

The Value Added Model: The New Paradigm for the Corporate-Client Relationship

GCCA – Europe
NINTH
ANNUAL CONFERENCE

Versailles, France

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William B. Lytton

Corporate Overview

- n Founded January 31, 1898,
- n 46th largest U.S. company
- n Over 100,000 employees
- n Corporate Headquarters – Stamford, Connecticut
- n Net Sales (2001) = \$26.4 billion
- n Total Assets = \$37 billion
- n 360 facilities in 50 countries
- n Customers in 130 countries
- n 33 million shareholders

International Paper “At-A-Glance”



Legal Department Overview

57Lawyers (15 Non-US)

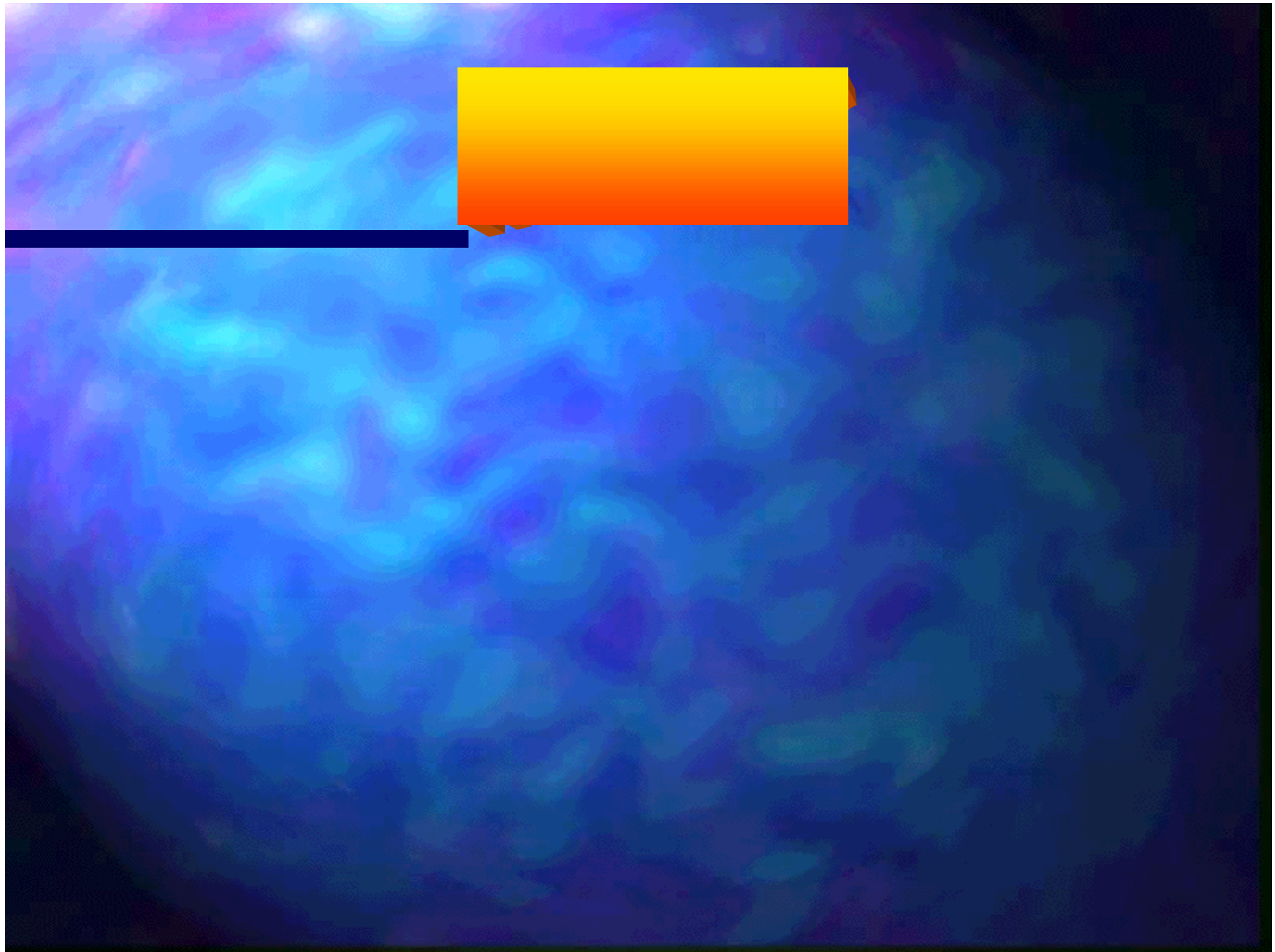
- n Stamford, Connecticut
- n Memphis, Tennessee
- n Dallas, Texas
- n Savannah, Georgia
- n Chicago, Illinois
- n Covington, Kentucky
- n Brazil
- n Canada
- n Montvale, N.J.
- n Jacksonville, Florida
- n Brussels, Belgium
- n Paris, France
- n Cincinnati, Ohio
- n Sterling Forest, N.Y.
- n + New Zealand

