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## Aligning Your Law Department for Peak Performance: Organizational Structure



Daniel J. DiLucchio

By Daniel J. DiLucchio

*Editor's note: This is the second article in a series exploring the concept of law department alignment.*

### Law Department Performance

To realize peak performance, all law department components must work seamlessly. Failing to align any of the key law department performance factors makes the department less effective. Addressing deficiencies in one area is helpful, but unless all interlocking segments work together, performance will be less than optimal.

To ensure that a law department is working at peak efficiency, and at a world-class level, each general counsel must ensure that his or her law department is properly aligned. Alignment must be both internal — within the department itself and with the corporation — and external, with the strategic needs of the executives and business units it serves, and of course, with the company as a whole.

To achieve alignment, general counsel should consider the following alignment factors:

- organizational structure
- client service
- culture
- leadership and management
- outside counsel and other service providers
- rewards and motivation
- systems and processes
- technology

Each of these alignment factors is interrelated and should be considered in light of the others. This article will specifically focus on organizational structure and how organizational structure relates to the other factors.

### Organizational Structure

Alignment of the organizational structure is essential to optimal performance. In most corporations, the organizational structure can be considered from two fundamental perspectives, reporting relationships and geographic location. The matrix on page 3 demonstrates the relationship of the two fundamental decisions that need to be made. The law department reporting relationship can be either centralized or decentralized and the lawyers can be geographically centralized or disbursed. A plotting on the centerline of either axis means the corporation has a mixed structure.

The structure should be based on organizational needs, not personalities. Managers

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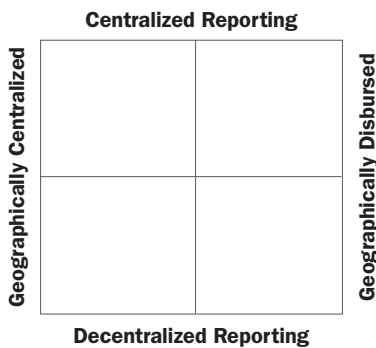
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should manage the organization and understand what management responsibilities are expected. Lawyers who are premier practitioners, but not good managers (or who do not want to be managers), should not be selected.

**Law Department Structure Alternatives**



To begin the alignment process, it is important to reflect upon organizational structure, and continue to do so every few years. Based on an objective snapshot, many law departments find that their structure has evolved over the years into one that no longer serves the enterprise's objectives. To objectively review the organizational structure of the law department, evaluate the structure against each of the other key alignment factors. By using this technique, misalignment will become obvious.

**Client Service**

Balancing the organizational structure and client service is a fundamental alignment concern. If your structure is not designed to facilitate direct and coordinated client service, then the law department will not successfully fulfill its mission. At a minimum, each client must know whom to call within the law department for legal services. Occasionally, this requires the designation of a client service representative (CSR). The CSR does not necessarily supply all of the legal services to a client, but may act as the coordinator of services, ensuring that the proper work ends up in the right hands. In

addition, the CSR is intimately involved in the business strategy and direction, communicating this strategy to others in the law department, as appropriate.

The organizational structure of the law department might require lawyers to be centralized in one location, or to be geographically disbursed if there are major business units requiring daily legal advice. For large global law departments, there is often a need for corporate legal services provided on an enterprise-wide basis. These services might include antitrust, executive pay and benefits, litigation, and intellectual property work. In most companies, business units would not be large enough or have enough legal work in the specialty areas to employ a full-time lawyer, but on a global basis, there is clear economic justification for such services.

In another example, a law department built around practice groups may not be client-friendly. Such a structure might make the lawyers feel comfortable, since it reflects a law firm model, but it may not be the best service delivery model for a corporation. In this structure, clients may not know whom to call for services and they do not have one point of access to the law department. This may lead to client frustration or to the client "shopping" for legal answers.

The organizational structure should be clear enough to ensure that lawyers are not competing with one another for clients. An atmosphere and structure that facilitates placing the "right work" in the "right hands" is essential. Based on legal specialty, skills, or experience, certain lawyers will be much better positioned to effectively and efficiently handle certain legal matters.

**Culture**

Balancing the organizational structure and the culture of the law department necessitates the fine-tuning of a number of factors. In today's business and legal environment, business

conduct is under the microscope — and that environment requires legal consistency and compliance. For many far-flung companies, it is essential that there is consistency of legal advice across the enterprise. To accomplish a coordinated delivery system, the department must have a culture of teamwork, communication, and sharing of information and resources. Without the proper organizational structure, these cultural objectives cannot be achieved.

Since today's law department structures are flatter and there is often less opportunity for upward mobility, a law department organizational design can open new career progression opportunities if structured appropriately. For example, a global law department will approach career progression differently when it considers and actively promotes movement of lawyers between and among business units. By posting legal positions for all lawyers to see and consider and by encouraging movement throughout the company, career progression can be enhanced. Lawyers will not feel as though they must leave the company to progress.

When management focuses on individual lawyer development and training plans, a culture that facilitates lawyer and paralegal retention and motivation is created. Motivational alignment can also include the use of assignment and client management responsibilities as a performance initiative.

High-performing law departments create a culture of accountability and responsibility. Work is delegated to the proper level and the individual employee is given significant responsibility and held accountable for performance. Managers are held accountable for their own performance and for the performance of the people for whom they are responsible. In a properly aligned law department, the managers also have the tools required to make the critical performance judgments.

