

# REEBOK RULES

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As General Counsel for Reebok, I have learned some important lessons about lawyering in an entrepreneurial environment. My CEO is a businessman who has developed a healthy mistrust of lawyers and their role in furthering the business function. Indeed, not long after I joined Reebok, as we were sitting in a meeting, Paul Fireman, my CEO, launched into one of his lawyer diatribes; his parting line was, "I hate lawyers — not you, Jack; you don't count." Not sure quite how to accept that remark, I took it as a compliment. But somewhere tied up in that comment there's a lesson.

Reebok started in England in 1895 as the first company to manufacture and sell spiked running shoes. The shoes were sold under the J.W. Foster brand name. The company remained a small running shoe company until the 1950's, when the grandson of the original founder decided that he wanted to try his hand at his own athletic shoe company. He split off from the family and started a new company which eventually became known as Reebok. This new company eventually absorbed its predecessor company and continued as a small running shoe company with sales of no more than \$1 million worldwide when Reebok's current CEO, Paul Fireman, took a license to distribute Reebok shoes in North America.

The company started to take-off in 1982 with the introduction of athletic shoes specifically designed for women for the new sport of aerobics. The shoes were performance shoes, but they were comfortable beyond anyone's expectations. They were made of a garment leather which had never been used for shoes before and they were colorful. They were designed to appeal not only to the performance needs of this developing sport but also to make a fashion statement. Sales in 1982 were \$3 million.

In succeeding years, sales grew to \$13 million, \$66 million, and \$307 million in 1985 when the company had its initial public offering. By then, the U.S. company had acquired its U.K. licensor. I joined Reebok in early 1986 when Wall Street was anticipating that the company would achieve sales of about \$450 million. The company ended up with revenues of \$919 million that year. It was a rocket show. Sales in 1991 were \$2.734 billion; 1992 sales are expected to exceed \$3 billion.

Obviously, the company is successful. In fact, when I came to Reebok, the company was

already successful beyond most people's wildest imaginings. The fear at that time was that perhaps Reebok was a fad. The rocketship had gone up and now the rocketship would go down. One of the key challenges facing me was how to start a legal department within a very successful company in a way that would add value to the organization, rather than detract from its business success. The last thing Reebok needed was for me to try to install a complex set of legal mechanisms designed to fix what wasn't broken.

That is not to say that Reebok did not face a number of major legal concerns, especially as the company took on the challenge of international growth and global copying and counterfeiting. As an attorney, I could see that my new job would offer many challenges, but I could also see that the job had incredible potential for fun.

I attribute whatever satisfaction and success I have had to strict adherence to a set of rules that dictate our mission and method for doing business at Reebok. I had largely developed these rules by the time I got to Reebok, but my colleagues and I in the law department have enhanced and refined them during our tenure at the company.

The rules serve two functions: they keep the lawyers focused on the client's objectives and they remind us of the priorities which will keep us successful and challenged in our jobs. It is my feeling that every legal manager in today's business environment should develop his or her own set of rules, publish them, and make sure that the legal staff follows them. I hope that our rules at Reebok can act as a springboard for those who are interested in creating and maintaining a healthy business-to-legal (as well as a good intra-legal) team.

## REEBOK RULES

### 1. Lawyers Should Attend All Key Business and Staff Meetings

When I was hired to be Reebok's General Counsel, I did not care (within limits) how much I got paid or what my title was. What I cared about was being in the middle of key business decisions at the company. I agreed to join the company on the basis that I would attend all meetings of the Board of Directors and any Executive Committee and Strategic Planning Committee meetings. This involvement has proven to be a critical asset to my performance and job satisfaction; because of it, I am an important player in key decisions at Reebok. I make sure that all Ree-

bok lawyers are invited to staff meetings for those business units for which they serve as counsel. And I make sure that I or my staff members attend.

When faced with a Division President who is reluctant to open his or her business meetings to the lawyers, I point to past successes in other divisions, and ask that this Division President try it on a trial basis. Then I talk with my lawyer to make sure that he or she realizes what works and what does not work at staff meetings. For example, if the lawyer hears something at the staff meeting that is absolutely outrageous, illegal or unethical — especially in the first few meetings while the lawyer is still gaining credibility as an attendee — the lawyer should not jump up and down and demand that the conversation cease. A more delicate strategy is to take the Division President aside after the meeting and give some quiet advice. The goal is not to prove that the lawyers know more than the clients. The goal is to insure legal and ethical behavior by encouraging managers to invite the lawyer back to the next meeting.

### 2. Eliminate the "No" Word From Your Vocabulary

When a client walks into your office and begins talking about how he or she would like to engage in an horizontal anti-trust conspiracy with your biggest competitor because that would allow both of you to make more money, there are at least two ways in which you can respond. First, you can say: "Oh my God! NOOO! You can't do that. If you do something like that you'll go to jail — that's a ridiculous idea!" This approach has the advantage of laying your position on the table quickly and succinctly, but has little else to speak for it.

