



Session 205 – Building A Global Law Department

Roy Birnbaum - Schering-Plough Corporation

Rob Johnson - ExxonMobil Production Company

Denise Jagger - Eversheds LLP

Marguerite Sells - Pfizer, Inc.

Henry Pitney - Overseas Private Investment Corporation

Agenda

- Introduction – Roy Birnbaum
- Considerations for Establishing a Local Legal Function – Rob Johnson
- HR Issues – Denise Jagger
- Case Studies in Expatriates and International Rotation Programs – Marguerite Sells
- Internal Communications and Reporting – Henry Pitney
- Organizational Models – Centralized, Decentralized and Hybrid Reporting Structures – All

Considerations for Establishing a Local Legal Function

Rob Johnson – ExxonMobil Production Company

● Initial Questions and Considerations – Why Establish a Local Law Function?

- What are the key legal risks and can/should they be managed best locally
 - If local law issues don't predominate do you even need a local law team?
 - Local counsel
 - “suitcase” law support/HQ law support
 - Make sure the time is right – if the business is new and clients primarily need help with key contracts or understanding basics of relevant laws/regs it may be too soon to accurately determine if a local in-house function is needed. **DON'T RUSH!**
- What are the benefits of a local office vs. the potential economies of scale and “critical mass” of a regional or HQ office
 - Do you have local litigation or need for contracting/negotiation/advice under local laws?
 - Do you have local employees or agents and do you plan a long-term presence in the country?
 - Do you have capacity in your HQ law function to provide legal support to the local office (consider practical issues such as time zones, language issues, travel logistics)
- Does the volume/nature of the business support the cost of adding lawyers and support staff?
 - Are the clients demonstrating a need for law support (whether or not they are asking for it!)?
 - Is the business supportive or do they feel you are “pushing” a lawyer on them?
 - Why does the business feel the way they do? What is the business case for a lawyer?
 - What is the degree of regulation of your business?
 - What are the compliance issues and risks – FCPA? Export control?
 - Is there likely a need for substantial contract drafting/negotiation?
 - Are you in a legal environment that is developing/evolving – is there significant gov't interaction?
- Will establishing a local law function represent a change in your usual approach? If so, anticipate new management challenges and expectations from law department and business management

● More Key Questions

- Get as honest a picture of the workload as possible – it may be more or less than you think
 - Assessing workload will take time and require on-the-ground assessment
 - Compare/assess with other non-U.S. locations or benchmark with other companies
 - When you send a lawyer in-country you may find a lot of work that wasn't getting done before
 - Conversely, you want to avoid sending a lawyer and having her under-utilized
 - How many people are you really going to need? - Don't forget office space/support staff needs!
- Is this a zero sum game – are you going to need to reduce headcount elsewhere to justify new positions?
- Do you plan to use expatriates to initially staff/supplement your in-country law team? If so, do you have candidates for possible expatriate assignment, at least for a reasonable transition/training period for any local hires?
 - Expatriates can be valuable – assist in training new hires and educating on company culture and expectations; often are relied upon to provide key support on administrative work (budgeting, planning) and ensuring HQ expectations are met
 - Successful expatriate candidates require not just strong legal abilities, but also cultural sensitivity, flexibility, ability to function independently

- **Understanding local business operations and the legal market and talent pool**
 - Gain as clear an understanding as possible of local legal/business environment
 - Common vs. civil law
 - English speaking?
 - Degree of education of population
 - Maturity/quality of legal system and courts?
 - Are locally licensed, qualified lawyers available?
 - What does it mean to be a licensed “lawyer” in this country?
 - What issues exist with use of expatriates?
 - Available/qualified candidates? Language skills and cultural awareness and sensitivity key
 - Work permit/other national law issues?
 - Logistics/support issues associated with expats
 - Costs – salary, benefits, premiums, tax assistance
 - Are local law firms available and qualified?
 - Can be good short-term solution to fill gaps and can identify future “go to” firms and in-house candidates, but is expensive
 - Issues on relationship balance with HQ law department vs. local management: who instructs and pays
 - Qualified local lawyers are likely the best long term solution in terms of cost control, identifying and understanding local legal issues, developing necessary contacts and relationships, and enhancing diversity of your legal function, but expats can play a key support role, both in short and long term
 - Cultural issues and expectations – different approaches on communication style, manner of giving legal advice, general view of lawyers as business partners vs. technical specialists

