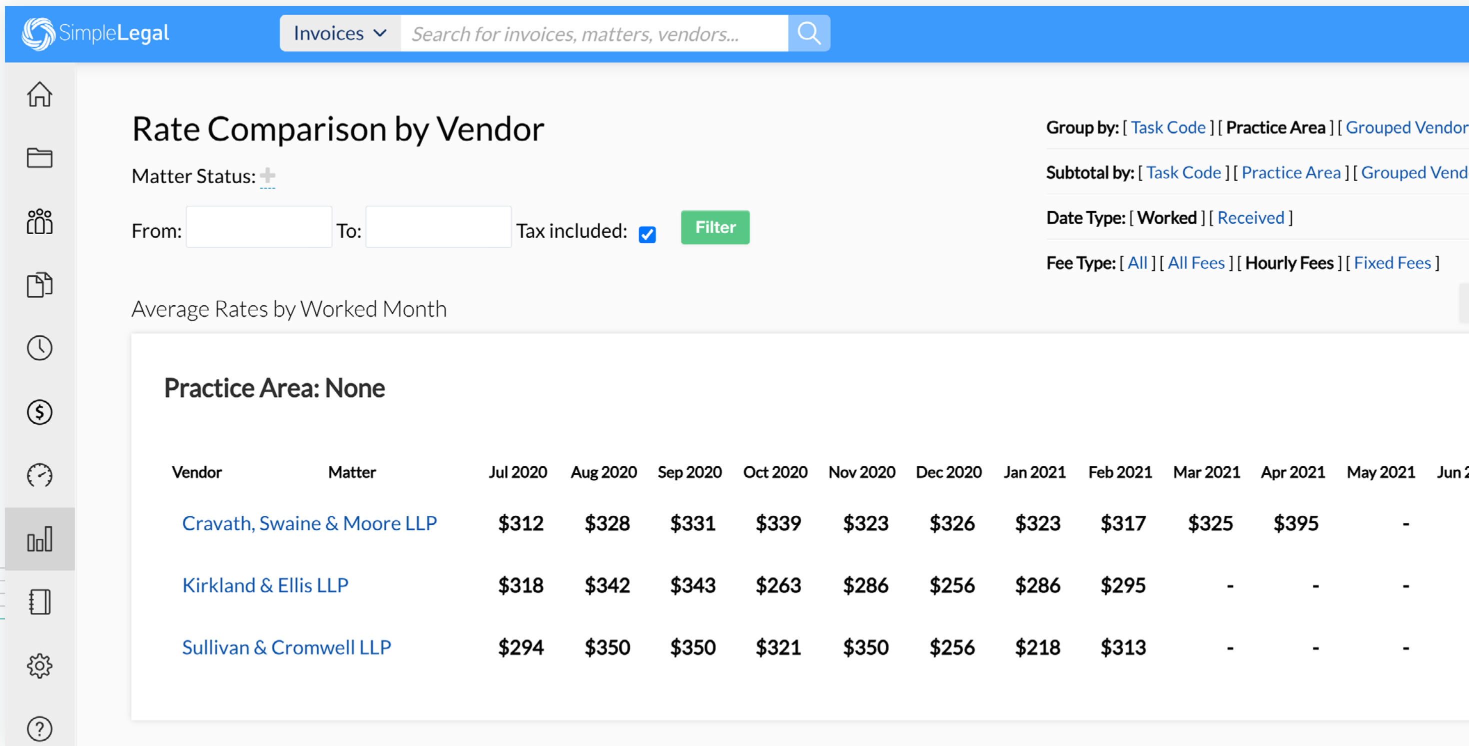
Vendor	Matter	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021
Cravath, Swaine & Moore LLP		$5,618	$11,276	$7,426	$9,568	$8,820	$4,414	$4,620	$8,523
Davis Polk & Wardwell LLP (New York)		$1,294	$700	$759	$438	$664	$704	$515	$2,988
Davis Polk & Wardwell LLP (Paris)		$7,357	$12,417	$27,274	$15,640	$7,361	$14,637	$28,522	$12,552

Overall spend by practice area & business unit report + vendor matter activity report

This report combination gives an in-house legal department the foundational metrics to understand how much work each law firm is doing, associated spend, and impact on overall budget. Reports and metrics beyond these two reports get progressively more granular and help tell the story of the legal department and how they engage with their outside counsel partners.

REPORT 3

Average hourly rate for outside counsel (timekeeper rate)


SimpleLegal
Invoices
Search for invoices, matters, vendors...

Rate Comparison by Vendor

Matter Status:

From: To: Tax included: Filter

Group by: [Task Code] [Practice Area] [Grouped Vendor

Subtotal by: [Task Code] [Practice Area] [Grouped Vend

Date Type: [Worked] [Received]

Fee Type: [All] [All Fees] [Hourly Fees] [Fixed Fees]

Average Rates by Worked Month

Practice Area: None

Vendor	Matter	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2
Cravath, Swaine & Moore LLP		$312	$328	$331	$339	$323	$326	$323	$317	$325	$395	-	
Kirkland & Ellis LLP		$318	$342	$343	$263	$286	$256	$286	$295	-	-	-	
Sullivan & Cromwell LLP		$294	$350	$350	$321	$350	$256	$218	$313	-	-	-	

An hourly rate report helps identify any outliers, such as a timekeeper that is charging higher rates than others for similar work. Quick access to review monthly, quarterly, or when a project is completed, is a valuable resource for a CLO or GC.