What Do These Men Have in Common?

n Mahatma Ghandi


n Sir Thomas More


n Abraham Lincoln





n All Three Were Lawyers

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- n All Three Were Lawyers
 - n All Three would be eligible for ACCA/GCCA membership

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- n All Three Were Lawyers
 - n All Three would be eligible for ACCA/GCCA membership
 - n All Three *Added Value* to
 - Their Clients
 - Their Colleagues
 - Their Communities

How Are They Relevant Today?

- n Lawyers' Reputations Have Slipped
- n In the 1967 edition of Ambrose Bierce's, *The Enlarged Devil's Dictionary*, the noun "**dice**" is defined as follows:
 - **"Small polka-dotted cubes of ivory, constructed like a lawyer to lie on any side, but commonly on the wrong one."**

A Better Vision

- n John W. Davis in an address at the Association of the Bar of the City of New York in 1946:
 - “True, we build no bridges. We raise no towers. We construct no pictures.... There is little of all that we do which the eye of man can see.
 - But we smooth out difficulties; we relieve stress; we correct mistakes; we take up other men’s burdens and by our efforts we make possible the peaceful life of men in a peaceful state.”
- ” A way to **define the term** “*Adding Value.*”

Evolving Role of Corporate Counsel

n 20th Century

- Interesting and/or Difficult work given to outside counsel
- Outside firms considered premier professional opportunities
- Technicians
- Lawyers expected to be **Reactive**

n 21st Century

- Interesting and/or Difficult work handled internally
- Corporate Law Departments attracting “Trophy Lawyers.”
- Governance & Ethics
- Lawyers need to be **Proactive**

How to Measure Counsel's Value in The New Millennium?

- n Amount spent on Legal Fees?
- n Number of Contracts Written?
- n Number of lawsuits Won?
- n Amount of Hours Worked?
- n Articles Published?
- n Telephone Calls Returned?
- n Letters Written?

Value Added

The New Paradigm

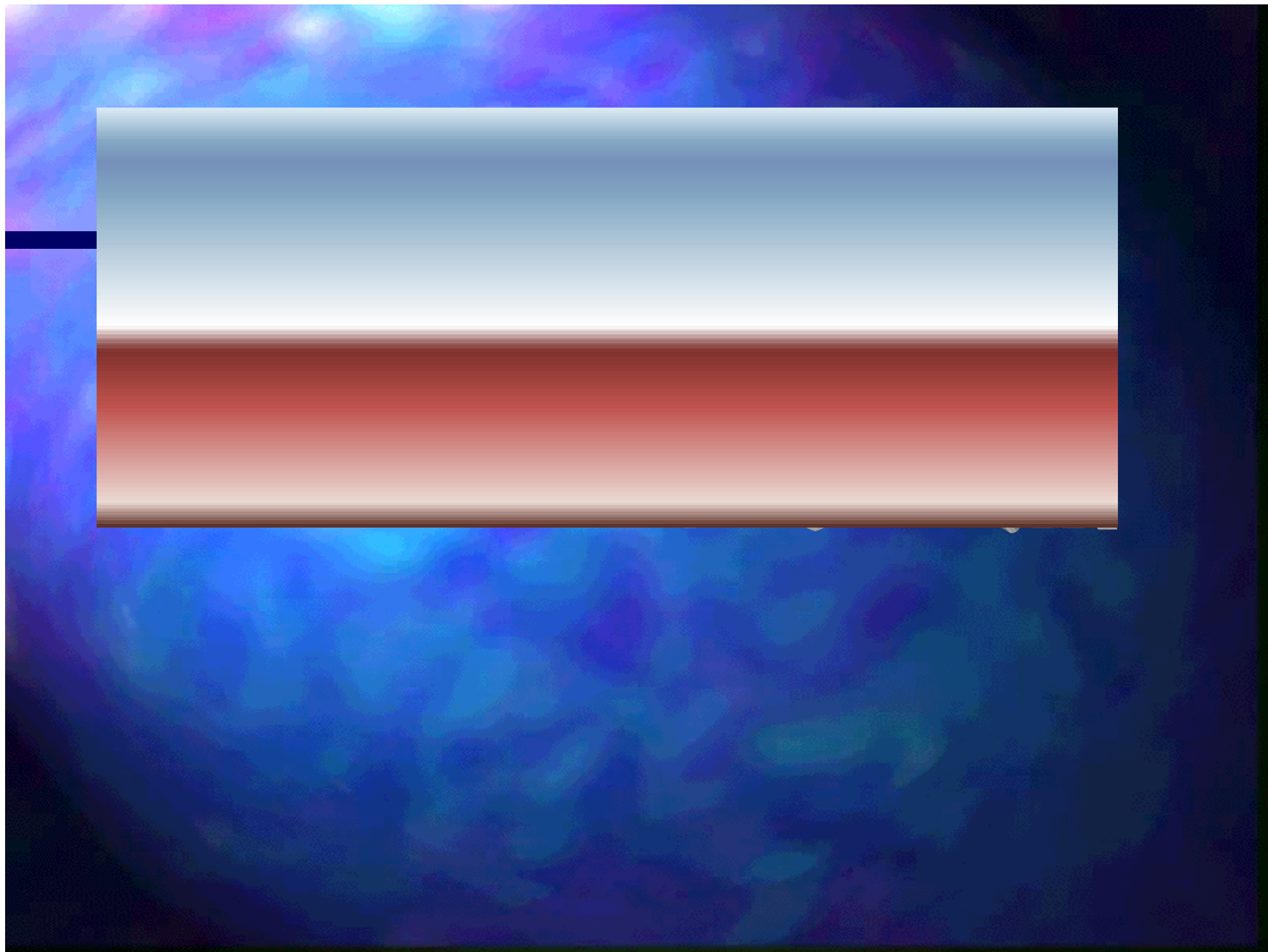
- n *Value Added* is not a new Concept to the world of commerce.
- n *Value Added* Tax is a familiar concept
- n ***Value is Added* when something becomes better or more valuable as a result of someone's efforts**
- n Do Lawyers *Add Value* as they process an issue for their ultimate client?