● Economics and Cost Issues

- Good benchmarking data may be hard to obtain
 - Be aware of local privacy law issues
 - Expectations of local law community may differ from yours regarding pay, benefits, possibility of future assignments outside the country
- Salary/benefits: assume your total compensation cost for a new hire will be 100% of the base salary
 - Benefits burden can be substantial – in some countries, housing and car allowances are generous, as are pension benefits
 - Expats are expensive - “average” expat lawyer will likely cost you more than \$500K per year
 - Expats require support/administration – assistance with visa, housing, schools, taxes and other administration needs add costs; also, long-term expat career management
 - Expats may not be a fast solution – visa issues (work permit vs. business visa)
- Take office space/support staff costs into account
- Be careful about aggressive assumptions on reduction of outside counsel costs; likely to find work that wasn't done before; business case should include “soft” benefits of more effective/timely legal support and general risk reduction

HR Issues

Denise Jagger – Eversheds LLP

● Structure

- Determine location within Europe
- Typical profile of a UK General Counsel
- Typical profile of a GC in another European jurisdiction
- Typical profile of an International/European General Counsel
- Changing nature of the European Union

● **Remit and Authority**

- Title
- Reporting line
- Remit
- Budget
- Interaction with other internal functions

● **Qualifications and Experience**

- Qualifications

- EU Directive

- Experience

- Inhouse -v- external experience and reputation




● **How to Recruit**

- Advertising
- Headhunter/search firm
- Interview process

● Remuneration and Benefits

- Market data
- Salary
- Benefits
- Lifestyle

Bridging the Gap

-  Continuing education and development
-  US responsibilities
-  US integration

Case Studies in Expatriates and International Rotation Programs

Marguerite Sells - Pfizer, Inc.

- Expatriate Positions – Extremely expensive
 - Use rarely or short term to establish the legal function in a new country or where unavoidable due to geographic scope and time differences

International Rotation Programs - Examples

- Legal Director China – to HQ Legal for 12 months Senior Level Training & Development – Executive preparation in advance of Significant Investment / Growth in China
- Malaysia Legal Director to HQ Legal for 3 months to work on High Visibility Global Transaction
- Senior Level Litigation Attorney from HQ Legal to Thailand for 12 months to establish the Legal Dept./ Train new Country Attorney – Moved back to HQ to Attorney General Outreach position
- HQ Attorney out to Korea for 12 months. Stayed 2 years, transferred to Business. Now Sales Director. Assisted to recruit and train new Legal Director for Korea.
- Latin America Regional Attorney for 3 years – moved to Corporate Affairs (business), then to Japan / Asia Corporate Affairs. May come back to Legal in future
- Country Attorney Australia – moved to Corporate Affairs in Australia
- Country Attorney in Egypt moved to HQ Legal to support AfME region now AfME/ LA Region
- Regulatory Law Attorney moved to Australia for 12 months – then back to HQ as Commercial Attorney
- German Attorney (mid-level in German team) moved to Egypt for 12 months, then back to Germany as Regional Counsel for Central & Eastern Europe
- Country Attorney Mexico – moved to HQ Legal Dual - US / International Liaison Role

Internal Communications and Reporting

Henry Pitney - Overseas Private Investment Corporation

● Introduction

- Keeping pace with corporate growth means changing old habits
- If your department has grown by $\frac{1}{2}$ or even $\frac{1}{3}$, when looking back you should be marveling at the changes you've made to accommodate that growth
- On the other hand, if lawyers in your department express annoyance with some old habits, perhaps it's time to take a close look at them
- Caveats

● **Communications**

- The communication link in a rapidly growing legal department
- Steady professional growth is the objective
- Setting clear standards; an iterative process
- Make it clear who clears what, whether it is a litigation initiation or settlement or a project financing
- Make it clear who is in charge of what level of decision
- Make it clear what gets reported up and what gets handled independently by the responsible lawyer