Subsequent courses of action might include an evaluation of a particular timekeeper's work to ensure quality and value, rate negotiations, or even shifting work to a more cost effective option, whether that's in-house or with another timekeeper or law firm.

In addition to tracking hourly rates, you can track work by timekeeper classification level to:

- **Ensure the appropriate level of staffing for each project (e.g. a complex case may require a higher percentage of partner work)**
- **Determine which cases would benefit most from an Alternative Fee Arrangement**

As you continue to track outside counsel rates, you are actively creating benchmarks so you can quickly see trends in pricing and accurately budget for future costs.

What is an Alternative Fee Arrangement?

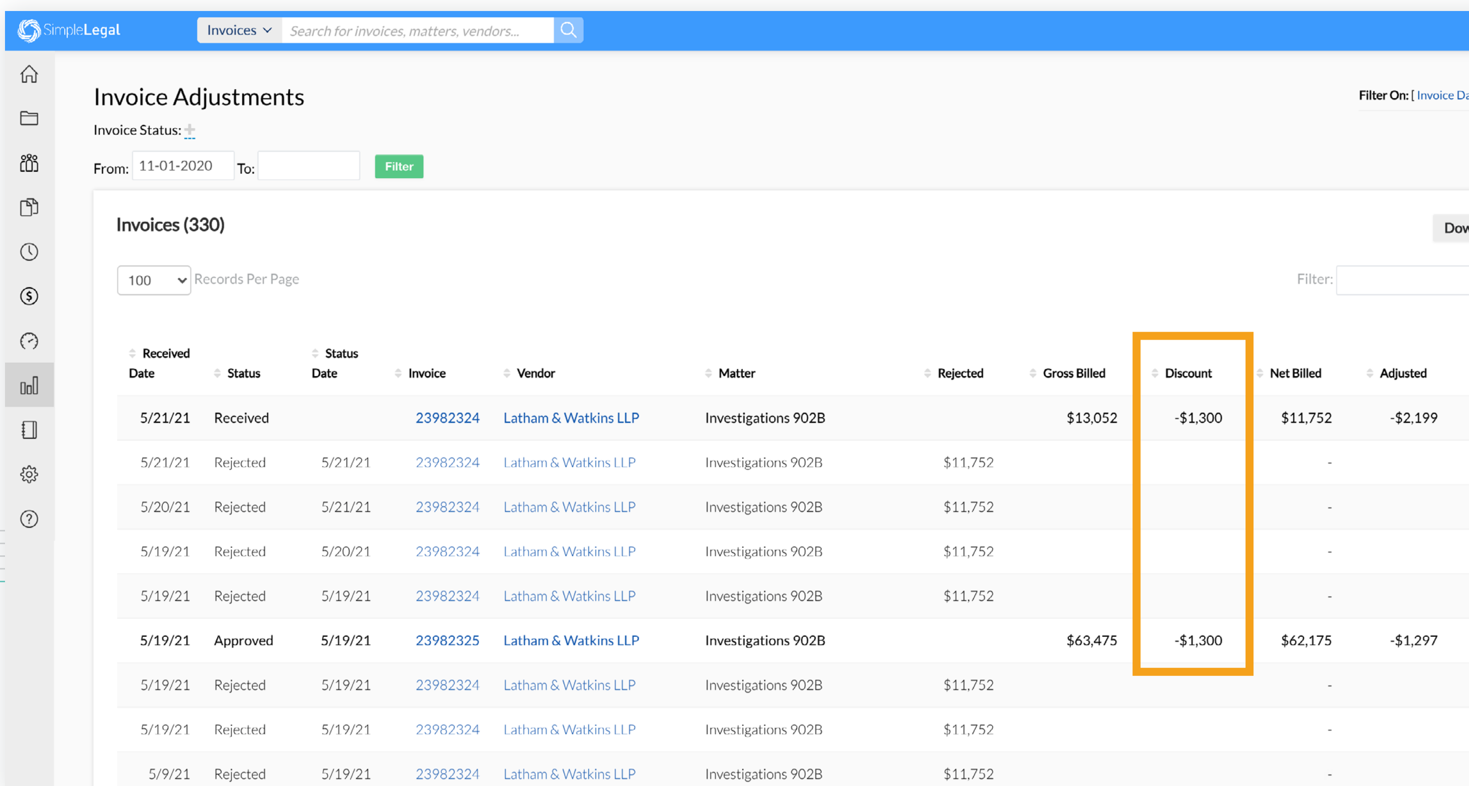
An Alternative Fee Arrangement (AFA) is an agreement between between a legal department and a law firm that compensation for work will be based on a structure other than hourly billing.

