



311: Global Law Department Design & Service Models: What Companies Are Doing

J. Alberto Gonzalez-Pita

Vice President—International Legal, Regulatory and External Affairs
BellSouth International, Inc.

Juan Carlos Mencio

General Counsel, N.A.
LanChile Airlines

Katherine E. Ward

General Counsel
Rolls-Royce Power Ventures Ltd.

Faculty Biographies

J. Alberto Gonzalez-Pita

J. Alberto Gonzalez-Pita is the vice president-international legal, regulatory, and external affairs for BellSouth International. He is responsible for coordinating and providing all legal, regulatory, compliance, and external affairs services for BellSouth International in Latin America, Europe, and Asia/Pacific. He is also responsible for the corporate, securities, tax, and human resources groups in BellSouth Corporation's legal department.

Mr. Gonzalez-Pita was previously an executive partner in the international law firm of White & Case where he was chair of the firm's global privatization and Latin America practice groups. While in private practice, he represented the governments of Argentina, Panama, Venezuela, and Uruguay in a number of significant transactions, including privatizations of companies in the oil, gas, power, telecommunications, and steel industries. He also represented numerous private sector companies and financial institutions in a wide variety of domestic and international corporate, lending, and securities transactions.

Mr. Gonzalez-Pita is a member of ACC, the cochair of the corporate counsel committee of the International Bar Association, and cochair of The Conference Board's council of senior international attorneys. He also is a member of the Florida Bar Association, ABA, American Arbitration Association, and Maritime Law Association of the United States.

Juan Carlos Mencio

Juan Carlos Mencio is general counsel for North America for LanChile Airlines and its related companies, which include airlines, handling companies, freight forwarders, ecommerce sales companies, courier, logistics, and other related businesses. He developed the legal department for North America and together with his legal team, is responsible for providing general oversight and legal counsel to the organization, working closely with senior management in establishing corporate policy, developing new business, mergers, acquisitions, and regulatory matters throughout the region. LanChile, which is publicly traded in the Chilean stock exchange and the New York Stock Exchange, has been the only Latin American carrier and one of the few airlines in the Americas that has consistently posted for the past nine years.

Prior to joining the Lan organization, Mr. Mencio was in private practice representing foreign airlines at Pena and Associates in New York and Miami, where he specialized in general corporate and regulatory aspects of aviation.

He is an active member of several international organizations related to the practice of aviation law, including the Instituto Ibero Americano de Derecho Aeronautico y del Espacio, Asociacion Latino Americano de Derecho Aeronautico y del Espacio, legal advisory committee of the International Air Transport Association, and the ABA's aviation division.

Mr. Mencio obtained his bachelor's from the School of Business of the University of Miami and his JD from Loyola University.

Katherine E. Ward

Katherine E. Ward is general counsel of Rolls-Royce Power Ventures Limited in London, a wholly-owned subsidiary of Rolls-Royce plc that is engaged in the worldwide development, construction, ownership, and operation of independent power plants. The company has 16 operating power plants in nine countries generating circa 735 MW of power, representing an investment of some \$500 million by its parent company.

Prior to joining Rolls-Royce, Ms. Ward was in private practice as a general corporate/commercial lawyer, in Ann Arbor, Michigan and in London, first with Pepper Hamilton & Scheetz and then with McFadden, Pilkington & Ward. She also taught corporate law at the Notre Dame and Pepperdine University London law programmes.

Ms. Ward is the founder and chair of the American Women Lawyers in London, a group of some 250 US-qualified women lawyers from all segments of the profession. She is a member of the International Bar Association, ACCE, and is a qualified practitioner in England and Wales as well as Michigan.

Ms. Ward received her BA from the University of California and her JD from the University of Michigan Law School, where she was also an adjunct member of the faculty.



1025 Connecticut Avenue, NW,
Suite 200
Washington, DC 20036-5425

tel 202.293.4103
fax 202.293.4701

www.ACCA.COM

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LEADING PRACTICES IN GLOBAL LAW DEPARTMENT DESIGN AND SERVICE MODELS:

WHAT COMPANIES ARE DOING

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ACC's "Leading Practices Profiles" SM
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Globalization is a powerful force in today's business climate. Driven by the need to grow and encouraged by technological advances, companies throughout the world are tapping marketing opportunities beyond their national boundaries. Although globalization offers tremendous promise, it also presents participating companies with many new challenges. Among them is the need to develop creative, efficient and responsive approaches to support their requirements for legal services.

Companies establishing operations beyond their home market must decide whether to create in-house legal teams to support the broad spectrum of legal needs in other countries or rely primarily on outside counsel. Some believe that reliance on a global legal department can offer a competitive advantage if organizations can overcome the inherent challenges.¹ Advantages can include alignment with corporate goals and

¹ For a discussion about one view of how the global legal department can provide a competitive advantage, see "*The Global Legal Department as a Competitive Advantage*," written by Brian Michael Martin, Esq., Vice President Legal for Sun Microsystems, Inc. This white paper may be accessed by link provided in the Resource List included in Section III of this Profile.

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strategies, knowledge of critical corporate culture issues, and the ability to leverage corporate lessons learned and proven practices. Challenges can include adjusting to reflect differences in local laws and customs, languages, time zones, and harmonizing jurisdictional views on whether protection is afforded to client communications with in-house lawyers.

Fundamental to the value of in-house counsel is a day-to-day working knowledge and understanding of the company's corporate culture, and its business operations, industry concerns, and relevant legal requirements. For companies with global business operations in multiple countries, the importance of preserving the company's corporate culture and brand value to help leverage successes in its home country to other locations around the world cannot be overstated. Without the strength and consistency of corporate identity and culture, global companies would need to reinvent-the-wheel each time they enter new markets.

Staffing legal needs for global companies with in-house counsel helps to create important bridges to achieve vital business goals. The level of coordination among globally deployed company lawyers may vary based on similarities in business operations across various locations. In addition, whether a global law department system recognizes privilege for in-house lawyers can also impact the level of coordination needed among lawyers.² A third factor influencing global law department systems for coordinating and reporting significant issues is corporate governance requirements, including the Sarbanes-Oxley Act legislation and regulatory requirements for public companies traded on U.S. stock exchanges. Indeed, even for non-U.S. and private companies, increased focus on corporate governance may impact legal team design and communication and coordination strategies.³

While there are a variety of options for structuring in-house legal services for global businesses, each evaluation about what works best will be very specific to that company.⁴ What is clear is that "one size does not fit all" when it comes to designing and managing

² For a jurisdictional survey summarizing information on the recognition of attorney client privilege for in-house counsel, see "*In-House Counsel and the Attorney Client Privilege: A Lex Mundi Multi-jurisdictional Survey*" found at <http://www.acca.com/vl/results.php?anytext=lex+mundi&subject=&documenttype> .

³ See article titled "*It's Private Companies' Turn to Dance the Sarbox Shuffle*," written by ACC's General Counsel, Susan Hackett, at (http://www.acca.com/public/article/corpresp/sarbox_shuffle.pdf).

⁴ ACC's Global Law Department InfoPAKSM (<http://www.acca.com/protected/infopaks/global.html>) is an excellent resource that includes information creating and managing a global law department, questions to consider in deciding the best approach to take, and descriptions of a range of global law department service models that might be used, as well as references to additional resources on this subject.

the in-house legal team to support a company's global business operations. And, leadership, communications, and technology play key roles in coordinating efforts and leveraging expertise to provide effective and efficient high-quality in-house legal services to support a company's global business.

This Profile describes the structure and approaches for providing in-house legal services to support global businesses for seven companies. Featured in this profile are programs for: **BMW; The Coca-Cola Company; H.J. Heinz Company; Sony Corporation; Southcorp Limited; Sun Microsystems, Inc.; and Vivendi Universal Entertainment LLLP.**

The companies shared information on how their in-house law departments are structured. In addition, they described coordination and communication efforts, and strategies for harmonizing jurisdictional differences relating to attorney client privilege for communications with in-house lawyers. Companies also identified program components that they consider "leading practices."

Section I below summarizes key themes and program insights gathered from discussions with representatives from the companies. Section II describes the programs of each of the seven companies in more detail. Section III provides a list of resources identified by company representatives and ACC as resources that may be helpful to others as they review and evaluate the appropriate in-house law department structure for their global companies.

I. SUMMARY OVERVIEW OF PROGRAMS, THEMES & LEADING PRACTICES

PROGRAMS

Although the organizational structures and service delivery models for the in-house legal teams at each of the seven companies vary widely, the companies share the common goals of using in-house counsel to provide efficient and effective high quality legal services to support their company's businesses. Some statistics on in-house legal teams and ranges of models used by the companies follow:

- **Size:** law department size ranges from four lawyers to 175 lawyers
- **Deployment:** global deployment of in-house lawyers ranges from one country to over 34 countries
- **Reporting relationships:** range from relatively autonomous legal teams embedded within subsidiary companies where leaders of the legal teams report into business leaders for their respective companies and coordinate with the parent company's General Counsel on an informal basis, to a single unified global legal team of in-house lawyers with solid line reporting relationships into the company's General Counsel.
- **Service alignment:** includes models that have lawyers embedded in business units, models that have lawyers organized according to function or skill sets, models that include expertise groups that provide support in expertise areas across geography and business functions, and combinations of these and other models.

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THEMES

The business operations of the seven global companies and the designs of their in-house legal teams are different, but some general themes emerged:

- **Staffing:** companies shared that their preference is to staff most legal issues for the company in-house. Companies with lawyers in different countries generally staff in-house legal positions with local hires rather than sending expatriates to staff non-headquarter offices.
- **Leveraging Expertise:** most companies interviewed have developed systems, networks, or tools to facilitate leveraging internal expertise. Models and approaches include organizing lawyers according to function, identifying lawyers with expertise in given areas that can share best practices and provide support across geographic borders or affiliate company businesses, informal communications, and creating specialty councils to coordinate expertise. In addition, a number of companies are utilizing technology (databases, forms, intranet website technology) to efficiently share best practices and to avoid “reinventing the wheel.”
- **Company Culture:** a number of legal leaders described the importance of the company’s culture to their business operations, and noted that company culture and corporate policies help to shape roles and processes for in-house lawyers.
- **Communications:** companies use a variety of communications tools to help connect in-house lawyers on important issues. These tools include electronic mail, facsimile, videoconference, webcasts, legal intranet sites, “quick place” mini websites, and quarterly reports on legal accomplishments. Most companies with coordinated or unified service models shared that good communication is extremely important to building linkages among in-house lawyers on the global legal team. Worldwide communications are in English, even for companies headquartered outside of the United States.
- **Coordination:** companies employ a variety of methods to help improve coordination among geographically diverse lawyers. These include: specialty councils, periodic global law department meetings for all lawyers, periodic leadership meetings, interactive webcasts (offered twice daily when held to maximize participation across time zones), and contract architecture teams.
- **Policies:** several companies shared that some law department policies apply across the company’s global legal team (with adjustments on an as-needed basis to comport with local legal requirements and customs). Types of policies identified include: policies relating to Sarbanes-Oxley, outside counsel retention guidelines, and records management program guidelines. In addition, one company shared that its “Top 10” list for in-house lawyers applies to all company lawyers worldwide. These policies are in addition to company-wide policies that apply to all company employees.
- **Rotation or Exchange Programs:** some companies have developmental rotation or exchange programs for their lawyers; others offer international developmental assignments on an as-needed project-specific basis.

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- **Corporate Governance:** several companies shared that increased focus on corporate governance has influenced organizational design, parent company policies, and/or communication requirements. Examples include organizational design that includes a Global Legal Center team that will provide support on governance issues across the company's global business, communications relating to company global compliance policies, and global training on governance, ethics, and/or Sarbanes-Oxley requirements and issues.
- **Professional privilege:** several companies with lawyers in locations that do not recognize attorney-client privilege for communications with in-house lawyers shared that they may adjust their approach to staffing or communications on specific matters that could be considered highly sensitive. Companies also shared that, for most matters, the company preference for providing in-house legal services and communication links would apply.
- **Preventive law:** several companies shared that in-house lawyers play a role in providing preventive law training to clients in different geographic locations, and that this helps with coordination and communication on legal issues of international importance.
- **Assessment:** some companies assess all of their lawyers on a common set of behaviors or following a single assessment process approach. One company shared that it plans to develop a single assessment process for all in-house lawyers on the company's global legal team. Another company noted that adjustments to the overall assessment process might need to be made in some locations to be sensitive to local requirements.

LEADING PRACTICES

The companies were asked to identify aspects of their programs considered to be leading or best practices. Below is a list of program elements that companies viewed to be leading or best practices for their programs. Individual program summaries in Section II provide additional detail on these and other practices and program elements.

- **Sharing expertise:** a number of companies described their efforts to share expertise across business functions and geographic locations as leading practices, noting that this allows them to efficiently use internal resources, minimize costs, promote efficiency and coordination, and prevent "reinventing the wheel."
- **Staff exchange programs:** one company described its staff exchange program that allows lawyers in one location to spend 1-3 weeks in another location to expand knowledge on business issues and create legal networks as a leading practice.
- **Coordination efforts:** several companies described their various efforts to facilitate interaction, communication, and consistency as leading practices (including worldwide lawyer meetings, periodic conference calls, legal team tenets for sharing best practices).
- **Unified law department with solid line reporting:** one company described its unified approach as a leading practice.
- **Team-building efforts:** one company's general counsel shared that she has made personal interactions a priority for managing her team and considers team-building efforts to be a key success factor and leading practice.

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- **Top 10 List:** a list of ways that one company's in-house lawyers function to best serve their global law department. The list is distributed to all lawyers on the company's global legal team.
- **Organization of lawyers by legal skill sets:** described as a leading practice that allows the company's legal team to leverage in-house expertise and gain efficiencies.
- **Training:** one company shared that it has created a position that manages training and development of the company's worldwide lawyers. The manager for training and development is a direct report of the company's General Counsel.
- **Encouragement to lead by example:** one company explained that its support for pro bono services, community involvement, and professional leadership allow its lawyers to lead by example.

