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006 - How to Run the 21st Century Law Department as a Business

Graham Allan
Deputy General Counsel
Cisco Systems

Donald Carlson
Practice Leader
Axiom

Rachel Robbins
Executive Vice President & General Counsel
NYSE Euronext

Kirk Wickman
Managing Director & General Counsel
Morgan Stanley

Faculty Biographies

Graham Allan

Graham Allan is vice president, legal and deputy general counsel of Cisco Systems, Inc. located in San Jose, California. Graham joined Cisco as managing Attorney for the company's EMEA theater. He relocated to Cisco's San Jose, California headquarters and is now responsible for legal and contract support globally for Cisco's sales, services, and financing operations, as well as legal support to Cisco's Linksys, Webex and Ironport businesses. Graham's team is currently located in over 30 cities; in 23 countries.

Prior to joining Cisco, Graham was a partner in law firm Baker & McKenzie's London office. At Baker McKenzie, Graham specialized in all aspects of IT law (both contentious and non-contentious). Graham worked for Baker & McKenzie, spending two years in the firm's Palo Alto and San Francisco Offices.

Graham is a graduate of Manchester University and the College of law in Chester, UK.

Donald Carlson

Donald Carlson heads the financial services practice at Axiom. Headquartered in New York, with offices in San Francisco and London, Axiom is a firm of experienced attorneys uniquely integrated into the law departments of Fortune 100 companies. Mr. Carlson develops and manages relationships with Axiom's financial services clients including 9 of the nation's top 10 investment banks.

Mr. Carlson worked at Goldman Sachs & Co. He joined the firm as chief knowledge officer for the Investment Banking Division. He led a global group of knowledge management professionals distributed across the industries and geographies. Mr. Carlson moved to become chief of staff for the office of the general counsel, where he was responsible for the financial, technological, and operational aspects of the legal division. He was also a frequent teacher of leadership and negotiation seminars for the highly-regarded Pine Street executive education program.

Prior to joining Goldman Sachs, Mr. Carlson was head of new business development for the corporate executive board, a best practices research firm in Washington, DC. He was a trial lawyer with Williams & Connolly, specializing in bioethics, securities fraud, and criminal defense work. He served as a law clerk to the Honorable Bruce M. Selya (USCA 1st Cir.), was legislative director and counsel to the Honorable Joseph P. Kennedy II in the U.S. House of Representatives, and was a professor at Williams College.

Don received his J.D. from Harvard Law School and B.A. from Williams College, both magna cum laude.

Rachel Robbins

Rachel Robbins spent most of her legal career at J.P. Morgan & Co., where she concluded her 20-years of service as managing director, general counsel and corporate secretary. Most recently, Ms. Robbins served as strategic advisor to axiom legal solutions and as a consultant to Citigroup, Inc. on international issues.

Previously she was general counsel of Citigroup International. Ms. Robbins was a founding partner of Blaqwell, Inc., a New York-based international management consulting firm focused on the legal industry, she was an associate at Milbank Tweed Hadley & McCloy, New York.

An active industry professional, Ms. Robbins served as chairman of the board and president of American Bankers Association Securities Association (ABASA), where she was instrumental in developing industry consensus on strategic legislative and regulatory issues. She has served on the U.S. Treasury Advisory Committee on Financial Services, Legal Advisory Committee of the New York Stock Exchange, Federal Regulation Committee of Securities Industry Association and Executive Committee of the Securities Regulation Institute.

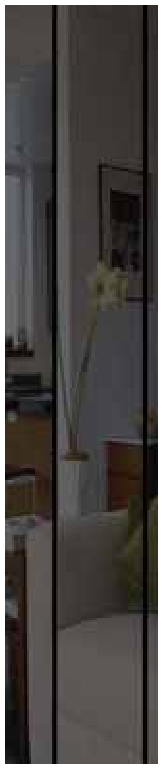
Ms. Robbins earned a J.D, Order of the Coif, from New York University. She holds a B.A. from Wellesley College, where she graduated as a Durant Scholar.

Kirk Wickman
Managing Director & General Counsel
Morgan Stanley

INTERNATIONAL
Herald Tribune

U.S. firms outsource legal services to India

By Cynthia Cotts and Liane Kufchock
Bloomberg News
Tuesday, August 21, 2007



NEW YORK: Bruce Masterson, the chief operating officer of Socrates Media, asked his outside counsel to customize a residential lease for all 50 U.S. states in 2003. About $400,000 was the firm's estimate. He rejected that cost and hired QuisLex, a firm in Hyderabad, India, that did the work for $45,000.

"It was good quality," said Masterson, whose company, which is based in Chicago, publishes legal forms on the Internet. "We've been working together ever since."

Clients are pushing law firms like Jones Day and Kirkland & Ellis to send basic legal tasks to India, where lawyers tag documents and investigate takeover targets for as little as $20 an hour. The firms are part of a trend that will move about 50,000 U.S. legal jobs overseas by 2015, according to Forrester Research in Boston.