REPORT 4

Discounts on outside counsel rates

In today's legal environment, discounting rates is a common topic of conversation among legal departments and their law firms. This doesn't mean that legal departments are looking for law firms that quote markedly lower fees than their competitors. Instead, it shows that CLOs and GCs are more focused on finding qualified and experienced lawyers that have a comprehensive understanding of their company's challenges. These legal leaders understand that law firms are more than just a 'vendor' for their legal department. They are a partner, helping your team successfully reach its goals.

A report showing invoice savings empowers CLOs and GCs with metrics to demonstrate the efforts of the legal department to control costs without increasing risk or sacrificing quality of law firm work.



Received Date	Status	Status Date	Invoice	Vendor	Matter	Rejected	Gross Billed	Discount	Net Billed	Adjusted
5/21/21	Received		23982324	Latham & Watkins LLP	Investigations 902B		$13,052	-$1,300	$11,752	-$2,199
5/21/21	Rejected	5/21/21	23982324	Latham & Watkins LLP	Investigations 902B	$11,752			-	
5/20/21	Rejected	5/21/21	23982324	Latham & Watkins LLP	Investigations 902B	$11,752			-	
5/19/21	Rejected	5/20/21	23982324	Latham & Watkins LLP	Investigations 902B	$11,752			-	
5/19/21	Rejected	5/19/21	23982324	Latham & Watkins LLP	Investigations 902B	$11,752			-	
5/19/21	Approved	5/19/21	23982325	Latham & Watkins LLP	Investigations 902B		$63,475	-$1,300	$62,175	-$1,297
5/19/21	Rejected	5/19/21	23982324	Latham & Watkins LLP	Investigations 902B	$11,752			-	
5/19/21	Rejected	5/19/21	23982324	Latham & Watkins LLP	Investigations 902B	$11,752			-	
5/9/21	Rejected	5/19/21	23982324	Latham & Watkins LLP	Investigations 902B	$11,752			-	

58% of legal departments indicated a 6–10% average discount on standard rates from law firms over a 12 month period.

Source: Altman Weil, Inc.

When a legal department places emphasis on creating a true partnership with a law firm that results in value, not just cost savings, discounts on outside counsel rates can be the result of:

- **Reduced instances of overbilling because each matter has the appropriate staffing**
- **Law firms adhering to billing guidelines because they're familiar with the needs and goals of your department and entire organization**
- **Faster payment thanks to a streamlined billing process**

Managing outside counsel rates for effective spend control

Additional legal spend savings are achieved by enforcing your company's legal billing guidelines. These guidelines often dictate what expenses the company will not pay or provide reimbursement for, such as work completed by interns, summer associates, non-admitted attorneys, etc. Billing guidelines are also used to set the expectation that you will only pay for work that is appropriate of the timekeeper's role and title.

Do you have billing guidelines but lack the ability to enforce them? A Legal Operations Platform like SimpleLegal can help. Within the SimpleLegal platform, you can flag charges contrary to your billing guidelines, preventing overbilling errors and proactively influencing positive law firm behavior. Learn more about creating, communicating, and enforcing your billing guidelines.

REPORT 5

Alternative or fixed fee arrangements by law firm

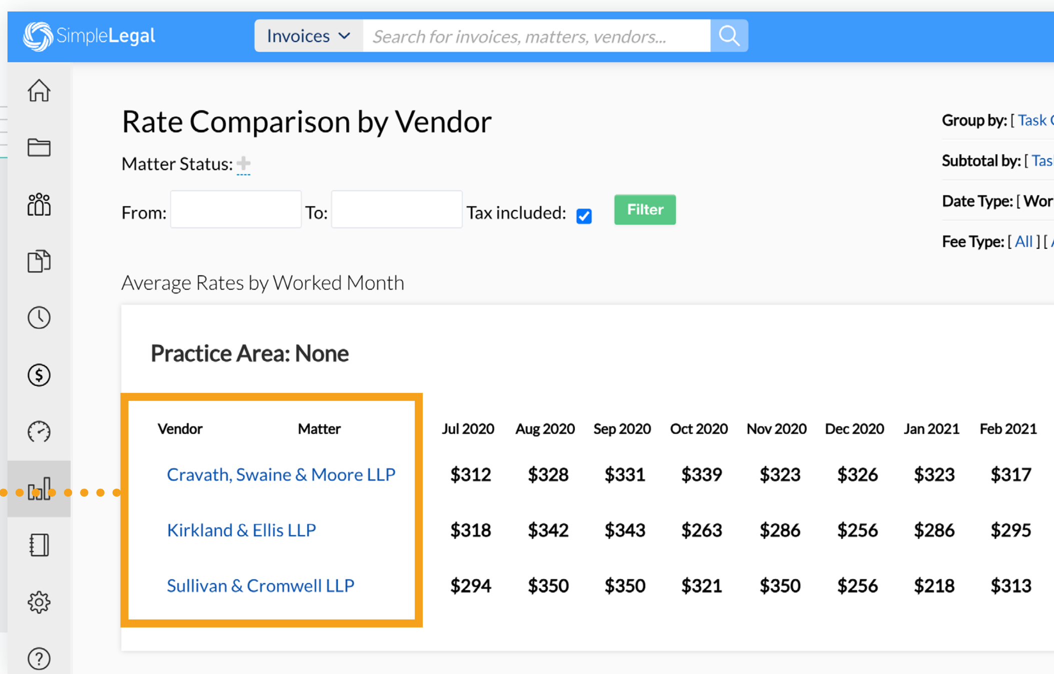
The BTI Consulting Group reports that Alternative fee arrangements (AFAs) account for $21.3 billion of outside counsel spending and are the biggest growth market around. Leveraging AFAs has allowed legal departments to keep their outside counsel spending flat while they experience growth in new, more complex matters.