II. COMPANY PROGRAM SUMMARIES

Following are summaries from discussions with seven companies about their global legal teams.

BMW

BMW maintains in-house legal teams on three continents - Europe, Africa and North America - to serve its parent company and international subsidiaries. The parent company BMW AG has its headquarters location in Munich Germany. That office serves BMW activities in every country except South Africa, Canada and the United States. BMW South Africa has its own legal department, as does BMW of North America.

BMW has 40 lawyers. Reporting directly to Dr. Dieter Loechelt, General Counsel for the parent company BMW AG, on a solid line basis are 4 Managing lawyers in Munich (Manager for Europe; Manager for International Affairs; Manager for the United Kingdom; and Manager for Trademark, Intellectual Property and Patents). In addition, reporting to Dr. Loechelt on an indirect basis are legal leaders in non-headquarter locations (General Counsel for BMW of North America and General Counsel for BMW South Africa).

BMW's approach to providing legal services to BMW businesses worldwide includes a strong emphasis on providing the majority of legal services in-house. Lawyers in Munich are embedded within the parent company, BMW AG. Lawyers in non-headquarter locations are generally embedded within other BMW Group companies. All BMW law departments are organized according to business function (e.g., sales, finance, employment, dealer relations, manufacturing) rather than brand (BMW, MINI or Rolls Royce). This structure allows BMW to leverage functional expertise within a given region. In addition, lawyers informally share special expertise across geographic boundaries.

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Dennis Helfman, General Counsel for BMW of North America, LLC explains that the law department mainly functions on a cooperative basis, with efforts to coordinate and cooperate as much as possible on a global level. "Each location has its own set of laws and requirements. While much of the focus is on providing legal support on issues specific to a given region, lawyers within the BMW organization leverage and share internal expertise across locations to facilitate providing consistent and effective legal services to BMW clients," says Helfman.

ORGANIZATIONAL STRUCTURE

BMW has 40 lawyers organized as follows:

- BMW AG in Munich Germany: 22 lawyers, including General Counsel, Dr. Loechelt (4 legal managers are direct reports to Dr. Loechelt). Lawyers with BMW AG provide support to parent company, BMW AG, on issues for each location other than North America and South Africa;
- BMW in North America: 11 lawyers, including BMW of North America General Counsel Helfman, provide legal support to BMW of North America (5 attorneys dedicated to BMW sales activities in North America, 3 attorneys dedicated to BMW Financial Services NA, one to BMW Manufacturing Corp. and one to BMW Canada). All report to Helfman with concurrent reporting relationships into business leaders. Helfman reports directly to the head of BMW North America Sales, and is an indirect report to Dr. Loechelt;
- BMW United Kingdom: 4 lawyers in England provide support on issues in the United Kingdom (all report directly into legal manager for the United Kingdom located in Munich);
- BMW South Africa: 3 lawyers, including BMW South Africa General Counsel, provide legal support to BMW South Africa. All report directly to the BMW South Africa General Counsel, with indirect reporting relationships into business leaders in South Africa. The General Counsel in South Africa reports directly to the president of the BMW South Africa organization with dotted line reporting to Dr. Loechelt;

STAFFING

BMW generally staffs its lawyer positions by hiring lawyers resident to a given country rather than staffing by using expats deployed from Munich. However, as mentioned below, there is some temporary movement between BMW attorneys in other countries.

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COMMON POLICIES

BMW's lawyers are guided by high-level corporate policies and guidelines, and by BMW's culture. The various Legal Departments work to ensure that all of the BMW company activities are lawful, contribute to the growth of the respective companies and minimize risk while supporting the development and implementation of strategies that enhance their competitive advantages.

Accordingly, although there may not be specific sets of law department policies disseminated to all lawyers within the BMW system, these broader company policies and guidelines help to flavor and guide law department approaches to various matters. In addition, Helfman explains that German law requires periodic "reporting up" as part of required risk management and risk assessment processes. These activities and requirements apply to all BMW subsidiaries and must be reviewed with the respective legal staffs and the parent company.

COMMUNICATION; COORDINATION

The BMW legal department uses a broad range of programs and tools to facilitate coordination and communication. Day-to-day communications among lawyers in different locations occur mainly via electronic mail and facsimile in the English language.

An example of that coordination and communication is enforcing, defending and implementing the intellectual property rights of BMW AG, which owns, maintains and monitors all trademarks. When unauthorized third parties attempt to use the trademark, employees at the various subsidiaries bring those improper uses to the attention of the respective legal departments that coordinate appropriate action with BMW AG. Similarly, should a subsidiary coin a slogan or develop a trademark, the applications are coordinated with the BMW AG intellectual property group, residing in the BMW AG Legal Department.

In addition, about every six months, the legal leaders in non-headquarter locations and the legal managers and Dr. Loechelt in Munich discuss issues of importance to lawyers and the company. All BMW attorneys meet at a worldwide legal conference every 18-24 months. The conference which lasts for up to 5 days at a specified location promotes discussion of a broad range of issues, including knowledge management, trends in the law, critical issues facing the industry, attorney client privilege issues, core competencies, benchmarking, and issues relating to outside counsel. BMW is also working on developing a legal intranet site to further enhance communications and coordination.

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EXCHANGE PROGRAM; ASSESSMENT & DEVELOPMENT

BMW has a lawyer exchange development program that allows lawyers in one region to spend between 1-3 weeks working at another location to expand knowledge on business issues, and create personal legal networks. Lawyers participating in this program are selected by management and are generally at the earlier stages of their careers at BMW. In addition, several BMW lawyers have had longer rotations of up to three years at other BMW law department locations.

BMW lawyers are assessed in accordance with overall corporate assessment and appraisal criteria. In the United States, BMW lawyers are required to complete 30 hours of continuing legal education each year.

OUTSIDE COUNSEL POLICIES

BMW has created a guideline document for outside counsel retention that has been disseminated throughout its law departments. The document, originally developed in the United States and modified based on input from lawyers in Munich, serves as a starting point for engagements and can be adjusted as necessary by location.

Helfman explains that BMW tries to provide most of the legal support to BMW businesses in-house, and that outside counsel are generally used to support the following three types of activities: litigation, heavy transactional work, and areas where special expertise is needed. Authority to engage outside counsel generally rests with BMW's in-house lawyers.

LEADING PRACTICES; CHALLENGES

"Sharing legal expertise and identifying legal trends across borders," is a leading practice identified by Helfman. In addition, the various communication and coordination efforts, including staff exchange programs, worldwide lawyer meetings, and periodic conference calls among the legal leaders of the various companies are leading practices identified by Helfman. As for challenges, legal trends in one country evolve in a different manner in other countries (e.g., sexual harassment, privacy, regulation of distribution systems). Assisting other lawyers in anticipating how to deal with those trends in their countries provides an opportunity to develop compliance practices based upon experience in other countries.

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The Coca-Cola Company

The Coca-Cola Company's law department is undergoing an organizational redesign effort. Effective November 1, 2003, the company's law department will be a unified law department with solid-line reporting relationships among all worldwide lawyers in the law department. In the new organization, all Coca-Cola lawyers worldwide will ultimately report into the company's General Counsel, Deval Patrick. "The restructuring flows from a confluence of factors, including a strong focus on corporate governance and compliance issues, and a need to preserve lawyer objectivity," explains Joel Neuman, Executive Counsel at the company. Through creation of a consistent structure across the globe, the restructuring is also intended to help break down silos within the organization and facilitate the deployment of resources to areas with the greatest need.

In addition to unifying the law department and restructuring reporting relationships, the re-design effort will "de-centralize" the department's structure by deploying subject matter expertise to field locations outside of the company's corporate headquarters in Atlanta Georgia USA. A number of specialty councils will also be created as part of the redesign effort. These "virtual" councils will span geographic locations and will consist of lawyers with shared areas of expertise to help facilitate consistency and coordination among lawyers providing in-house support to business clients on related issues.

The Coca-Cola law department currently has about 145 in-house lawyers, with about 75 of those lawyers being located in over 34 countries outside of the United States. With the new decentralized approach, there may be fewer lawyers located in the United States and increased numbers in international locations. Lawyers for the company have received a broad range of communications about the department's redesign efforts, including "town hall meetings" with global telephone links, written materials, question & answer documents, and various electronic and voice mail communications.

ORGANIZATIONAL STRUCTURE: OLD AND NEW

Coca-Cola's business organization is divided into the following strategic business units: North America; Latin America; Europe and Middle East; Asia Pacific; and Africa. Each strategic business unit is headed by a group president.

Under the existing legal department structure, the company's General Counsel, Deval Patrick, has four Deputy General Counsel (Deputy GC for Litigation & Intellectual Property; Deputy GC for North America and Latin America; Deputy GC for Transactions and Regulatory; and Deputy GC Europe, Asia and Africa). These Deputy GCs are direct reports to Patrick. Lawyers supporting business units based outside of North America report on a solid-line basis into the president of the relevant business unit and provide services primarily to business clients co-located with those lawyers. In addition, these lawyers have a dotted line reporting relationship into either the Deputy GC for Europe Asia & Africa or the Deputy GC for Latin America, as relevant. Lawyers located within North America supporting corporate functions or North American operations report on a solid-line basis to the Deputy GC for Transactions & Regulatory, the Deputy GC for

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Litigation and Intellectual Property, or to the Deputy GC for North America and Latin America.

Under the new structure, a Chief Deputy General Counsel will report directly into Patrick. Reporting into the Chief Deputy General Counsel will be three Deputy GCs (Deputy GC for the Global Legal Center; Deputy GC for North America & Latin America; and Deputy GC for Europe Asia & Africa). Group Counsel located throughout the world will report into one of the three Deputy GCs. In addition, more lawyers with special subject matter expertise will reside in field locations to be closer to business clients they are supporting.

EMPHASIS ON GOVERNANCE

The new law department design includes a Global Legal Center. Lawyers in the Global Legal Center will provide support on governance issues and on legal issues with global impacts or considerations. All of this is consistent with one of the driving forces for Coca-Cola's restructuring efforts: increased focus on corporate governance and systems.

COMMUNICATION; COORDINATION

The Global Legal Center will help ensure that the newer decentralized structure also includes a defined effort to bring consistency and focus on corporate governance issues and on issues with global considerations. In addition, subject matter specialty councils will play a role in facilitating coordination and consistency among globally deployed specialist lawyers.

Technology also plays a role in communicating within the company's global law department. Coca-Cola's law department is on a single electronic mail system, which helps to facilitate communications among the company's worldwide lawyers. Additional tools for enhanced communications and consistency include a legal intranet, mini-website "quick places," contract databases, and periodic (biannual) meetings for all company lawyers worldwide.

Another key means of enhancing communication and coordination for the company's law department is through semiannual meetings among the senior legal leaders in the global law department, including the General Counsel, the Deputy GCs and the Group Counsel.

ATTORNEY CLIENT PRIVILEGE; CONFIDENTIALITY

Although there may be some locations with Coca-Cola in-house lawyers where the resident country does not acknowledge the existence of an attorney-client privilege for in-house counsel, Coca-Cola plans to include on a solid-line basis all lawyers worldwide in its newly designed legal department. Neuman notes that on sensitive matters, it is possible that adjustments to processes and communications may be necessary, but for the majority of matters, all lawyers will be linked to the company's communication tools.

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POLICIES

Neuman explains that global law department policies will likely be developed as part of the new unified law department structure. Given that the law department will have a single budget for all lawyers and legal matters, Neuman shares that policies on travel and training may be among the global policies to be disseminated.

OUTSIDE COUNSEL

At Coca-Cola, outside counsel engagements are initiated and managed by in-house lawyers. Although there are retention guidelines that apply within the United States, the company's law department does not currently require that these guidelines be used outside of the United States.

PROFESSIONAL DEVELOPMENT; ASSESSMENT

As part of the redesign, a single professional development and assessment program will also be developed. Although the assessment system will be a single system, Neuman explains that it may have flexibility to calibrate and adjust as necessary to address local concerns and needs. The company also has utilized rotations or exchanges in the past, although this has not been a formal regular program.

LEADING PRACTICES

Asked what elements of Coca-Cola's program might be considered leading practices, Neuman shares his view that "creating a unified legal department that is sensitive to corporate governance responsibilities and allows for shared expertise is a leading practice."

H.J. Heinz Company

The H.J. Heinz Company's global law department spans five continents, and includes lawyers in the United States, the United Kingdom, Italy, The Netherlands, Ireland, Venezuela, Australia, Singapore, and India. All in-house lawyers for the company ultimately report on a solid-line basis into the company's Senior Vice President & General Counsel, Laura Stein, and lawyers outside the United States also report into their relevant business unit.

The term "global" is prominent in the company's website, which describes Heinz as "A Premier Global Food Company" and a "Global Powerhouse of Food Brands" holding number-one and number-two market positions in more than 50 countries. Stein's approach to managing the company's global law department to support the company's global business operations emphasizes the importance of team building, good communications, and sharing best practices to develop the best lawyers.

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“To have a successful global law department, we need to build a global team, and foster collegiality and professionalism. In addition, it is important to focus on providing strategic value to the company and on maintaining our important company values,” says Stein. Much of the legal work supporting the company’s global business operations is performed in-house. “Our lawyers are very good, very relevant and very involved in the company, and we go above and beyond to serve our clients,” explains Stein. These principles are emphasized in a “Top 10 List” that describes the ways that the company’s lawyers function to best serve H.J. Heinz Company’s global business. (the H.J. Heinz Law Department’s Top 10 List can be accessed via link included in the Resource Section of this Profile).

GLOBAL LAW DEPARTMENT STRUCTURE

The company’s global law department includes about 30 lawyers, with slightly more than half of those lawyers being located in Pittsburgh, Pennsylvania. The lawyers in the United States support the company’s headquarters function and the North American business operations. The remainder of the company’s in-house lawyers are located in eight countries: The Netherlands, The United Kingdom, Italy, Ireland, Venezuela, Australia, Singapore, and India. These lawyers support the company’s business operations in corresponding geographic regions. All lawyers ultimately report into Stein on a solid-line basis, and lawyers outside the United States also have a reporting relationship into their relevant business unit. Various lawyers are accountable for the legal services provided to specific business units or functions, and lawyers are also accountable for various practice areas.