"The objective is to have only the most valuable people in London or New York, and the others in India, China or Columbus, Ohio," said Robert Profusek, co-head of the mergers and acquisitions practice at Jones Day in New York.

Profusek sends low-end work to the cheapest locations and plans to open a document center in India.

"Lawyers are service providers," he said. "We are not gods."

Companies with in-house legal departments in India include DuPont, Cisco Systems, and Morgan Stanley, according to ValueNotes Database, which is based in Maharashtra, India.

The Indian legal services industry will more than quadruple to $640 million by 2010 from $146 million in 2006, ValueNotes said.

General Electric sends about $3 million a year in routine legal work to its Indian affiliate, said Janine Dascenzo, the GE managing counsel for legal operations.

"India has very talented lawyers," she said. "But it's a misconception that you can just send work there and it gets done. You need proper supervision and security."

Kirkland & Ellis, a major U.S. law firm based in Chicago, works with offshore lawyers at clients' request, said Gregg Kirchhoefer, a senior partner in the firm's outsourcing and technology transaction practice.

"I'm not an advocate of offshoring legal services," Kirchhoefer said. "But having worked in this

U.S. firms outsource legal services to India - Print Version - International Herald Tribune 08/31/2007 08:40 AM

area for so long, I understand the value of the model."

Typically, he said, clients hire a provider and Kirkland helps manage the laywers.

One incentive for corporations to send legal work overseas is that ethics rules compel law firms to disclose their profit margins. Traditionally, law firms charge clients markups of as much as three times what they pay associates and contract attorneys.

"Law firms can earn more by using labor they can mark up without disclosure," said Stephen Gillers, professor of legal ethics at New York University School of Law. "Clients are knowledgeable about costs, and they want to negotiate the markup on these charges."

But not every law firm has accepted the trend.

"Some firms are spreading fear, uncertainty and doubt," said David Perla, co-chief executive of Pangea3, an offshore legal-services company based in New York and Mumbai. "They see any competition as bad and they'll raise any issues as to why you shouldn't go offshore."

Of the 10 highest-grossing U.S. law firms, 7 declined to comment on outsourcing. Only one, Mayer, Brown, Rowe & Maw, also based in Chicago, said it did not use the practice.

Perla added: "I don't think law firms are ashamed of offshoring. The firms that are having success with it aren't talking because they view it as a competitive advantage."

Of about 100 third-party legal services providers in India, clients give top marks to Pangea3 and Integreon Managed Solutions, which is based in New York according to "The Black Book of Outsourcing," a survey published in July by Brown-Wilson Group, which is based in Clearwater, Florida.

About 80 percent of Pangea3's clients are corporations and 20 percent are law firms, Perla said.

"Some firms are coming to us because in-house clients suggested it or pressured them," Perla said. "Others want to come to the client first and offer a solution."

Integreon, which provides legal services in India, the Philippines and Fargo, North Dakota, has long-term contracts with about 45 companies and 15 law firms, said Liam Brown, the company's chief executive.

Law firms contribute 45 percent to offshore revenue, while corporate law departments contribute 36 percent, ValueNotes said.

Integreon recruits lawyers from second-tier law schools in India and managers from the litigation practices of firms like Skadden, Arps, Slate, Meagher & Flom, Brown said. After training in India, managers relocate to New York or Los Angeles.

In India, legal education is based on common law and conducted in English, requiring two or three years of classes. The country produces about 80,000 law school graduates a year, according to ValueNotes, compared with about 44,000 in the United States.

Offshore companies charge $10 to $25 an hour on low-end work and $25 to $90 an hour on advanced jobs. Junior Indian lawyers might earn as much as $8,160 a year, according to ValueNotes, compared with the $160,000 average salary for associates in major U.S. cities.

Janice D'souza, a 26-year-old lawyer in Pangea3's litigation and research department in Mumbai, said her pay was three times as much as she would get at an Indian law firm.

"At an Indian law firm, generally your potential is not recognized at an early stage," D'souza said. "Here it's talent-based. In the near future, I think I will be a department manager.

Notes:

CORPORATE counsel

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All Systems Go

Jill Nawrocki
Corporate Counsel
05-01-2007

Company: General Electric Company
- 2006 revenue: $163.4 billion
- General counsel: Brackett Denniston
- Number of in-house lawyers: 1,225

When a lawsuit comes to the attention of General Electric Company's litigation group, the Early Case Assessment (ECA) process springs into action. The matter gets logged into the legal department's tracking system. Within 60–90 days, lawyers assigned to the case identify and interview witnesses; collect, review, and report on relevant documents; and assess the risks. The attorneys can also tap into a system designed by the legal department's technology team and pull up any legislation or case law that could affect the dispute. Ultimately, the litigation team can decide, early on, whether it's best to settle or take the case to trial.

