



**Tuesday, May 17**  
**2:00–3:30 pm**

**702 Adding Value: Tips & Tools to Prove Your  
Department's Worth**  
*New Manager Track*

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## Adding Value: Tips & Tools to Prove Your Department's Worth

- I. Become a strategic business partner: Get invited to the table**
  - a. Understand your company's business
  - b. Spot industry trends, relate those to legal aspects and help your internal clients get ahead of the curve
  - c. Speak the business language, including finance terms
  - d. Tune into your company's corporate culture
  - e. Consider your in-house clients as "business partners"
  - f. Teach your business partners
- II. Effective Communication**
  - a. How to Describe Risks We Manage
  - b. Tying Reporting to Business Goals and Mission Statement of Business Partners
- III. Quantifying Value We Provide**
  - a. Describe value delivered by Legal Department in Economic Terms
    - i. Identify projects where value can be quantified
    - ii. Include:
      1. those which are primarily legal in nature or which were identified by the Legal Department
      2. those where the Legal Department played a project management role
  - b. Benchmark Performance
    - i. In terms of cost
    - ii. In terms of results or outcomes
  - c. Review Significant Accomplishments
    - i. Highlight those that matter most to business partners (regardless of ability to assign economic value)
    - ii. Highlight those that directly support growth in revenues or new business ventures
  - d. Summarize Value Delivered as a Function of Return on Investment in the Legal Department



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## LEADING PRACTICES IN LAW DEPARTMENTS: ADDING VALUE AND MOVING BEYOND THE COST CENTER MODEL

Part of an Ongoing Series of  
ACC's "Leading Practices Profiles" <sup>SM</sup>  
<http://www.acca.com/vl/practiceprofiles.php>

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Law departments, like human resources and accounting departments, have traditionally been viewed as cost centers. Under this model, the organization pays the operating costs and, in return, the law department provides a range of services to address the company's needs. Since legal costs are often allocated to business units, the law department's value proposition can be blurred from the viewpoint of business unit leaders.

To help clearly demonstrate the great results that in-house lawyers are well-positioned to help their companies achieve, some law departments are adopting proactive practices that move beyond traditional notions of law departments as cost centers. Law departments interviewed for this Profile have described practices they are implementing that bring dollars into the company and/or that save the company money—both obvious impacts to the company's bottom line. In addition, they are implementing proactive practices that further business objectives, strengthen client relationships, protect company interests, provide enhanced 'line-of-sight' into risks and costs, and add value in other ways.

Among the value-adding practices described in this Profile are: aggressive pursuit of entities that owe money to the company or with which the company has a claim to recover amounts owed; anti-piracy initiatives designed to help protect company intellectual property and root out counterfeiters; internal metrics programs designed to help identify and address problem areas; patent and licensing measures designed to protect intellectual property rights; legal business reviews designed to provide enhanced 'line-of-sight' into costs, analyze risks, and develop action plans; and matter and legal spend management measures designed to align outside law firm practices with in-house objectives.

Featured are practices for the following five selected companies: **FMC Technologies, Inc., IKON Office Solutions, Inc., Microsoft Corporation, Sears, Roebuck and Co., and The Procter & Gamble Company.** Company representatives provided information on the types of practices their law departments are implementing, how these practices help to demonstrate value-added to the company, and on how they're communicating with clients to achieve and share information on these successes.

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Section I below lists practices and results achieved, and summarizes key themes and program insights gathered from discussions with representatives from the companies. Section II describes the programs of each of the five companies in more detail. Section III provides a list of resources identified by company representatives and ACC as resources that may be of interest or helpful to others in evaluating or considering value-adding practices.

## I. SUMMARY OVERVIEW OF PRACTICES & THEMES

### PRACTICES

The law departments featured in this Profile have implemented a broad range of practices that have resulted in value-added to their companies' bottom lines and move beyond the traditional notion of in-house law departments as cost centers. Some of the practices result in cash flow into the company. Some result in cost-savings. Other described practices add value by providing insight and enhancing client understanding of the value added by in-house lawyers. Still others have positive impacts demonstrating the value that in-house lawyers can bring to their companies.

Below is a list of the types of value-adding programs and practices featured in this Profile. Additional information on these practices is included in the company program summaries in Section II.