STAFFING

Stein explains that in-house lawyers for the company are typically hired locally, although there have been periods where lawyers from one location have temporarily located to another to help out. This latter exchange staffing has occurred on a project-by-project basis to fill staffing and expertise needs rather than as part of a formal rotation program. An exception is that the company’s General Counsel for Europe has been an expat from the United States who worked in the headquarter offices of the company’s law department prior to assuming the role of European General Counsel in order to build the legal team for the European operations.

POLICIES

The company’s law department policies apply globally. They include a Sarbanes-Oxley up-the-ladder reporting policy, which is in the process of being finalized, the “Top 10 List,” billing guidelines, and a records management program. The latter two programs may be “tweaked” by location to account for currency differences (for the billing program) and local records retention requirements (for the records program).

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COMMUNICATIONS; COORDINATION

Communications play a critical role in linking this global law department. Among the numerous tools and communications strategies in place to help facilitate communication and coordination among the company's legal team are: a single technology system for word processing and email; forms libraries; an annual global law department offsite retreat for all company lawyers; and monthly global staff meetings held by teleconference that include representatives from selected department offices. In addition, Stein has made personal interactions a priority for managing her team, and travels to the various company law department offices.

Stein also asks each person in the company's global law department (lawyers, paralegals, and administrative personnel) to prepare a quarterly report identifying how his/her services are providing strategic value to the business consistent with the company's business imperatives. These quarterly reports are then rolled into a summary report to the company's CEO highlighting quarterly law department achievements. The summary report is shared with the global law department to communicate efforts and recognize accomplishments.

Expertise is also shared, with certain Heinz lawyers being designated and recognized internally as experts in subject matters who can be called upon by colleagues anywhere in the world to provide expertise and support on issues. The company's law department also has global practice groups.

ATTORNEYCLIENT PRIVILEGE

Asked how the company handles situations in countries that don't recognize in-house lawyers as attorneys for purposes of creating and maintaining attorney-client confidences and privilege, Stein shares that the law department is mindful of these issues and may adjust its approach to staffing or communications if a matter is considered highly sensitive. For the most part though, the company's approach to providing the majority of legal services in-house and functioning as a true global legal team with tools and links for coordination and consistency remain the rule.

TRAINING

Heinz lawyers receive training on global issues and programs, including training on global compliance and ethics and training on global crisis management, leadership and communication skills. In addition, lawyers have individual goals for preventative law training, and present preventative law training to others around the world within the company.

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PROFESSIONAL DEVELOPMENT; ASSESSMENTS

Each year, the company's CEO prepares a set of detailed annual goals. The process then cascades throughout the law department beginning with Stein, who prepares her goals and communicates them to the global law department. "The process and goals are very coordinated. Lawyers are assessed on their goals and accomplishments, and on a common set of behaviors that the company values to help ensure that they are living the Heinz program," says Stein, who reviews all goals and assessments for lawyers in her global law department.

LEADING PRACTICES

Asked about which aspects of the company's global law department and approach to providing in-house services to a global company Stein considers to be best or leading practices, she responds by emphasizing the strength of the efforts to facilitate interaction, communications, and consistency to achieve results, and to build a global legal team. In addition, Stein describes as fundamental the following tenets of her law department's approach to providing global in-house services: "share best practices;" "don't reinvent the wheel;" "we're as strong as our weakest lawyer;" and "do your job better than anyone else could." They are also intent on squeezing out costs and on close oversight of outside counsel, when utilized, for the most efficient and best results. Stein also notes that the law department's encouragement of pro bono services, community involvement, and professional leadership is another example of how its lawyers are working to be good leaders.

Sony Corporation

(Information for this summary was provided by Frank Leshner, General Counsel of Sony Electronics, Inc.)

Sony Corporation's legal function is based in the company's headquarter location in Tokyo Japan and is lead by senior executive Teruo Masaki, the company's General Counsel and head of Corporate Compliance. Mr. Masaki also serves as a director of Sony Corporation. Legal function personnel in Japan provide support to business operations in Japan on compliance, intellectual property, and other legal issues. Outside counsel is also retained in Japan and worldwide.

Sony subsidiary companies in the United States each have their own in-house legal departments that are led by General Counsels for each corporate entity. Sony's U.S. subsidiaries with in-house counsel include: Sony Corporation of America; Sony Electronics, Inc.; Sony Computer Entertainment of America; Sony Pictures Entertainment; and Sony Music Entertainment. There is also a General Counsel for Sony Europe located in Berlin.

"Each subsidiary law department functions autonomously in handling day-to-day matters for their companies," explains Frank Leshner, General Counsel of Sony Electronics, Inc.

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The General Counsels for each of the U.S. subsidiary companies and for Sony Europe report into the top management of each of the companies that they support. In addition, these General Counsels communicate with Masaki on an informal basis for purposes of high-level coordination on significant issues to the parent corporation.

Leshner explains that he believes a key component of Sony's success is due to an understanding of how its businesses operate and its desire to provide in-house expertise to support its business. "Sony has always been extremely sophisticated in the U.S. Legal system," says Leshner, "and much of this has its roots in the early efforts of Akio Morita, one of Sony's co-founders, who emphasized early on the importance of having a strong in-house legal function for Sony's U.S. companies."

STAFFING

Sony's general approach to staffing its various legal function and law department teams has been to hire and staff locally. Leshner explains that the practice prior to about a decade ago was for Sony headquarters to also send for training and experience an expat affiliated with the headquarters legal function to Sony Electronics for a period of time. To staff or provide guidance on legal matters in areas of the world where Sony doesn't have an established legal function or law department presence, Sony has also sent legal function representatives from headquarters to those locations on a temporary basis.

Leshner shares that his approach to staffing legal matters for Sony Electronics, Inc., the largest subsidiary of Sony Corporation, is for the 30 lawyers on his team to provide the bulk of legal support on non-litigation matters in-house. To help emphasize the importance of strong attorney-client relationships, the lawyers on the Sony Electronics legal team sit with their client teams rather than in a self-contained office area for lawyers.

COMMUNICATION; COORDINATION

Sony Corporation and its subsidiaries are linked worldwide by a common email system. Although it is rare to see company-wide communications transmitted to all lawyers throughout the Sony family of companies, Leshner shares that this has occurred recently in connection with communications to all managers worldwide from the company's Chief Operating Officer about the company's global compliance policy.

Other means of communication and coordination include informal information exchanges among legal leaders, and requests for lawyers staffing one affiliate to provide support to another affiliate. More specifically, Leshner explains that informal coordination on certain issues such as outside counsel experiences or contract forms may occur among the General Counsels for Sony's U.S. subsidiaries. In addition, Leshner shares that other Sony entities, including the parent company, have requested services and support from lawyers on his team at Sony Electronics, Inc., particularly in matters that may involve environmental, customs, bankruptcy, or government contracts issues. In these cases, there is typically a charge-back procedure to the requesting company to account for time spent on work for other affiliated Sony companies, says Leshner.

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NEW POSITION ADDED TO ADDRESS SARBANES-OXLEY REPORTING

Until about two years ago, Sony Corporation of America, the U.S. holding company for the four major U.S.-based Sony companies, did not have its own General Counsel. Now, the company has its own General Counsel, who, among other typical duties, handles a number of responsibilities related to the Sarbanes-Oxley Act, consistent with written guidelines from the parent corporation.

Southcorp Limited

Southcorp Limited is Australia's largest winemaker and exporter, and a top 50 company listed on Australia's Stock Exchange. Based in Sydney Australia, Southcorp sells its premium core wine brands of Lindemans, Rosemount, and Penfolds in about 88 countries through key business locations in Australia, Napa Valley California, and London. The company's legal team is led by Martin Hudson, Company Secretary & Chief General Counsel, and consists of three lawyers in addition to Hudson based in Sydney Australia.

Hudson shares that Southcorp's lawyers have extensive international experience, and notes that, to support the company's legal needs, the lawyers spend an estimated 30-40% of their time on the road. "Our lawyers do not try to be all things to all people. Instead, they focus on spotting issues, managing approaches to resolving them, and providing preventive law training to business people," explains Hudson.

STAFFING AND ORGANIZATION

The company's three in-house lawyers reporting to Hudson are organized by areas of functional expertise, with one lawyer supporting the company's manufacturing base business, another supporting the sales function, and a third lawyer handling most of the transactional work. Hudson shares that each lawyer also has expertise to serve as a back-up for the others to enhance flexibility and the ability to provide in-house legal support. "Our industry and operations are relatively straightforward for the provision of legal services," says Hudson, who adds "and this allows us to be staffed at the levels we have."

OUTSIDE COUNSEL SUPPORT

Given the relatively small in-house legal staff for a company with last year's revenues of about 1.2 billion Australian dollars, the company also engages outside counsel as needed. Hudson explains that the company has identified preferred outside counsel in the various locations that it operates and that outside counsel is typically hired to handle matters requiring special expertise. Both business personnel and lawyers have the authority to engage outside counsel; however, engagements initiated by business personnel are made with the approval and understanding of the company's in-house legal team. Hudson shares that the company has clear outside counsel guidelines, and that Southcorp's legal team monitors outside counsel services.

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TRAINING; DEVELOPMENT

Hudson encourages the company's lawyers to become involved in global industry bodies. Through these associations, the company's lawyers receive training and professional development on international issues of importance to the industry and the company's business.

A critical role for Southcorp's lawyers is providing preventive law training for the company's business personnel, says Hudson. Among the training topics covered by Southcorp lawyers are: antitrust, labor, and crisis management. Hudson notes that his team just completed a worldwide antitrust training effort.

Sun Microsystems, Inc.

Sun Microsystems, Inc. has a single global law department, with 175 lawyers in over 22 countries on five continents working across 16 time zones. All Sun lawyers ultimately report into the company's Senior Vice President, General Counsel & Secretary, John Croll.

The company's law department is organized by skill sets, with three major "buckets" of legal services: Corporate Resources; Sun Microsystems DNA; and Legal Department Operations and Administration. Almost all of the lawyers providing Corporate Resources-related services, and all lawyers and staff providing Legal Department Operations and Administration services are located in the United States. Lawyers providing "Sun Microsystems DNA"-related services are located in over 22 countries around the world. Sun lawyers typically sit side-by-side with the business clients that they support rather than in a central law department row of offices.

What makes Sun's global law department different from law departments for other multinational corporations? "The distributed geographic nature of our department and our success at remote management allows attorneys to receive new challenges, responsibilities and opportunities without the necessity of having to uproot themselves and move" says Croll. "We have had tremendous success in having people manage global responsibilities for the department without them having to move to corporate headquarters to do so." He also explains that, "Sun is a research and development company and we invest heavily in innovation." Consistent with this strategic business goal, the subgroups within the "DNA" bucket follow a logical path for developing innovative technology and bringing it to market.

"In the end, Sun believes that the international lawyers can deliver a competitive advantage to the company by being a local source of comprehensive legal services and that alignment with the local businesses enables the delivery of quality, responsive and cost effective legal services to the company," says Brian Martin, Sun's Vice President Legal, Sales Distribution, Delivery of Products & Services. Martin explains that Sun's legal services model is an outgrowth of Croll's vision to transform Sun's law department into a

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world-class legal department with a focus on people, productivity and infrastructure, and common mission to “accomplish business objectives in a legal and ethical matter.”

Croll shares that good communications are essential to the success of Sun’s global law department. Among the various methods and tools for communicating and coordinating within Sun’s legal team are its legal website, described by Croll as the department’s “bedrock” for communications. Additional communications tools include all law department emails on important issues, use of interactive webcast technology (scheduled twice daily when held to allow for lawyers across time zones to participate), and quarterly leadership staff meetings held at different locations each quarter to help promote team-building and networking and communications among legal leaders and lawyers in various locations.

ORGANIZATION & STRUCTURE

As noted above, Sun’s global legal team is organized by skill sets. Below is a summary of the three larger areas or “buckets” of practice together with description of some of the sub-areas of practice:

- Corporate Resources: The lawyers supporting issues in this area work on legal issues that relate to being a large publicly traded multi-national company with tens of thousands of employees. Services and expertise include the following: Securities; Real Estate; Employment Law; Employee Benefits; and Mergers and Acquisitions. Almost all of the lawyers within this group are located in the United States (one lawyer is located in Europe, and one is in Asia). Two lawyers lead this group and report directly to Croll.
- Sun Microsystems “DNA”: This group has five sub-groups organized by skill sets and business process. Each sub-group has a managing lawyer who reports on a solid-line basis into Croll. These legal leaders also sit on the staff of their respective business councils to enhance linkages with the business. Croll explains that the great majority of legal services to support issues in these areas is performed in-house. “Given the nature of the work and how fundamental it is to Sun’s business, our in-house lawyers have the context and legal skills to provide quality, effective, and better support in-house,” says Croll.
 1. Intellectual Property Law Group: this group focuses on providing legal services to support the creation and protection of Sun’s intellectual property.
 2. Product Law Group: this group provides legal services to support the creation of Sun’s products.

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3. Global Supply & Logistics Legal Group: this group provides legal services to support the global logistics and movement of Sun products worldwide. The company has manufacturing facilities in Oregon and California in the United States, and in Scotland in Europe. In addition, the company has numerous contracts with manufacturers in locations outside of the United States who manufacture products or product components for Sun. The manager for this legal group is based in the UK.
 4. Marketing & Brands Legal Group: this group focuses on marketing and issues related to the Sun brand.
 5. Global Sales, Delivery & Distribution Group: this group focuses on selling Sun products.
- Legal Department Operations & Administration: this group focuses on ensuring that lawyers within Sun's global law department have the tool sets and communications mechanisms that they need to do their jobs. The group includes a Legal Operations Director, who is a lawyer by training and reports into Croll. The group also hosts the company's litigation and management function, which serves to manage and supervise outside counsel litigation engagements. In addition, the group provides services relating to the law department's computer systems, database systems, and document retrieval systems.

