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The Legal Department of the Future

Bloomberg BNA recently conducted this interview with Olivier Chaduteau, managing partner at Day One, about some of the findings in his yet-to-be-published book, “The Legal Department of the Future.”

Bloomberg BNA: Why did you decide to write this book, “The Legal Department of the Future?”

Olivier Chaduteau: The legal market is going through a paradigm shift. Legal has become over the past 15 to 20 years the most important component, along with finance, of corporate strategy. Even though this shift started in the states with Ben Heineman during the ‘90s when he joined Jack Welch at General Electric, it took many years to really change. It’s now, thanks to globalization, a reality for large company general counsels all around the world. They’re the CEO’s wing-partner with two specific roles, which can sometime be schizophrenic: “business partner” and “guardian of the temple.” Working with GCs and legal departments all around the world, and having interviewed more than 60 GCs of international large companies, I realized that this shift was a global trend. I wanted to write on and freeze that particular moment: when an old paradigm is dying and a brand new one is arising!

BBNA: What does the legal department of the future look like?

Chaduteau: The information asymmetry has shifted, and so has

the power, from the outside counsels to in-house lawyers. GCs started to add in-house lawyers to their organizational matrix (competences, business, geography), sometimes recruiting them directly from law firms, which has become a common and basic trend now. In-house lawyers had to learn about their company strategy, industry and key business issues in order to find concrete and secured solutions. As they were closer to the business they become business partners or even trusted advisors, which basically relies on three criteria, Competence, Relationship and Trust. Business teams now are more and more willing to work from day one with their in-house lawyers, finding more value than just calling them at the last minute. In-house lawyers are part of the team, they owned and now deserve that position.

Today, legal departments are becoming more efficient, developing KPIs and demonstrating the value they bring to the company and its board. In the future, the best in class will be able to be flexible and agile, having challenged their business model and organization around three cornerstones.

The first one is VALUE. No legal department can work on everything with the same quality. They need to make choices and find the most efficient way to complete them whether it’s internally or externally with law firms, LPO firms, contract lawyers or law consultants.

The second is TECHNOLOGY. Technology is reshaping every single industry (music, travel, real estate, retail, education . . .). It’s doing the same with legal. GCs need to anticipate and define what technology can bring to their organization, in terms of knowledge sharing, law firm relationships, costs monitoring, speed, process and leverage.

The last component is COLLABORATIVE. Working alone is neither efficient nor safe. The world is now too complex. Risks can’t be identified, analyzed nor mitigated by adopting a single perspective or point of view, a multidisciplinary approach needs to be organized in and outside the legal department with all stakeholders. Lawyers should also learn to break silos within the legal department and share more with each other, using internal social media, intranet and chat systems.

BBNA: What are some of the global trends in the legal market?

Chaduteau: They are many. Let me highlight 10 specific global trends in the market. Legal departments now need to:

1. Work with budget constraints and be more cautious on the return on investment. They are asked to “do more with less.”

2. Communicate and demonstrate the value of the legal department through relevant KPIs.

3. Focus on the main risks and strategic issues rather than do it all! They need to prioritize on a daily basis (importance over urgency).

4. Improve their efficiency by looking at the best leverage in the pyramid of the legal department or outside (“push down,” “push out,” “push away” or “pull in”).

5. Internalize more work (more efficient, cost effective and solution oriented).

Olivier Chaduteau is managing partner and founder of Day One, a consulting firm specialized in strategic alignment. He is the author of the yet-to-be-published book, “The Legal Department of the Future,” for which he interviewed more than 60 general counsels around the world.

6. Develop legal project management competencies among the legal team.

7. Implement business & legal planning in order to anticipate business needs and plan legal resources when possible (being proactive).

8. Define a law firm policy and identify segment by value: Mega firm, niche firm, LPO firm, secondment, law consultant, contract lawyers . . .

9. Develop invoicing and e-billing systems.

10. Implement technology and collaborative tools and systems in order to improve knowledge sharing.

BBNA: Are there particular regional or industry trends that you noticed?

Chaduteau: I think that the global trends are the same everywhere, which is why you can tell there's a paradigm shift. However, the level of importance for each trend may depend on the industry. The more regulated the industry is, the more it needs to change and adapt fast. Banking, insurance, pharmaceutical, energy and telecom may be the five most important regulated industries that are urgently concerned.

BBNA: What are general counsel saying about how they do, and should, work with law firms and outside counsel generally? Is this relationship changing?

Chaduteau: This relationship is dramatically changing. As I mentioned earlier, the power is now in the

hands of the GC. Law firms need to adapt to this situation and focus on value. Value pricing is now a reality, the hourly rate is dead (or almost dead). As GCs are going to look for different types of firms for different value or needs, law firms will have to reconsider and even redesign their business model which is basically based on hourly rates, chargeable ratio and leverage; pricing is defined with a cost+ strategy which is around 3.5 times the costs of a law firm. This has nothing to do with market value and clients' needs. This has to change. Some law firms we're working with have already taken that path and are taking this question very seriously. This has nothing to do, as many people first thought, with the economic crisis, it's just a profound change. The crisis has just been an accelerator of the situation.

BBNA: How is new technology affecting the legal departments? More particularly, how are general counsel viewing the developments related to cybersecurity? How much should general counsel be involved in company prevention and response practices in this area?

Chaduteau: Technology is reshaping the legal department as I said earlier. It's reshaping the entire world. As a technical matter, technology and some of its component cybersecurity, but also data privacy, are a hot topic for GCs and their organizations. Not only is the topic new, but its applica-

tions and consequences for companies are unknown.

Moreover, the legal framework is not completely here and is being created as we speak. GCs need to interact with new technology and digital experts in order to analyze what it means in terms of risks but also opportunities for their department and their company. They shouldn't put themselves in a reactive position. When it comes to technology, it's the GC's duty to be proactive and switch into the anticipation and proactive mode.

BBNA: What were your most surprising findings from conducting these interviews?

Chaduteau: Three things. First, is that whomever we were talking to or working with, they were describing the same situation and global trends. It did not matter whether they were American, European or Asian. The differences are more in the size of the company, and of course the fact that it's listed or not, than on its nationality. The second thing is that great GCs are real business leaders with a global vision of the world. They bring an interesting "business and integrity" perspective to their CEO and board, which is complementary to the CFO one. The last is "compliance." It's becoming more and more important in corporate strategy today but companies really struggle to define exactly what it is, to demonstrate the value it brings and how it should interact with legal.