- **Aggressively Pursuing Entities on Claims and/or to Recover Amounts Owed:** law department practices in this area have resulted in millions of dollars of cost recoveries for the company.
- **Anti-Piracy Initiatives:** include work by law department members around the world to investigate claims, assist government officials with criminal cases, and help developing countries to establish laws to protect software from piracy. Positive impacts include: winning judgments represents money back to the company; putting counterfeiters out of business thereby allowing the company to sell more products; and helping the company and its partners and customers who are able to receive genuine products.
- **Intellectual Property Initiatives:** practices to work collaboratively with business clients to pursue licensing and aggressively protect intellectual property rights.
- **Internal Metrics Practices:** help to identify and address potential problem areas through data collection, root cause analysis, client training, and process improvements. Through these practices, a law department has successfully and positively impacted bottom line savings by reducing the company's litigation portfolio by 50% and dramatically reducing legal costs as compared to 1999 numbers.
- **Internet Safety Initiatives:** regarding internet spam practices, partnering with Attorneys General in jurisdictions around the country and with the Federal Trade Commission to help with enforcement, identifying targets, uncovering evidence, and working with law enforcement on training and public education.
- **Law Department Information Systems Initiatives:** include developing and supporting key technology systems for assisting with the law department's anti-piracy and patent and licensing initiatives. Additional initiatives spear-headed by this embedded team of information systems professionals include: helping the law department to serve as a "test bed" for company technology, helping to educate vendor partners on the company's technology applications and to develop product solutions, and providing enhanced visibility for the law department with the company's product groups.
- **Legal Business Reviews:** performed semi-annually, these reviews help business leaders to have enhanced 'line-of-sight' into legal costs and to understand how behaviors impact costs.

Positive impacts include shifts in client views from considering in-house lawyers as costs and ‘checkpoints’ to having a greater appreciation for the value that lawyers can add to the business and involving lawyers earlier to help improve results and lower costs.

- **Patent & Licensing Initiatives:** law department helped develop and supports company licensing initiatives allowing the company to license its software. In addition, law department has large role in increased number of patent filings to help protect the company’s intellectual property rights. Dollars generated through this process will be ‘turned’ to company business units that developed them. Additional benefits derived through patent filings to protect intellectual property rights.
- **1 Law Program™ and ACES™ Practices:** programs and practices that focus on value rather than cost savings and on practicing law in a proactive way. In addition, the ACES™ Practices help to achieve service relationships based on sharing risks and rewards with outside counsel. Results include: helping to align outside law firms with in-house case management goals focused on success and total disposition costs, reduced case cycle times, and case resolutions at levels below estimates. Practices include integrating legal team with clients and incorporate up-front discussions with clients on objectives, all described leading to better results.

#### LAW DEPARTMENT PROGRAM THEMES

Practices described by the law department representatives are all different; however a number of themes emerged and are summarized below:

- **Alignment with Business Interests:** companies described how practices were aligned with business interests, and how results demonstrate value added by the law department. Representatives also described the importance of knowing the business and understanding business strategies.
- **Law Department Practices Proactive:** each of the companies described proactive practices being implemented by the law department. Practices reflect broad range of initiatives, including internal metrics practices to help address problem areas and develop process improvements, legal business reviews designed to provide enhanced ‘line-of-sight’ and provide analysis of costs, risks, and action plans, and client meetings to set objectives for matters managed by the law department using programs that integrate technology as a platform for collaboration. Practices also include aggressively protecting intellectual property rights, aggressively pursuing cost recovery and claims actions, and engaging in anti-piracy initiatives to recover judgments and put counterfeiters out of business.
- **Communication of Results:** program initiatives for many of the companies include structured communication components. Representatives described both written and oral communications practices. Sit-down sessions with clients are components of some initiatives. Others include structured reports or scorecard communications.
- **Bottom-line Impacts:** some companies described practices that involve recovering costs and bringing dollars into the company (e.g., through anti-piracy judgments and initiatives, aggressive pursuit of entities that owe money or for which the company has a claim, licensing revenues, etc.). Representatives also described practices that improve the bottom line by saving money (e.g., reduced legal expenses, reduced case disposition costs, etc.).
- **Value of Involving Law Department Early Demonstrated:** some companies described how clients have a greater appreciation for the value in-house lawyers can add. They also shared that practices have helped to foster earlier involvement and communications with in-house lawyers.

## II. COMPANY PROGRAM SUMMARIES

Following are summaries from discussions with five companies about their practices.

### FMC Technologies, Inc.

“The FMC Technologies legal team is relentless in trying to find new and better ways to deliver legal services to our customer,” shares Jeffrey Carr, Vice President, General Counsel & Secretary for the company. Key tenets of the team’s approach to adding value are to focus on value rather than cost savings, and to practice in a proactive way. Carr shares that value-adding initiatives implemented by the law department have “substantially changed the way the legal team works and have delivered good results, including winning more cases, improved cycle time, and cost reductions.”

