

Chief Legal Officers Continue Raising the Bar for Law Firm Performance

By Dan DiLucchio

As the mystique surrounding the delivery of legal services disappears, it is no longer acceptable to suggest that the cost of legal services cannot be managed. Chief Legal Officers (CLOs) are feeling the same cost management pressures experienced by their corporate colleagues. In today's competitive environment, corporate costs, including legal costs, must be closely managed and more predictable.

The annual meeting of the American Corporate Counsel Association (ACCA), held in October of 2000, presented a unique opportunity to ask attending Chief Legal Officers,

how they felt about strategic management issues. Altman Weil, Inc. and the American Corporate Counsel Association joined forces to design a set of questions that would provide insights into the changing legal landscape of corporate law departments. Seventy-seven of the Chief Legal Officers attending the annual meeting provided input to the survey.

The Survey results suggest that managing outside counsel, while balancing the legal needs and demands of corporations, appears to be tougher than ever. According to the survey,

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Chart 1 What are the greatest organizational challenges that globalization create for you?

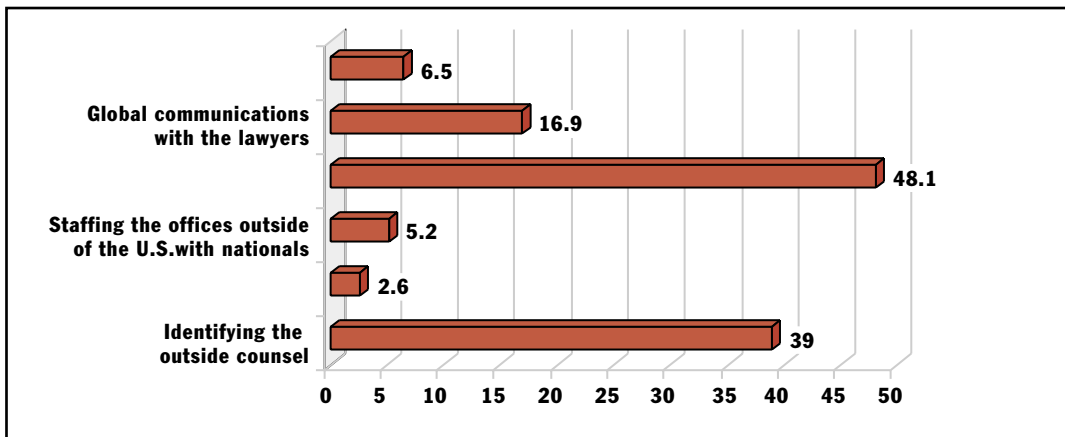


Chart 2 Within the next 12 to 24 months, do you plan to increase or decrease your use of outside counsel?

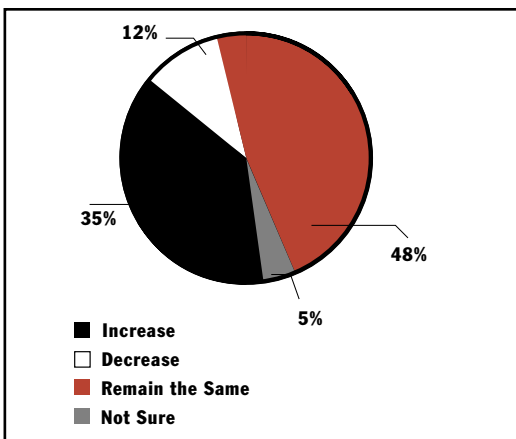
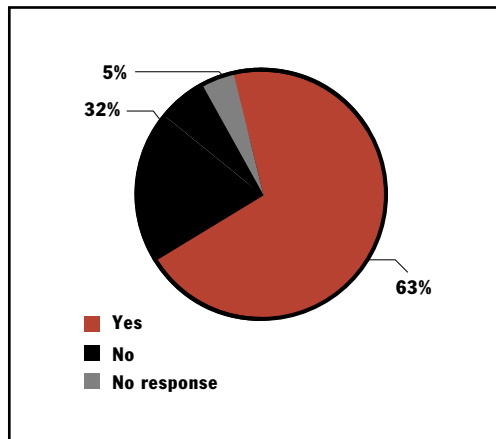


Chart 3 Have you fired, or are you considering firing, one of your law firms this year?



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Chart 4 Have you fired, or are you considering firing, one of your law firms this year? if so, why?

