

GC Is the New CEO: The Rise and Rise of General Counsel

By Deena Williamson, 14 December, 2020



“As it did with CFOs, the heightened attention to risk management broadened the role of general counsels over time. [...] Increasingly, firms insisted that the top lawyer be at the table to discuss new initiatives so that their risks would be thoroughly analyzed before rollout. Many general counsels also became viable candidates for the job of CEO — evidence of their growing role as business partners.”

— *“The New Path To the C-Suite,” Harvard Business Review*

The roles of general counsel (GC), chief legal officer (CLO), and corporate counsel (CC) have been growing in importance as C-suite leadership teams become more aware of the elevated risk conditions they are working in as well as the long-term cost of those risks. This heightened awareness has correspondingly caused high-functioning legal teams to expand their priorities and capabilities to address broader business requirements.

Managing risk is still critically important, but it is no longer enough. GCs and their teams are expected to actively support their company’s strategy. As a result, the role of CLO has become a viable stepping-stone to the CEO role, joining the more traditional paths that run through operations and functional areas such as finance, marketing, and IT.

According to the [2020 ACC Chief Legal Officers Survey](#), in the world's leading companies, 80 percent of survey respondents report directly to the CEO. In ACC's analysis of organizational structure in Fortune 500 companies (ACC Age of the CLO Annual Data Project 2018), 93 percent of Fortune 500 CLOs have a direct reporting line to the CEO. Additionally, approximately 93 percent of GCs are now members of the executive management team — an almost 10 percent increase from 10 years ago. No wonder there is an increasingly high rate of GCs taking over the CEO role.

Current GCs who are interested in ascending to the top corporate office will have to show that they can occupy a few critical but less official roles first. Each is closely tied to their immediate responsibilities while moving them ever closer to the strategic center of the business.

General counsel as a key advisor

The authors of the *Harvard Business Review* article quoted above observe that legal teams are quickly shedding the image of being sleepy domains that review documents, oversee regulatory compliance, and deal with the occasional rogue employee. Instead, they suggest that GCs are becoming chief risk officers, especially in companies that do not have a dedicated executive overseeing risk. For GCs, this means being a key part of business deals from the very beginning — not just providing a legal stamp of approval at the end.

While contracts can originate from HR, finance, procurement, IT, sales, and marketing, it is incumbent on the GC to guide, organize, and centralize the contract process. In addition, contracts need to be created, approved, executed, stored, managed, amended, and renewed. Lastly, they need to be searchable to guarantee compliance, secure incentives, and reduce risk.

[The International Association for Contract & Commercial Management](#) (IACCM) believes that organizations miss out on nine percent of revenue every year because of poor contract management. For a business with US\$1 billion in annual sales, this translates to approximately US\$100 million in lost revenue. If bringing in US\$100 million in new revenue would make a CEO a hero to shareholders, doesn't preventing a loss on the same scale qualify the GC to be considered for the CEO role?

General counsel as a risk mitigator

The sheer volume of buy- and sell-side contracts can bring a legal department — or an enterprise — to its knees. According to an independent paper compiled by PricewaterhouseCoopers, “The average Fortune 1000 company has between 20,000 and 40,000 active contracts, up 20 percent in the last five years.”

At many organizations, these tens of thousands of contracts are stored in a wide variety of formats, including Word documents, emails, PDFs, and even faxes. As a result, every individual author on a contract — a sales executive, an IT executive, or even a lawyer — means a potential new version of a contract.

Due to the sheer volume of contracts, no lawyer can effectively manage a company's contractual obligations alone. GCs need enterprise-level solutions to manage and predict risk and compliance across all buy- and sell-side contracts. Only through this type of robust organization, centralization, and analysis can companies maximize the value of their contracts and protect themselves against losses.

General counsel as a business leader

GCs are increasingly thought of as business leaders with a legal perspective. They regularly serve as trusted advisors to their C-suite peers on matters that extend beyond the strict confines of contract language and terms. Of course, this does not relieve the need to have close, active monitoring of contracts, so like many other functions, legal is routinely investing in automation and digitalization.

A business-focused GC who understands the company's strategy and effectively partners with senior management to drive that strategy is a powerful member of the executive team — and, perhaps one day, a CEO.

It is no wonder that the GC's office is increasingly considered a potential path to the CEO position. Few roles in a large organization can combine a 30,000-foot view with down-in-the-weeds details as the GC.

Although this role commands a great deal of organizational visibility, achieving the same view of contracts requires the support of technology. Contract Lifecycle Management (CLM) is one of the best ways to achieve that a 360°, real-time perspective of legal commitments and obligations.

A clear view of the contract portfolio directly enhances an organization's ability to manage risk, cut additional costs and penalties, and drive expanded revenue opportunities — all potentially adding up to millions of dollars. CLM takes contracts out of “filed away” stasis and puts them on the balance sheet. Far more than just mitigating risk, these invaluable assets contain data that can be used to formulate strategic business planning when accessed effectively.

GCs at leading companies rely on CLM for situational awareness. When you have thousands or tens of thousands of contracts in play at any given time, with more being created every day, no one can be expected to monitor them all. A configurable, scalable, and robust CLM provides dynamic enterprise-wide visibility and control over all contracts.

GCs are the ideal executives to preside over contract management solutions. They work across almost every facet of the business, so they are in the best position to deal with the holistic contracting needs of the organization.

Conclusion

At its essence, CLM transforms contracts into leverageable assets and competitive advantages. Contract management can help turn potential revenue leaks into revenue generators, driving business through complete visibility, which in turn means increased confidence in decision making. But none of that can happen without a GC who understands the priorities and strategies of the business as a whole and accepts them as his or her own.

More than anyone else in the organization, a business-minded GC can navigate risks and opportunities alike, leaning on the full knowledge of the partnerships and protections that can be brought to bear on behalf of the enterprise. It's hardly a surprise that an increasing number of companies are evaluating their own (or other companies') GCs as CEO candidates when a need arises. The only mystery is why it took so long for this trend to begin.

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