Among the programs described by Carr as the backbone for the law department’s value-adding initiatives are the law department’s 1 Law Program™ and its ACES™ practices (ACES stands for Alliance Counsel Engagement System-patent pending). “We are a seven-person legal team for a \$2.5 billion company. Our programs and practices were initially developed to find a way to do more with less. We have seen additional positive benefits within our team, and are making the ACES™ program commercially available to others,” says Carr.

#### 1 LAW

The keystone components of the 1 Law program are the core concepts of: (1) integrating technology in practices as a platform for collaboration; and (2) the ACES™ approach and philosophy of performance-based compensation and alignment with business interests. With these two core principals at the center, the 1 Law Program™ also emphasizes the importance of the following four competencies:

- **Financial/Administrative Management:** The law department demonstrates and achieves these objectives through ACES, its e-billing and Visa P-card payment systems and its Serengeti matter management systems.
- **Matter Management:** The law department uses the Tracker™ matter management tracking system provided by Serengeti. Lawyers (both inside and out) are required to input and update all matters in the system. Carr has direct and real-time access to all matters within the system, and the other lawyers have the same access to matters for their specific business units and other matters within their specialty area. “Using technology in this way as an information platform and collaborative tool eliminates the need for lawyers working on matters to write separate reports and/or schedule meetings to discuss case status, and enhances overall efficiencies,” says Carr. In addition, key internal consumers of legal services such as business managers and controllers have access to their matters as well.
- **Risk and Knowledge Management:** Carr shares his view that this competency is the most important. It emphasizes the need for a “holistic” approach to providing legal services, with an overall goal of managing risks to avoid disputes. “Litigation is an irritant, and takes business people’s focus away from the things they do that are core to the business – making new law and trying cases are not and should never be, core competencies of this company,” he explains.

With regard to risk management, this competency includes three components: (1) conflict avoidance; (2) when they arise, manage and resolve disputes as quickly and effectively as possible; and (3) perform after action reviews to close out transactions, litigation, and administrative matters to determine what can be done better, and how to avoid the situation in the first place. This last element closes the circle with the first – learning from situations and processes to avoid repeating the past. Carr shares that the philosophy behind requiring formal after action reviews in order to close out matters within the Serengeti system “is to get sustainable continuous improvement in business performance.”

On knowledge management, Carr explains that the law department should strive to stop answering the same question twice and certainly should never actually pay outside firms to answer the same question twice. The goals behind the knowledge management competency include having a system that allows for retrieving and re-using information, and for managing and extracting value from what is in the overall portfolio.

- **Relationship Management:** The main objectives for this competency are to understand business priorities and strategies and align law department activities with them, and to manage outside counsel in a way that encourages efficiency and cost-effectiveness while also allowing them to be profitable. Carr shares that the latter objectives are achieved through using the law department’s ACES™ program.

### ACES™ MODEL

The underlying principles of this model are to achieve service relationships based on partnering and sharing risks and rewards. “Traditionally, the law firm business model is designed so that firms make more money by billing more hours. ACES™ links pay to performance by placing a portion of fees at risk and paying bonuses for efficiency and results. The program encourages law firms to align their interests with the FMC Technologies legal team’s interests and to create a system that allows the firms to share in overall cost savings,” says Carr.

As noted above, through the standard or ACES™ LT model, perhaps best described as a “report card system,” outside lawyers are paid eighty cents on the dollar for their services, with twenty percent of the fees being placed in an ‘at-risk’ bucket for payment depending upon performance. Using an evaluation matrix integrated with the law department’s matter management system, law firms are rated on their performance in key metrics areas that track the law department’s core values: Responsiveness; Goals Achievement/ Effectiveness; Knowledge; Predictive Accuracy; and Efficiency. Depending upon performance, law firms may receive zero to 200% of the at-risk fees (i.e., 80%-120% of the face amount of the firm’s invoice”). An example of the evaluation form may be accessed via link in the Resource List in Section III of this Profile.

Carr shares that there is also a more complex ACES™ model used for outside litigation services. “Our legal team’s goal is to resolve these matters expeditiously and avoid the big ticket expenditures of discover and trial,” says Carr. The model requires that law firms provide an initial assessment of the case, including defining objectives, target budgets by each phase, work plans, and success.