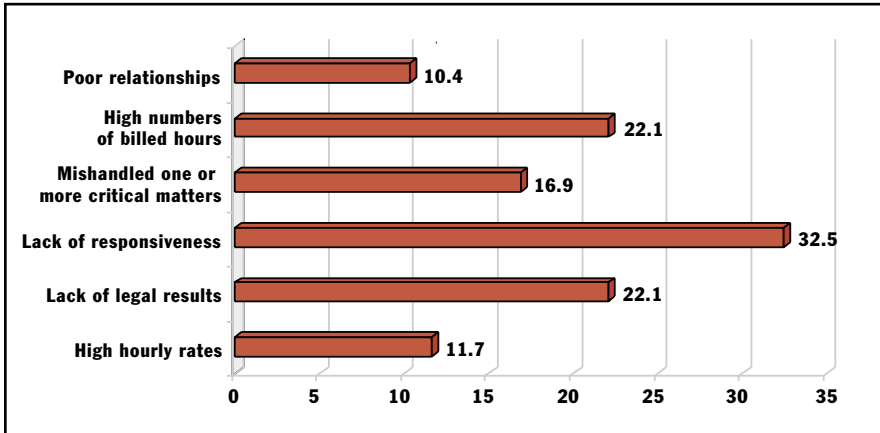


Chart 5 Within the next 12 to 24 months, do you plan to extend your in-house legal capabilities by hiring additional lawyers?

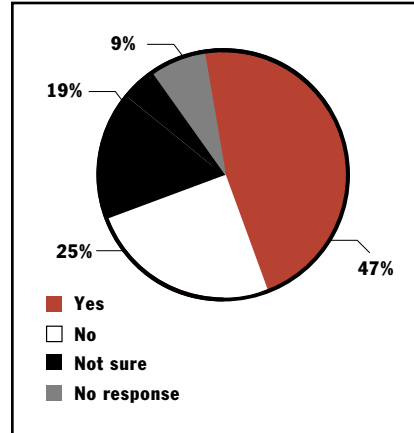


Chart 6 Do you see an in-house impact of rising law firm associate salaries?

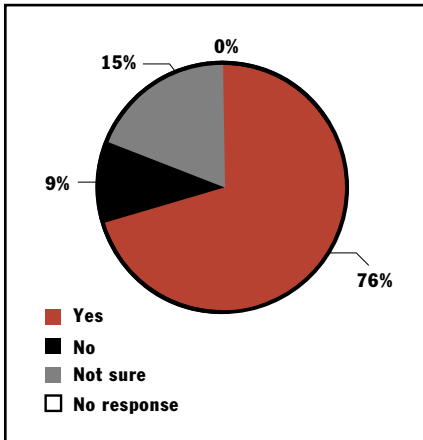
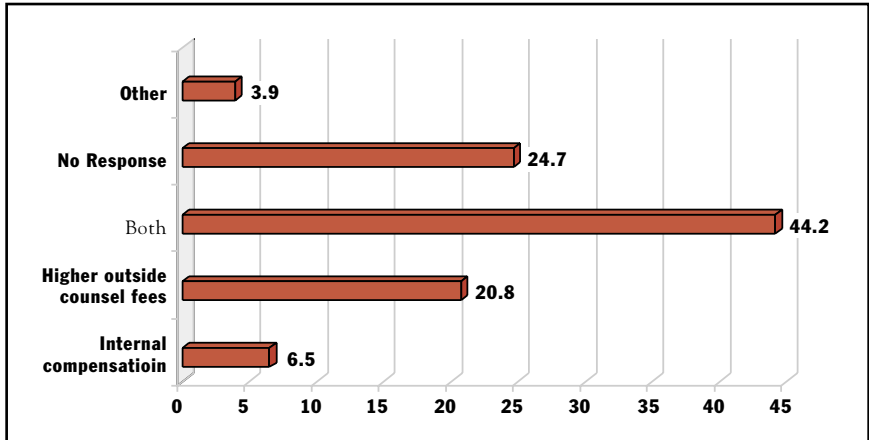


Chart 7 Do you see an in-house impact of rising law firm associate salaries? If yes, is the impact on:



CLOs have higher expectations of their departments and outside counsel — and that under-performing law firms will be weeded out in 2001. This article details many of the results of the CLO Survey.