According to Corporate Counsel Magazine, 26% of the work corporate legal spends on outside counsel is structured under an AFA. This is an especially common practice for legal departments involved in commodity-type work such as insurance, IP-patent, IP-trademark, and employment and labor.

What's really important for CLOs and GCs to understand is the effectiveness of AFAs depends on whether or not hourly and flat fees are being used on the appropriate matters. There are a few reports that can help determine when AFAs are most effective for controlling costs:

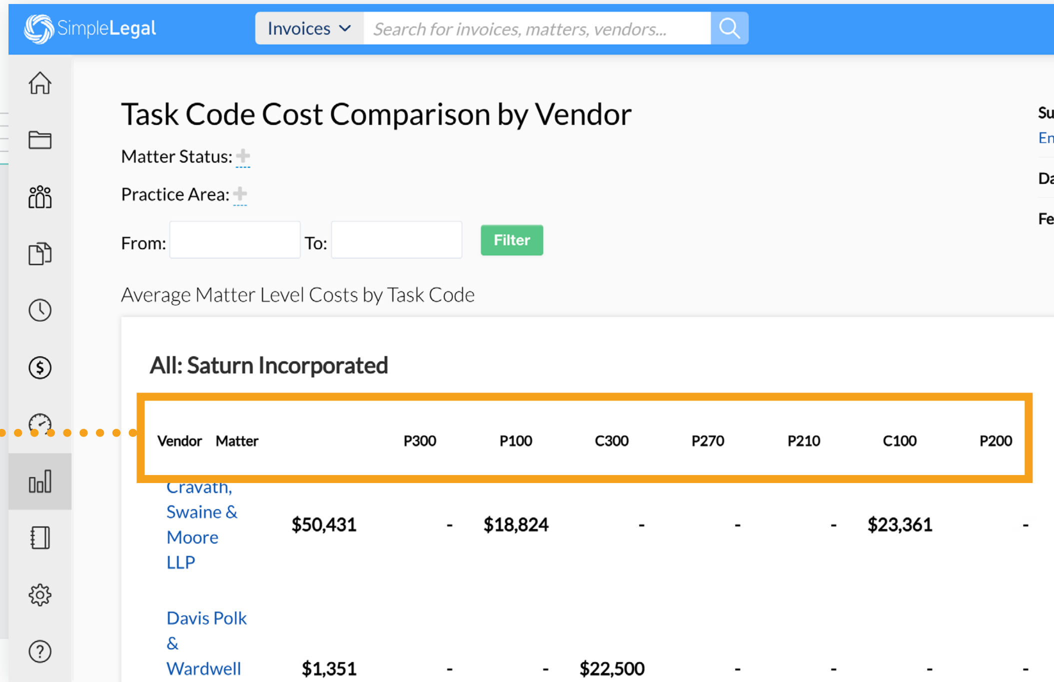
Practice area (matter group) activity by vendor

