

010/020 Chair's Choice: Adding Value to Your Corporations

James R. Jenkins

Senior Vice President & General Counsel
Deere & Company

Anastasia D. Kelly

Executive Vice President & General Counsel
Sears, Roebuck and Co.

William B. Lytton

Senior Vice President & General Counsel
International Paper Company

Marco Pagni

Vice President & General Counsel-International
McDonald's Corporation

Faculty Biographies

James R. Jenkins

James R. Jenkins is senior vice president and general counsel of Deere & Company in Moline, Illinois. He is the chief legal officer for Deere & Company worldwide, with executive management responsibility for the law, patent, and government affairs departments. One of the world's oldest and most respected enterprises, Deere & Company creates smart and innovative solutions, in the form of advanced machines, services and concepts, for customers on the farmsite, worksite, and homesite worldwide.

Before he joined Deere & Company, Mr. Jenkins was vice president, secretary and general counsel at Dow Corning Corporation in Midland, Michigan. He served in a variety of leadership roles while at Dow Corning—including the senior management team responsible for the resolution of the breast implant controversy, and participation on the corporate executive, finance, trademark, and public policy committees.

Mr. Jenkins currently serves on the boards of directors of ACCA, the Putnam Museum (Davenport, Iowa), and the Illowa Council of Boy Scouts of America. He is also a member of the American Law Institute, the Executive Leadership Council, and is chair of the Alma College Board of Trustees.

Mr. Jenkins received a BA from the University of Michigan. He then served in the U.S. Army, including a year as an interrogation officer at the Combined Military Interrogation Center, Saigon, Vietnam and was awarded a Bronze Star for meritorious service. Following his military service, he received a JD from the University of Michigan Law.

Anastasia D. Kelly

Anastasia D. Kelly is executive vice president and general counsel for Sears, Roebuck and Co., where she has responsibility for the law department, public affairs, government affairs, and the office of the corporate secretary.

Previously, Ms. Kelly was senior vice president, general counsel and corporate secretary for Fannie Mae in Washington, DC. Prior to joining Fannie Mae, she was a partner at Wilmer, Cutler & Pickering in Washington, DC, where she practiced in the area of corporate and securities law. She also practiced with the law firm of Carrington, Coleman, Sloman & Blumenthal in Dallas.

Ms. Kelly serves on the board of directors of ACCA and Lawyers for Children America; she is also a member of the Woodrow Wilson International Center for Scholars.

Ms. Kelly graduated *cum laude* from Trinity College and received her law degree *magna cum laude* from George Washington University National Law Center.

William B. Lytton

William B. Lytton is senior vice president and general counsel of International Paper Company in Stamford, Connecticut.

Mr. Lytton came to International Paper from Lockheed Martin Corp., where he was vice president and associate general counsel for the electronics sector. Before the combination of Lockheed and Martin Marietta, he served as vice president and associate general counsel for business operations and international at Martin Marietta. Before Martin Marietta acquired General Electric Aerospace, Mr. Lytton had served as vice president and general counsel of GE Aerospace.

Mr. Lytton served on the staff of U.S. Senator Charles H. Percy. He was an assistant U.S. attorney in the Northern District of Illinois and was an Assistant U.S. Attorney in the Eastern District of Pennsylvania, serving as chief of the criminal division and later as first assistant U.S. attorney. He then joined the Philadelphia law firm of Kohn, Savett, Klein and Graf where he was a trial lawyer handling a variety of criminal and civil matters. While at the law firm, he served as staff director and chief counsel for the Philadelphia Special Investigation (MOVE) Commission.

In 1987, he left his law firm for a six-month assignment as deputy special counselor to President Ronald Reagan. In that position, he coordinated the White House response to the congressional inquiries and independent counsel's investigation of the Iran-Contra matter. Upon his return to his law firm, he continued as a consultant to the President throughout the Reagan Administration. He also served as special counsel to President George Bush on issues relating to the Iran-Contra matter.

Mr. Lytton is vice chair of ACCA's board of directors. In 1998, he received ACCA's "Excellence in Corporate Practice" award. Mr. Lytton is a graduate of Georgetown University and the American University School of Law.

Marco Pagni

Vice President & General Counsel-International
McDonald's Corporation

LAW DEPARTMENT
CLIENT SURVEY

The Deere & Company Law Department is about to undertake a benchmarking study to assess our current practices against the best practices of other law departments. As part of that process, we would like to gain a better understanding of our current services and of the ways in which we might better serve you in the future. We would greatly appreciate your completion of this form to aid us in our evaluation. Your responses will remain confidential.