The ECA is quintessential GE Legal, combining legal know-how with state-of-the art tech (and a geeky name) to make the lawyers' jobs more efficient. It's also part of a core philosophy at the Fairfield, Connecticut–based company—a belief in the power of preventive law. Early case assessment, tracking cases' cycle time (how quickly they are resolved), and using alternative dispute resolution methods (such as arbitration and mediation) have resulted in a dramatic drop in litigation and fees over the last four years. GE says its litigation costs fell from $120.5 million in 2002 to $69.3 in 2005. "We spend a lot of money right up front [analyzing cases], but I can't imagine an instance where knowledge of a case doesn't pay for itself," says Alexander Dimitrief, vice president and senior counsel–litigation and legal policy.

We're giving GE Corporate Counsel's Best Legal Department award for 2007 for this singular ability to be both a visionary and an implementer. Its lawyers excelled in a few key areas: a top-notch litigation practice that identifies risk early on, deft management of outside legal counsel, and homegrown technology that's the envy of law departments nationwide. It doesn't mean the department is perfect. Other semifinalists for Best Legal Department had more impressive pro bono records and demonstrated a surer hand in bringing more of their litigation in-house.

But GE's strengths outshine these weaknesses. The law department's success is the product of years of hard work, under two general counsel. First, under the leadership of the now legendary Benjamin Heineman, Jr., who left the GC job in January 2004 to become senior vice president of law and public affairs (and retired from the company in 2005), GE Legal took on the feel of an elite law firm. Heineman lured skilled lawyers from top-drawer firms—alumni include Pfizer Inc CEO Jeffrey Kindler and The Home Depot, Inc., CEO Frank Blake—and paid them Am Law 100 partner wages.

With the aid of in-house consultants and technologists, the department also set up systems to routinize everyday legal tasks to free lawyers for more important work. The processes were a necessity; the 1,225-attorney department serves six different business groups across the globe with a budget hovering around $1 billion. They support a company that spans the world and reported more than $163 billion in sales for 2006. With 316,000 employees, GE sells everything from appliances to aircraft engines to power plants.

Heineman (a Corporate Counsel contributing writer) was a hard act to follow, but his successor, the quiet and unassuming Brackett Denniston, has built on his achievements. Since taking the general counsel reins in 2004, Denniston has given the department a more global reach by, for example, rejiggering the lineup of outside counsel and putting a greater emphasis on international law firms. To better integrate GE's sprawling legal department, he's also put more resources into information-sharing technology. When we held our first Best Legal Department competition last year, we realized that there are many law departments that do one or two things really well, but few that put it all together. This year, we looked hard for multitalented departments [see "Come Together," for our methodology]. And that's what led us to choose GE. It's not just the department's unparalleled achievements in litigation or technology; it's how the legal department integrates everything it does into a total system that yields stellar results.

One of the legacies of former General Electric CEO Jack Welch is a love of systems, with an eye to rooting out inefficiency at every turn. From a strict excellence-or-out employee review system (poor performers must leave), to the embrace of Six Sigma's fat-reducing philosophy for management systems, GE has been a pioneer. The legal department is no exception. It follows a methodical, self-critical, and wonky approach to almost everything it does. What distinguishes the department is how it has taken initiatives such as Six Sigma—conceived as a tool for streamlining industrial processes—and applied it to intellectual work, like managing outside counsel.

When Denniston took over as GC of GE Legal three years ago, the outside counsel roster was a bloated list of 450 firms. Relationships were hard to manage because in-house lawyers never had the chance to become familiar with their outside counsel, which weren't called upon consistently enough to become experts in GE products or expectations. "We needed a more systematic process," says Denniston. "We had to focus on people and quality."

Instead of a ragged Rolodex, Denniston wanted to rely on a tight-knit club of loyal preferred providers, like the one touted by E.I. du Pont de Nemours and Company. Denniston knew that he could offer the winning firms big bucks (even after the fee discounts he requested), unique opportunities, and interesting work. So he and senior counsel Suzanne Hawkins put them through the ringer. Only 200 firms were asked to complete a 20-page request for proposal. All were also asked to participate in an online auction for certain types of work, a legal version of American Idol. When the smoke cleared in 2005, only 152 firms made what the department calls the "Gen One" cut. Arduous or not, the process paid off. GE's bill for outside counsel, which consistently hovers around the $500 million mark, was down 12 percent from the period 2003–05.

Those original two-year contracts expired in 2006, and like almost everything else at GE, the department saw room for improvement. For "Gen Two," managing counsel Janine Dascenzo teamed up last spring with Hawkins, who now works for the Huron Consulting Group, Inc., to simplify the hiring process. They slashed the lengthy paper RFP to four online-only pages and dropped the infamous (and much detested) online auction component. And they used information collected from the company's e-billing system, and from net provider scores—an in-house tool that ranks GE attorneys' satisfaction with outside counsel interactions—to figure out which firms to invite back.