As with the other ACES™ model, law firms are paid eighty cents on the dollar up to the matter target level. Up to the phase target, twenty percent of the overall fees are placed in an ‘at-risk’ bucket. If the firm determines that additional work is required above the phase budget target, they are free to do that work, but now 80% of those fees are placed in the ‘at-risk’ bucket. This avoids

the ‘stop-work’ problem when a phase target is exceeded, but encourages the firm to do only that work which will materially contribute to success. If success as agreed is reached, the ‘at-risk’ amount is paid out using various multipliers depending on at what phase of the litigation process success is achieved. The multiplier is higher for resolving cases in the earlier phases.

In addition, the model includes a “second level adjustment ” which increases the multiplier for resolving matters for less than the total target budget – or reduces it if the total budget is exceeded. Finally, a “third level adjustment” increases or reduces the success multiplier for differences in resolution from the “expected value.” In other words, a firm could theoretically recover its at risk amount plus nearly 300% under circumstances of extreme efficiency and success. “Our goal is to encourage rapid resolution. The system works incredibly well. It pays law firms for success, rewards efficiency, and aligns interests because law firms are focused on success and total disposition costs,” emphasizes Carr.

#### ADDING VALUE

Carr shares that the law department is delivering results using these systems and processes. As noted above, case cycle time has been reduced, and Carr notes that the vast majority of matters have been resolved at expected values significantly below the estimated numbers. In addition, the team has achieved the important goal of aligning its outside service providers with its values.

“The 1 Law and ACES™ models have also been instrumental in demonstrating to internal business clients the value that our legal team brings to the business. These practices require up-front discussions with business clients to understand their objectives. The legal team is very integrated with the business functions, and all of this leads to better results for the company,” explains Carr.

#### LEADING PRACTICES

Asked for his thoughts on which elements of the law department’s practices in this area he would consider to be leading practices, Carr shares “the legal team’s risk-reward system for compensation and the holistic way the team members use technology as a platform for legal services are cutting edge.” In addition, he notes that the law department’s after action review requirements help to extract valuable lessons learned from matters and add value on a going forward basis.

### IKON Office Solutions, Inc.

The law department at IKON has developed a set of internal metrics practices that add value to the business by helping to identify and address potential problem areas through data collection, root cause analysis, training, and process improvements. Don Liu, Senior Vice President and General Counsel, shares that these practices and the supporting infrastructure have been in place since around 1999, and have yielded great results. “Our litigation portfolio has been reduced by 50% since 1999, and we have dramatically reduced corresponding legal expenses to about 1/3 of the department’s 1999 spend. In addition, these practices help the company’s bottom line by allowing our people and management resources to be focused on the business rather than on investigating and responding to complaints,” explains Liu.

#### METRICS PROCESS, ROOT CAUSE ANALYSIS & COMMUNICATIONS

How do these practices work? Liu shares that much of the data on allegations of misconduct or potential ethics violations is collected, collated and analyzed by an in-house lawyer on his team



specializing in employment matters. The data comes from a broad range of sources, including: information reported by the business units; calls placed to the company's 800-number call line; information communicated to the company's Ethics Committee; internal audit or security department communications; anonymous letters or emails; and communications from company executive management or the Board. In addition, the lawyer on point for monitoring and analyzing the data may also review external on-line chat rooms for relevant information on questions of company conduct.

Reports summarizing information on a geographic and business line basis are prepared, and Liu explains that he shares these statistics, including relational information on trends, regularly with the company's Board. In addition, Liu provides the information on trends and results to the company's senior management semi-annually, and to the business managers of the units directly affected as often as needed to effectively communicate areas of opportunity and work on resolving any problem areas that may be identified.

## INTERNAL EFFORT

IKON's practices in this area and the supporting data collection infrastructure were developed in-house. Liu shares that it took around one year to create the infrastructure necessary to support the overall process. To date, the program and practices are being implemented in North America and Europe. Liu explains that adjustments to reporting criteria and program implementation are made on a country-by-country basis consistent with local requirements, including privacy and employment considerations.

## CHALLENGES

Asked for thoughts on challenges faced in developing and implementing these practices, Liu notes "convincing and persuading management, the company's human resources team, and employees of the benefits of reporting the data and the need for good data were early program challenges." He explains, "we needed to persuade folks that we were collecting the data to help the business achieve its results—not to punish anyone." In addition, Liu emphasizes the importance of having multiple ways to make it easy for people to share information. "The data collection form shouldn't be an obstacle to reporting. Some people may be reluctant to fill out the form, and having alternative ways for them to share the information is important to gathering good data and helping to achieve good results," says Liu.