Compare multiple law firms side by side



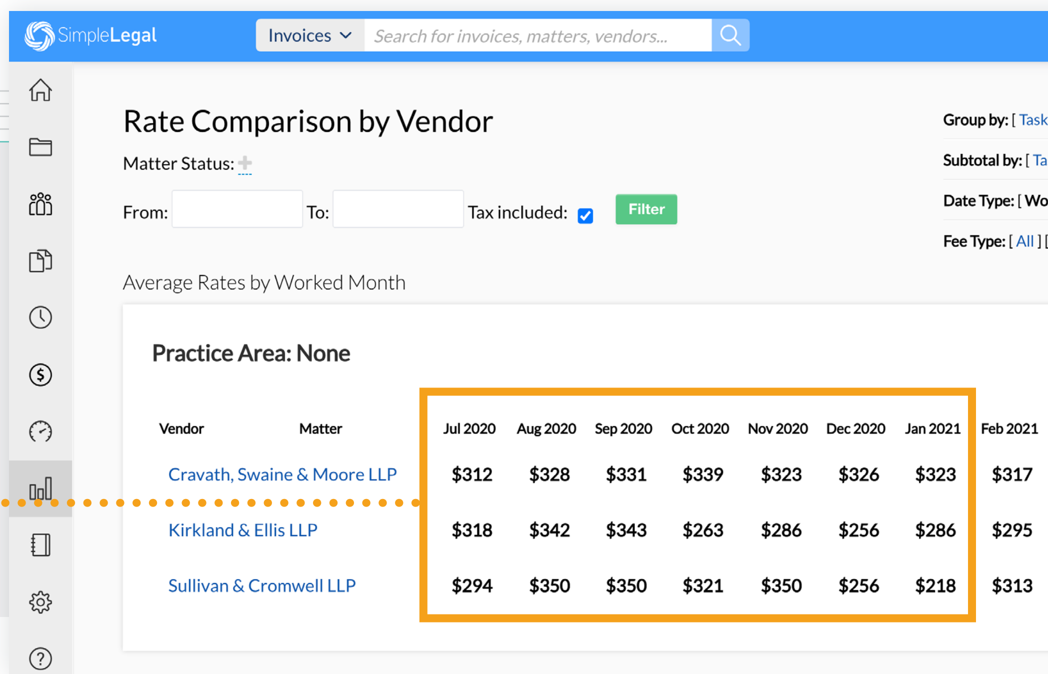
Task code cost comparison by vendor

Measure spend by task code or vendor



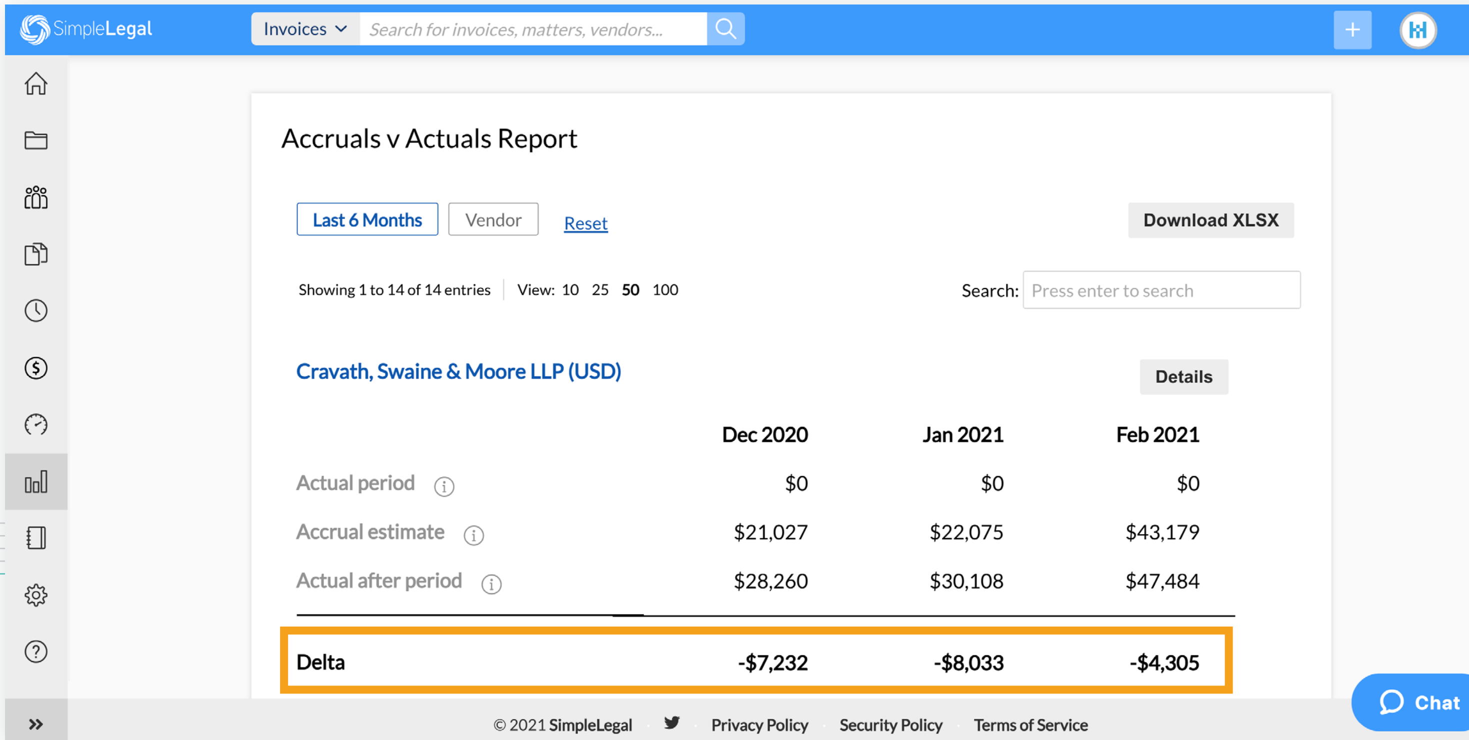
Rate comparison

Hourly data to assess and compare vendor costs



REPORT 6

Accruals: unbilled estimates vs. actuals



Accruals are commonly viewed as a finance initiative. On the surface, this seems like the right choice. Finance or accounting often dictates the way accruals must be collected from outside counsel to ensure adherence to financial requirements. But what happens when a law firm estimates cost of work, only to bill over their estimation? What happens when the actual amount billed is only known by accounting and legal has no visibility into the process?

Having a report that shows unbilled estimates vs actuals is helpful for GCs and CLOs to:

- **Track law firm work and provide insight into current and upcoming legal projects**
- **Gauge a law firm's ability to estimate cost of work and remain within the budget**
- **Initiate honest conversations with law firms around performance and efficiency**

There's a 23% delta between monthly accrual estimates provided by law firms and what is actually invoiced.