Eighty-five percent of the original firms were invited to compete in Gen Two last year [see "The Unkindest Cut"]. And Dascenzo and her team ultimately slashed 44 firms from the Gen One list and added 12 new firms, which resulted in a final roster of 108 firms. To solidify the relationship and reward those who had met Denniston's challenge, contracts were upped from two to four years. "We wanted our law firms to know us," Dascenzo says. "Lawyers who know GE have a stake in our success."

Technology is all too often an afterthought in many corporate legal departments, but it's central to GE's success. For one thing, it can shrink a global department; GE, for example, has 119 lawyers in China and India, as well as 258 spread across Europe. At the conglomerate, they don't just buy computers and software off the shelf and leave it at that. Technology has to serve specific needs.

The legal department has its own dedicated IT team, which includes ten full-time staff and one attorney. They custom-tailor systems to meet the company's legal needs, such as virtual deal rooms, work-flow tools, and tracking systems. The group spends $2 million a year developing and supporting those systems—but they estimate the up-front costs save millions in lawyer productivity each year. "I'd love to buy more [software] off the shelf," says John Brudz, senior counsel of legal tech, "but we get more added value [developing it ourselves] because off the shelf just doesn't work for our size."

At the most basic level, GE lawyers use a work-flow tool created in-house called GE Folders. It's shared across all of GE Legal to help manage day-to-day business matters. The Web-based system provides a central space (in

massive computer servers) for all documents in a specific practice, from big litigations to acquisitions. Attorneys can access the data, including templates and work forms, from anywhere in the world.

Lawyers can also create online "communities" through another GE–created application called Support Central, which debuted in 2000. Like GE Folders, the application houses templated forms for specific assignments. Health care unit employees, for example, use the system to exchange medical intake forms and nondisclosure agreements with GE lawyers. (Outside counsel can also have access.) For GE's M&A team, the application operates like a virtual deal room, supplying the necessary transactional tools, including contracts, instructions, and due diligence checklists.

Those aren't the only places where GE out-techs the competition. IT has developed an online tool called PowerSuite for GE's environmental health and safety group (EHS). This digital "dashboard" offers such quick-hit information as links for due diligence and training manuals.

With PowerSuite, GE lawyers can manage EHS regulatory issues like employee training, site management, and safety as they arise. And communications don't get lost in e-mail in-boxes; instead, attorneys receive immediate notification of pressing matters via a pop-up box. Brudz estimates that GE's EHS unit saves upward of $75 million a year on productivity because of PowerSuite alone.

Naturally, litigation, too, has been turned into a streamlined process at GE. Preventive law—resolving disputes early and in an efficient, cost-effective way—is a bedrock principle. "The main thing is to avoid surprises," says litigation chief Dimitrief.

We were particularly impressed by the company's ECA system, which tackles a case's potential problems at the onset. It's Denniston's brainchild, which he introduced as senior counsel of litigation in 2003. It requires attorneys to determine the risks, direction, and strategy of a case from the start. With its requirements for early identification of witnesses and data collection, GE says, ECA has helped contribute to the dramatic drop in litigation and fees (43 percent) from 2002 to 2005. Case cycle time, too, has been reduced in that period from an average of 19 months to only 9.2 months. "There's no doubt in my mind that being very good about assessment has saved us money," says Denniston. "You only fight what you need to fight."

Another surprise-avoidance tool is GE's Early Warning System. Litigators in each of the six business units (infrastructure, industrial, health care, NBC Universal, commercial finance, and GE Money) are charged with regularly reviewing the most recent case law, legislation, regulations, and policies for developments relative to their work. They outline the information and condense it, and then e-mail it to business leaders to keep them informed. The critiques become part of the case data bank.

Even more routine matters are handled systematically. Hundreds of small cases, for example, typically stemming from customer complaints, are resolved by "low-dollar dispute teams." These groups of paralegals and temporary attorneys have the authority to settle disputes up to $5,000. (A final settlement is reviewed by a senior in-house attorney.)

GE's lawyers don't hesitate to litigate, though. Last year two in-house lawyers, Buckmaster de Wolf, senior counsel for litigation, and Patrick Murphy, senior litigation counsel for GE Healthcare, teamed up with a group from Paul, Hastings, Janofsky & Walker. They brought a case filed by a bankrupt bodyscan company, Santa Barbara–based Vitascan, Llc, to California state court. (The in-house lawyers led the internal investigation, conducted witness interviews and discovery, and helped with trial strategy.)

Vitascan had defaulted on the loans it received from the GE Healthcare Finance unit after going bankrupt in 2004. The company made fraud and deceptive trade claims against GE. But the GE team refused to settle and brought the case to trial in the hopes that a win would deter other bodyscan companies—that had received GE loans—from pursuing claims against the conglomerate. A jury in Santa Barbara reached a unanimous verdict in favor of GE in just three hours. (Vitascan has not filed an appeal and could not be reached for comment.) Other similar claims against GE have been dropped. "We could have won this through summary judgment, but we wanted to go to trial with a test case because we knew other companies were watching," says Dascenzo.