## Microsoft Corporation

Microsoft's Law and Corporate Affairs Group (LCA) is implementing a number of practices that distinguish the LCA as a law department that adds value to the company's bottom line. Kevin Harrang, Deputy General Counsel for Operations, Business Management & Information, explains "Microsoft's LCA has always included an innovative group of professionals that have played roles extending beyond those associated with traditional law departments." Among the key program areas highlighted by Harrang as examples of the LCA's value-adding initiatives are the group's work in the areas of: Anti-Piracy, Internet Safety, Patents and Licensing, and Information Systems.

## ANTI-PIRACY INITIATIVES

“The main focus of the LCA’s anti-piracy work is to expand the market for the company’s lawful, legitimate software and to root out counterfeit goods,” explains Harrang. Adding to this, Annmarie Levins, Associate General Counsel for the company and leader of the LCA’s North America anti-piracy initiatives, emphasizes that the LCA’s efforts “are directed towards protecting the company’s intellectual property and its customers.”

### LCA’S ANTI-PIRACY EFFORTS

How does the LCA accomplish its objectives in this area? Microsoft’s LCA includes a large, worldwide network of former law enforcement officers and prosecutors on point for helping to protect the company’s products from piracy and counterfeiting. Levins and Harrang share that LCA’s anti-piracy efforts include:

- Investigating claims of selling fake software or improperly loading machines with company products;
- Assisting government officials with criminal cases pursuing offenders;
- Bringing civil suits and collecting judgments against offenders; and
- Helping developing countries around the world to develop intellectual property laws and regulations to protect software products from piracy.

### **Key Success Factors**

“Having a really good team of experienced people who understand what it takes to make a good case and who are trusted by law enforcement is a critical factor contributing to the success of our overall program efforts,” explains Levins. In addition, Levins notes “the law department effort really needs to be both coordinated and worldwide in scope since the counterfeiting area tends to be so interrelated.”

The LCA’s Information Systems team also plays a huge role in supporting the LCA’s anti-piracy efforts. More specifically, the team has developed a number of technology tools that assist in product tracking and recovery efforts. “LCA’s Information Systems professionals have developed databases with inventories of Microsoft’s products and analyses of anti-piracy progress. These tools allow LCA professionals to track recovered products, and to track and monitor efforts in stopping piracy,” explains Steven Levy, Director of Information Systems for LCA. Levy also shares that the Information Systems team works with a forensic “disk fingerprint” tool that helps to track software to the machines that copy it.

### **Positive Impacts and Value-Added**

“LCA’s anti-piracy efforts directly help the company’s bottom line. Judgments recovered represent cash back to the company. By putting the counterfeiters out of business, the company is able to sell more legitimate product, which has positive impacts on sales and helps Microsoft, its partners, and its customers who are receiving the genuine company product,” explains Levins.

### **Communicating Results**

LCA communicates information on its anti-piracy initiatives in a number of ways.

- **Internal Presentations to Company Executives:** The LCA keeps an internal scorecard on anti-piracy, and shares results through presentations to company executives. Among the categories of information tracked on the scorecard are:
  - Number of lawsuits initiated;
  - Number of counterfeit products seized & estimated retail value;
  - Number of raids;

- Number of individuals arrested; and
- Civil lawsuits & settlement dollars.

- **Press releases:** The company issues press releases to inform the public about successes in larger raids. In addition, the company may include information on anti-piracy successes in marketing materials. Levins explains “these types of public communications send a message to the public and to our partners that those who aren’t playing by the rules are getting caught and prosecuted.”

## INTERNET SAFETY

Another key area where the LCA is proactively taking steps to add value is internet safety. In providing background on efforts in this area, Levins notes “internet spam can be annoying, offensive, and sometimes fraudulent.” She shares that to help address these problems, the LCA has been focusing efforts on these issues and has partnered with Attorneys General in jurisdictions around the country and with the Federal Trade Commission to help with enforcement efforts. Microsoft’s investigators have helped identify targets and uncover evidence of criminal misconduct around the world, and work collaboratively with law enforcement on training and public education as well as enforcement activity.

## PATENTS AND LICENSING

Another key area where the law department is undertaking a range of initiatives that add value to the company’s bottom line is in patents and licensing. “At its heart, Microsoft is an information technology company. We spend around \$7 billion each year in research and development, and this has the effect of producing a tremendous amount of intellectual property,” explains Marshall Phelps, Corporate Vice President and Deputy General Counsel for Intellectual Property & Licensing. Phelps joined Microsoft after retiring from IBM, where he spear-headed IBM’s licensing initiatives which resulted in around \$1.9 billion per year in profit from licensing revenues.