STAFFING

In general, Sun hires lawyers locally rather than sending expats from the United States to perform work in other law department locations. In addition, in areas where the company doesn't have an established legal presence but needs legal support, the company has engaged outside counsel to provide support on local business issues. For example, the law department has engaged an Argentine lawyer to help with business issues in Argentina. The outside counsel goes to the company's business offices in Argentina a few days a week and provides support there, but works under the guidance of another Sun lawyer located in another South American country.

ATTORNEY-CLIENT PRIVILEGE

Croll shares that Sun has lawyers in areas of the world where the resident country doesn't recognize the concept of in-house lawyers or attorney-client privilege for communications between in-house lawyers and their business clients. Although he believes that the law department needs to be aware of these limitations, Croll shares that the general approach is to make sure that people have access to the information that they need to have to do their jobs.

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POLICIES

Sun's lawyers are subject to corporate policies that apply to all Sun employees worldwide. Croll notes that the U.S. policies set a floor for requirements. In areas of the world that might have more lenient requirements, the stricter U.S. company requirements would apply. In areas of the world that might have stricter requirements, those stricter requirements would apply. In addition to company policies, Sun's global law department also requires that its global lawyers follow the department's outside counsel retention guidelines, which may be slightly modified by location based on culture and country requirements.

COMMUNICATIONS; COORDINATION

As noted above, Sun's law department has several tools and systems in place for communicating information to and among lawyers within its global law department. These tools include a legal website described by Croll as a "bedrock" for the Sun law department's communications. This intranet website hosts information on policies and the company, job openings within the global law department, and a column with messages from Croll.

Another important approach for communicating information to Sun Microsystem lawyers around the world is the use of interactive webcast technology that allows lawyers to follow the presentation on their computers and to ask questions via email or on speaker phone. When held, the webcasts are scheduled twice a day to allow lawyers in different time zones an opportunity to participate.

Quarterly leadership staff meetings for Croll and his direct reports are held during the second month of every quarter at different locations with significant presence of Sun lawyers. The second day of these staff meetings generally includes presentations from lawyers practicing in the given location and opportunities to interact and network with Sun's legal leadership team.

CONTRACT ARCHITECTURE TEAMS

Another key tool enhancing coordination among Sun's global law department is the use of contract architecture teams to develop standard contract forms. The team consists of lawyers located around the world who review, draft and provide input to the forms to help ensure that they will be relevant and workable in most global situations. These forms are accessible to all lawyers within Sun's law department via the law department's intranet website.

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PROFESSIONAL DEVELOPMENT & TRAINING

Sun Microsystems places great importance on the training and development of its lawyers. The law department's manager for training and development is a direct report into Croll, and has the responsibility to ensure that junior lawyers receive necessary training.

Another aspect of the company's professional development program for lawyers includes an emphasis on rotations. Lawyers may rotate from one practice group to another or from one country to another.

Croll explains that there is generally a single assessment process that applies across Sun's global law department. The legal management group looks at the entire organization to assess talents within the company's worldwide legal team, although Croll shares that they are also sensitive to issues in some countries regarding privacy protection and the ability to share personnel information.

LEADING PRACTICES

Asked which elements of his company's global law department Croll would consider to be leading practices, he shares that the department's focus and efforts on trying to leverage its expertise across the world and its use of technological tools are among leading practices at Sun. Additional leading practices noted by Croll include ensuring the development and training of Sun's in-house lawyers, and the law department's organizational approach to providing legal services by skill set.

Vivendi Universal Entertainment

Vivendi Universal Entertainment LLLP (most known as Universal Studios; referred to here as Universal), a subsidiary of Vivendi Universal, S.A., has a global business and a global law department to support it. Led by Karen Randall, Executive Vice President & General Counsel, the global legal team for Universal consists of about 95 lawyers located primarily in three major U.S. cities and in London (members of the legal department also reside in The Netherlands and France).

Randall describes her global legal department as "very service oriented." The structure and organization of Universal's legal team is an outgrowth of a redesign and re-engineering process in 1996, and Randall considers the existing structure with certain services centralized in the center to be a best practice.

All Universal lawyers report functionally into Randall. In addition, lawyers supporting the business units (about 85 of the 95 lawyers) report into business unit leaders on a day-to-day basis. Important to the success of the Universal legal team is that they communicate "well and often."

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ORGANIZATION & STRUCTURE

The Universal legal team has about 95 lawyers reporting into Randall. The majority of the company's lawyers are located in the United States (Universal City, New York, Orlando and Chicago), and about 10 lawyers are located in London. About 10 lawyers in the United States provide centralized specialty services (such as trademark, copyright, employment, and litigation) to all business units for the company. The vast majority of Universal lawyers (about 85) provide legal services for Universal's business units (motion pictures, television, home video, parks and resorts, etc.). As stated above, although all lawyers functionally report into Randall, the business unit lawyers also report into the business units.

Randall reports functionally into Jean-Francois Dubos, the parent company, Vivendi Universal's, General Counsel in Paris, France. Vivendi Universal's law department includes about 14 lawyers located in Paris and in New York City.

COMMUNICATIONS; COORDINATION

Good communications appear to be a keystone tenet for Universal's global law department. In addition to communicating via electronic mail, facsimile, teleconferences, and videoconferences, the company has databases for sharing and accessing information. Although access may be limited based on functional needs for information, these databases include a litigation management database to track cases and provide reports, and various "rights databases" that allow lawyers to track information on trademarks, copyrights, and licensing and distribution rights. Randall also shares that each business unit has its own systems for tracking and managing data given that the company's business is very contract intensive.

POLICIES; TRAINING

Policies that apply to all lawyers within Universal's global legal team include outside counsel engagement guidelines, and company policies on Sarbanes-Oxley compliance, code of conduct, antitrust compliance, and email and internet use. Global training on Sarbanes-Oxley issues was provided via teleconference, videoconference, and in-person meetings to all lawyers within the company's law department.

PROFESSIONAL DEVELOPMENT; ASSESSMENT

The company has a single process for all executive level assessments and lawyers at those levels are assessed accordingly. Top lawyers for business units are reviewed by both Randall and the business unit leaders.

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PRIVILEGE; IN-HOUSE COUNSEL

Randall notes that the European Union doesn't recognize the existence of an attorney-client privilege for in-house lawyers. Nevertheless, although mindful of this issue, the company relies on its in-house lawyers located in London for day-to-day support of the company's international home video distribution business. Although Randall shares that these considerations are generally not drivers for behavior, if a sensitive matter needs to be investigated, the law department would probably engage outside counsel as a matter of prudence anyway.

LEADING PRACTICES

Asked which aspects of Universal's global legal department might be considered best or leading practices, Randall shares that the re-designed structure with centralized shared expertise from the center that can be applied across the company's businesses is a best practice in her view. "We went through an extensive re-engineering in 1996, and emerged from that effort as a best practice organization," says Randall.

ACC thanks Renee Dankner, former senior counsel at Mobil Oil Corporation, for her work on this profile

III. RESOURCE LIST

Please note that this listing does not constitute a recommendation or endorsement for any product, service or company. Please find below a list of resources identified by companies interviewed or by ACC as possible resources that may be helpful in developing or assessing structures and programs for in-house legal departments to support a company's global business operations.

WHITE PAPERS; ARTICLES

"*The Global Legal Department as a Competitive Advantage*" written by Brian Michael Martin, Esq., Vice President Legal for Sun Microsystems, Inc.

http://www.acca.com/protected/article/international/global_sun.pdf

"*Legal Globalization: The Challenges for In-House Counsel*," written by Frank A. Orban III (printed in ACCA Docket, February 2001 issue)

<http://www.acca.com/protected/pubs/docket/fm01/global.html>

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"The Cultural, Ethical, and Legal Challenges in Lawyering for a Global Organization," written by Mary Daly [Emory Law Journal, Volume 46, No. 3, Summer 1997 (pp. 1057-1111)]
<http://els413.law.emory.edu/ELJ/volumes/sum97/daly.html>

"Coping With Global Angst: Five Practical Prescriptions," written by Gabe Shawn Varges (printed in ACCA Docket, July/August 1999)
<http://www.acca.com/protected/pubs/docket/ja99/global-angst.html>

"How Law Departments Provide International Legal Services," written by Rees W. Morrison and Richard B. Grisham (printed in ACCA Docket, January 2000)
<http://www.acca.com/protected/pubs/docket/jf00/legalservices.html>

"The Brave New World of Global Outsourcing," written by Karin Sinniger (printed in the ACCA Docket, February 2003)
<http://www.acca.com/protected/pubs/docket/fm03/brave1.php>

"Global Counsel best practice indicators: law department structures and reporting lines," from Global Counsel Magazine
http://ldglobal.practicallaw.com/scripts/article.asp?Article_ID=28434&Action=AuthenticateMe

"Global Regulatory Compliance and Ethical Business Conduct," ACC Annual Meeting Program Materials (2002)
<http://www.acca.com/education2k2/am/cm/107.pdf>

"In-house Guide to Managing a Global Legal Practice," ACC Annual Meeting Program Materials (2002)
<http://www.acca.com/education2k2/am/cm/303.pdf>

"International Admission of Lawyers and the 'Rules' of Practicing Globally," ACC Annual Meeting Program Materials (2002)
<http://www.acca.com/education2k1/am/cm/034new.pdf>

"Managing Employee Mobility in the Global Marketplace," ACC Annual Meeting Program Materials (2002)
<http://www.acca.com/education2k2/am/cm/603.pdf>

"Security Concerns for a Global Business," ACC Annual Meeting Program Materials (2002)
<http://www.acca.com/education2k2/am/cm/903.pdf>

"Global Risk Management Under International Anticorruption Conventions," written by Michael F. Zeldin and Carlo V. di Florio (printed in the ACCA Docket, January 2000)
<http://www.acca.com/protected/pubs/docket/jf00/global.html>

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Note: For a comprehensive list and links to articles from Global Counsel magazine, with whom ACC partners in sharing resources, go to ACCA Online and click open the Virtual Library, search for "global," and retrieve at will!

INFOPAK; SURVEYS; WEBSITES

ACC's Global Law Department InfoPAKSM

<http://www.acca.com/protected/infopaks/global.html>

Survey: *"In-House Counsel and the Attorney Client Privilege: A Lex Mundi Multi-jurisdictional Survey"*

<http://www.acca.com/vl/results.php?anytext=lex+mundi&subject=&documenttype>

Global Legal Information Network (Library of Congress)

<http://www.loc.gov/law/glin/>

Cornell Legal Information Institute (Global)

<http://www.law.cornell.edu/world/>

MISCELLANEOUS

"Top 10 List" (Illustrating how the H.J. Heinz Company law department "goes above and beyond to serve its clients") written by Laura Stein, Senior Vice President & General Counsel for H.J. Heinz Company

http://www.acca.com/protected/legres/lawdman/heinz_topten.pdf

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***Global Law
Department***



1025 Connecticut Avenue, NW, Suite 200
Washington, DC 20036
Tel 202.293.4103
Fax 202.293.4701
www.acca.com
The in-house bar associationsm

Global Law Department

Updated July 2004

Provided by the Association of Corporate Counsel
1025 Connecticut Avenue, Suite 200
Washington, D.C. 20036
Tel 202.293.4103
Fax 202.293.4107
www.acca.com

The following information is intended to provide In-House Counsel with information on creating and managing a Global Law Department. It is not a definitive statement on the subject but is intended to be a tool, providing practical information for the reader. Included are sample forms, articles, and resources for additional information. Please help us improve this InfoPAKSM by contributing your own sample clauses, forms, policies or other relevant information concerning Global Law Department. We hope that you find this material useful. Thank you for contacting the Association of Corporate Counsel.

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I. Introduction

A growing number of companies recognize the need to operate their legal function on a global basis, consistent with changes in their overall businesses. Driven by a need to grow, companies are tapping market opportunities beyond their own geographic and national boundaries. The globalization of the corporate world offers tremendous promise: however, at the same time, it presents companies with a multitude of new challenges. Among these is the need to develop creative, efficient, and responsive legal departments. Still, the global law department remains an evolving concept in even the most advanced company. The following materials provide guidance on the issues facing emerging global law departments. This InfoPAKSM is also intended to assist a multinational corporation in navigating through the process of establishing a more effective global legal group. This information has been compiled from a broad range of resources including articles, surveys, client experiences, benchmarking data, and best practices insights.

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II. Global Issues

A. Internal Factors

Any company with international operations has a need for a legal department that can operate on a global basis. Management should first establish to what extent the company's operations are, in fact, global in nature before developing a global legal department. The following is a sample checklist of the issues to consider in this regard:

- What percent of the company's sales are derived from non-U.S. countries?
- What percent of the company's operations (e.g. manufacturing, distribution, sales, research & development) take place outside the United States?
- How extensively does the company engage contractors outside the United States?
- What are the company's legal and regulatory requirements, functions and activities outside the United States?
- Is the company managing business units, functions and/or products on a multinational or global basis? Are these units or functions embedded in each country or centralized?
- How "global" is your company? Is its global presence rapidly increasing?
- In what markets / industries is your company involved? Are these markets highly regulated? Developing? Established? Competitive? Dangerous/In transition

B. External Factors

When expanding the legal function, management should also take into consideration several factors outside the realm of market and industry. The following list poses some additional questions to be addressed when deciding whether to implement a global legal department:¹

¹ For more ideas on external information sources, refer to *International Business Development & Expansion*, ACCA Docket (September/October 1996), available at <http://www.acca.com/protected/pubs/docket/so96/international.html>.

- Have changes to the business strategy broadened the company's global role (i.e., acquisitions or international expansion?)
- How complex is the legal environment in the countries where the company operates?
- How does the legal environment in other nations differ from that in the U.S.?
- How does the role of the lawyer differ in each country where the company has operations?
- How extensively is the company relying on local counsel outside the U.S.?
- How many outside counsel are used and what are the total fees paid annually?
- How effective are those counsel in meeting the evolving needs of the business?
- How difficult is it for the company to recruit local staff? Are other major multinational companies operating in the same locations?
- What are the costs associated with establishing a new office?

