

## Employ the Galileo Mindset to Discover \$59M in Annual Legal Value

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**By Scott Bien and Nicholas Mirick**

A quick internet search for “value in legal departments” is an act akin to generating white noise. Every article, outlet and columnist offer their own definition, study, or survey, each straining to defend their blend of quantitative benchmarks and qualitative excuses for why some things are impossible to measure in legal. The consistent signals in the noise are that:

- in-house teams are being called to demonstrate their value and efficiency to the business, and
- in-house teams are struggling to quantify and articulate that value.

To understand their value, in-house legal teams might adopt a data scientist mentality and embrace the same disciplined approach used by other major corporate functions. To quote Galileo, “Measure what is measurable, and make measurable that which is not.” Some metrics can be directly assessed. Others can be inferred. Still more can be understood only as trends over time.

Through the shared language of data, legal can articulate and increase its value in specific, quantified terms. To do so, we’ve applied a Galileo mindset to value assessments.

### **Value Assessments: Start With the Benchmarks**

Industry-specific benchmarks for legal functions can be sourced from industry leaders such as McKinsey, the Digital Legal Exchange, BCG, BTI, and World Commerce and Contracting Association. Benchmarks drive key performance indicators and highlight the types of data that must be captured, aggregated, normalized and reviewed.

In our recent analysis, we focused on 50 representative companies across 14 industries in the Global 500 (industries analyzed included: aerospace & defense, automotive, banking, consumer products, financial services, insurance, life sciences, media & entertainment, oil & gas, pharmaceuticals, retail, technology & software,



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telecommunications, and transportation & logistics.). With an average annual revenue of \$65 billion, controlling for industry, footprint, and sector variance, we estimate an average annual legal spend of \$320 million. Based on litigation profile, patent portfolio, global presence, and other leading performance indicators, we project an average of \$59 million in annual value that could be realized by these in-house legal departments through an improved understanding and utilization of legal data.

### **Where Is This \$59M in Annual Value Hiding?**

The goals and challenges facing in-house legal teams are consistent. Based on inputs from legal domain, procurement, and operational experts, spanning litigation, compliance, legal operations, contracting, and intellectual property we identified 54 common in-house pain points and five desirable outcomes: performance improvement, risk mitigation, cost reduction, digital business synergy and revenue gain.

We mapped those challenges and desirable outcomes against possible solutions and identified points of convergence. This revealed 80 discrete rapid value projects that allow in-house Legal to create sustainable value by altering their relationship and understanding of data.

In-house teams can prioritize their challenges and goals and immediately identify areas of greatest impact.

Legal teams at many Global 500 companies can discover \$59 million in annual value through mastering data in these areas and articulate that value through three primary drivers.

### **Data: The Key to Articulating and Increasing Legal's Value to the Business**

Three primary drivers of legal value are: cost reduction, revenue generation, and performance improvement. Let's look at each in turn.

#### **Cost Reduction**

BPOs have oversimplified cost conversations to focus on rates, offshoring, and cutting headcount. Data shifts the conversation away from simply reducing the legal department's budget and focuses on how the company can achieve optimal return for every dollar spent protecting the brand, managing risk, and driving compliance. With data-driven insights, Legal can analyze and predict risk points, compliance failures, and litigation outcomes. For example, a Fortune 100 retail company aggregated and normalized years of their slip-and-fall actions. Using data about the plaintiff, location, store, opposing counsel, and numerous other factors, in-house projected costs to litigate versus settlement within the first three months. Fast resolution reduces outside counsel spend, legal operations management, and insurance costs. Understanding which points to monitor and measure allowed for data driven decision-making.

#### **Revenue Generation**

In-house legal can add revenue to the company's bottom line. Through solutions like patent monetization and contract margin optimization, the data mindset allows legal to transform from a cost center to a true partner for the business. For example, a Fortune 50 technology and software company generated new revenue streams by identifying patents within its portfolio that were of seminal value to the market. Assets that are no longer core to the company's strategic vision can be divested, generating both revenue from sale and reduced annual maintenance costs. Patents that remain core to the company's long-term goals drive additional value through annual licensing revenue.

#### **Performance Driven Growth**

Measured as change over time, data that allows legal to understand adoption, points of friction, and response time create sustained improvement and increased

business satisfaction. A centralized and measurable log provides legal with a view of business engagement, which is an understanding of organizational risk. Silence from a particular business unit or geography might indicate everything is normal or may indicate impending challenges to the business. Legal historically lacked the means to measure and understand that risk.

Using a central portal to measure requests by type, geography, user group, or frequency informs areas for improvement or changes in the business landscape, and the required support. As legal teams embrace a data-driven culture to improve performance, most achieve significant reductions in time required to respond to legal service requests and are able to handle two to three times the number of monthly requests.

### **Three Steps to Achieving a Data Mindset and Mastery in Practice**

- **Map the Data Landscape:** Creating a data lake that aggregates and contextualizes disparate legal data into a single location provides a foundation for achieving lasting downstream insights.
- **Determine What to Measure:** Identify the core KPIs, metrics, and measures for quantifying the value derived from cost reduction, revenue generation, and performance-driven growth. These metrics drive dashboard visualizations and the cadence for regular performance reporting.
- **Adopt Data Science Best Practices:** Data alone does not equal meaningful insights. Legal teams need support from individuals with education and experience grounded in data science. Data scientists and analysts partner with domain experts to identify the key trends, transforming data into actionable legal insights and establishing a self-sustaining process that drives continuous improvement.

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