### LCA Licensing Initiatives

Phelps describes licensing as “a way of interfacing with the world and to build relationships.” He explains that companies with large investments in research and development and associated large numbers of intellectual property can make one of three choices: “(1) Do nothing, which would raise huge questions for stakeholders wanting to know why so much money is being invested with no action on the back-end; (2) Use intellectual property in an offensive way, which may have an emotional attraction, but which generally doesn’t make sense; or (3) License the technology to help take advantage of the intellectual property and advance the company’s interest.”

In December 2003, the company decided on option three, and publicly announced that it was “open for business” in licensing its technology. Phelps explains that the company is engaged with “many tens of companies, and at one level, around a hundred companies” in various licensing systems. He shares his view that law departments wanting to add value in this way “need robust licensing functions that include experienced lawyers and licensing professionals as well as good technology systems that allow the law department to monitor and analyze the company’s portfolios.”

Asked whether the LCA has tracked licensing revenues to date, Phelps shares that this will likely be occurring in the future. “The company has set revenue targets, and we’re tracking progress

on those,” says Phelps. In addition, Phelps shares “dollars generated through licensing will be ‘u-turned’ to those units in the company that developed the products rather than being attributed to LCA as department revenues.”

### Patents

LCA is also playing a key role in the company’s worldwide efforts to greatly increase company patents on its technology. Phelps shares that recent changes in the law have opened the door for filing patents on software inventions, and that the company will increase its patent filings from around two thousand in 2003 to over three thousand U.S. Patents in 2004, with many of those filings also being made overseas. To support these initiatives, the LCA has increased within the group the number of lawyers with patent expertise.

“It is important to protect intellectual property in the right way and to make thoughtful judgments on how to treat it. To accomplish this, a company needs a sophisticated group of lawyers and business people who can make educated guesses looking down the road even though not much lasts that long these days,” explains Phelps. In addition, Phelps notes the need to have a process at the back end to “weed out the relics,” and to evaluate whether maintaining a patent still makes sense or whether there has been a “paradigm shift in technology.”

### LCA INFORMATION SYSTEMS CAPABILITIES

Another key area where the LCA is moving beyond traditional notions of a legal service delivery model is with respect to the LCA’s Information Systems team and its capabilities. “Because Microsoft is a software company, the LCA is always looking for ways to use and build on the company’s own tools. An internal mission is to be the ‘first and best customer’ of the company’s technology, and the LCA wants to be the showcase for that. The LCA’s Information Systems team helps us to achieve these goals and to interface with the outside world to make this happen,” explains Harrang.

The LCA Information Systems team consists of technology systems professionals embedded within the LCA function, and is led by Steven Levy, Director of Information Systems for the LCA. As described above, the Information Systems team has developed and supports a number of key systems to assist the LCA in providing services in the anti-piracy and patents and licensing areas. In addition, the Information Systems team helps to educate the company’s vendor partners on Microsoft’s technology applications and helps to develop solutions for products to work more effectively. The team also works with internal company product groups to help refine their products.

“We are reaching out to the outside world and are more visible to the company’s product groups. In our efforts within LCA to be the ‘first and best user’ of the company’s technology, the LCA often serves as a test bed to run versions of company software long before it is rolled out to other parts of the company – or to customers,” shares Levy.

### LEADING PRACTICES

Asked which elements of the LCA’s practices in these areas they would consider to be leading practices, representatives interviewed for this Profile described a range of initiatives. With regard to LCA’s anti-piracy work, Levins identifies as a best practice “the way the LCA is able to develop a well-coordinated program for law enforcement referrals, and the way LCA partners with law

enforcement to support its cases.” With regard to leading practices in the area of patents and licensing, Phelps underscores the importance of “having world class systems abilities to analyze patent and licensing portfolios and world class licensing executives.”

In addition, Phelps describes as a leading practice “the willingness of the company and its developers and researchers to work in a collaborative mode with the legal function.” He adds, “having clients look at the LCA as a partner, rather than as a line-of-defense, is a perspective that fundamentally supports viewing the law department as adding value.”

### Sears, Roebuck and Co.

The law department at Sears, Roebuck and Co. is implementing practices to provide company business leaders with enhanced “line-of-sight” into legal costs and risks, and the benefits of engaging in this up-front dialogue are many. As part of the Legal Business Review, law department representatives meet semi-annually with business leaders to discuss and help analyze information on legal costs, legal risks, and opportunities for improvement.