● Meetings

- Suddenly big? Focus your meetings
 - What is your objective?
- Consider breaking them up into meetings that will help specific practice groups
 - Can you prepare an agenda that will keep all practice groups engaged for the time allotted?
- Use agendas, enforce brevity
 - How clear is your agenda? How pithy presentations?
- Retreats, annual meetings, regional meetings, HQ gatherings

● Reporting

● Routine Reporting

- Monthly might suffice
- Bullet points, external counsel, progress made, if any.
- Prior to departure on major trip

● Major Event Reporting

- Bet the company (GC)
- The board embarrassment report
- The product line / regional counsel call

● Major Event Reporting

- To the supervising lawyer or to the internal client?
- The reality is that there needs to be reporting in both directions, but substance and frequency may vary
- Report to supervising lawyer on delivery of legal services and major events with potential liability or compliance impact
- Report to internal client on matters which will impact the business objectives or “plan”

● Training

● Horses for courses

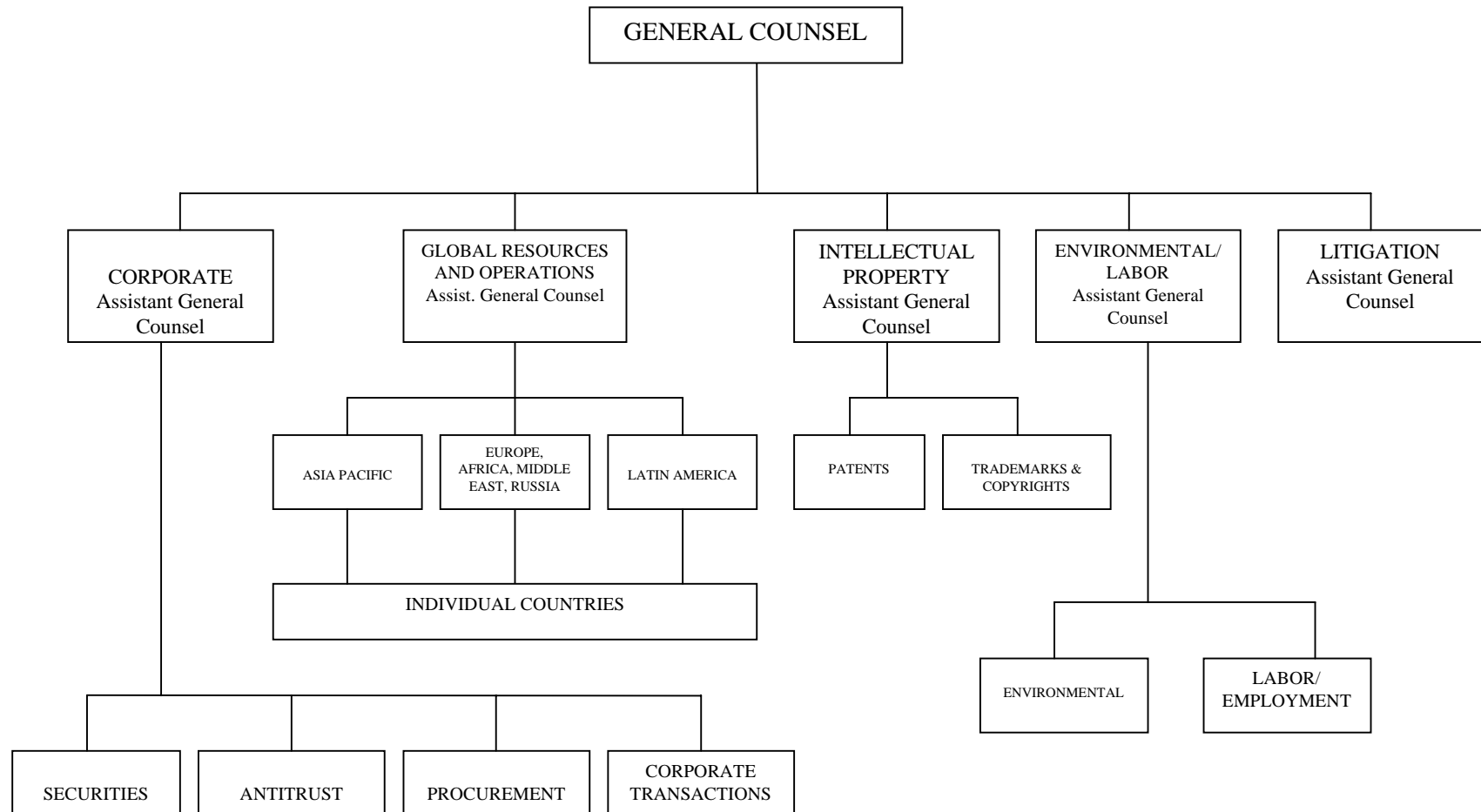
- Some material essential for all new lawyers
- Some is useful for those “new to in house”
- Some is useful for junior attorneys (e.g., 3-5 years out of law school)
- Do very senior lawyers need the same training?
 - Consider a tailor made training based on the role they have been hired to fill
- Are there key common law-civil law differences that new lawyers should know?
- Consider international component focusing on cultural differences if your department comprises many nationalities