C. Opportunities

Global expansion of a company's legal function can provide numerous benefits. Expanding the legal department from a solitary unit based in one country or region to one that can assist your company wherever it may have offices brings with it a wealth of benefits.² Consider these possible reasons for a global expansion of your legal department:³

- Keeping with broad structural changes in the company's operating units and other corporate center functions
- Saving money
- Enhancing quality
- Improving litigation management
- Improving risk management
- Providing better oversight of international work
- Opportunities for preventative, proactive work
- Monitoring consistency of advice on a global basis

² *Leading Practices in Global Law Department Design and Service Models: What Companies Are Doing*, available at www.acca.com/protected/article/international/lead_globallaw.pdf

³ For more detail on the type of problems that may arise in global expansion, refer to Stuart deGeus, *Checklist for Global Expansion*, ACCA Docket (November/December 1997), available at www.acca.com/protected/pubs/docket/nd97/checklist.html. For information on the essential attributes for an international lawyer, refer to *International Business Development and Expansion*, ACCA Docket (September/October 1996), available at www.acca.com/protected/pubs/docket/so96/international.html

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III. Strategy

A. Importance

In any law department, it is important to promote the concept that in-house counsel serves the corporation as a whole while supporting the day-to-day needs of specific business clients or geographies. In creating this vision, there are numerous key issues that should be considered. These include:

- Establishing an effective global structure
- Developing lawyers and leveraging their skills
- Managing outside counsel
- Tracking costs and performance metrics
- Developing new work processes
- Providing current systems and technologies
- Developing effective communication skills between legal departments

The various legal departments must work together to ensure coordination at the highest levels. While different regions have different legal needs, the corporation as a whole must ensure that it remains on the same page for larger legal issues. Companies such as Sun Microsystems and Coca-Cola, for example, utilize regular briefings between their lawyers to ensure company priorities are maintained.⁴

B. Planning Process

Effective law departments engage in a strategic planning process that, at a minimum, analyzes the role that lawyers should play in supporting the company's business objectives and assesses how internal and external resources may best serve those goals. Strategic planning addresses issues that are relevant to the law department's vision and strategy and identifies measurable commitments, objectives, and action items for the law department. This planning process is especially important in helping a law department address the myriad of issues involved in expanding and managing its activities on a global scale.

As part of the strategic planning process, a company should consider the following topical areas:

- **Key factors driving the processes** – business and industry trends, client expectations, core competencies, work processes (i.e. volume of work, type of work, geographic dispersion of workload, level of risk exposure).

⁴ *Leading Practices in Global Law Department Design and Service Models: What Companies Are Doing*, available at www.acca.com/protected/article/international/lead_globallaw.pdf. See also Susan Hackett, *Into the Global Services Pool: Building Efficient, Responsive, and Functional Cross-Boundary Legal Departments*, ACC Docket (June 2004), available at www.acca.com/protected/pubs/docket/jun04/pool.pdf

- **Attorney roles and responsibilities** – equitable workload, the right work at the right level, growth opportunities and career development.
- **Vision, mission, goals, and core principles and values** - present and anticipated business objectives, integration with business teams.
- **Resource needs** - level of internal and external resources, handling peaks and valleys.
- **Limitations and barriers** - cost-effectiveness of legal resources.
- **Legal regulatory framework** – awareness and anticipation of legal issues in the global environment.

The vision for the legal function has changed over time, resulting in a law department that is more proactive and better integrated into the business. The new in-house counsel is expected to do more for the company besides merely react to crisis as they occur. The implications of this trend are illustrated below:

Old Paradigm	New Paradigm
○ Law department practices law as an end in itself	○ Law department agenda is driven by corporate strategy
○ Law department is procedures bound and bureaucratic	○ Legal function acts as facilitator for business
○ Lawyers are risk adverse and “nay-sayers”	○ Lawyers effectively manage business risk
○ Lawyers are reactive and viewed as obstacles	○ Lawyers are proactive and seek opportunities for value creation
○ Law department operates as distinct unit, exempt from corporate programs	○ Law department is evaluated like other parts of the company

In driving quality legal services, the global law department should strive to meet the following goals:⁵

- Maintain close relationships with clients through business partnering
- Maintain tight control of outside counsel, including selection and retention
- Focus on business results, seeking contribution to the company’s bottom line
- Support a high degree of accountability and responsibility
- Adopt a proactive approach with a focus on strategic and preventive lawyering

⁵ For more information, refer to *International Business Development & Expansion*, ACCA Docket (September/October 1996), available at www.acca.com/protected/pubs/docket/so96/international.html.

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The strategic planning process includes the following components:

- Participate with clients in business unit strategy sessions
- Maintain a planning process that is supported by performance metrics and feedback mechanisms
- Show clear alignment of the General Counsel's vision with the company's overall strategy and objectives
- Coordinate strategic planning efforts with the business strategies of clients
- Incorporate lawyer development goals

C. Information Sources

A company can consult both internal and external information resources to help clarify the organizational and managerial issues it faces. Conducting surveys or soliciting feedback from clients, legal staff and outside counsel can assist the law department in determining its structure, size, work processes and the local lawyers' ability to meet the needs of their clients. In addition, outside sources can help a law department determine where it stands in relation to its peers and identify best practices.

Internal and external information resources companies can utilize include:

Internal	External
○ Clients (surveys, ⁶ interviews)	○ Benchmarking studies
○ Legal staff (surveys, interviews)	○ Management consulting resources or other professional services contacts
○ Outside counsel	○ Law department management literature and other public materials
○ Management information and cost data	○ Conferences and associations
○ Results of prior studies and reviews	○ Periodicals

To ensure that the company maintains a global perspective that goes beyond local jurisdiction and clients, a global law department should establishing a common vision. One of the basic tools for promoting integration within global law departments is a widely communicated mission statement. Examples of actual law department mission statements are reproduced below:

Example 1

The Legal Department is committed to excellence. In every matter we handle, we strive to:

⁶ For more information on client surveys, refer to ACC's *Client Surveys InfoPAKSM* available at: www.acca.com/infopaks/clienterv.html

- Provide comprehensive, pro-active legal services through early, thorough involvement with our clients
- Solve problems creatively by identifying legal risks and formulating alternatives to achieve our clients' business objectives
- Communicate effectively with our clients
- Foster a climate of mutual respect and a team approach to meeting our clients' business needs

Example 2

ABC Company operates according to a "vision" or set of goals, aspirations, and principles. The Legal Department has as its vision:

- To have a professional staff with the training and experience to provide ABC with legal advice and legal services of the highest quality
- To provide legal advice that is timely, accurate and concise
- To be knowledgeable of the Company's present and prospective businesses
- To take the initiative in informing the business of legal considerations
- To be organized in a manner to facilitate the seeking of legal advice
- To have a reputation within the Company for providing legal services which protect the Company and its interests while enabling the Company to achieve its business objectives in a lawful manner
- To select outside counsel who have the requisite professional skills and demeanor to advise the Company

Example 3

Deliver world-class support service to the organization for legal/regulatory advice or support, the company secretarial functions and selected government relations for the company, all business units and subsidiaries. The Law Function adds value by providing effective and efficient advice to its clients and by assisting in the identification and management of legal/regulatory risks and opportunities.

Example 4

The Legal Department is dedicated to providing the company with proactive legal services for the purpose of minimizing risk and enhancing profitability by:

- Providing legal advice and counseling which facilitates, rather than hinders, the attainment of business objectives
- Creating and communicating the guidelines and benchmarks for ethical conduct
- Providing internal customers with low cost, high quality legal services in a timely manner
- Interacting with third parties in an efficient and friendly manner
- Conducting preventive training which promotes respect for the individual

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Tools that can inspire the development of a common vision include:

- Strong leadership that encourages strategic focus
- A widely-communicated mission statement
- Department-wide communication via newsletters or Intranets to promote shared values
- Automated knowledge management tools and resource databases
- Global case/matter management system
- Periodic meetings/calls

E. Additional Resources

Frank A. Orban III, *Legal Globalization: The Challenges for In-House Counsel*, ACCA Docket (February 2001), *available at* www.acca.com/protected/pubs/docket/fm01/global.html

Brian C. Olson and Scott E. Squillace, *Establishing a Company Presence Around the World*, ACCA Docket (February 2001), *available at* www.acca.com/protected/pubs/docket/fm01/establish.html

Michael Roster, J. Daniel Fitz, Peter J. Turner, and M. Elizabeth Wall, *Adding Value Around the Globe*, ACCA Docket (November/ December 2001), *available at* www.acca.com/protected/pubs/docket/nd01/add1.php

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IV. Organizational Models

A. Introduction

All law departments draw on core principles to define the role of inside counsel within the company. As global law departments have emerged, these principles have remained surprisingly similar to those employed by U.S. law departments. Specifically, over the past few years, trends have shown a continued emphasis on the importance of developing a working environment in which lawyers are integrated with their clients and are members of the business team — in perception and reality. Lawyers want to be viewed as value-added contributors to the company as a whole, and, both domestically and internationally, are achieving that goal by getting closer to clients, becoming members of business teams, and learning more about business operations and strategy.

There are a variety of organizational structures and reporting lines that a global law department can use to address the idiosyncrasies of regional business reporting structures, the challenge of international coordination, and local legal contexts. Many of these reflect a basic extension of the same reporting structure that the company developed within the U.S.

The global law department must be organized to:

- Promote a strong relationship among lawyers and clients - close integration
- Meet the need for a high degree of communication, coordination and teamwork
- Enhance stewardship
- Leverage resources
- Offer specialization and career development
- Provide a platform for the introduction of preventive law and compliance programs
- Facilitate internal cost tracking and control
- Develop technology to facilitate corporate legal objectives

B. Position in the Organization

According to the 2001 U.S. Law Department Spending Survey (“LDSS”), which collects data on large U.S. companies, the widespread reporting structure among U.S.-based companies directs the General Counsel to report to the CEO. This is less true outside the U.S., where, according to Global Counsel 3000’s (“EC 3000”) ⁷ survey, far fewer General Counsel report to the CEO (34 percent outside U.S. versus 76 percent in the U.S.). Furthermore, it is more common for the GC to

⁷ The European Counsel 3000 publishes an annual survey based on data collected from small-mid-sized European-based law departments.

report to a level below the CEO – most commonly, to the CFO. These differences are illustrated below:⁸

Reporting Line for General Counsel in U.S. and Europe

	<u>U.S. LDSS</u>	<u>EC 3000</u>
Chief Executive Officer	76%	34%
Chairman of the Board	40%	32%
Chief Legal Officer	6%	*
Chief Financial Officer	2%	15%
Chief Operating Officer	3%	*
General Counsel of Parent	*	12%
Other	15%	7%

C. Alignment

PwC's 2000 Global Law Department Survey⁹ suggests that most U.S.-headquartered global law departments have evolved historically along geographic structural lines, reflecting corporate geographic organizational models. As global businesses increasingly ignore geographic boundaries, law departments can be expected to follow. Alignment by product and global client business will grow, and alignment by global practice area will see a slow increase as law departments try to consolidate and create global synergy through work process design and human resource development.

⁸ Please note: For many of the companies reporting, an individual may hold more than one of the positions listed above. For example, the position of Chairman and position of CEO are often held by the same individual. In addition, General Counsel may have more than one direct reporting line. This accounts for the overlap in the reported percentages.

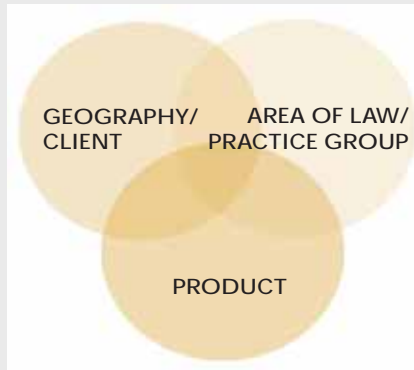
⁹ Unless otherwise noted, all statistical information contained in this InfoPAKSM is taken from the 2000 Global Law Department Survey.

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Alignment

Lawyers must organize to meet competing demands for their time . . .



A matrix approach allows attorneys to develop a client focus while at the same time serve the company more broadly in an area of law specialty (e.g., employment, environmental, etc.).

The following are examples of alignment in both U.S. and European-based companies:

- A leading multi-national oil & gas company organizes its lawyers around product divisions
- Several leading consumer products companies have law departments that are specialized by practice areas and co-located with business partners
- A leading multi-national automotive corporation organizes its European legal operations by geographic location

D. Centralized or Decentralized Structure

One of the first issues a company faces in establishing a global department is defining its reporting lines. A law department is often characterized by whether it has centralized or decentralized reporting lines. In centralized departments, all attorneys ultimately report directly (a solid line) to the General Counsel. In the strongly decentralized law department, attorneys report directly to a business unit manager with a weak indirect reporting relationship (a slim dotted line) to the General Counsel.

General Counsel of U.S. corporations with offices located abroad see advantages in maintaining centralized control over all lawyers. This is an ideal organizational approach that enables the law department to develop a consistent legal policy within a larger group, strategically align itself with business units abroad, and ensure a uniform code of corporate ethics and compliance.

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An example of this method is evident in the Coca-Cola company.¹⁰ Here, each business unit (plant, national company, etc.) has its own legal department operating locally. Within each department, though, lawyers are organized into virtual practice groups, which enable counsel to advise globally and in a coordinated fashion on that specific area. Thus, while there may be IP lawyers in virtually every national Coke legal office, they form an IP practice group that works as a team across borders.¹¹

Local lawyers all report to the Chief Legal Officer (CLO) in a solid line reporting relationship that incorporates all lawyers worldwide. This policy is central to the CLO's and senior management's focus on ensuring total corporate compliance and best practices in corporate governance. Legal department group leaders are in constant communication and are highly coordinated regardless of location or practice specialty.

