

Client case study: Building a metrics and reporting model for the in-house legal and compliance function of a global financial institution

When A&O Consulting was instructed by the in-house legal and compliance function of a major global financial institution to create a data-driven reporting program, the project led to the development of metrics and processes tailored to transform the client's insights into its operations. A&O Consulting's executive director Catie Butt, senior consultant Tom Wilkinson and principal data scientist Eoin O'Connell explain how they worked with the client to build a scalable platform, designing approximately 80 performance metrics in total, to measure and report the value of the function to the wider business and inform planning and decision-making by the legal team.

Speed read: key takeaways

It is critically important when developing a KPI program and considering reporting that businesses first ask the question, "What do I need to support my decision-making?" not "What do I already have that might help?" Businesses looking to embrace data-driven insights in their legal and compliance function through the development of advanced KPI programs should consider the following steps:



Define your remit



Prioritize



Map the decision-making process



Define the metrics



Assess available data and formulate plan for addressing any gaps



Operationalize the process



Maintain and iterate

As the value of data becomes increasingly evident in all our activities, a growing number of General Counsel and legal operations leaders are exploring how to make better use of the data available to them. Not only can data help legal management teams to better track what is happening across their teams and operations to enhance performance, it can also help to anticipate and avoid risk. Crucially, it can also demonstrate the value that legal and compliance brings to the wider business in achieving its strategic goals and objectives.

With this in mind, the legal and compliance department of a leading global financial institution approached us at the end of 2020 with a proposal to help advance its innovation objectives and enable it to use metrics and key performance indicators (KPIs) to better manage its operations and showcase its broader contribution.

The client had the strategic goal of being able to design dashboards which demonstrated the holistic performance of the function, and as such needed to consider a variety of metrics in the assessment of performance. Whether tracking metrics related to external spending, internal costs, client satisfaction, strategic objectives, matter management, risk or learning and development, the challenge was to identify how metrics could be as meaningful as possible and help to support decision-making at various levels of the organization.

Being a forward-thinking organization with a newly established legal operations function, the client had also recognized an opportunity to use data proactively rather than reactively in managing the department, and for actively mitigating issues before they became tangible.

Before embarking on the development of dashboard reporting processes, we recognized that it would be important for the client to determine which information would support decision-making and effect change in the organization.

The General Counsel and legal operations lead also wanted to understand market best practice, particularly in terms of ideal metrics to be considered by effective GCs, ahead of starting work on their own data program.

The complexity and scale of the project posed a series of technical and practical challenges. The client's goals required a deep understanding of the operational constraints of the department, a detailed technical knowledge of legal risk and operations, as well as a best-in-market approach to metrics development, data analytics and dashboard reporting.

“The client had the strategic goal of being able to design dashboards which demonstrated the holistic performance of the function”

Our solution

In order to respond to the client’s complex requirements, we assembled a multi-disciplinary team that spanned A&O Consulting and the firm’s data science function.

Following due diligence of relevant existing materials, we conducted an interactive workshop attended by the senior legal and compliance management team. This session was designed to demonstrate the value of the potential insights, the pitfalls to be avoided in both designing and interpreting metrics and KPIs and the difference between the two.

We then worked with the client to identify the most critical elements to monitor and where they might gain the most immediate value. This process was critically important in allocating resources effectively and ensuring alignment in understanding the project and its goals.

We delivered a report summarizing our due diligence findings, the potential areas for reporting and the agreed priorities. The report established a practical framework that enabled us to support the client in creating its own internal consensus to drive forward program implementation.

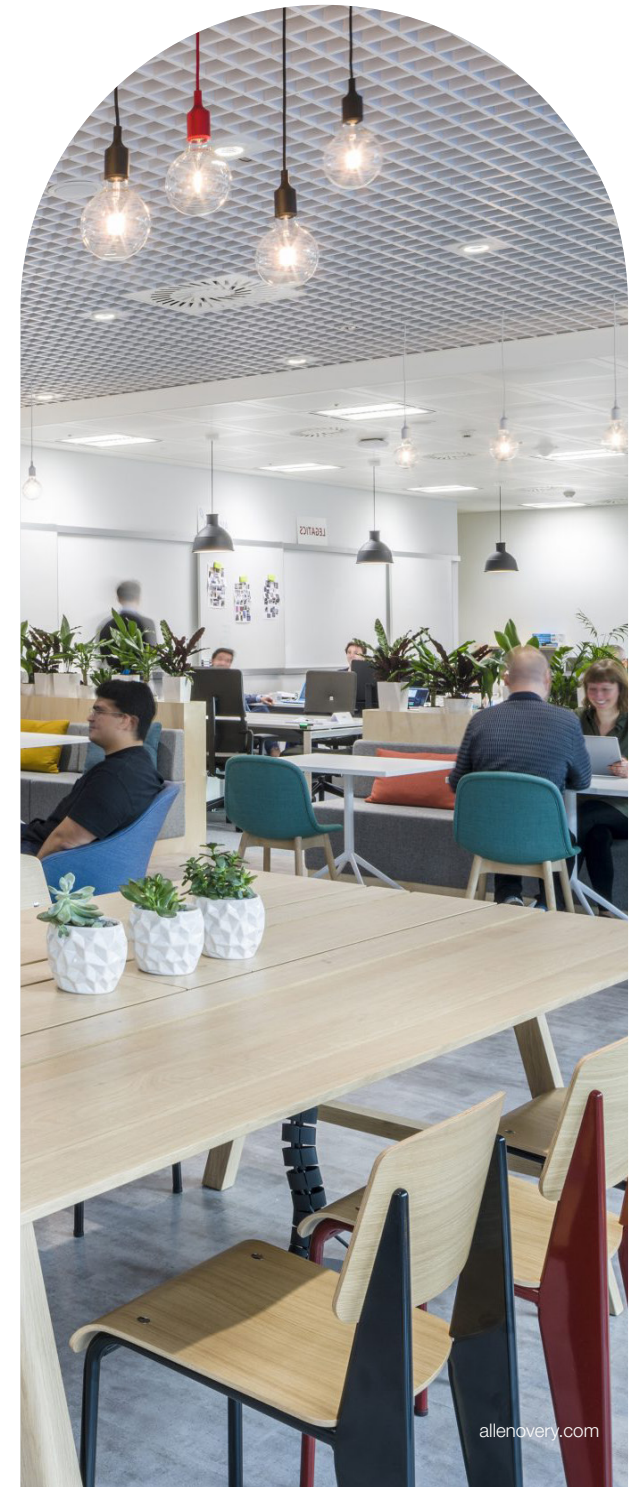
Once the list of approximately 80 metrics had been established, we analyzed the client’s relevant data sources, identified and suggested actions to resolve any challenges