The second alternative is a bit more subtle: "Gosh, I think you've got a great idea to make more money for the company. I really like your idea, but there are one or two things that perhaps we should discuss concerning your method of implementation and some legal implications." By all means, proceed with the legal analysis, and straighten the deal out. Just start with a "yes," not a "no." Remember: your client suggested the idea because he or she liked it, and wants your help; don't cast yourself as a hindrance.

### 3. Corporate Counsel are Business People — Hone and Use Your Business Judgment





Too often I hear corporate counsel suggest that lawyers should carefully limit their input to legal analysis only. This was the philosophy employed by the General Counsel of a large legal department where I previously worked. I think this is a big mistake. Some of the most valuable contributions that I've made at Reebok (and that members of my department have made) have been a result of our collective business judgment and input. As lawyers, we get an opportunity to approach a problem without line responsibility for it. As a result, we are sometimes able to contribute insights that are very meaningful in resolving a business issue. Operate with a broad field of vision. Don't limit yourself. (However, the corollary of this rule is to make sure you still give good legal advice — if you don't do so, no one will.)

#### 4. Return Phone Calls Promptly

One of the most important aspects of the in-house counsel/client relationship is making sure that you return phone calls promptly, and respond to memos, hallway requests and other requests for legal advice on a timely basis. Nothing is worse than a client who cannot get in touch with his or her lawyer. I know, because I am frequently the client trying to call an outside lawyer. In my opinion, customer service and good communications are crucial for the inside practitioner. As an in-house lawyer, you have only one set of client relationships; if those relationships are not carefully built and preserved, at the very least the working environment will be less pleasant. At worst, you could lose your job.

#### 5. Learn About Problems Early

Nothing beats learning about legal problems early. This is one of the key benefits of attending important staff meetings. It also is a reason why lawyers should find other means of staying abreast of business developments, whether it is by informal contact with members of your business and working groups, talking to secretaries of key business people, or otherwise. It is much easier to convince a client to revise a proposal in its incipient phase than it is to curb it once it has begun to gather momentum or supporters who develop a personal investment in its success.

#### 6. Get to Know Your Clients as People

I attend the major business trade shows in our industry and many of our sales meetings. I encourage my staff lawyers to do likewise. This not only enables you to know your clients by spending time with them in a business setting, it also allows a little bit of after-hours mingling and enables you to become "one of the gang." It is a mistake to think that you will be treated as a member of the team if you don't act like one.

#### 7. Learn the Business

Whatever the business is, make sure that you learn it

thoroughly. Get on the list of trade journals for your industry. Attend sales meetings and trade shows. Bone up on the company's literature or files. One of the real values that in-house counsel can bring to a company is a thorough understanding of both the business and legal principles applicable to the business.

#### 8. Try Spending a Portion of Your Day Wandering the Halls

Have meetings in your clients' offices. Arrange some time to simply run into people. I find that some of my most productive time at Reebok has come from hallway meetings that have been completely unplanned on my part or on the part of my clients.

#### 9. Avoid Memos: Communicate Orally

Memos are a cool method of communication. They don't allow the give and take that can occur in an oral exchange. Avoid memos unless written memorialization is absolutely essential to avoid miscommunication or because of scheduling conflicts. For those who are not on-site at your office, I suggest that you work your telephone instead of writing memos. When clients are out of the office, call them with your information, even if it means calling them out of town or at home (using good judgment on this, of course), or in other difficult-to-reach situations. In this way, you will establish yourself as their lawyer, and not just another office bureaucrat.

#### 10. Integrity is Crucial

Make sure that you respect confidences and that you are honest and fair both with your clients and your opponents. I'm not suggesting that you shouldn't be an aggressive advocate in dealing appropriately with your opponent. Just do so honestly and fairly. The dividends will be enormous over time in future situations.

#### 11. Make the Coffee

One of the things that impressed me when I joined Reebok was finding Paul Fireman making the morning brew in the coffee room during my first week on the job. It certainly delivered a message to me — and, I'm sure, to other employees — that no job is too unimportant. I'll never forget one Board Meeting when we had lunch served on expensively decorated china plates. Lunch was over, and Paul wanted to get on with the meeting. Rather than place a phone call and wait for someone to come and clear the plates, Paul simply got up and carried his and one other director's plate to a small kitchen nearby. He returned to the room, picked up two more plates, and walked out the door again. All of a sudden, the directors realized that the CEO was clearing the table. You have never seen a table cleared faster in your life. Again, quite an impression.

#### 12. Be a Problem Solver

When a client walks into your office, it usually means

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that some problem needs to be solved. Sometimes the client brings in perfectly formed legal questions which require your legal advice. Other times, the client's problem might be more in the nature of a business question which the client assumes is a legal problem, or a mixed, unformed mish-mash. Regardless of which category the question falls into, help the client solve the problem, even if it requires your help or action outside of the traditional "limits" of legal advice. You want to encourage clients to come in; you don't want to encourage them to decide without your help whether the problem really requires legal input.