Still, the tradition in many non-U.S. companies — and a minority of U.S. companies — is for lawyers outside the headquarters country to report to local business management first, and secondarily or on a dotted line basis to the corporate General Counsel. This practice is well illustrated by Sony's legal departments.¹² Sony's CLO in Tokyo supervises both the worldwide legal and compliance functions. Subsidiaries in other countries each have their own general counsel. These counsel report directly to their subsidiaries' non-legal management, rather than back to Sony's CLO. Local general counsel and the CLO communicate informally to ensure high-level coordination, but their daily work is independent of the CLO's oversight. Sony's philosophy is that each subsidiary/unit has its own legal climate that is better controlled by those operating in the region.

Despite the advantages of centralization, the GLDS participants revealed that there is no "right" structure for the global law department. Although participants agreed that the structure must allow the department to align itself with the organization and its strategies, their approaches to achieving this alignment varied. For example, a homogenized organization lends itself to a centralized law department, whereas a conglomerate of unrelated businesses may best be served by a decentralized structure. The degree to which units across various countries focus on different products or tasks may also play a role in the need for a more decentralized legal department. International counsel often have solid and dotted reporting lines, reflecting the department's goal of ensuring its attorneys are closely aligned with their clients while remaining linked to the whole law department.

Most global law departments are aligned by geography with reporting lines tending to reflect the geographic structure. The results below show that there is a tendency to centralize reporting to the General Counsel:

- 63 percent of participants said that the local regional head of international law

¹⁰ Susan Hackett, *Into the Global Services Pool: Building Efficient, Responsive, and Functional Cross-Boundary Legal Departments*, ACC Docket (June 2004), available at www.acca.com/protected/pubs/docket/jun04/pool.pdf

¹¹ Karin Sinniger, *The Brave New World of Global Outsourcing*, ACCA Docket (February 2003), available at www.acca.com/protected/pubs/docket/fm03/brave1.php

¹² Susan Hackett, *Into the Global Services Pool: Building Efficient, Responsive, and Functional Cross-Boundary Legal Departments*, ACC Docket (June 2004), available at www.acca.com/protected/pubs/docket/jun04/pool.pdf

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departments has a solid reporting line to the U.S. General Counsel.

- 24 percent of participants said that the local head of legal has a solid reporting line to the head of a business unit.
- 72 percent of participants have international attorneys who report solid line to the local head of the law department and also have a solid or dotted reporting line to the U.S. General Counsel.
- 45 percent said that international attorneys have a solid or dotted reporting line to the head of a business unit.

For comparison purposes, PwC's U.S. Law Department Spending Survey ("LDSS") looks at reporting structures in U.S. Law Departments. LDSS results show that participants have the following reporting relationships:

- 79 percent of participants indicate that attorneys report to the General Counsel regardless of location.
- 4 percent of participants indicate that more than half of their attorneys report directly to business managers and by dotted line to the U.S. General Counsel.
- 14 percent have a mixed reporting structure, whereby the majority of attorneys report to the General Counsel and some report to business managers.
- 2 percent of participants report to both the General Counsel and business managers.

Many leading global corporations have chosen structural organizations unique to their organization. The following are some examples of reporting structures in both U.S. and European-based companies:

A Top European-Based Global Financial News Provider—Global GC and Deputy GC have four divisional GC's reporting to them — one for each region. All but the last have centrally located groups. Each GC reports dotted line to the U.S. CEO.

Leading Multi-National Oil & Gas Company—GC is responsible and accountable for developing and implementing a global legal strategy. This includes identifying, evaluating and deploying technology specific to providing global legal services.

A Leading European Based Chemical Company—Law departments were originally organized by country/geography, and headed by local host country lawyers. The company's reorganization and the ensuing centralization of its corporate functions and organization of its business operations by product lines resulted in each local host country considering its own optimal alternative organizational structure to best meet the needs of the client companies.

A Global Consumer Products Company—In order to position itself to meet the organization's changing business strategies with the consolidation of the European Union, the company's legal department recently reorganized around a centralized function. The organization includes greater specialization, a centralized legal budget and solid line reporting to the European General Counsel, who in turn reports solid line to the U.S. General Counsel.

A European-Based Global Paper Company—The company has a decentralized legal department that aims to keep its lawyers close to the business by co-locating attorneys in each of its three European offices. This structure allows the lawyers to remain in touch with business needs and local legal developments, but presents the challenge of monitoring the quality of local

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legal services and ensuring that resources are utilized effectively.

E. Global Legal Function Models

A common structural approach is to establish practice groups. Practice groups are teams of specialized lawyers who, on either a full or part-time basis, focus on a particular legal or practice area that cuts across geographic and/or internal client boundaries. Though the practice group may be spread across several regions, the ability to stay in constant contact through email, teleconferences and fax allows them to work efficiently as a group. This concentration of expert knowledge within a small group of attorneys results in a number of benefits including:

- Reduction in the time spent drafting documents and researching legal issues, allowing fewer attorneys to handle a higher volume of work.
- Assurance that legal problems are supervised by the most qualified attorney.
- Savings on outside counsel fees resulting from the standardization of forms and documentation.
- Improvement of work quality resulting from the consistent approach throughout the company.
- An increase in the time that can be spent on proactive, preventative work.
- Better facilitation of teamwork and knowledge-sharing.

Practice group teams traditionally are located at headquarters, which may prove to be logistically difficult in a global department. But with effective information technology, the practice group can reside anywhere. Departments can establish “virtual” practice groups based on an Intranet (although occasional face-to-face meetings will also be important). As previously mentioned, corporations now feel comfortable developing practice groups across multiple regions. The key is for companies to make an investment in the technological tools that enable a widespread group of lawyers to functional efficiently as a practice group.¹³

When forming practice groups, consideration should be given to the following factors:

- Close client integration
- Clear reporting lines to the General Counsel
- The use of a knowledge sharing infrastructure
- Flat management structure
- Efficient ratio of lawyers-to-support staff across practice areas
- Presence of sufficient technology to foster close communication

¹³ Susan Hackett, *Into the Global Services Pool: Building Efficient, Responsive, and Functional Cross-Boundary Legal Departments*, ACC Docket (June 2004), available at www.acca.com/protected/pubs/docket/jun04/pool.pdf

Practice Groups Pros & Cons

Pros	Cons
<ul style="list-style-type: none"> ○ Reallocates legal resources based on skill sets ○ Maximizes efficiencies from the skill base of the lawyers, particularly in terms of communication and management of attorney workload ○ Offers high staffing flexibility and minimal duplication of effort ○ Enhances oversight of outside counsel 	<ul style="list-style-type: none"> ○ Reduced relationship with business partners ○ Business partners may lose a single point of contact for the legal function ○ Distant from local industry associations ○ Subsidiary managers might object to losing “their lawyer”

Another model adopted by many global law departments is a mixture of practice groups and generalists. Specialized practice groups have local knowledge and expertise, whereas generalists service the department at the country level. The challenge with this arrangement is that departments must delineate roles and responsibilities to ensure that there is no duplication of work. Equally important is a strong culture of teamwork and collaboration, both of which must be promoted within the legal function. Individualistic lawyers, geographic distance and language barriers are factors that can make this approach challenging.

F. Client Integration

Regardless of reporting lines, at best, a law department must ensure that lawyers are integrated with clients and use close client relationships to drive quality legal services. These relationships, characterized by continuity and familiarity, facilitate partnership and trust and allow lawyers to be proactive and focus on preventive lawyering. By developing standard policies, procedures and documents for their clients, lawyers maximize their value by keeping their work at a higher level.

A global law department needs lawyers who understand the company's management philosophy, and apply its tenets when serving clients. The law department should play an active role in setting management policy, perhaps by appointing lawyers to serve as members of the strategic management team or planning committee.

G. Summary Chart

The summary chart below outlines various organizational structures and the advantages and issues to manage with each one.

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Law Department Structure

Trend	Organizational Structure	Advantages	Issues to Manage
	Centralized technical alignment — a law firm within a company	Offers high staffing flexibility and minimal duplication of effort	Distant relationship with clients and clients may not have a single point of contact
	Centralized functional alignment -practice groups aligned with business unit structure	Strong emphasis on consistency, unity and communications	Less incentive to develop structured coordination of cross-functional practice specialties
	Centralized but geographically dispersed - strong centralized reporting with substantial geographic dispersion of lawyers	Consistency of approach and flexibility to meet client co-location needs	Some duplication of staffing and infrastructure
	Regional structure - centralized structure with each region staffed by specialists and generalists that support that region	Lawyers close to clients	May not maximize economies of scale of larger offices; high cost, communication problems across regions
	Holding company legal firm — private firm format as part of shared services for the corporation	Instills market competitiveness and emphasizes empowerment and delegation	May not have the top-level access and structures required for maximum effectiveness within the corporation
	Stand-alone legal subsidiary — Legal department is a separate subsidiary of the client organization	Allows clients to make value/cost decisions that best support their business needs	Requires extensive administrative infrastructure
	Decentralized — Each business unit has a separate legal organization	Lawyers are perceived as true members of the business team	Concerns regarding objectivity and keeping a vision on the overall corporate risk/benefit analysis. Possible duplication of effort and lack of economies of scale

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H. Additional Resources

Rees W. Morrison and Richard B. Grisham, *How Law Departments Provide International Legal Services*” ACCA Docket (January 2000), *available at*
www.acca.com/protected/pubs/docket/if00/legalservices.html

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V. Staffing

A. Introduction

Certain financial indicators are useful metrics for examining legal costs. Law department management can evaluate efficiency by benchmarking key indicators against peer companies. Staffing is one such indicator. For example, the headcount ratios of lawyers, support staff and operating business employees are helpful measures.

A fundamental comparison shows the number of attorneys and non-attorneys per billion dollars of revenue. This approach normalizes other factors and may be used to assess specific practice groups such as intellectual property or litigation.

B. Attorneys

Companies still prefer to staff their overseas legal departments with local attorneys rather than with expatriates. This is especially true in non-headquarter offices where the need for U.S. attorneys familiar with American law is greatest.¹⁴ Companies such as BMW, Coca-Cola and H.J. Heinz all rely to varying degrees on local hires to staff overseas attorney positions. It is these individuals, familiar with local law and legal practices, who bring valuable insight into the foreign offices of American corporations. Total headcount and non-attorney-to-attorney ratios are key indicators of efficiency for law departments. Over half the companies in the GLDS reported that their total law department staffs in the U.S. and in Asia and Oceania¹⁵ have been increasing. Approximately 40 percent increased staff in Africa and the Middle East and Europe. GLDS respondents reported a median of six attorneys per billion dollars of revenue worldwide. Due to the more litigious environment in the U.S., companies based in the U.S. consistently have, on average, more attorneys than other countries. Locations with larger regional corporate offices have more attorneys on site. A growing focus on emerging markets, global reach resulting from a heated decade of M&A activity and increased regulation explain the increase in in-house legal capacity.

Factors influencing low staffing in non-U.S. departments include:

- Differing attorney roles. Given that attorneys outside the U.S. are not as specialized as in the U.S., they may be able to take on larger roles.
- Under staffing in some regions. Some non-U.S. Law departments are simply understaffed.

¹⁴ *Leading Practices in Global Law Department Design and Service Models: What Companies Are Doing*, available at www.acca.com/protected/article/international/lead_globallaw.pdf

¹⁵ Includes South Asia (India, Pakistan, Bangladesh, etc.), Southeast Asia (Singapore, Malaysia, Hong Kong, Indonesia, etc.), China, Japan, Korea, Australia and New Zealand.

Profile of Participants - Company Background

<u>Law Department Information</u>	<u>1st Quartile</u>	<u>Group Median</u>	<u>3rd Quartile</u>
Worldwide Attorneys	69	87	112
Worldwide Law Department Staff (Attorneys and Non-Attorneys)	115	188	245
Worldwide Law Department Offices	11	16	20
Africa & Middle East Law Department Offices	**	1	**
Asia & Oceania Law Department Offices	2	3	4
Canadian Law Department Offices	1	1	1
Central & South America Law Department Offices	1	2	2
Europe Law Department Offices	4	6	8
U.S. Law Department Offices	2	5	6

Key Benchmark Indicators - Legal Staffing Relative to Company Size - Revenues

<u>Number of Worldwide Attorneys/ Billion of Dollars of Revenues</u>	<u>1st Quartile</u>	<u>Group Median</u>	<u>3rd Quartile</u>
Worldwide Attorneys per Billion Dollars of Worldwide Revs	3.8	5.0	7.8
Africa & Middle East Attorneys per Billion Dollars of Africa & Middle East Revs	**	5.0	**
Asia & Oceania Attorneys per Billion Dollars of Asia & Oceania Revs	2.2	2.9	5.0
Canadian Attorneys per Billion Dollars of Canadian Revs	**	4.7	**
Central & South America Attorneys per	.06	0.9	1.3

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Billion Dollars Central & South Am. Revs			
Europe Attorneys per Billion Dollars of Europe Revs	8.7	15.8	38.1
U.S. Attorneys per Billion Dollars of U.S. Revs	4.1	6.0	8.3

C. Support Staff

Support Staff are needed to maximize efficiency, as they can handle tasks that do not require an attorney's expertise. Historically, some regions have made greater use of support staff. Currently, the U.S., Canada, Central & South America, Africa & the Middle East lead the world in use of legal assistants. In 2000, the median number of non-attorney staff to attorneys was highest in these regions at 1.0 and lowest in Europe at 0.8.

Expanding the use of paralegals or legal assistants in non-U.S. locations can reduce costs for high-volume or routine work. The global trend to date has been for larger companies in certain sectors, particularly finance, to make use of such staff. These individuals bring with them knowledge of the local environment as well as familiarity with the regional language and culture. This practice will take time in several areas of law where the idea of designating routine work to support staff is less familiar. It may also be affected by geography, as some locations are not likely to have the kind of training, certification programs and skilled candidates available as in the U.S.

Most companies staff their departments with a majority of local attorneys because they are less expensive than expatriates. In addition, there are limitations on the work that can be performed by foreign attorneys.