A report is only one piece of the legal accruals puzzle. Along with aligning your needs and goals with those of your finance or accounting department, training your law firms on how and when to submit accruals is crucial. Clear direction ensures consistency among any data submitted so it can be leveraged by the legal department for accurate analysis.

Aligning your finance and legal teams with accruals

Managing accruals, also known as unbilled estimates or the amounts that law firms estimate for work in progress, needs to be a joint effort between legal and accounting. Close alignment ensures a smooth information handoff between departments, visibility into appropriate invoices and matters, and that both groups are working toward the same business goals. To learn more download The Complete Guide to Accruals Management.

REPORT 7

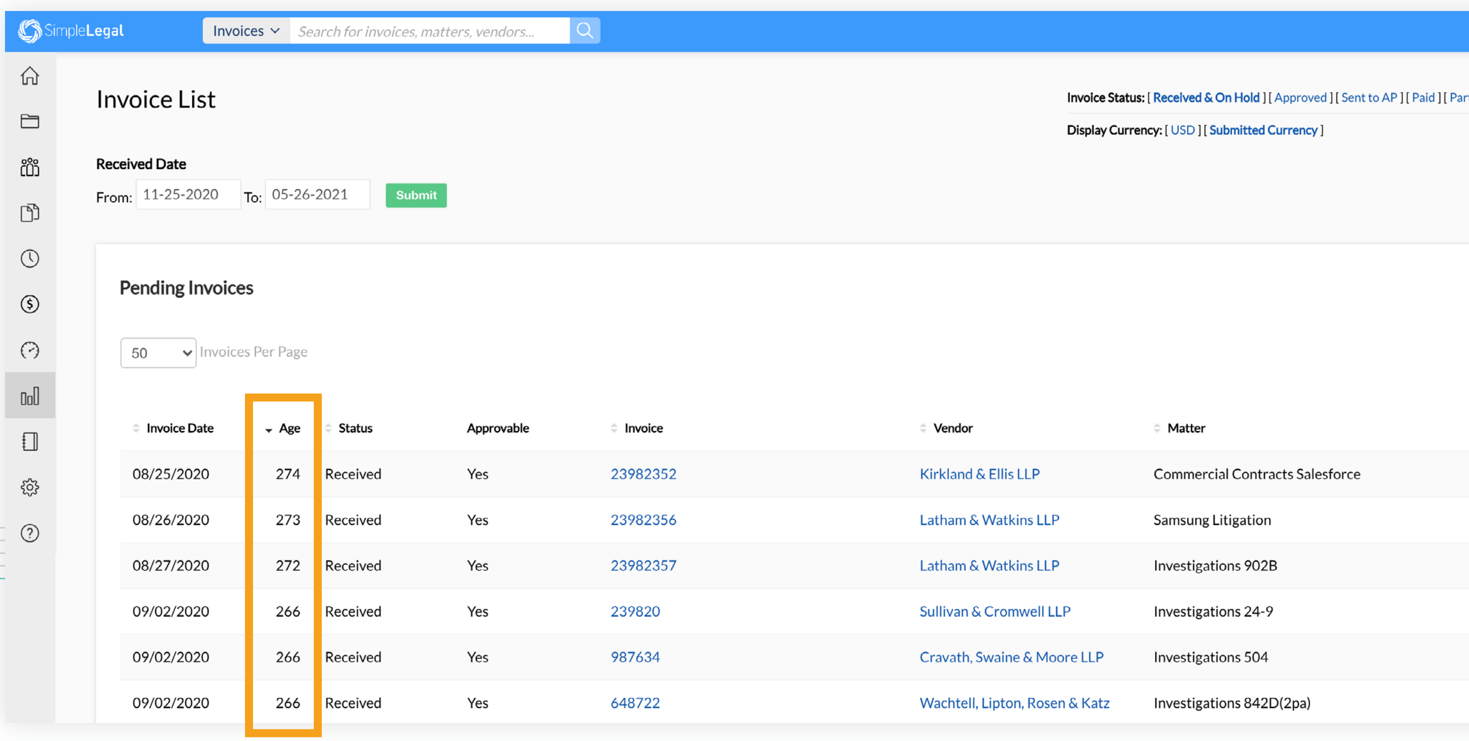
Time to process legal invoices

A report that tracks the time to process an invoice (the amount of time a matter is open) can help flag outliers early in the process. It also plays a role in quantifying how efficient a legal department is. If cycle times decrease over time, it can be assumed that process efficiencies have been made.

Process efficiencies can be attributed to:

- **Law firms empowered with the proper training and resources on how to bill correctly, minimizing errors and time spent manually correcting overbilling issues**
- **Automation by a legal operations platform to eliminate time-consuming manual efforts, streamlining the invoice receipt, routing, and approval process**
- **Integrations between a legal operations platform and an Accounts Payable (AP) solution for a seamless handoff from legal to accounting for more timely payment**