● **Tools of the New Age**

- Videoconferencing in lieu of meetings
- Email as a reporting tool
- Office intranet. Legal document storage and retrieval systems.
- Webcasts – prevents distance jetlag!
- PDAs and other toys

Organizational Models

Centralized Law Department Model



- **Centralized Model- All lawyers “solid line” report to Law Department Management, including those outside HQ**

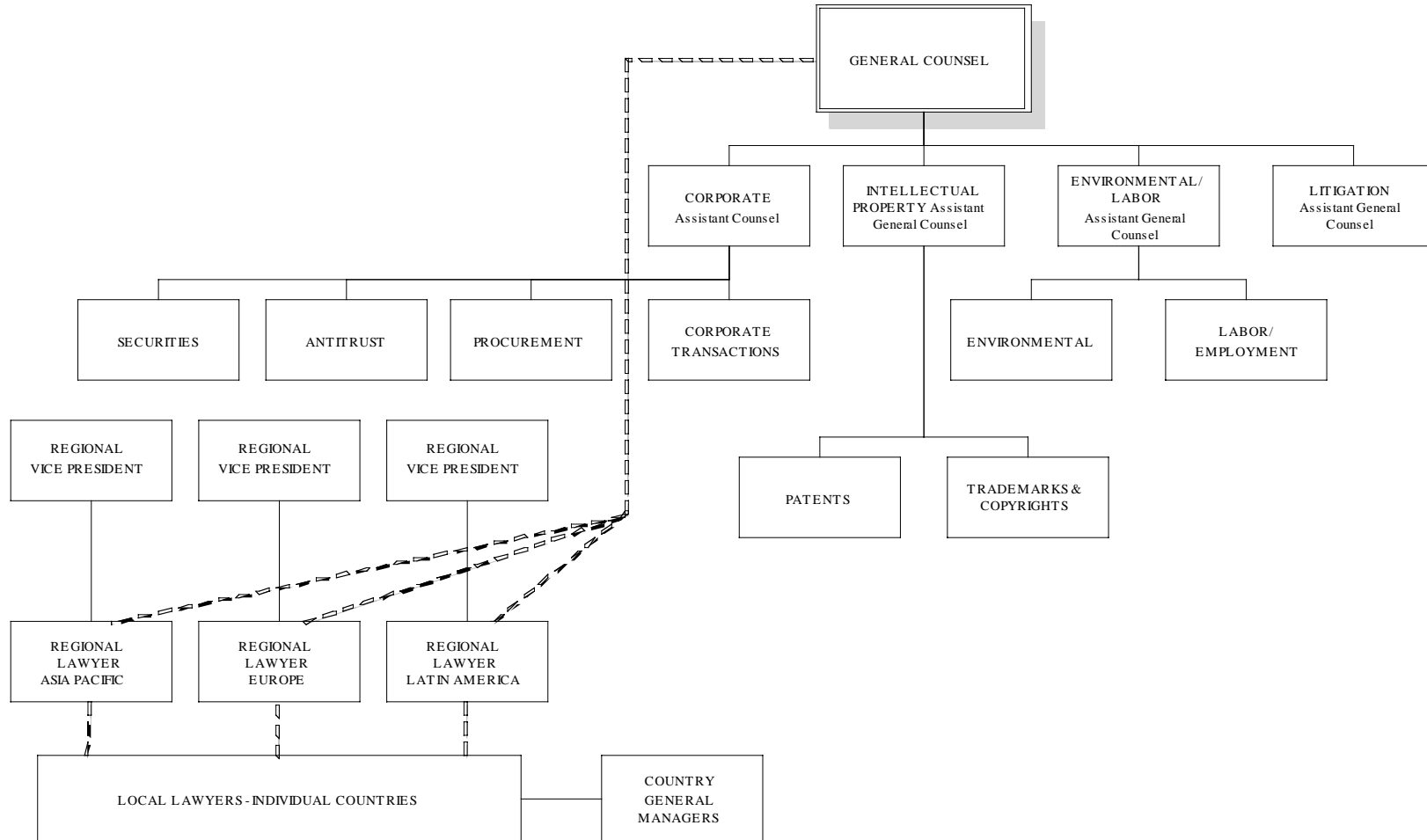
- **Pros**

- All lawyers clearly part of the “legal team” for all purposes (hiring, compensation, career development)
- May enhance consistency of legal advice
- Potential for greater efficiency, workload balance, sharing of best practices
- May enhance professional independence and commitment to the general interest rather than undue alignment with local client interests

- **Cons**

- May lead to insulation from business clients and create/sustain a “law department silo”
- May cause corporate separateness issues if lawyers outside HQ “report to” a HQ-based manager – potential liability and tax issues if HQ is deemed to “control” non-HQ operations
- Depending on degree of centralization/location of lawyers, may not develop needed expertise and familiarity with local law issues and contacts

Decentralized Law Department Model



● **Decentralized Model - Lawyers in Regional and Country Operations report to Business Management with dotted line to Law Department**

● **Pros**

- Closeness to business - enhanced understanding of local needs, sensitive to local issues
- Bespoke commercial solutions
- Increased responsiveness
- Proactive and preventative advice
- Speed of decision making
- Ownership/acceptance by the business
- Client satisfaction
- Part of Senior Management Team