D. Expatriates

Companies have traditionally used expatriate employees to establish and lead new overseas offices. They help transfer management practices and corporate culture and serve as a conduit of information between distant offices and corporate headquarters. To that end, many global law departments continue to use expatriates.¹⁶ Companies such as Sony utilize the knowledge and experience of expatriate lawyers to aid in the set up and development of new legal departments. These lawyers would be sent to local offices to provide advice and training rather than merely allowing the new staff to begin working without support. Expatriates also tend to remain in the highest legal positions. For example, H.J. Heinz's General Counsel for Europe has remained an

¹⁶ For more detail on the use of expatriate staff, refer to European Counsel 3000 1999 Edition, *The Global Law Department: Meeting the Management Challenge of Globalization*, by Jonathan Bellis and Lucy Nottingham. To order European Counsel 3000, please contact PLC Publications, 1 Bargehouse Crescent, 34 Upper Ground, London SE1 9pd, Tel: 44 171 401 7878.

American expatriate rather than a local lawyer.¹⁷ His previous experience working in the company's headquarters allowed him to more efficiently develop the overseas legal department in a way a local attorney might have been unable to.

Results from the GLDS show that expatriate staff can represent as much as 20 percent of the attorneys in law offices in Africa and the Middle East, Asia and Oceania. Expatriate use is lower in Europe and Central and South America

The global law department needs to achieve a blend of local sensitivity and global knowledge. For many companies, this has resulted in a growing demand for more international expertise in-house and a decline in the use of expatriates. This trend is evidenced by the fact that a majority of the companies participating in the GLDS had recruited local host country attorneys for international locations.

Below are some of the options being explored by global law departments:

- **Recruitment and development.** Some departments have created specific employee development programs for the global law department. For example, they have recruited students from universities and provided them with a two-year training period at law department headquarters before moving them on to an international rotation.
- **Task forces for global projects.** Teams drawn from across the global law department are created for specific or ad hoc projects. The corporation benefits from a task force that has multiple points of view and the attorneys benefit from the opportunity to travel and work in international locations with multi-cultural teams.
- **Short-term deployment.** Attorneys are deployed on specific short-term assignments to help manage a current issue in an international office or subsidiary.
- **Regional staff exchange programs.** One company regularly exchanges attorneys within a specific geographic region. For example, attorneys from India are rotated to Malaysia. Interregional staffing is less expensive and demanding than a full-scale expatriate program.
- **Rotation.** Staff is rotated through corporate headquarters for several months to acclimate them to the corporate culture.
- **Local pay.** Attorneys are offered positions abroad on local pay with some relocation assistance. This is less costly than a full expatriate compensation package.
- **Home staff program.** In one company, attorneys from headquarters are sent to expatriate positions while the expatriates return home on extended leave. In the long term, this may require looking closely at rates of pay. To create an elite core of mobile, dedicated attorneys with a similar outlook and international experience, it may be difficult to pay them differently simply because of the country in which they are currently based. The adoption of the Euro is likely to mitigate this problem in Europe.
- **Local outside counsel.** Where the need for regional attorneys is small, companies such as Sun Microsystems have engaged local outside counsel rather than depending on expatriates

¹⁷ *Leading Practices in Global Law Department Design and Service Models: What Companies Are Doing*, available at: www.acca.com/protected/article/international/lead_globallaw.pdf

or local hires. This can often lesson overall costs while maintaining the benefit of regional institutional knowledge.

E. Licensing Requirements

In staffing the global law department, consideration must be given to licensing requirements in foreign jurisdictions. Each country will have differing rules. For example, some will require local bar membership whereas others will not. Resources available for researching this information include the International Bar Association website (www.ibanet.org) and the International Trade Administration (www.ita.doc.gov), which provide links to departments and agencies by country.

F. Additional Resources

Gabe Shawn Vargas, *Coping with Global Angst: Five Practical Prescriptions*, ACCA Docket, (July/August 1999), *available at* www.acca.com/protected/pubs/docket/ja99/global-angst.html

VI. Communication and Coordination

A. Importance

In an integrated global law department, attorneys who may be geographically isolated can still draw on the talents and expertise of their colleagues to deliver the best legal service at the optimal cost. Companies now utilize tools which include electronic mail, facsimile, video-conference, web casts, legal intranet sites, “quick place” mini websites, and quarterly reports on legal accomplishments to maintain contact between offices. As technology continues to improve, the ability of attorneys across borders to communicate with one another becomes cheaper and more convenient each day. Clear and constant communication is essential to the effective operation of a global or multinational legal function. Not only does it help integration, but it reduces the potential for duplication of effort and improves efficiency across geographic regions.

Among the more obvious communication issues is that of language. One solution which many global law departments are implementing—consistent with the overall trend in international business—is to require or strongly encourage all legal staff to learn and speak English. As Rush O’Keefe of Fed Ex stated: “Good communication is the key to maintaining our regional offices as an integral part of a world-wide legal department.”¹⁸

B. Common Methods of Communication

As a company expands its practice across multiple countries, the need to communicate between those offices does not lessen. Lawyers must remain in constant communication to ensure that corporate legal strategies are carried out on a consistent basis. Further, as lawyers in one jurisdiction confront and address a legal question, the ability to communicate quickly and efficiently allows them to share their knowledge with their counterparts in other jurisdictions.

One simple means of communication is regularly-scheduled meetings between overseas attorneys. BMW, for example, has regularly meetings between its non-headquarters attorneys every six months while all attorneys working for BMW meet at an annual conference every 18 to 24 months.¹⁹ This meeting can last up to five days and covers current legal trends, current issues of importance to the company, as well as critical issues in the industry. A company such as Coca-Cola relies more on frequent meetings between high level lawyers from each region. These meetings involve senior attorneys from each region as well as Coca-Cola’s General Counsel, Deputy General Counsel, and Group GC.²⁰

¹⁸ M. Rush O’Keefe, *Managing an International Law Department*, 2003 ACC Annual Meeting, available at: www.acca.com/education03/am/cm/905.pdf.

¹⁹ *Global Regulatory Compliance and Ethical Business Conduct*, ACCA Annual Meeting Program Materials (2002), available at www.acca.com/education2k2/am/cm/107.pdf

²⁰ Susan Hackett, *Into the Global Services Pool: Building Efficient, Responsive, and Functional Cross-Boundary Legal Departments*, ACC Docket (June 2004), available at www.acca.com/protected/pubs/docket/jun04/pool.pdf

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Another simple, cost-effective tool for global corporations to use is technology such as web sites, teleconferences and company-wide databases. H.J. Heinz utilizes these tools, as well as monthly teleconference meetings and a common email system to better facilitate communication between all its attorneys.

Expertise can also be shared by designating specific lawyers as experts in subject matters who can be called upon by colleagues anywhere in the world to provide expertise and support on issues. Developing a company's law department to incorporate global practice groups can also make communication on specific issues more efficient. The key is for a company to develop a system that takes advantage of the technology and personalities at hand to create a system of constant and productive communication.

C. Alternatives

Cohesion among members of a global law department is best developed through face-to-face meetings. However, full departmental meetings are costly and often difficult to arrange. Time zone differences, geographic distance and language differences can create challenges for effective communication. Below are some alternatives to explore to overcome these hurdles:

- Increase the interaction between a department's international specialists and "domestic" colleagues, so that the specialists share their expertise and, in return, draw on colleagues' subject-matter expertise, especially in technical fields.
- Arrange presentations on international legal subjects that have domestic counterparts, such as environmental, labor, antitrust, and intellectual property law.
- Invite foreign-based managers or outside counsel during U.S. visits to discuss with in-house counsel regional developments that have legal or political implications.
- Encourage all law department members to participate in organizations like ACC that promote aspects of a field of interest to the lawyer.
- Encourage follow-up discussions between experienced international counsel and law department members after the latter have attended seminars in new international core knowledge areas.
- Advocate for advanced and more practical programs to train international specialists in smaller interactive groups.
- Develop lawyer exchange program to allow attorneys from one region to spend time in a foreign region.

Options for maintaining coordination and communication include:

- Regional departmental meetings or retreats
- A road show in which senior managers visit local offices
- Regular conference calls within geographic regions for all department members
- Department-wide communication through newsletters or Intranets to promote shared values
- Opportunities for attorneys to work in cross-border teams or practice groups
- Partnering with outside counsel

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D. Attorney-Client Privilege

In a number of European Countries, attorney-client privilege exists only between the corporation and its outside counsel, and is not recognized between a corporation and its in-house counsel. In France, Italy, Belgium and Luxembourg, for example, in-house attorneys are not considered to be practicing lawyers.²¹ Because of this, it may be necessary for a company to utilize outside counsel or other attorneys who will remain under the attorney-client umbrella when working on sensitive client issues. It is important to note though that companies such as Sun, Coca-Cola and H.J. Heinz do not isolate their in-house counsel who may not enjoy attorney-client privilege.²² These companies ensure that these attorneys retain access to all the information they need to function to the best of their legal abilities.

E. Additional Resources

Frida P. Glucoft and Lorna A. De Bono, *Globalization of The Workforce U.S. Immigration Law*, available at: www.acca.com/protected/legres/immigration/globalization.html

In-House Counsel and the Attorney-Client Privilege: A Lex Mundi Multijurisdictional Study, available at: www.acca.com/protected/reference/attyclient/countrychart.pdf

²¹ For more information on the differences in application of the attorney-client privilege between the EC and the U.S., clarification of the rules that apply to attorneys in the EC, and an explanation of the genesis of the rules please see, *The Parameters of the Attorney-Client Privilege for the In-House Counsel at the International Level: Protecting the Company's Confidential Information*, 20 Nw. J. Int'l L. & Bus. 145, 1999. See also *European Privilege Survey*, Global Counsel Vol. V, 18 (2000), available at: www.acca.com/resources/v1. See also *In-House Counsel and the Attorney Client Privilege: A Lex Mundi Multi-jurisdictional Survey Chart*, available at: www.acca.com/protected/reference/attyclient/countrychart.pdf.

²² Brian Martin, *The Global Legal Department as a Competitive Advantage*, 2003 ACCA Annual Meeting, available at www.acca.com/education03/am/cm/905.pdf

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VII. Management Systems and Processes

A. Financial Management

1. Legal spending

Outsourcing legal work has become a popular strategy for companies trying to cut down on in-house costs. Still, global law department managers should weigh their “make vs. buy” decision carefully, basing it on the types of legal work, available resources, and cost analysis. For every region except the U.S., inside spending was greater than outside spending. However, worldwide inside spending was less than half (44 percent) of total legal spending. This is attributable to the typically high outside counsel spending generated in the United States.

Total Legal Spending:

Median total worldwide legal spending for survey participants in 1999 was \$63.26 million, a 14 percent increase from 1998 (*includes both inside and outside spending*).

Key Benchmark Indicators—Total Legal Spending Relative to Company Size — Revenues (Non-Bank Participants Only)

<u>Total Legal Spending as a Percent of Revenues</u>	<u>1st Quartile</u>	<u>Group Median</u>	<u>3rd Quartile</u>
Worldwide Total Legal Spending as a Percent of Worldwide Revs	0.28%	0.41%	0.73%
Africa & Middle East Total Legal Spending as a Percent of Africa & Middle East Revs	**	**	**
Asia & Oceania Total Legal Spending as a Percent of Asia & Oceania Revs	0.10%	0.12%	0.15%
Canada Total Legal Spending as a Percent of Canada Revs	**	0.15%	**
Central & South Am. Total Legal Spending as a Percent of Central & South Am. Revs	**	0.19%	**
Europe Total Legal Spending as a Percent of Europe Revs	0.09%	0.17%	0.38%
U.S. Total Legal Spending as a Percent of U.S. Revs	0.31%	0.48%	0.88%

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The GLDS looks at two components of inside legal spending:

- Compensation and benefits (the largest portion) and
- Other expenses (including administrative operating and office expenses).

The GLDS participant base reflects a total of 25-29 multinational companies across 13 industry groups with a median income of \$16 billion.

Inside Legal Spending

At least 73 percent of respondents report increases in their compensation in all regions. Compensation and benefits were a median 73 to 83 percent of total inside spending for all regions except Asia and Oceania, where compensation and benefits are a relatively low proportion of total inside spending. This may be attributable in part to that region's high occupancy costs. Overall cash compensation varies greatly across regions and also among local and expatriate attorneys.

Of course, the relative cost of living should be taken into account in any assessment of regional variances in pay. Asia and Oceania had the highest compensation for its expatriate and local attorneys, Europe was second, and the U.S. third. It should be noted that the U.S. median includes compensation for many more junior staff than law departments abroad. In other words, expatriate staffs tend to be more senior. Across the board, expatriates were paid more than their local counterparts. The gap between expatriates and locals is even more pronounced when taking into account other benefits and perks not included in cash compensation. The data support the strategy of developing and maintaining local resources.

2. Cost tracking

As the demand for legal services expands abroad, law departments are under pressure to develop and maintain cost efficiencies on a global basis. Measuring and managing total worldwide legal spending is critical to this process, but few global law departments have common financial systems, budgets or management metrics. Costs can also vary depending on the use of outside counsel. For a corporation with a small in-house department such as Southcorp Limited, the use of outside counsel in regions outside their home base can exceed that of a company with a large foreign legal department.²³ Without commonly collected and reported information on total inside and outside legal spending, a General Counsel cannot make informed decisions regarding the allocation of resources or create performance standards for cost management.

Effective global law departments therefore have single financial and reporting systems. Many companies participating in the GLDS have begun the difficult process of systematizing cost reporting for every region in which their companies have attorneys. The results show that their efforts in this area have been worthwhile. However, it is interesting that a number of leading departments have not found a single global budget managed by head office a necessity. Whether the

²³ *Leading Practices in Global Law Department Design and Service Models: What Companies Are Doing*, available at www.acca.com/protected/article/international/lead_globallaw.pdf

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department has a centralized global legal budget can depend on the corporate structure and the way in which the department is financed.