Even with these successes, there's room for improvement at GE. While its department exceeded our expectations in most areas, its pro bono efforts underwhelmed us. In our review of other Best Legal Department applicants, and in our coverage of other Fortune 500 companies' efforts throughout the year, we know that many businesses with legal teams a fraction of GE's size have done significantly more work in this area.

Take one of our runners-up, J.C. Penney Corporation, Inc. The Plano, Texas–based department store chain has 44 lawyers, but its pro bono program has made significant contributions with just 3.5 percent of GE's manpower. Company lawyers staff Legal Aid of NorthWest Texas's walk-in clinics every month—even general counsel Joanne Bober has participated. McDonald's Corporation, a semifinalist, has won countless awards for extensive pro bono work with just 139 in-house lawyers (about 11 percent of GE's total). McDonald's lawyers work with such projects as the Chicago-based Center for Disability and Elder Law and the Chicago-based Coordinated Advice and Referral Program for Legal Services, which provides legal aid for low-income Illinois residents.

By comparison, GE lists just a handful of localized pro bono achievements. In Cincinnati, attorneys represent students facing expulsion, and in-house lawyers in Hong Kong are working with the Salvation Army. But with 1,225 lawyers, we expected to see a much greater array of programs and a broader participation rate. "It's something we're trying to improve," concedes Denniston. To that end, he is leading the charge, working on a death row case with an attorney from Weil, Gotshal & Manges, one of GE's preferred provider firms.

If his department's success in other areas is any indication, the team has a good chance of not only reaching but exceeding this goal. "I'm proud of this organization," Denniston adds. "It's a different world than it was five years ago." We certainly agree.

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ALM

Cost Control Patrol

Corporations have tried many ways to contain and measure spending on outside counsel. It's time for a new approach: Enlist the in-house lawyers.

By Rees W. Morrison

Models of cost control have long guided law departments in their dealings with outside counsel. From metrics models like Six Sigma to trends of the day like electronic billing to the embrace of procurement as a panacea, an observer can spot, name, and describe each model's essential attributes.

Over the years, five distinct approaches to cost control have evolved. A sixth model, which puts lawyers front and center in the effort to contain costs and measure value, is likely to arise in the future, combining some of the best features of past strategies.

As with all models, one might never find a law department that exactly fits a model and only one model. Rather, most departments have mixed and matched. The lesson, even so, is that understanding the core definition of each model lets you more knowingly craft the hybrid that best serves your resources and cost-control goals.

1. We're legal professionals, leave us alone.

For years preceding the late 1980s, no one paid significant attention to the spending by law departments on outside counsel. Lawyers were lawyers, and what the high priests did within their sacred law departments was incomprehensible to mere lay people. Law departments liked this model because it left them alone.

Bills submitted from firms "For services rendered" came to embody this model, as did announcements by law departments that "We exceeded our budget."

The model was one of the magisterial professional—unquestioned, little understood, trusted implicitly. Business managers acceded to this model because they did not have to attend to the arcane intricacies of legal cost control. Comfortable and complacent, they surrendered themselves to doing nothing about this unique area of knowledge possessed by lawyers.

The demise of this model came about because of its evident weaknesses: costs became a pressing concern in all companies, law departments adopted management precepts, and business managers increased their general sensitivity to the law.

2. You can only manage what you measure.

The defining attribute of this second model of outside counsel cost control, was (and remains) metrics.

General counsel installed matter management systems to capture and report on spending metrics. Uniform task-based billing methods (UTBMS) allowed law departments to amass more data. Total Quality Management, or TQM, projects developed histograms and other statistics. Balanced scorecards came on the law department scene with a wider array of metrics, and benchmarks became omnipresent.

Consultants and vendors collected numbers against which law departments could measure their performance. Was your outside counsel spending less than 0.25 percent of your company's revenue? Six Sigma is the latest manifestation of the metrics model.

Speaking the language of metrics allowed managers of law departments to communicate with their business colleagues. Metrics also gave a semblance of certainty to managing in an otherwise qualitative world. If you have four lawyers for every paralegal, at least you can defend yourself as typical.

Metrics spawned comparisons, trends, and endless PowerPoint graphs. What many people did not want to admit, however, was that metrics fall far short of illuminating the core functions of in-house lawyers: making judgment calls, negotiating fair positions, selecting knowledgeable firms, effectively managing the work of those firms, and disseminating the knowledge they created. Then too, possession of a results number—like 40 lawsuits resolved annually per litigator—told very little, if anything, about what a department should do to improve.

3. Technique of the day.

A third model consists of a plethora of techniques. Techniques are individual initiatives, programs, or processes that can stand alone against a tide of law firm costs.