Effective horizontal and vertical communication is essential in an

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aligned organization. Any organizational impediments to communication must be removed, and the leadership of the organization must demonstrate, through word and practice, the importance and value of open communications. Employees should not be afraid of bringing problems to the attention of managers.

Creating a culture of cooperation and teamwork facilitates client and customer service. If the organization and culture of the law department is such that a person or group seems to “own” a client relationship, then teamwork fails and the clients do not receive the full benefit of the talent and resources of the law department. To achieve teamwork, the general counsel must ensure that teamwork is measured and rewarded. Teamwork can be integrated as part of the individual performance review or it can be measured in 360° performance reviews. Teamwork can be rewarded through both individual and group performance incentives.

**Leadership and Management**

A properly organized law department must have strong leadership and management to maintain proper alignment. Most lawyers do not like to manage others. They like to do what they have been trained to do — practice law. Aligned law departments ensure that those in leadership and management positions are aligned with the organizational structure.

Managers should be selected for their management abilities, not because they are the best legal practitioners. Once the right people are selected, managers must take the time to provide direction, supervise, allocate resources, evaluate performance, etc. Many law departments will suggest the amount of time they expect managers to spend in their management responsibilities. The amount of time required depends upon the size of the area being managed but could reasonably range from 30 percent to 90 percent of the lawyer’s time.

Providing ongoing training and development opportunities in both leadership and management is also important and sends a signal that the general counsel deems this an important role. Establishing management and leadership performance criteria and expectations and then evaluating the managers on these criteria is also important to law department alignment. Ultimately, it is critical to provide constructive feedback and coaching to the managers so that they can improve their overall performance. Finally, providing the managers and leaders with the tools and data necessary to manage their areas of responsibility is key.

**Outside Counsel and Other Service Providers**

To be properly aligned with the organizational structure, the company’s outside counsel must understand the structure, operating philosophy and culture of the law department. In addition to understanding the organizational structure, outside counsel

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must be willing to work within the structure and supplement and support internal law department resources. Many times, this alignment necessitates behavior by outside counsel that may appear contradictory to their short-term financial objectives. In the long run, however, a law firm can establish itself in the enviable role of trusted partner if it aligns with organizational objectives. It is the general counsel's role to educate outside counsel about these needs.

Organizational alignment also requires that other legal service providers, such as temporary services, research firms and technology support vendors, work seamlessly with law department members to ensure that the company is receiving the highest quality and most cost-effective services.

**Rewards and Motivation**

The general counsel must set the direction and clearly delineate the law department's objectives. Once the objectives are articulated, the reward system is designed or modified to ensure that the behavior necessary to achieve law department objectives is rewarded. This reward system can provide individual incentives, team incentives or overall company performance incentives. Whatever the reward structure, it must be directly tied to achievement of objectives. The people being rewarded must believe that the system is fair and that their performance will influence their reward. When evaluating performance bonuses in law departments, consultants often find that individual employees either do not understand how bonuses are determined, or they do not believe that their personal performance ultimately impacts the incentives they receive. The "rules of the game" must be clearly defined for a reward system to be optimally effective.

Of course, monetary incentives are not the only reward tool available to a law department. To ensure that the

right behavior is motivated, these tools might also be considered:

- Providing opportunities for self-improvement, either within the organization or externally
- Providing opportunities for greater responsibility
- Non-monetary recognition of achievement
- Using work assignments creatively
  - with high-profile clients
  - working on major matters
  - working with Board Committees
- Providing opportunities for travel
- Ensuring personal development through ongoing education/training
- Creative use of titles

Since a high-performance law department promotes lawyers with management interest and aptitude into management positions, it is important for alignment purposes to have career progression opportunities for practice specialists as well. Lawyers with sophisticated technical skills should be able to progress nearly as far as managers through the use of dual career ladders.

**Systems and Processes**

If a general counsel is seeking a globally-integrated legal function, then organizational systems and processes must be designed and implemented. Enterprise-wide systems and processes might include document management, a legal intranet, matter management, standardized filing, work product retrieval, the design and use of standardized templates, etc. Standardization is important in a centralized department. This factor is also a good measure of alignment integration since the successful implementation of standardized systems requires the cooperation and teamwork of all members of the law department.

The alignment of this factor with leadership and management is critical. Systems and processes must be established that allow leaders and managers to gather management information

and assess the law department's performance. Without the proper tools, management decisions will be based on speculation and intuition instead of facts and data.

**Technology**

Finally, each of the factors described above require the proper tools and technology to be effective. To facilitate and support the organizational structure, technology should be used to support the flow of information within the law department, create efficiencies and collect and analyze management data and reports. Whether it is leadership and management reports or work product retrieval systems, effective use of technology contributes to the alignment of an organization.

**Capitalizing on the Alignment Template**

To capitalize on the alignment paradigm, each law department performance factor should be reviewed and tested against the other performance factors. By employing this test, misalignment problems can be identified and addressed. This article focused on one of the key alignment factors — organizational structure — and how it aligns with the other factors.

Remember, as organizations evolve and change, it is not unusual for law department misalignment to develop. In most situations, misalignment does not develop overnight, nor is it corrected overnight. The threshold step is taking the time and energy to reflect on the organization, its performance level and its alignment. Without proper alignment, a department will run at less than full potential. Capitalize on the alignment paradigm and realize your organization's full performance potential. ♦

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