“The Legal Business Reviews have helped the business to get a clearer view of their legal matters, and are viewed as adding value and providing information on what lies ahead. The overall process also tends to engender conversation around legal matters and developments generally, which leads to efficiencies in providing legal services and better business solutions,” explains Andrea Zopp, Senior Vice President & General Counsel for the company.

### LEGAL BUSINESS REVIEWS

Zopp shares that a primary objective of the Legal Business Review is to drive behaviors. “For some business units, legal costs are a significant cost item, and understanding how behaviors impact those costs is helpful. To the extent that behaviors may increase the company’s risk profile and there are other ways to achieve business results, information from these reviews can help drive changes,” explains Zopp.

Rolled out in 2004 and initially performed quarterly, the Legal Business Reviews are now conducted semi-annually. The reviews are generally an hour long, and are structured as sit-down sessions among business leaders and the business legal team for that unit. Zopp also joins each of the teams for the Legal Business Reviews.

What types of information are included in the Legal Business Review? The Reviews are prepared to summarize information at the business unit level, and include the following:

- Forecasts of legal costs for the next quarter, summary of how costs are tracking against forecast, and anticipated costs for the remainder of the year
- Information on what is driving these costs, such as highlights of key litigation matters and business transactions
- Analysis of the legal risks and proposed action plans to address

An example of an outline of a Legal Business Review report may be accessed via link in the Resource List in Section III of this Profile.

### DATA COLLECTION

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Information on legal costs and matters is tracked and accessible through the law department's electronic billing and matter management systems. Describing these systems as "robust," Zopp notes that the sophistication of the systems allows the law department to analyze on many different levels a broad range of information relating to legal matters for given business units.

## CLIENTS EVALUATE LAWYERS

As part of the overall process, business leaders complete an evaluation form to provide feedback on legal services. The evaluation process gives the law department feedback on the usefulness of the review content and also of the discussion of legal issues during the review. "This helps us ensure that the information we provide is relevant and has an impact," Zopp said.

## CHALLENGES

Zopp notes that getting the overall process started and getting business people to understand why the reviews are important was an initial challenge. "Some business leaders saw the law department primarily as a cost item and a checkpoint. The Business Legal Reviews have helped them to see that company lawyers can engage our clients as business people and share in objectives to bring value to the business and improve results," says Zopp.

## LEADING PRACTICES

Asked for thoughts on elements of the law department's practices that she considers to be leading practices in this area, Zopp explains "having a Legal Business Review and doing it from the perspective of cost and risk is a valuable practice. Pulling together the information in a way that helps the business understand the law department's value is an important component."

Zopp notes that, through this process, in-house lawyers are able to demonstrate to the clients that they are capable of thinking like business people, and share ideas on how to provide value for the business. "Speed is important in the retail business. The Legal Business Review process has helped business leaders to recognize that getting lawyers engaged earlier is more efficient and cost-effective," says Zopp. She also shares that a long-range goal associated with this practice is to move towards overall business practices that involve the law department in business planning processes.

### The Procter & Gamble Company

"The law department at Procter & Gamble is thought of as 'value-adders.' Legal services can be purchased on the outside, but the real value that our in-house lawyers bring to the table is in getting to know the business, being familiar with the company's people and their business strategies, and providing creative counseling to help the business win disputes and operate in a sound fashion," explains Robert J. Miller, Vice President & General Counsel-Global Legal.

## STRATEGIC HANDLING OF COST RECOVERY SUITS

Among the practices implemented by the law department that directly add value to the company's bottom line, are the law department's efforts to aggressively pursue entities that owe the company money or with which the company has a claim, to recover amounts due to the company. Here, the law department's in-house lawyers play a leading role in developing strategies on a broad range of

matters, including cost recovery on vendor over-charges, recoveries relating to off-spec goods, and insurance claims and recoveries.

Miller shares that these efforts have resulted in millions of dollars of cost recoveries for the company. “Although our lawyers are not primarily focused on plaintiff work, the department’s in-house lawyers look for opportunities to protect the company’s business assets and pursue aggressive strategies where warranted to achieve good business results,” says Miller.

## INTELLECTUAL PROPERTY

Another key area where in-house lawyers have played an important and valuable role is in helping the business personnel to pursue licensing its technology and to aggressively protect the company’s rights in the intellectual property arena. Miller emphasizes the importance of intellectual property rights protections to the company in light of the company’s investments in research and development, and describes the relationship between in-house lawyers and business personnel on point for these issues as “a collaborative arrangement, with in-house lawyers working together as partners with business personnel.”