At various times during the past decade or so, law departments seized upon reducing the number of outside counsel in initiatives widely known as convergence, instituted programs to encourage alternative dispute resolution (ADR), and set up early case-assessment processes. Others beat the drums for budgets from their law firms. The technique of electronic billing has been the latest shiny bauble. Management conferences and legal journalists seize upon new techniques and immediately proclaim many of them "trends."

Techniques, by which I mean targeted activities aimed at a specific control point for outside counsel spending, definitely have their place in law department management. If a department does not try outside counsel guidelines, for example, it is missing a lever to shift spending patterns. If it does not have a list of approved counsel, costs can escalate. But a grab bag of techniques fails to grasp systemic causes of outside counsel spending.

Moreover, for a general counsel, techniques seem always to be activities that someone else should do, that pass the unpleasant work elsewhere. Who really wants to enforce a new process of bill review? Further, strategies can change from one moment to the next according to the latest technique du jour. Today, let's experiment with alternative billing; tomorrow, we'll favor small law firms; in a few days, perhaps we'll hire a bill auditor.

A techniques-based model raises the risk that no one will step back and try to coordinate the techniques or recognize contradictory initiatives. How can you shrink your stable of law firms yet tout that you "hire the lawyer, not the firm"? The continual changing of the techniques guard also made it difficult for law firms to comply.

4. Let your administrator do it.

In the past decade, a fourth model has walked the law department runway, one where the administrative staff of law departments plays a definitive role. For example, at one pharmaceutical company, a lawyer with a business degree oversees cost-control efforts. At a mortgage company, a business manager marshals metrics and rides techniques in hot pursuit of outside counsel foxes. Many administrators oversee budgets of outside counsel spending, analyses of matter management systems, and the enforcement of outside counsel guidelines.

This administrator model represents the evolution of the prior three. The first model, and perhaps the oldest of the group, was hands-off; the second looked to numbers; while the third embraced isolated techniques. This fourth model introduces people, but at the level of support staff. (As we will see, the future model brings lawyers to the front line.) The advantages of the model follow from the presence of people—they can think, adapt, and create. The disadvantage, however, is that administrative staff have little clout. They cannot develop policy or change course. They implement rather than create.

5. Procurement to the rescue!

Given continuing soaring legal costs, it was inevitable that law departments (or their companies) would move toward a fifth model, the procurement model. Procurement professionals bring their viewpoint to the process of selecting, managing, paying, and evaluating outside counsel.

Procurement likes lowering unit costs. It likes standardizing all aspects of the process and conducting internal audits on compliance. Procurement likes online auctions and market discipline, not "partnering." Procurement moves the model of administrative support one step further, because procurement has more clout.

Working against the success of the procurement model is its ignorance of the law firm/law department relationship and the world of professional service providers. Purchasing pencils differs enormously from retaining a partner who intimately knows the Sherman Act.

It would be facile to observe that all law departments should borrow from the best of each of these models. One can and should apply key attributes of each of these models. Only professionals can knowledgeably manage other professionals. If you don't have numbers, you can't begin to manage a process. If you don't have steps to take, techniques to put into play, you can't bring down those expense numbers. If you don't have support staff who can help implement, you may be misusing your lawyer time or relying too much on consultants. If you don't think in procurement terms, you can be undisciplined, nonprocedural, and amateurish.

Still, having acknowledged the strengths of these five lenses for viewing outside counsel cost control, it's possible to see what has been underplayed. I foresee that a sixth model will arise.

6. Enlist the lawyers.

For law departments trying to manage external costs, perhaps the most crucial piece of the puzzle is found in the myriad, day-to-day interactions between in-house lawyers and those from the outside.

Inside lawyers must be enlisted in the struggle. They must feel they have a stake in the game, in the confrontation over value obtained for dollars spent. Currently, bonus decisions rarely consider cost control. Rarely are the lawyers at the coal face, who should be actively scraping away at costs, trained in the many techniques and tools of cost discipline. Almost never do evaluations set fiscal constraint objectives.

To the contrary, it serves the personal interests of in-house lawyers to have excellent relationships with outside counsel, and a key part of maintaining that bond is paying firms whatever they charge. The inside lawyers, who wield the most influence, have been left out of the picture.

This sixth model of cost control will incorporate the best of the previous five models. The professionals who interact with outside counsel will make use of metrics and techniques and administrative staff to help them. They will draw on some of the capabilities of procurement, but ultimately need to apply the lens of a lawyer to the dollar cost-cutting. They will have personal and professional reasons for curtailing costs, and the sixth model will take center stage.

Rees W. Morrison is a consultant at Hildebrandt International. He specializes in advising legal departments on operational reviews, benchmarking, cost control, re-engineering, structure and organization assessments, client satisfaction, outside counsel management, and other issues. During his 16 years of consulting, he has assisted more than 200 legal departments and has written two books on the subject. He welcomes comments at rwmorrison@hildebrandt.com.

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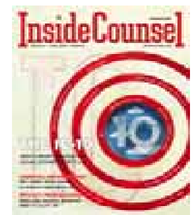

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July 2007

Counsel Connection

New site hopes to use the power of Web 2.0 to empower the in-house bar.