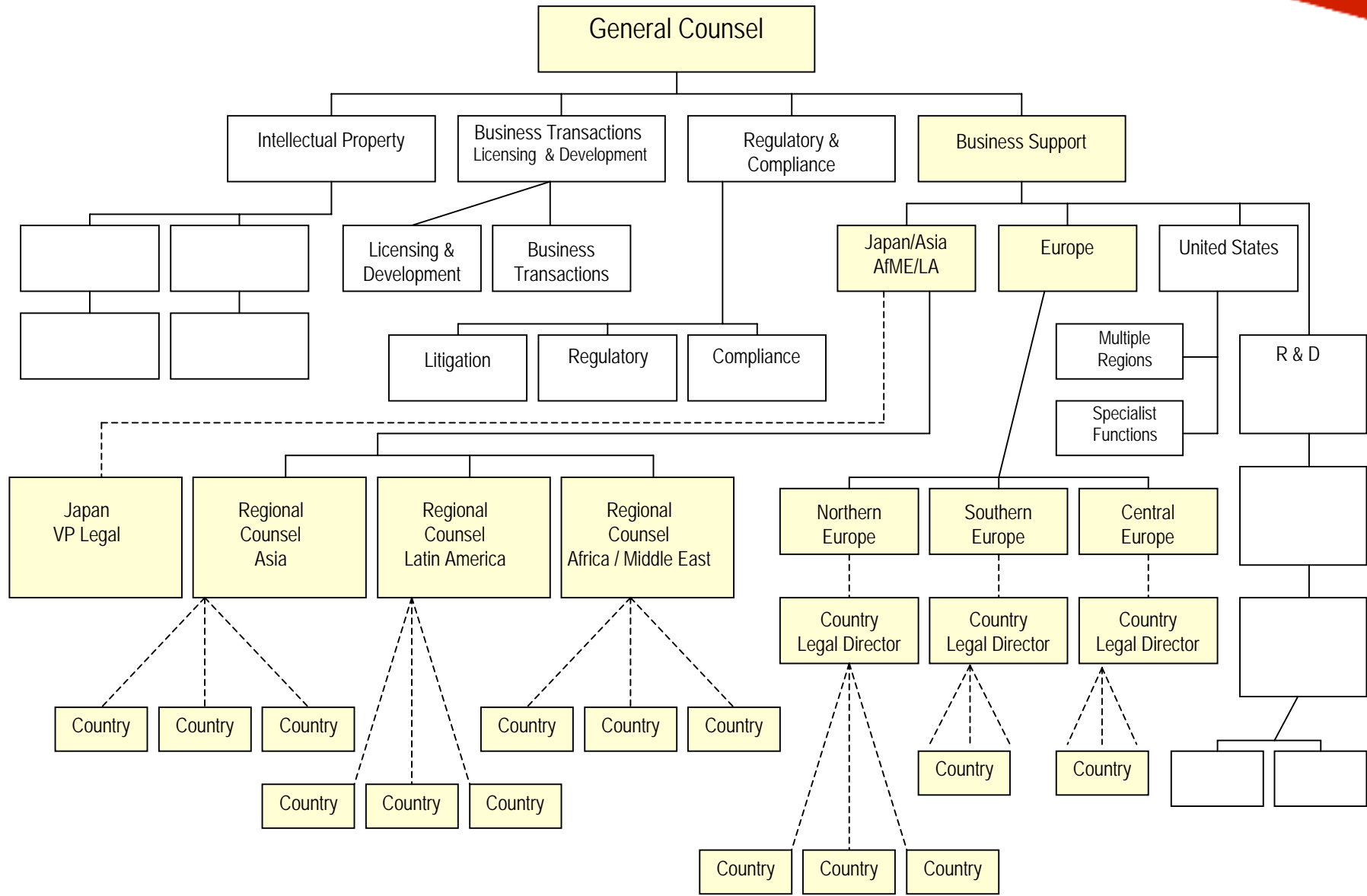
● **Cons**

- Distant from HQ and policy/strategy formation
- More difficult to share best practice
- Potential duplication
- Potential overlawyering
- Potential for misunderstanding
- Time delays, lack of responsiveness
- No global legal team culture or holistic approach

● **Myths**

- Too close to business
- "Going native"
- Difficult to perform whistleblowing function
- Loss of independence and objectivity
- Lack of transparency

Hybrid Model



Hybrid Model– Lawyers in Regional Offices report to Law Department, Country Attorneys report to Business Management for local management /HR Policies, but very strong dotted line / close to Dual Reporting to Legal Division

- Key Elements
 - Country Attorneys interviewed, recruited and trained by Law Department assisting Country Operation.
 - Regional Attorneys coordinate across multi-functional legal and business groups – enhances communication and access to specialist functions in HQ
 - Daily / Weekly communication and Formal Monthly Conference calls and Meetings – best practices shared / enhanced Training & Development Facilitates education / roll-out of Corporate and Legal Division policies and procedures
 - Global Meetings – 1 Per year. Regional Meetings 3-4 Per Year. Monthly Meetings by Conference Call for full region. Weekly / daily conference calls on Key Issues.