## COMMUNICATING VALUE

Asked how the law department communicates its contributions to the company’s bottom line, Miller replies “good news travels quickly.” He notes that the law department doesn’t have formal metrics specifically designed to measure contributions in these ways, and shares that internal self-promotion might be an area of opportunity.

## SUCCESS FACTORS; LEADING PRACTICES

Miller shares “knowing the business levers and what is important is a key success factor.” He describes the company’s in-house lawyers as “active members of the business team” and “well-connected” with the business personnel. On leading practices, Miller shares his view that the company’s law department “does a good job of interfacing with outside counsel and helping to set litigation strategy.”

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*ACC thanks Renee Dankner, former senior counsel for Mobil Oil Corp., for her work in preparing this profile.*

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## III. RESOURCE LIST

*Please note that inclusion on this list does not constitute a recommendation or endorsement for any product, service or company, nor is the absence of any product, service, company, or resource from the list an indication that it is not worthy of your attention. The following are simply resources identified by companies interviewed or by ACC as items of interest that may be helpful to you if you wish to pursue this topic further.*

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For more leading practice profiles: <http://www.acca.com/vl/practiceprofiles.php>

## COMPANY RESOURCES

FMC Technologies, Inc.  
Sample ACES™ LT Evaluation Form  
[http://www.acca.com/protected/forms/outsidecounsel/fmc\\_bonus.pdf](http://www.acca.com/protected/forms/outsidecounsel/fmc_bonus.pdf)

Sears, Roebuck and Co.  
Sample Outline of Legal Business Review Report  
[http://www.acca.com/protected/forms/outsidecounsel/sears\\_ldreport.pdf](http://www.acca.com/protected/forms/outsidecounsel/sears_ldreport.pdf)

## ARTICLES; PUBLICATIONS; WHITE PAPERS; PRESENTATIONS

Article: *“Increase Legal Department Value—Establish a Goal Focus,”* by Ronald F. Pol, J. Justin Hansen, and Richard I. Hansen (ACC Docket Oct/Nov 2003)  
<http://www.acca.com/protected/pubs/docket/on03/value.pdf>

Article: *“Get More Value from Your Outside Counsel: Show Them the Flipside,”* by Ronald F. Pol (ACC Docket April 2003)  
<http://www.acca.com/protected/pubs/docket/am03/flipside1.php>

Article: *“Adding Value Around the Globe,”* by Michael Roster, J. Daniel Fitz, John Scott, Peter J. Turner, and M. Elizabeth Wall (ACC Docket Nov 2001)  
<http://www.acca.com/protected/pubs/docket/nd01/add1.php>

Article: *“Law Department Critical Success Factors: An Organizing Principle for Your Vision,”* by Stephen E. Nowlan (Chief Legal Executive, Fall 2002)  
[http://www.chieflegalexecutive.com/sub\\_pages/publications/CLE/PDF/2002\\_fall/44nowlan.pdf](http://www.chieflegalexecutive.com/sub_pages/publications/CLE/PDF/2002_fall/44nowlan.pdf)

Article: *“FMC Technologies Case Study: Adding Value Through Alignment of Corporate Goals and Legal Service Provider Objectives,”* by John G. Kelly, Esq. (Law Partnering Institute, Jan/Feb 2002)  
[http://www.lawpartnering.com/press\\_detail.tmp?SKU=3098389992356104](http://www.lawpartnering.com/press_detail.tmp?SKU=3098389992356104)

Presentation: *“Chair’s Choice Best of ACC ’00 and ’01: Adding Value to Your Corporation”* (ACC 2002 Annual Meeting)  
<http://www.acca.com/education2k2/am/cm/402.pdf>

Presentation: *“Chair’s Choice: Adding Value Around the Globe”* (ACC 2001 Annual Meeting)  
<http://www.acca.com/education2k1/am/cm/011CD.pdf>

Presentation: *“Maximizing Value from Your Portfolio”* (ACC 2003 Annual Meeting)  
<http://www.acca.com/education03/am/cm/101.pdf>

Presentation: *“Strategies for Measuring Value-Added”* (ACC 2000 Annual Meeting)  
<http://www.acca.com/education2000/am/cm00/html/measurevalue.html>

Presentation: *“Valuing the In-House Legal Department”* (ACC 2000 Annual Meeting)  
<http://www.acca.com/education2000/am/cm00/html/valueinhouse.html>