When answering this survey, please think of the lawyer with whom you work most frequently. Name of lawyer (optional):

Q1 1) Approximately how often do you consult with or refer legal-related matters or projects to Law Department attorneys?

- Occasionally (<5 times a year)
- Periodically (almost every month)
- Fairly often (several times per month)
- Regularly (almost every week or more)

Q2 2) Please rate the overall working relationship between you and your lawyer, by checking the appropriate word below:

- Poor Fair Good Very Good Excellent

Q3 3) Please compare your working relationship with your lawyer to your working relationships with others in the company, by checking the appropriate word below:

- Much Worse Worse The Same Better Much Better

Q4 4) What is the one best thing about the working relationship between you and your lawyer?

Q5 5) What one thing could your lawyer do to most improve the working relationship?

6) With respect to outside legal services, does your lawyer:

Q6A	Independently select outside counsel for your matters?	Yes	No
Q6B	Recommend counsel, but you make the selection?	Yes	No
Q6C	Leave the selection of counsel to you?	Yes	No
Q6D	Recommend outside counsel only when necessary?	Yes	No
Q6E	Make judicious use of outside counsel?	Yes	No
Q6F	Recommend the best counsel for the type of matter?	Yes	No
Q6G	Manage the relationship with outside counsel?	Yes	No
Q6H	Review your outside legal billings?	Yes	No
Q6I	Advise you on billing matters?	Yes	No
Q6J	Act on your behalf when billing questions arise?	Yes	No

Q7 7) What changes would you like to make in the way your lawyer manages outside legal services or billing matters?

Q8 8) What topics or types of information would be most helpful to you on a Law Department web site?

9) Please rate your lawyer on the following attributes.

Select an appropriate number below:

1 - unsatisfactory, 2 - acceptable but needs improvement, 3-meets or exceeds requirements, 4-outstanding

Q9A	Is practical	1	2	3	4	5
Q9B	Solves problems	1	2	3	4	5
Q9C	Expert in field	1	2	3	4	5
Q9D	Is a team player	1	2	3	4	5
Q9E	Listens well	1	2	3	4	5
Q9F	Responds timely	1	2	3	4	5
Q9G	Is readily available	1	2	3	4	5
Q9H	Communicates clearly	1	2	3	4	5
Q9I	Is flexible	1	2	3	4	5
Q9J	Understands project objectives	1	2	3	4	5
Q9K	Understands our business	1	2	3	4	5
Q9L	Understands my job	1	2	3	4	5
Q9M	Accurate and reliable	1	2	3	4	5
Q9N	Professional manner	1	2	3	4	5
Q9O	Ethical leadership	1	2	3	4	5
Q9P	Overall rating	1	2	3	4	5

10) Please rate the importance to you of the following attributes in your ideal lawyer.

Select an appropriate number below:

1-not important at all, 2-somewhat important, 3-important, 4-very important

Q10A	Is practical	1	2	3	4	5
Q10B	Solves problems	1	2	3	4	5
Q10C	Expert in field	1	2	3	4	5
Q10D	Is a team player	1	2	3	4	5
Q10E	Listens well	1	2	3	4	5
Q10F	Responds timely	1	2	3	4	5
Q10G	Is readily available	1	2	3	4	5
Q10H	Communicates clearly	1	2	3	4	5
Q10I	Is flexible	1	2	3	4	5
Q10J	Understands project objectives	1	2	3	4	5
Q10K	Understands our business	1	2	3	4	5
Q10L	Understands my job	1	2	3	4	5
Q10M	Accurate and reliable	1	2	3	4	5
Q10N	Professional manner	1	2	3	4	5
Q10O	Ethical leadership	1	2	3	4	5

11) Please select the three most important things that your lawyer could do to improve your working relationship:

Q11A	Be more practical
Q11B	Solve problems better
Q11C	Raise level of expertise
Q11D	Be more of a team player
Q11E	Listen better
Q11F	Respond more quickly
Q11G	Communicate more clearly
Q11H	Be more flexible
Q11I	Understand project objectives better

- Q11J Understand our business better
- Q11K Understand my job better
- Q11L Be more accurate and reliable
- Q11M Have a more professional manner
- Q11N Show more ethical leadership
- Q11O Other: _____
- Q11OTHER

12) What is your functional area of responsibility?

- | | | | |
|------|-------------------------|------|---------------------|
| Q12A | Marketing/Sales | Q12E | General Management |
| Q12B | Finance/Accounting | Q12F | R&D |
| Q12C | Operation/Manufacturing | Q12G | Information Systems |
| Q12D | Human Resources | Q12H | Other: Q12OTHER |

13) Which of the following best describes your job?

