

## Global Growth Drives Legal Department Agendas

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Global growth drives legal department agendas, far more than rising law firm costs or the economic downturn. The fast pace of globalization and the complexity and diversity of risks and demands were the top issues for more than 100 senior corporate counsels polled at a conference entitled “Wake Up to the Future: How Global Corporate Legal Services Must Change.” The ACC’s NY Chapter and Eversheds LLP organized the New York City conference. Leading heads of legal from many Global 500 companies provided concrete approaches and tools for in-house counsels to adapt and put into practice.

- 38.2% of in-house lawyers attending the event saw the pace and scope of global growth as having the biggest impact on corporate legal functions today.
- 20.6% viewed the rising costs of outside counsel as their number one concern.
- 14.6% viewed the economic downturn was the number one issue.

Paul Smith, a Partner at Eversheds who co-chaired the conference with Tom Sabatino, the General Counsel of Schering-Plough, remarked, “Over the last year we’ve had anecdotal evidence from clients that their global demands are mushrooming, whether in Abu Dhabi or Bucharest or China. At this conference we saw broad consensus on a global tipping point. Mix global growth with pressure on costs, with aggressive regulatory enforcement, with the economic downturn – that’s a heady cocktail for in-house lawyers.” An audience response system was used to survey the conference attendees, of whom 36% were counsels of companies with more than \$10 billion in revenues, and 34% with \$1-10 billion in revenues. 85% of the respondents were corporate counsels, with 62% in a chief legal officer (CLO) role or as a direct report to the CLO. Though 84% of the counsels viewed their companies as very global, most said their legal department was ill prepared to meet their company’s global demands (More than 40% responded with 1 or 2 on a scale of 1 to 5, 5 being the highest). When asked which countries or regions caused the most concern for management of risks and disputes, China was the top choice for 35%, followed by the U.S. for 17%, and Russia for 14.5%. Aggregated, the BRIC countries (Brazil, Russia, India and China) represented the greatest concern for 61% of the corporate lawyers.

“Our struggle is neither unique nor insurmountable—globalization has brought many opportunities to our businesses. As in-house lawyers, we need, and want, to be fully integrated with the business and provide the legal infrastructure required to be successful in all markets in which we operate,” said Tom Sabatino.

Though global issues led the agenda, in-house counsels were critical of their law firms. 44.6% said their law firms rated a ‘3’ in understanding their business and their constraints (with 1 being the lowest score, and 5 the highest). Another 38% gave their law firms a “1” or “2” rating on the same issue.

Respondents resoundingly found their law firms to be highly inefficient, with 87% giving their law firms a “1” or “2” rating on efficiency – not a single in-house lawyer rating his or her law firms as a “4” or “5” for efficiency. 50% rated their law firms as “1” or “2” in preparing comprehensible estimates and budgets; 18% gave their law firms a “4” or “5” score on the same issue.

“It is time to engage our firms in meaningful dialogue about how to get back to providing value. We need our law firm partner/providers to be successful and profitable -- they need to change their business model to focus on profits as opposed to top line revenue growth in a cost-plus world,” said conference speaker Jeffrey Carr, General Counsel of FMC Technologies.

Despite concerns about law firms inefficiency and discussions that the billable hour is often the culprit, when asked if the billable hour would disappear during their career, 71% said “No, because it is simply too ingrained.” Only 21% answered yes, that it would disappear.

“In-house counsel forums such as this one give us useful feedback, and while many of the attendees didn’t see the billable hour going away, the ACC is committed to developing a set of best practices that include alternatives to the much-reviled billable hour. We have a group of leading in-house counsels from around the country considering a number of options, including alternative fee structures, early case assessment, and better use of technologies,” explained ACC President, Frederick J. Krebs.

The following are additional significant findings from the event related to corporate counseling on cross-border transactions and disputes:

- The most challenging or frustrating feature of international M&A transactions was differing legal systems and principles (36%) with poor teamwork in second place (28%).
- 56% of corporate counsel surveyed said their international transactions could benefit from a formal project management system, with another 40% saying they could ‘maybe’ benefit.
- 57% have seen a rise in litigation in the past two years.
- 67% expected to see an increase in “U.S. style litigation” in Europe.

What international issues are affecting your company the most? What steps have you taken to address them?

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