around data quality, and helped the client divide the list into first and second priority sub-groups for implementation. The key to making the insights meaningful was ensuring that the underlying data was accurate, complete and easily sourced without significant manipulation.

At this point, the client team was able to appreciate the tangible benefits of creating a thoughtful metrics program and its potential for assisting in the management and identification of the organization’s risks, and opportunities for anticipating and avoiding them in the future.

For the next step in the project, we built a basis for a platform to monitor and report on key metrics where data was already available. In parallel, we developed a roadmap for the client to expand and add further reporting capabilities and metrics over time.

An assessment was then made as to the relative complexity and value of operationalizing each of those metrics. As part of this exercise, we formalized the process for assessment and review to ensure that any metrics which were not prioritized could be developed following the project and that the KPIs program would be a permanent fixture in the department.



Deliverables and impact

Our work with this client has enabled the legal and compliance department to adopt data processes that will facilitate the timely and efficient monitoring and reporting of critical metrics and KPIs.

A&O's data science team provided data quality assessment and improvement training for the sources of data required for priority metrics that will enable the client to create increasingly sophisticated reports for the business, significantly enhancing the tools available to both the legal and compliance management team and the company leadership.

A&O Consulting shared best practice, provided structure and delivered training that supported the in-house legal function in understanding market best practice, and for building their own data capabilities and skillsets. Meanwhile, our data science team helped the client to recognize the potentially transformative value of quality data as a strategic planning tool.

The completion of the project has helped the legal function to strengthen its ability to capitalize on data insights to improve operational performance and has left it in good shape to further embrace data as a platform for demonstrating the value and impact of the department to the wider business.

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Key takeaways

It is critically important when developing a KPI program and considering reporting that businesses first ask the question, “What do I need to support my decision-making?” not “What do I already have that might help?”

Businesses looking to embrace data-driven insights in their legal and compliance function through the development of advanced KPI programs should consider the following steps:

1. Define your remit: Before attempting to identify key metrics for measurement and tracking, list the areas of performance and value-add that you report on and make decisions against today.

2. Prioritize: Determine which items show performance against key objectives now, and which items if added to the list will enhance decision-making in the future.

3. Map the decision-making process: Start with the most important decisions and write down the information you currently gather to make those decisions, even if the supporting information is gathered by anecdote or through experience. If you lack enough information to make a decision, write down the ideal information you need.

4. Define the metrics: The metrics are formal versions of the information required to make decisions and should align to your key objectives and strategy.

5. Assess available data and formulate plan for addressing any gaps: Confirm relevant data you already collect, identify sources of necessary remaining internal or external data relevant to the metrics and create a plan for assembling same.

6. Operationalize the process: Establish a workflow to assemble the data, confirm its quality, then report, review and take action against the metrics with key audience groups.

7. Maintain and iterate: Establish a mechanism to assess the value and quality of reporting output regularly to ensure that the insights remain relevant as the goals or operations of the business develop.

Examples of metrics

Total departmental spend
(burn rate vs budget)

Total external spend
(burn rate vs budget)

Total internal spend by accounting
category (labor, travel etc.)

Number of commercial contracts
processed in period – total
(New vs Renewals)

Number of deals supported
per geography

Number of deals supported
per business

Number of projects supported
by team

Number of projects addressed by
category and type (compliance,
department, enterprise, investment)

Culture initiative engagement
(defined internally)

Internal client satisfaction ratings
vs previous period

Number of regulatory filings made
in a period in total by department;
by group; by region

Contacts



Catie Butt
Executive Director
A&O Consulting
Tel +1 646 3446653
catie.butt@allenoverly.com



Tom Wilkinson
Senior Consultant
A&O Consulting
Tel +44 20 3088 1948
tom.wilkinson@allenoverly.com



Eoin O'Connell
Principal Data Scientist
Legal Tech
Tel +44 28 9060 7016
eoin.oconnell@allenoverly.com

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