



Essentials of Finance & Accounting for Legal Operations Professionals[©]

Tools for Strategic Budgeting, Cost Management, & Financial Analysis

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Background – Chaka Patterson



- Partner at Alston & Bird (and former Partner at Jenner & Block and Jones Day)
- Professor at University of Chicago Law School
- Former General Counsel of a Fortune 1000 Global Education Company
- Former Treasurer & VP for Investor Relations of a Fortune 100 Energy Company
- JD from Harvard Law School
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Introduction to Finance & Accounting in Legal Operations

- Importance of financial literacy for legal operations
- Supporting strategic decision-making and cost efficiency
- Objectives: Optimize budget management, enhance cost control

— Key Financial Statements For Legal Operations

- **Balance Sheet:** assets, liabilities, and equity relevance
- **Income Statement:** revenue, expenses, profitability
- **Cash Flow Statement:** tracking cash inflows/outflows

Budgeting Fundamentals For Legal Departments

- **Forecasting Costs:** estimating expenses from past data
- **Budget Allocations:** setting limits for legal activities
- **Tracking Actuals vs. Budget:** early variance identification

Cost Management Strategies

- **Alternative Fee Arrangements (AFAs):**
predictable costs
- **Technology Investments:** reducing administrative costs
- **Outsourcing & Vendor Management:**
cost-effective resources

Financial Analysis in Legal Operations

- **Cost-Benefit Analysis:** evaluating ROI on legal tech
- **Break-even Analysis:** offsetting costs with savings
- **Return on Investment (ROI):** impact of legal initiatives

Tracking & Reporting Legal Metrics

- **Total Legal Spend:** tracking costs for efficiency
- **Cost per Matter:** optimizing resource allocation
- **Cycle Time for Legal Matters:** increasing productivity

Managing Risk Through Financial Insights

- **Assessing Financial Exposure:** evaluating legal risks
- **Contingency Planning:** budgeting for high-risk cases
- **Leveraging Finance Modeling:** Risk Forecasting

Enhancing Collaboration With Finance Teams

- **Aligning Goals:** synchronizing finance and legal objectives
- **Collaborating on Cost Management Initiatives:** ensuring proper communication at all stages
- **Reporting Insights:** sharing metrics for accountability

Technology for Financial Efficiency in Legal Operations

- **Legal Spend Management Software:** tracks expenses
- **Contract Management Systems:** improves compliance
- **Data Analytics:** provides insights into spending trends

Case Studies: Financially Savvy Legal Operations

Example 1:

Company A reduced spend by
20% with AFAs

Example 2:

Company B streamlined
budgets with software

Key Takeaways



Finance and accounting skills
improve budget control.



Aligning financial and legal
goals benefits the organization.



Continued finance learning
enhances operational impact.



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