- Q13 Upper Level Management
- Middle Management
- First Level Management
- Q13OTHER Other _____

Q14 14) We would appreciate any ideas or comments you may have on how we could improve legal services to you or to your department. How can we serve you better?

NAME_DEPT Your name or department (optional):

LAW DEPARTMENT CLIENT SATISFACTION SURVEY

The Law Department is sending this questionnaire to you, one of our important clients, to obtain your views regarding our performance. Your ratings are important measures for us as we evaluate how we are doing and how we should improve.

Before completing this questionnaire, please understand the rating system in the box below. After you have completed the questionnaire, please return it as soon as possible, but **not later than August [two weeks to reply]**, to Terry Merlino, at Altman Weil, Inc., the consulting firm that is assisting us with this survey. To complete the survey, log onto Altman Weil's secure website, using the password "Sears" and your first initial and last name, e.g., scook, as the user code.

Attribute Rating

5 **Very satisfied** and your needs and expectations are always met (or exceeded).
 4 **Usually very satisfied** and your needs and expectations are almost always met.
 3 **Satisfied** most of the time and your needs and expectations are met most of the time.
 2 **Somewhat dissatisfied** and your needs and expectations are met only sporadically.
 1 **Very dissatisfied** mostly and your needs and expectations are not met most of the time.

Attribute Importance to You

5 **Very High** -- This service attribute is extremely important to you.
 4 **High** -- This service attribute is fairly important to you.
 3 **Medium** -- This service attribute is of neutral importance to you.
 2 **Low** -- This service attribute is not very important to you.
 1 **Very Low** -- This service attribute is unimportant to you.

For each category of service, please circle the rating that best describes your experiences with the Law Department during 2000 and also circle how important the category is to you. For example, if your response to an item is "Usually very satisfied" and this category is not very important to you, you would circle "4" and "2." Finally, additional space is provided for you to add comments if you have them. We would very much like you to add some commentary if your rating on a question is a "3" or below.

<u>Service Category</u>	<u>Rating</u>	<u>Importance</u>
a. <u>Understood your business</u> , products and goals	1 2 3 4 5	1 2 3 4 5
b. Gave <u>strategic</u> advice that was creative and proactive	1 2 3 4 5	1 2 3 4 5
c. Gave advice that appropriately <u>addressed risks</u>	1 2 3 4 5	1 2 3 4 5
d. Provided counsel and services that were <u>practical</u>	1 2 3 4 5	1 2 3 4 5
e. Was accessible and <u>available</u>	1 2 3 4 5	1 2 3 4 5
f. Worked well with others as a <u>team member</u>	1 2 3 4 5	1 2 3 4 5
g. Responded <u>on time</u>	1 2 3 4 5	1 2 3 4 5
h. <u>Communicated</u> with clarity and relevance	1 2 3 4 5	1 2 3 4 5



<u>Service Category</u>	<u>Rating</u>	<u>Importance</u>
i. Displayed proficient <u>understanding of the law</u>	1 2 3 4 5	1 2 3 4 5
j. Managed <u>costs</u> of legal services acceptably	1 2 3 4 5	1 2 3 4 5
k. Created and distributed <u>form documents</u> useful to you	1 2 3 4 5	1 2 3 4 5
l. Made clear whom to <u>contact</u> for your legal needs	1 2 3 4 5	1 2 3 4 5
m. Provided appropriate law-related <u>training</u>	1 2 3 4 5	1 2 3 4 5
n. Kept you advised of <u>legal developments</u> affecting your work	1 2 3 4 5	1 2 3 4 5

For any of the above, please offer specific comments or suggestions as to how the Law Department might improve:

Please also respond to each of the following questions.

1. Which three lawyers in the Law Department did you work with the most during 2000?

2. If there were one or two improvements that the Law Department should work on during 2001 **that you did not mention above**, what would they be?

We would appreciate it if you would disclose your organizational affiliation and geography, e.g., Retail, Credit, Product Services, Shared Services. _____

If you would like someone from the Law Department to call you, please provide us with your name and telephone number: _____

*On behalf of the entire Law Department, thank you in advance for your thoughtful responses!
If you have questions, please call Rees Morrison, of Altman Weil, Inc., at (610) 886-2017.*



Measuring Lawyer Performance: A Client Survey

by William B. Lytton

Editor's note: The ACCA Docket periodically publishes model forms and policies for members to customize for their own departments. The editor encourages members to submit forms and policies that could be featured in this column and added to ACCA's Information Resources library. Send forms and policies to: ACCA, Legal Resources, American Corporate Counsel Association, 1025 Connecticut Avenue, NW, Suite 200, Washington, DC 20036; fax: 202/293-4701; email: legalresources@acca.com.