What is *Value Added*?

- n **In Law**, it focuses on our clients' priorities
 - financial
 - social, environmental, communities
 - operational
 - contractual
 - markets and customers
 - employees
 - dispute avoidance and resolution

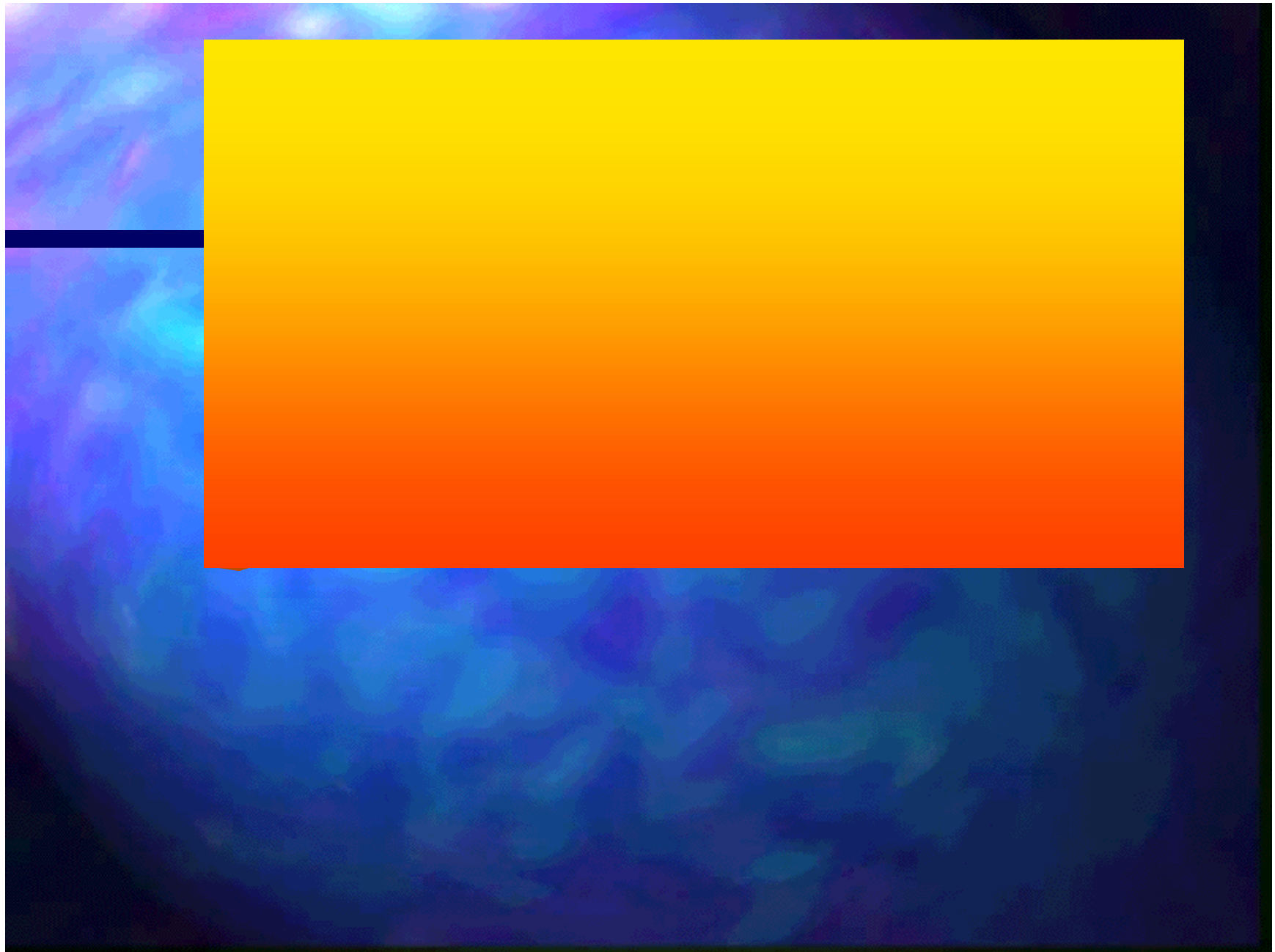


*An American Colloquial Way to
Think About Value Added*





The “statutory” things we have to do.





Beyond the “Statutory” activities

Get Out of the Way!

Get Out of the Way!

If it is **not** “statutory”
and **not** adding value,
don't waste time doing it

Impact on Lawyers

- n Lawyers' activities are like a gas - they will fill any space
- n Lawyers always busy, have competing demands
- n How does the lawyer prioritize the work?
- n *Value Added* becomes a *Triage* method, a way of thinking about what we do.

Impact on Clients

- n It is a concept they are used to, comfortable with and understand
- n It focuses the client's attention on the things lawyers can do to help the client succeed
- n It promotes good communication and alignment of client and counsel goals

Evolution at International Paper

- n An outgrowth of difficulty in finding right metrics
- n Purely financial?
- n What should we be measuring?
- n What would our clients want us to measure?
- n What would our clients think is important?

We Asked
14 Functional Client Groups
What They Expected From Us

- n Administrative Support
- n Audit
- n Customer Service
- n Credit
- n EHS
- n Finance
- n Human Resources
- n Information Systems
- n Logistics & Purchasing Quality
- n Risk Management
- n Tax
- n Workers Compensation

We Asked
15 Business Client Groups
What They Expected From Us

n Executive VPs

n Senior VPs

n Division Managers

n Facility Managers

What Our Clients Told Us

- n Be part of the business team
- n Be aligned
- n Seek creative solutions
- n Be ethical leaders
- n Safeguard the financial health of the company
- n Make a difference - make an impact

Business Focus

n Be Effective Business Partners

- Understand the business environment
- Know our customers, products and assets
- Focus on making us better

n Improve Operational & Financial Performance

- Reduce cost
- Increase revenues
- Focus on making us better

What We Have Done:

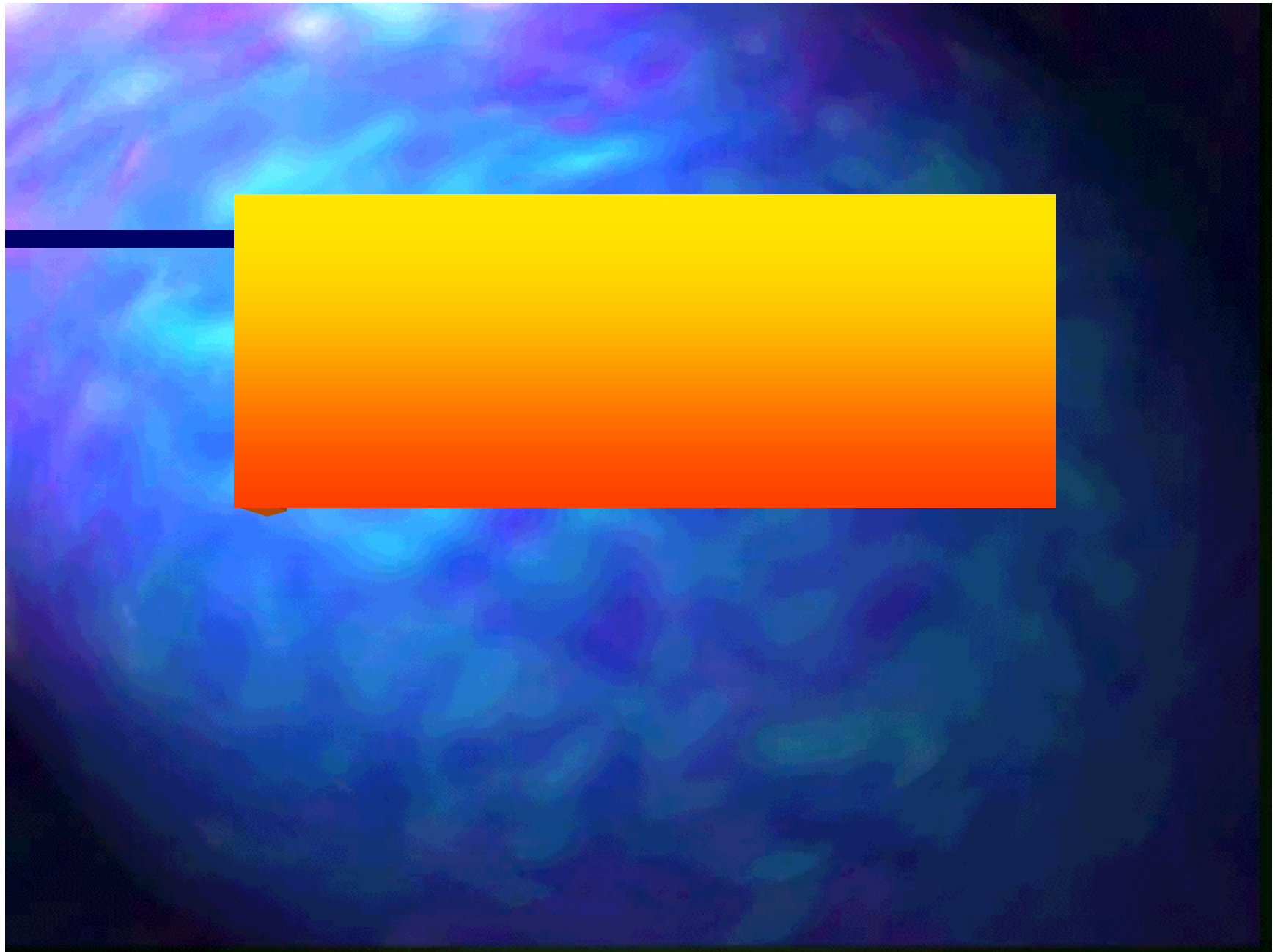
- n **Aligned with Businesses**
- n **Customers**
 - Customer Counsel Council
 - Best Practice Handbook
 - Extranet
- n **Technology = “Force Multiplier”**
 - Knowledge Sharing
 - Admin Intranet
 - Contract Form Database
 - Collaborative Systems
- n **Training**
- n **Value Added Reporting**
 - Annually
- n **Business management of Law Department**
 - E - invoicing
- n **Task Teams**
- n **New Initiatives (CFD)**
- n **People Development**
- n **Communications Among Offices & Practice Groups**
- n **Increased Emphasis on Preventive Lawyering**
- n **“Over the Horizon” Issues**

Status Report

- n Lowering of cost through settlement of EEO charges prior to litigation
- n Reduction in litigation cost through mediation EMA/EDR
- n Quicker turnaround of contracts thru CFD
- n Process – Work Flow Analysis
- n Savings through settlements lower than settlement authority
- n Disaggregation of Legal Costs
- n Focus on high value contracts
- n Budgeting & Trend Analysis

Communicate

- n Tendency not to think about how we have added value - “It’s what I do”
- n We focus on it relentlessly
 - Annual Value Added Report, “The Return on the Investment”
 - Part of Goal Setting & Performance Reviews
 - I Need to set an example - How can I add value?
 - n If I can’t, I do something else.





Or



Or

Old Wine in New Bottles?

A New Way of...

n **Thinking**

- about what we are doing
- about what we should be doing

n **Prioritizing**

- focusing on highest impact activities
- aligning with clients' goals

n **Communicating**

- Using the Language of Business
- Capturing the *Value* we *Add* every day



By using *Value Added*
as a lens through which we view ourselves
and what we do,
we will sharpen our focus
and concentrate on those things that truly
Add Value
to our clients,
our colleagues and
our communities.