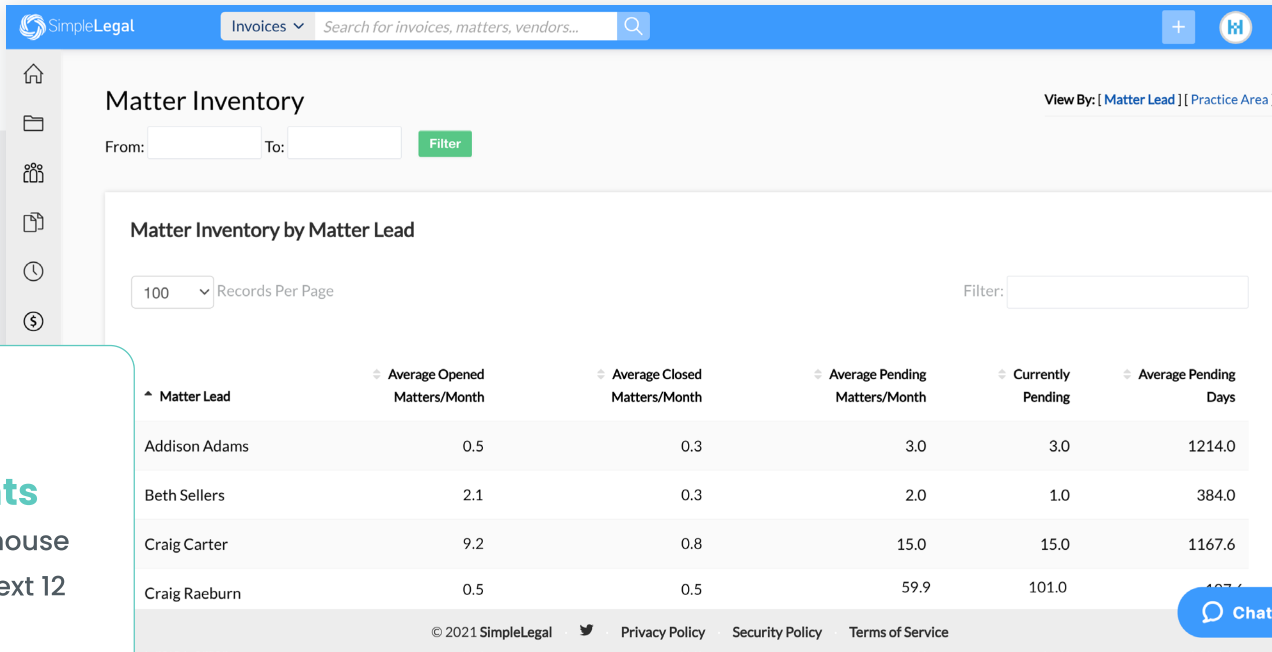
This type of report is valuable to in-house teams because it is another way to show the business that legal is constantly working to be as efficient with their resources as possible.



REPORT 8

Staff productivity

Tracking how your in-house attorneys manage outside counsel resources is another important metric that helps a CLO or GC understand departmental efficiency and how to reduce and control their overall spend.



38% of law departments plan to add in-house lawyers in the next 12 months.

Source: Altman Weil, Inc.

You'll want a report or dashboard that tracks overall caseload and breaks down the following information based on which attorney is the matter lead:

- **Average opened matters per month**
- **Average closed matters per month**
- **Average pending matters per month**
- **Currently pending matters**
- **Average pending days**

Other metrics such as average spend by matter type, outside spend, and spend-to-budget per attorney all play a part in determining in-house workload and whether each attorney is effectively managing outside counsel costs.