 - Attorneys move often between Country and Regional Operations; Country and HQ; Country and HQ Legal Dept; Legal Dept. into the Business and back to legal
 - HQ Specialist Functions Interact daily with Regional Attorneys and Country Legal Teams

Hybrid Model – Pros, Cons and Solutions

● Pros

- Extremely High Customer Satisfaction – Increased headcount / additional resources requested and paid for by Clients
- Focus Resources on Key Issues of High Value / Significant Risk – Agreement at Country and HQ Legal Dept. on Key Issues. Aligned Goals & Objectives
- Specialist Legal Groups also aligned with Business Attorneys and Key Priorities
- High Attorney satisfaction as many secondment, Training & Development and Promotion opportunities
- Global Team – people know each other. Very strong Regional Team Culture – interact across Countries and within Region on a daily basis
- Efficient and effective communication - Model attracts high quality / experienced Country Attorneys, with management and language skills, sensitive to local and global issues. Many opportunities for growth and development

● Cons - Highly successful attorneys can become involved in every project. Increases need to set and agree priorities with clients.

● Solutions

- Important to set procedures and policies for high volume work. Convert admin. Positions to paralegals.
- Educate clients to use template agreements / forms
- Agree thresholds below which the Legal Dept will not be involved – accept the risk and focus resources on Key Issues