Best Practices

Leading law departments use preventive law activities as key tools for reducing legal costs. Such activities include developing standard policies, procedures and forms. Clients then follow prescribed forms and seek counsel only on an exception basis. Leading law departments also use seminars, newsletters, and web sites as a means of delivering preventive education to clients.

Many leading law departments have some system of time tracking and/or allocation because it provides hard, indisputable data for productivity analysis and cost-effective allocation of resources. Ideally, user-friendly timekeeping systems are part of a comprehensive and integrated financial system to keep track of all inside and outside legal time, expenses and activities to enable detailed analysis and reporting.

Work is shifted to least costly staff level. Lawyers are encouraged to rethink the assignment of work and, where possible, assign routine legal work to paralegals.

Best Practices Checklist:

- Develops law department budget in conjunction with key primary users
- Maintains tight control of outside counsel spending and resource utilization
- Tracks legal costs, settlements and payouts against expected
- Imposes a high degree of accountability and responsibility for financial management on all attorneys
- Adopts a proactive approach with a focus on cost reduction through strategic and preventive lawyering
- Utilizes techniques such as standardization and delegation in work process to control spending

B. Human Resources Management

1. Compensation

Both GLDS and the EC 3000 Survey illustrate that there are marked differences between the U.S. and other parts of the world. Nevertheless, there are common principles for developing “Best in Class” law department compensation models. The ideal model should tie corporate, departmental or individual performance targets to pay and bonuses.

Establishing competitive compensation requires taking the following steps:

- Define performance expectations, plans and indicators
- Link compensation to performance

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- Develop incentive-based compensation and recognition programs

In the U.S., a significant portion of overall compensation comes from long-term compensation in the form of stock options, stock grants and non-stock related incentive plans. In a strong economy, this is seen as a way to reward lawyers while holding down costs.

The 2001 LDSS notes that 90 percent of participating companies offered long-term compensation to eligible law department employees in the form of stock options, stock grants and non-stock related incentive plans.

A General Counsel wishing to standardize remuneration faces some difficult choices. Unless the company pays staff at the highest rate of all jurisdictions, it risks losing talented staff in jurisdictions where the pay is lower than market rates.

European Counsel 3000's Best Practice Survey of Legal Departments reported that the average General Counsel in Europe can expect to earn \$170,000, including bonus, nowhere near the PricewaterhouseCoopers U.S. Law Department Spending Survey ("LDSS") reported figure of \$388,250. This may be explained, at least in part, by the fact that over 50 percent of LDSS participants are companies with over \$4 billion per year in revenues. This is a different participant than the EC 3000 survey, which consists of companies where 50 percent of participants have revenues under \$2 billion.

2. Training and Development

Professional development is how the law department can sustain the technical competency and intellectual satisfaction of lawyers and other professional staff members.

Following are elements of a successful professional development program:

- Continuing education
- Skill inventories
- Performance evaluations
- Training
- Career planning

Establishing a relationship between human resource policies and performance appraisal systems is critical in all law departments, and the global law department is no exception.

Still, many General Counsel and in-house counsel believe that their corporate performance appraisal process and compensation systems do not adequately capture the full contribution of the law department.

Leading law departments state that the core competencies and skills for inside lawyers should include leadership, communication skills, the ability to innovate and be a team player and technology skills. Technical competence, legal scholarship and judgment are assumed. Furthermore, leading departments develop the disciplines of business and project management in their lawyers, as these are becoming a necessity for all inside lawyers.

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Often in-house lawyers do not supervise large numbers of staff. Accordingly, companies have had to find ways to reward senior technical specialist with executive status as warranted.

3. Performance Appraisals

Global law departments face significant human resource challenges. General Counsel must manage issues such as career management, employee evaluations, succession planning and the optimal balance of expatriate and local staff. This must be done against the backdrop of varying perceptions and realities of the role of in-house counsel around the world.

Despite these variations, best practice global law departments have centralized career management with universal performance assessment programs. These are critical in effectively tying geographically distant attorneys to law department headquarters. For example, the global law department of a leading consumer products company with multiple reporting lines obtains broad input on employee performance. The corporate law department, in conjunction with the business unit manager, maintains a highly visible role in the assessment of international attorneys' performance, compensation and bonus assessments.

Balanced Scorecard

Leading law departments capture metrics using a balanced scorecard approach, which tracks metrics across the dimensions of financial management, customer satisfaction, internal business processes, and learning and growth. This approach balances quantitative and qualitative factors.

A broad and comprehensive legal performance measurement and improvement program includes benchmarking, best practices, internal metrics tracking, and interviews of lawyers, clients, outside counsel, and peer law departments. This program should link to the law department's vision and strategies. The elements of this program should be tracked regularly and data should be compared to baselines and goals.

Best Practices Checklist:

- Tracks quantitative financial metrics with the support of case and matter management systems
- Measures performance across a balanced scorecard perspective
- Benchmarks performance against peers and against own law department past performance
- Utilizes up-to-date technology tools to capture and manage information
- Contains a feedback mechanism — client satisfaction, employee satisfaction
- Focuses significantly on process and people

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C. Technology

The global law department faces the challenge of servicing the legal needs of the corporation across different legal systems, cultures and time zones. It must provide quality legal services seamlessly to corporate business unit clients, while facing the internal challenge of how to operate as a cohesive unit. Technology is a key support, enabler and foundation for global law departments, particularly in the areas of infrastructure, communication, management of cases and matters, research and generation of work product.

As the backbone of the global law department, technology supports many centralizing processes, including rapid communication, shared work processes, shared databases and common reporting systems.

The rise in dependence on technology has brought with it a host of new concerns for companies. Hackers, identity theft, and viruses are now a common part of any discussion about technology. The more linked a company is, the more devastating any of these issues can be. It is important that when a company considers an investment in technology, it also seek to invest in protecting that technology from outside harm.

Companies must also be wary of varying laws across borders. The EU has developed data privacy laws that are more stringent than those in the United States. While most of a company's legal department's dealing will be exempt from coverage, soliciting business or exchanging information across national borders could trigger investigations under this law.²⁴

Regardless of these concerns though, a clear message from the participants at the Global Law Department Conference is "invest in technology."

The departments at an energy and gas company and a technology company have invested considerable resources to develop flexible systems that support their global strategies.

One law department uses a Lotus Notes Email and database system, a law department Intranet home page and a central repository for internal and external documents. This facilitates "intra" and "inter" departmental communication, reduces duplication and improves efficiency across its department of 400+ legal personnel located in four major geographic regions.

Another law department with over 200 lawyers and approximately 200 support personnel in 23 offices throughout the U.S. and 17 international offices developed a strategy of knowledge management centered on an Intranet which includes workflow and automated features. The department also uses its Intranet to create electronic practice groups in which attorneys specializing on a given topic can share advice and collectively learn about their subject matter. The Intranet also provides a forum with possible referrals to experts and colleagues who can assist with consulting, workshops, study sessions or work negotiation teams.

Systems of this size demand considerable resources to be successful. For example, one full-time senior attorney and two paraprofessional assistants supported the development and

²⁴ *Data Protection - A Practical Guide to Personal Data Transfer Laws in Europe, Canada and the U.S.*, ACC InfoPAK, available at www.acca.com/infopaks/data_protection.html

maintenance of the repository. Paraprofessionals or paralegals possess detailed knowledge of the legal work and are able to interface with IT professionals to develop technology solutions that meet lawyers' needs.

Ongoing support and training is vital to ensure that the systems are widely and frequently used. In one case, the company monitors "hits" to determine how the technology is used. This information focuses training and communication efforts.

A departmental Intranet is clearly an essential tool for global law departments. Most Intranets contain a wide range of information including:

- Document archives (e.g. opinion letters, memos, contracts and transferable precedents)
- Practice aides and model documents that illustrate the company's position on various issues
- Internet, Westlaw and Lexis access
- Compliance information and training aides
- Databases and libraries
- Client legal tool kits such as forms and basic legal documentation
- Frequently Asked Questions (FAQ) with basic legal points and summary legal advice
- Discussion groups
- Training videos

The majority of respondents to the GLDS report that their attorneys around the world generally use consistent operating systems, (e.g., Windows), allowing for easy compatibility and communication.

- 61 percent of GLDS respondents report that their law departments have worldwide uniform technology standards (i.e. common software and hardware systems) while 47% have a case/matter management system for tracking matters worldwide
- 37 percent report using a case management system that tracks cases for the entire Department

Following are some "Best in Class" technology standards and tools used by leading global law departments:

- Communication – Establishes global access between lawyers and clients through email, intranets and websites
- Work Process – Utilizes document repository, document assembly, document management and case/matter management systems
- Cost management - Creates electronic commerce solutions with fee audit capability
- Timekeeping – Maintains a timekeeping system to ensure optimal resource coverage
- Lawyer Desktop – Provides access to leading software and databases
- Research – Provides an electronic research facility

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D. Outside Management

The use of outside counsel is dependent on the nature of the company's business, the availability or expertise of local law firms and each company's business policy on the use of outside firms. A company with global presence can use outside counsel as an extension of the legal function. For the global department, which may not have legal expertise in all of the countries where it operates, making use of outside counsel may prove more practical than establishing an in-house presence.

In some cases, a company will rely heavily on the use of outside counsel, particularly if that company is a recent entrant in the global market. Initially, this company will lack the legal proficiency in and knowledge of the new market, making the use of outside counsel more practical than establishing a local legal department.

Since outside counsel may be asked to perform various tasks, some of which have been traditionally performed by in-house counsel, great care must be exercised when selecting outside counsel.²⁵

Best practices for outside counsel management include the following:

- Establishing guidelines
- Appointing a single manager
- Implementing task-based billing
- Utilizing technology
- Consolidating work to obtain volume discounts

International outside counsel often are requested to assume a wide range of tasks that are typically undertaken by inside counsel—for example, legislative monitoring. In this situation, the outside counsel may have to have a much closer relationship with local management than would an inside lawyer, and will need to operate with less supervision from the law department. These factors should be considered when choosing suitable counsel.

In some markets—particularly emerging markets—the use of outside counsel is also preferable due to their business networks and knowledge. Companies will often retain high-profile law firms; however, once the company has successfully established a presence in the new market, it will explore alternative, and often cheaper, options for outside counsel services.

The use of outside counsel varies across regions, depending on the nature of work performed by the company in that region, expertise of local law firms, and even cultural practices.

Total worldwide outside legal spending in 1999 was a median \$30.5 million with the U.S. accounting for the greatest portion. There are several reasons why the U.S. spends more on outside counsel:

²⁵ For more information on how to perform due diligence in selecting candidate law firms, see *International Business Development & Expansion*, ACCA Docket (September/October 1996), available at: www.acca.com/protected/pubs/docket/so96/international.html. See also ACC's *Doing Business Internationally* InfoPAKSM available at: <http://www.acca.com/infopaks/intbus.html>.

- Outside counsel's hourly rates typically are higher in the United States;
- There is a greater volume of outside counsel work in the U.S. (Not only does the U.S. have the highest litigation spending in absolute terms, but it also has the highest ratio of litigation to non-litigation spending); and
- The U.S. legal system and culture engender a great reliance on litigation to resolve disputes. Attendant risk aversion also can require more "lawyering."

In contrast to recent trends in the U.S. to rationalize and strengthen the relationship with outside counsel, few companies have made similar efforts to consolidate their global use of outside counsel. The concept of "partnering" is not as common overseas and U.S. counsel tend to perceive that outside counsel are less proactive than their U.S. counterparts. Nonetheless, some global law departments have begun to coordinate their relationships with outside counsel around the world. This often is undertaken on a region-by-region approach. For example, one approach is to hold a regional "summit" for outside counsel firms within a specific region to coach them on the company's needs and objectives.

Leading law departments tend to use outside counsel guidelines to specify terms of engagement and billing procedures. These guidelines typically require budgets for all significant work. They also may require that the law department (and no other business unit) be responsible for retaining outside counsel. A best practice is to use a single manager to coordinate and oversee the efforts of outside firms.

Another best practice is to use an activity based costing system—such as task-based billing using the Uniform Task Based Management System (UTBMS).²⁶ Such systems facilitate a uniform, task-by-task analysis of costs, and allow for the creation of alternative billing arrangements that can significantly reduce costs and align outside counsel incentives with the priorities of the business.

Other best practices include using technology to communicate with law firms and implementing electronic billing to provide leverage for fee reductions. A law department may also consolidate certain types of work to obtain volume discounts and seek to reduce the number of firms used. On a matter-by-matter basis, outside counsel prepare budgets so there are no surprises when the bill arrives. This matter budgeting process ensures that the firm and the company have the same view of the matter assignment and the tasks to be undertaken.

E. Additional Resources

Simon G. Zingerhttp, *Regulation of Electronic Commerce in Europe: A Corporate Counsel Guide*, ACCA Docket (May 2001), *available at* www.acca.com/protected/pubs/docket/mj01/regulate1.php

²⁶ For more detail on task-based billing, please refer to ACC's *Alternative Billing InfoPAKSM* *available at* www.acca.com/infopaks/billing.html.

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VIII. Additional Resources

ACC Docket

Susan Hackett, *Into the Global Services Pool: Building Efficient, Responsive, and Functional Cross-Boundary Legal Departments*, ACC Docket (June 2004), available at www.acca.com/protected/pubs/docket/jun04/pool.pdf

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Simon G. Zingerhttp, *Regulation of Electronic Commerce in Europe: A Corporate Counsel Guide*, ACCA Docket (May 2003) available at www.acca.com/protected/pubs/docket/mj01/regulate1.php

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Institute of Global Law, www.ucl.ac.uk/laws/global_law/index.shtml

Legal Information Institute, www.law.cornell.edu/world/

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Other International Trade/Customs Lawyers and Resources, [www.adduci.com](http://www.adduci.com;); [www.customslaw.com](http://www.customslaw.com;); www.npwtradelaw.com)

Global Law Department

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IX. Sample Forms and Policies

1. German Executive Employment Contract
2. EU Competition Law Compliance Pledge

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