By Keith Ecker

Cisco Systems Inc. began plotting out an online collaborative space for its in-house lawyers about three years ago. However, the company ran into a slight problem. Law firms weren't that interested in helping populate the site and the legal department couldn't find someone willing to design it.

That's when Cisco decided to alter its original plan. Instead of creating an internal collaborative space, it decided to design a space accessible to all legal departments. Soon after Cisco spread the word in 2005, a number of big-name companies—including DuPont, Altria, Clorox, Citigroup, Chevron Phillips Chemical Co. and FMC Technologies Inc.—signed on to the project.

With a consortium of companies in tow, the project quickly became more alluring. It was at this time that Paul Lippe, CEO of Quality Automated Legal Systems—a legal technology provider—and the former GC of software provider Synopsys Inc., signed on to create the site, which the consortium named Legal OnRamp.

Although the site is still in development, it already boasts more than 500 members from roughly 15 companies and 80 law firms. What

[BENCHMARKING]

began as a completely proprietary effort on Cisco's part has now set the foundation for a legal revolution.

"If all goes according to plan, legal departments will be able to freely leverage information and share best practices thereby reducing costs," says Van Dang, vice president, legal and general deputy counsel at Cisco.

Linked Up

Legal OnRamp, which is available at www.legalonramp.com, is open to law firm and corporate attorneys. To learn more about registering, prospective users can e-mail info@legalonramp.com.

The site is partially modeled on popular social networking sites, such as MySpace. Users have public profiles to which they can add biographical information, contact information and pictures. The site provides a fully searchable member directory of all members' profiles.

This feature is especially useful for establishing "connections." By clicking the "request connection" button on an individual's profile, users can add the person to their "online team."

Adding people to your team expands your online social network. Team members who are logged in are visible in a box on the side of the screen. By dragging the mouse over a person's name, users can initiate instant messaging, send e-mail, view the teammate's profile or send a private message to the person's Legal OnRamp inbox. All these features are free to registered users.

"I think of it as a general counsel chat room," says Marty Collins, senior VP and general counsel of San Jose, Calif.-based Novellus Systems Inc. "By chatting online with other participants, I don't have to communicate with every GC in the valley one e-mail at a time."

In the future, the site will offer a wiki for users to collaboratively share information, links and attachments as well as a document repository where counsel can upload and share generic policies and contracts.

By enabling attorneys to collaborate, the creators of Legal OnRamp hope legal departments can leverage each other's knowledge to reduce costs. For example, Cisco has already considered the possibility of collaborating with other legal departments to create online training modules at a fraction of the price.

"Let's say it costs Cisco $50,000 to produce an online training module by itself," Dang says. "If I can get five companies to collaborate, I can get my costs down to $10,000. Even with a few thousand thrown in for customization, that's a lot of savings."

Collective Content

Aside from allowing GCs to collaborate with their peers, Legal OnRamp offers features that will help in-house counsel leverage the services and knowledge of outside law firms.

For instance, the site has an entire section devoted to aggregating law firm updates and white papers in an easily searchable format. So far, 11 law firms—including DLA Piper; Orrick, Herrington & Sutcliffe; and Littler Mendelson—have contributed a total of more than 1,000 publications to the site.

"When you typically receive client alerts, there's no searchable database," says Matt Haltom, associate general counsel and assistant corporate secretary of Sally Beauty Holdings Inc. "I can never find what I'm looking for. Legal OnRamp is the only place I know of that indexes them and makes them easily available."

The site also boasts a section called "Ask an Expert," where law firm attorneys answer frequently asked questions on a variety of topics. Like the database of legal updates, this content also is separated into searchable categories and subcategories, including "employment," "investigations," "product liability" and "commercial contracts and finance."

"Instead of breaking things down into practice groups, the site is organized by areas of information I need to know," Haltom says. "This structure definitely reflects the way in-house counsel think, rather than the way law firm attorneys think."

One of the most innovative resources Legal OnRamp provides is the marketplace section where, for a fee, legal departments can post various matters and seek bids from law firms. Legal OnRamp's creators hope this online RFP process, which departments can choose to participate in anonymously, will boost competition among law firms, lowering costs for clients.

"We recently posted a job with respect to privacy law research, and we're still waiting for responses," says Craig Glidden, general counsel of Chevron Phillips Chemical. Glidden is part of the consortium behind the site. "We're interested in this as a potential way to bundle work that might be more susceptible to online bidding."

Speed Bumps

Despite the many resources available on Legal OnRamp, most of which are free, the site has a long way to go before it "revolutionizes" the legal field.

"Obviously the site has to grow its list of law firms and specialty areas to keep the databases useful and current, and that's a challenge," Haltom says. The site's creators also have to convince in-house lawyers to use the technology. That will be a challenge, Glidden admits.

"But we definitely want to encourage people to use it and learn to collaborate. If my kids are doing it, why can't my colleagues?" he asks.