Keeping Up with the Speed of Practice

Globalization, e-commerce, regulation and compliance, costs and staffing are all issues that concern CLOs, with costs cited as a “perennial” issue by about 34 percent of the respondents. Globalization appears to be a concern for many CLOs as their corporations expand internationally. With international expansion, staffing legal issues in remote

locations becomes more challenging. In addition, client service is a high priority, especially overseas, where CLOs pointed to the difficulty of managing the delivery of services to their far-flung clients, including identifying local counsel.

Chart I ranks the greatest organizational challenges created by globalization.

Outside Counsel Retention/Relations

Many CLOs (48 percent) foresee no change in their reliance on outside counsel over the next 12 to 24 months. In addition, a significant number (35 percent) plan to increase their use of outside counsel within that time frame. Yet 63 percent of respondents

had severed relations or were planning to sever relations with at least one of their law firms in 2000, most for a lack of responsiveness on the part of the firm (32.5 percent).

Charts II, III and IV best describe the anticipated use of outside counsel and the fragility of the relationships.

The Future of the Law Department

Most respondents (63 percent) had high hopes for the future of in-house legal departments. One of the traditional reasons for developing an in-house law department is the lower cost of delivering legal services. Most CLOs continue to point to the

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in-house department costs versus the benefits as the reason for their favorable view of the future. Indeed, a good number of respondents (47 percent) had expansion plans for their departments over the next 12-24 months, although a sizable chunk (25 percent) planned to keep a lid on new hires during that time (see Chart V).

Learning New Skills

Chief Legal Officers were asked what new skills they must learn to be successful leaders and managers. The top three skills identified by the respondents were management, technology and e-commerce skills. It is not unusual for a Chief Legal Officer to rise to his or her position as a premier lawyer and a trusted advisor to executive management. Elevation to the Chief Legal Officer level is not always driven by superior

management skills. The complex management challenges of today's business makes attracting, retaining and motivating human resources more complicated and superior management skills essential. Chief Legal Officers realize the need to continuously upgrade their management and communication skills. The increase of law department technology for communications and legal practice applications requires a continuous learning environment.

Rising Compensation

Today's market for new law school graduates is fueling an in-house compensation challenge for General Counsel. In 2000, starting lawyer salary increases precipitated a nationwide ripple effect in U.S. law firms. The CLO Survey specifically asked about the impact of rising law firm associate salaries on the corpo-

rate law department. Nearly half of the responding Chief Legal Officers said that they saw an impact of rising associate salaries on both in-house compensation and higher outside counsel fees. Charts VI and VII demonstrate the impact and effect of the salary increases.

The CLO Survey has articulated and clarified some of the trends and changes currently affecting the legal profession. It specifically provides a view from the leaders and top managers of major in-house law departments. Follow-up Surveys will help track these trends, add strategic perspectives and allow us to better understand the dynamics of a rapidly changing business environment. ♦

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Don't Miss *Reclaiming the Fire* by Dr. Steven Berglas

By Ward Bower

This book needs to be read by all successful lawyers. Why do so many extraordinarily successful people plummet to the bottom just when they reach the top, suffering burnout, depression, alcoholism, substance abuse, family problems, and the like? Dr. Berglas explores this phenomenon, with special attention to the "baby boom" generation currently at the peak of their careers. He labels the syndrome "Supernova Burnout," common to those who achieve all the goals they have set for themselves and are being asked by others repeatedly (and expected by them) to perform "encores." Supernova Burnout occurs when one's vocation is no

longer rewarding and the individual is inspired to ask, "Is that all there is?" Dr. Berglas goes further to recommend means by which the phenomenon of Supernova Burnout can be overcome — by introducing challenge, innovation and change; by "thinking like a woman" (building relationships based on caring, not power); by cultivating psychological connectedness; by facilitating "generativity," (building/developing younger professionals); and by admitting and celebrating failure and reintroducing passion to overcome adversity by focusing on "causes," or even greater goals.

Be sure to include this book in your summer reading. Even if not

afflicted by Supernova Burnout, many experienced and successful lawyers will see themselves in this book and may learn techniques to avoid burnout in the future. Dr. Berglas is a clinical psychologist, adjunct faculty member at Harvard Medical School, columnist and author of articles for periodicals and currently teaches at the Anderson School (of Business Administration) at UCLA. The book is published by Random House (New York, 2001). ♦

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