### 13. Stay Focused on What is Really Important

I remember being in a meeting at a large, prestigious Boston law firm at which we were discussing a possible takeover. We were discussing our strategic plan for the transaction and other details when someone suggested that, "of course we would need to get a fairness opinion." Paul asked about the nature of a fairness opinion and what it would cost. One of the senior partners at the firm said, "Well, fairness opinions generally run less than one percent of the deal, so it wouldn't be that much . . . probably about \$400,000." Paul leaned forward: "Oooohhhhhh, Wait a minute — do you realize what you just said? Does your mother know you talk like this? You just spent \$400,000 as if it was nothing." This senior partner turned as bright a shade of red as I've ever seen. The lesson: stay focused on what's important. Four hundred thousand dollars is a lot of money at any time.

### 14. Be a General Practitioner

My job at Reebok is as a general practitioner responsible for the overall legal (and business) health of the client. I liken the role to the medical doctor who acts as the general practitioner responsible for his or her patient's health. If I can perform some specialty functions — fine, but my most important job is to make sure that Reebok gets the legal services it needs, when it needs them, and at the most reasonable cost.

### 15. Do "The Legal Thing"

My direction from Paul when I got to Reebok was to do The Legal Thing — whatever that might be. What a powerful job description! The freedom that directive gives me in addressing the problems of the company is enormous. It has allowed me to create a fabulous job in an exciting legal department in a terrific company. I've never forgotten

that. When people come to work for me, I suggest that they do the same thing: "Do the legal work for 'X' division." I then allow them to dream and create their own jobs. Naturally, I stay involved, but I think it's important for people to create and fulfill their own goals. And I view my job in that context — to help my staff lawyers and paralegals achieve their career goals by helping to eliminate external or internal obstacles that are inhibiting them from achieving what they want to achieve.

### 16. Be Available

I have an open door in my office at all times. My phone numbers at home, work or travel are always available to my clients and staff. I'm available 24 hours a day, every day. I don't work 24 hours a day, but I'm always available.

### 17. Legal Work & the Bell Curve: Not Every Job Requires an "A" Effort

One of the most important judgments that I ask my lawyers to make is what work needs an "A" effort and what work needs a "C" effort. Some projects that come into the department deserve a quick glance and approval, others should be reviewed carefully. Some projects shouldn't be done at all. If you micro-analyze every project and treat the resulting opinion as a law review article, you are not allocating your time to its best use. If you fail to prioritize your workload, you will not be able to respond appropriately to the important projects, and you may find yourself missing the forest for the trees.

### 18. Avoid Titles

Especially in a small law department, titles are unnecessary and probably promote more ill-will than good. At Reebok, we have no titles and never have had any. By not having titles we avoid competition and complaints, and we promote teamwork and solidarity.

### 19. Be Proactive: Educate Your Client Groups

Hold seminars regularly to train people outside the law department about routine responsibilities that have a legal implication. At Reebok, we hold regular educational programs in the areas of antitrust law, employment law, advertising law, and intellectual property law. Your company might require different programs, but they surely require some education, perhaps in antitrust issues, officer and director liabilities, environmental concerns, etc.



### 20. Move Routine Work Outside the Department

At Reebok, we've been able to develop standard contracts and make the drafting of such contracts fairly routine. We first move this work to a paralegal. We then move the paralegal to the business department where that person functions as a manager of contracts. This is good for the individual and for the legal function and the business department. We "normalized" these functions for our marketing department and did the same thing in our treasury department by "installing" a stock option plan administrator. By routinizing functions and moving people into the business departments that house their workload, we keep the legal function more focused on areas truly requiring our expertise. Our goal is to get the job done in the best possible manner, not to create the largest department.

### 21. Be Enthusiastic

Nothing gets you "invited in" and "invited back" quite as well as plain old enthusiasm. Join in, be part of the program, commit yourself and your department, be a team player.

### 22. Give Answers: Get to the Point

Give answers. If Paul Fireman had prepared this article, he might have started with this "rule." Nothing upsets Paul more than a detailed analysis of a problem with no answers — for any reason — even, or especially if, it is because it is outside your "area." If you don't know, find out who does. Always make a recommendation or provide requested information and be clear about it. Your client may disagree and that's ok, but make sure you answer the question.

### 23. Hire People Better Than You Are

Always hire people whose intelligence and capabilities scare you because they might be better than you are. Then allow them to succeed. This is the sign of a good manager and you will flourish as a result. Resist the temptation to hire people who will make you shine in a one-on-one comparison. A team made up of inferior people will drag you down. The high level of competence of my lawyers always makes me a little nervous, but my client benefits. In return, that's a better reflection on me than I could

ever engender on my own.

### Conclusion

These "Reebok Rules" may not apply universally to every department and management style. You may disagree with some of the rules I swear by. The lesson is not that I'm right or wrong, but that these rules work for me because my client and I are in tune and communicating. What is included in your set of rules is not paramount; what truly is important is that the rules you adopt reflect the values of your company and the priorities of your working relationship with your client. □

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