However, Legal OnRamp's creators are confident that this foray is the beginning of something big.

"When you look at it, the power of 'us' is greater than the power of 'one,'" Dang says. "So there's a lot of resources and great minds out there, and there are a lot of problems that we're all dealing with that someone has probably solved. So why not leverage that?"

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FEATURES

New Routes Into the Corporate Door

August 2007 Issue

By Terry Carter

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Web Extra: Who's Using Legal OnRamp

If Cisco Systems general counsel Mark Chandler is right, the information superhighway will be littered with law firms like so much road kill.

And if his new initiative succeeds in bringing together in-house legal departments and like-minded law firms that can think outside the clock, a safe route for those lawyers who *get it* already is being paved.

While law firms have become more like businesses over the past generation, they still lag far behind the business world in controls for value and efficiency—not to mention real-world forces governing profitability. Assigning associates to reinvent the wheel of established law over and over again (and billing for their hours) has pushed profits and revenues per partner ever higher.

However, something else might have been pushed too far. In-house legal departments are going beyond collective grousing at association meetings and joining in efforts seeking to bring change to reluctant—by business standards, fat and happy—service providers.

Chandler's new baby, the LegalOnramp, is one example of those change efforts. It is a members-only online community of corporations' in-house legal staffs and outside law firms. Everything about LegalOnramp is geared to information sharing, collaboration and (its main reason for being) negotiating honest value for legal work.

In place of surfing from one law-firm Web site to another in search of legal updates, FAQs, forms, templates and the like, LegalOnramp offers all that and more in a single, limited-access site. Added to that mix are:

The entire knowledge-management databases of individual member firms.

Wiki collaboration on legal knowledge and strategies.

A version of the Facebook social-network site for greater community.

A developing, "craigslist" way of pitching and getting business that avoids the troublesome features of requests for proposals.

LegalOnramp won't be formally announced till later this year, if at all, says Paul Lippe, a lawyer with expertise in Web technologies who Chandler tapped to build it. But after 15 corporations came together in its legal services network last March along with about 25 law firms, the program started growing quickly. By early June, the tally was 30 companies and more than 100 law firms.

JOB BY JOB

One-stop shopping at a huge, full-service law firm gives way at LegalOnramp to a growing metric for quality, value and efficiency. Loyalty won't carry cross-selling. A law firm wins a company's business job by job, according to the buzz-mantra of the companies themselves: better, faster, cheaper.

But, the argument goes, you can't commoditize the law except maybe for some of the routine work. In a speech last January that is famous among the law-tech cognoscenti, Chandler went beyond that and talked about how "counseling is the next frontier." As an example that might be replicated in other areas, he described an online community of tax professionals with open and free-wheeling discussions and Q&As that amount to counseling.

But deeper levels of counseling will bring fees, and good ones at that.

"I feel very strongly that my business partners (law firms) need to be profitable," Chandler says. "Beggaring your business partners is not a good strategy for long-term success."

In his speech to 500 lawyers in San Diego last January for the Northwestern University School of Law's 34th Annual Securities Regulation Institute, Chandler said he paid $10,000 for two days' work by a lawyer, a former ambassador at WilmerHale, who prepped him for testimony before a congressional subcommittee about the Internet in China. The advice was priceless, he told the audience. "I have spent 300 times that amount to get mediocre assistance in patent disputes."

On the other hand, Chandler says, he recently hired one of his usual firms to answer a question about the

How to Run the 21st Century Law Department as a Business

Panelists:
Graham Allen, *Deputy General Counsel, Cisco Systems*
Keith Morgan, *General Counsel, General Electric Commercial Finance*
Mike Callahan, *General Counsel, Yahoo!*
Rachel Robbins, *General Counsel, New York Stock Exchange*

Moderator:
Don Carlson, *Global Leader Financial Services Practice, Axiom*

Agenda

In this program we will discuss:

- Creative approaches to outside counsel spend (competitive bidding)
- New technology and benefits of information sharing
- Specialization and developing in-house competencies
- Setting standards and accountability

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Competitive Bidding

Keith Morgan
General Counsel, GE Commercial Finance

- GE's "Rationalization Program"
  - Program details
  - Results realized
  - Corporate Counsel Magazine's Best Legal Department Award (*see article)*

Technology

Graham Allen
Deputy General Counsel, Cisco Systems

- Transactional Services
- Information Sharing Service
  - Many-to-many relationship
  - Managing liability
  - Current vs. future needs
- High-end Legal Service

Specialization/Ownership

Mike Callahan
General Counsel, Yahoo!

- Building an internal team around areas of repetitive need for deep specialization
- Developing in-house competencies
- Giving ownership (both managerial and financial) to department heads

Standards/Accountability

Rachel Robbins
General Counsel, NYSE

- Have internal lawyers who are accountable to each business
- Set metrics for measuring costs
- Measure year-over-year improvement