REPORT 9

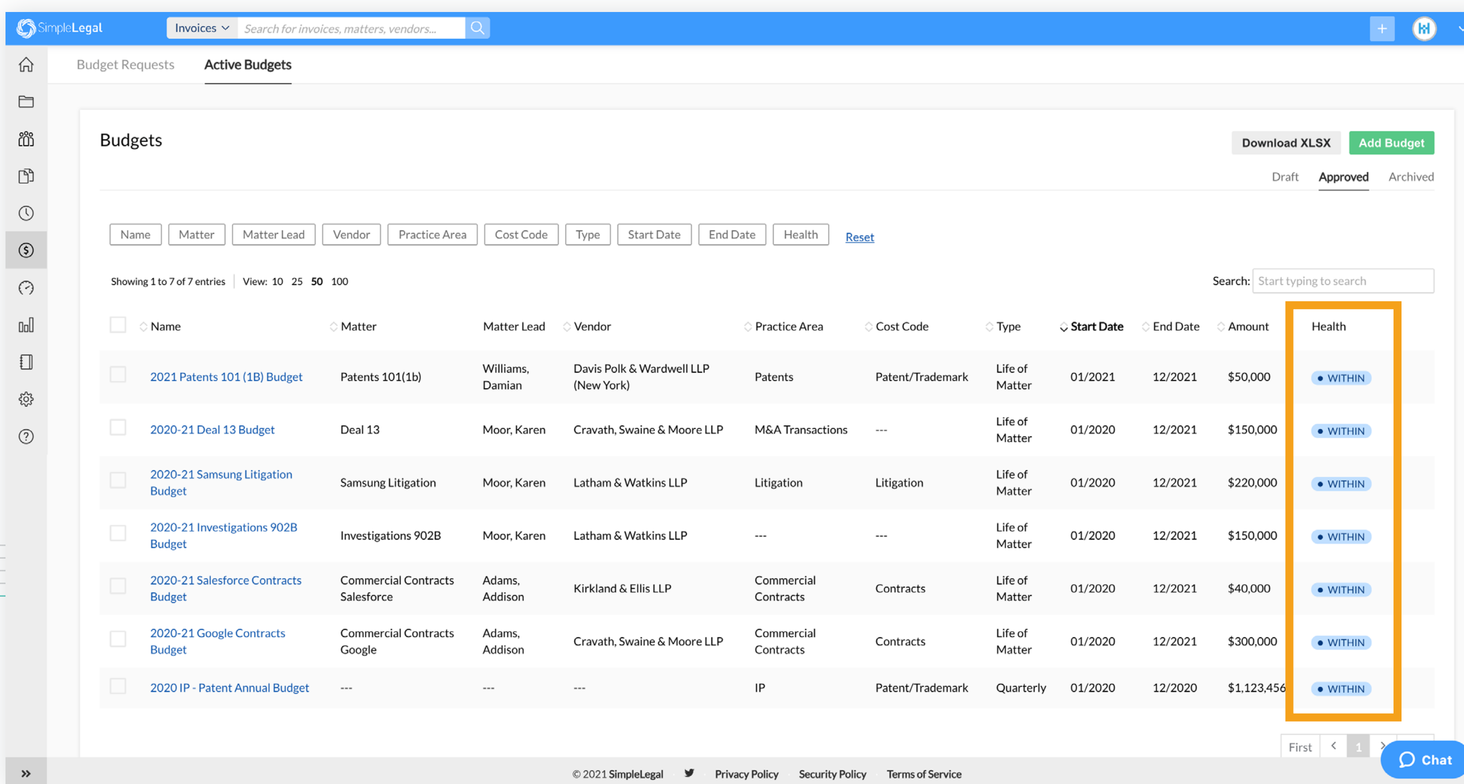
Actual spend to budget

Tracking budgets for matters is one of the most reliable ways to predict and control costs. It is impossible for your legal department to determine success and whether or not you have met departmental expectations if you don't have a budget to benchmark spend against.

An actual spend to budget report can be used as an internal check to make sure that your department is adhering to the legal budget set, while allowing your team to:

- **Identify issues early so you can reach out to your vendors before it is too late**
- **Quickly pivot if things look like they're taking up more budget than anticipated**
- **Get more visibility into the budget for better cost control**
- **Create benchmarks for how much a specific matter costs, increasing accuracy when budgeting for future projects**

One of the biggest benefits about this report is its ability to show your C-Suite that you are operating within your means. You are proactively demonstrating the value of your department and its ability to effectively manage internal staff, legal work, and vendor relationships.



Name	Matter	Matter Lead	Vendor	Practice Area	Cost Code	Type	Start Date	End Date	Amount	Health
2021 Patents 101 (1B) Budget	Patents 101(1b)	Williams, Damian	Davis Polk & Wardwell LLP (New York)	Patents	Patent/Trademark	Life of Matter	01/2021	12/2021	$50,000	WITHIN
2020-21 Deal 13 Budget	Deal 13	Moor, Karen	Cravath, Swaine & Moore LLP	M&A Transactions	---	Life of Matter	01/2020	12/2021	$150,000	WITHIN
2020-21 Samsung Litigation Budget	Samsung Litigation	Moor, Karen	Latham & Watkins LLP	Litigation	Litigation	Life of Matter	01/2020	12/2021	$220,000	WITHIN
2020-21 Investigations 902B Budget	Investigations 902B	Moor, Karen	Latham & Watkins LLP	---	---	Life of Matter	01/2020	12/2021	$150,000	WITHIN
2020-21 Salesforce Contracts Budget	Commercial Contracts Salesforce	Adams, Addison	Kirkland & Ellis LLP	Commercial Contracts	Contracts	Life of Matter	01/2020	12/2021	$40,000	WITHIN
2020-21 Google Contracts Budget	Commercial Contracts Google	Adams, Addison	Cravath, Swaine & Moore LLP	Commercial Contracts	Contracts	Life of Matter	01/2020	12/2021	$300,000	WITHIN
2020 IP - Patent Annual Budget	---	---	---	IP	Patent/Trademark	Quarterly	01/2020	12/2020	$1,123,456	WITHIN

Conclusion

As internal pressures from a company's CEO, CFO, or board of directors drive CLOs and GCs to control legal spend, metrics will only become more and more important to the legal department and how it operates.

The challenge for in-house legal teams will be defining the metrics that are important to their department and organization and relaying them to the appropriate audiences. Much like other departments, legal will always be fine tuning the metrics that tell their department's story. The reports within this guide are a solid foundation to get started.

Happy reporting!

SimpleLegal

About SimpleLegal

SimpleLegal provides a modern legal operations platform that combines e-Billing, matter management, accruals management, and legal spend analytics into one comprehensive application.

The system collects and stores valuable invoice data, spinning metrics into reports that can be easily accessed by a CLO, GC, or legal operations professional to understand legal spend, departmental efficiencies, and management of outside counsel. SimpleLegal empowers corporate legal departments to make more informed strategic decisions through insightful legal metrics and powerful reporting capabilities unlike other solutions on the market.

For more information visit: www.simplelegal.com