Lawyer's Name:

Evaluator:

1. How available is your lawyer when you need him/her?

I've Never Met My Lawyer							We're Joined at the Hip		
1	2	3	4	5	6	7	8	9	10

2. How responsive is your lawyer in addressing your business and legal issues?

Advice Bears no Relationship to My Problem							Advice Zeroes in on Issue		
1	2	3	4	5	6	7	8	9	10

3. How fast is your lawyer in providing you what you ask for or need?

Still Waiting							Fastest Turn-around Time Possible		
1	2	3	4	5	6	7	8	9	10

4. Does your lawyer provide advice and reasons in a way that is clear, concise, intelligible, and useful?

Legal Gobbledygook							Clear as a Bell		
1	2	3	4	5	6	7	8	9	10

5. How helpful is your lawyer in finding solutions to problems?

"No" is Only Advice I Get in a Week							Could Resolve Bosnian Problem		
1	2	3	4	5	6	7	8	9	10

6. Does your lawyer demonstrate on a consistent basis the level of expertise you want your counsel to have?

Someone Should Verify He/She Actually Went to Law School					A Good Replacement for Alex Trebek on "Jeopardy"				
1	2	3	4	5	6	7	8	9	10

7. How do you rate the quality of your lawyer's work?

Reminds Me of an East German Trabant					Rolls Royce should be So Good				
1	2	3	4	5	6	7	8	9	10

8. How proactive is your lawyer in anticipating issues and working to avoid problems?

Might Get Attention if Charged with a Crime					Makes Nostradamus Look Shortsighted				
1	2	3	4	5	6	7	8	9	10

9. How good has your lawyer been in helping you and your business avoid problems that could have had legal or financial risks?

A Walking Typhoid Mary					Walks on Water				
1	2	3	4	5	6	7	8	9	10

10. Is your lawyer an active, accepted member of the business team?

Doesn't Know the Difference Between an Order and a Sale					Qualified to be CEO				
1	2	3	4	5	6	7	8	9	10

11. Does your lawyer project a personality that inspires trust, approachability, candor?

Approachable as a Moray Eel					Bing Crosby in Going My Way				
1	2	3	4	5	6	7	8	9	10

12. Is your lawyer viewed as a leader and role model on ethical and compliance matters?

One of Saddam Hussein's Personal Heroes					One of Mother Theresa's Personal Heroes				
1	2	3	4	5	6	7	8	9	10

13. What is your overall satisfaction level with your lawyer?

Now I Know Why Lawyer
Jokes are so Popular

1 2 3 4 5 6 7

I Want My Child to Become a
Lawyer and Use My Lawyer as a Mentor

8 9 10

14. Any specific comments on your lawyer's performance?

Does the quality revolution's reach extend from the factory floor to the legal department? Yes, indeed, but the matter of measuring performance to identify improvement is still a stumbling block for many companies. One-size-fits-all annual employee evaluation forms fail to capture unique attributes and contributions for measuring the performance of in-house counsel, and comments from clients seldom consist of anything more revealing than "good," "bad," "slow," or other equally broad and useless descriptions.

In large corporations where businesses are far flung, general counsel often find it hard to gauge the effectiveness, strengths, and weaknesses of off-site lawyers. Not that physical proximity guarantees insight into staff performance. Lawyers within the same office are often too absorbed in their own work to be able to accurately evaluate staff performance.

Over the past few years, I developed a "Lawyers' Performance Survey" to measure quality within the legal department, to get a sense of client satisfaction, to focus attention on areas needing improvement, and to provide a solid basis for performance discussions between supervisory lawyers and line attorneys. The survey focuses on the qualities I consider key in a lawyer's performance:

- * Availability
- * Responsiveness
- * Speed
- * Clarity
- * Helpfulness
- * Expertise
- * Quality
- * Proactivity
- * Risk Avoidance
- * Member of Business Team
- * Approachability
- * Ethical Leadership
- * Overall Satisfaction

To get clients' attention and make the survey nonthreatening, I chose humorous examples to illustrate some questions. Many respondents have characterized the survey as an enjoyable respite from the usual paper avalanche.

I choose the respondents for each lawyer by asking the lawyer to identify his or her top 10 clients, and I also ask the lawyer's senior client to list 10 people who should be surveyed.

The lists are then merged. The longer the list, the richer the database, and the better the basis for evaluation. It can also be valuable to have the attorney perform a self-evaluation and compare that later with the clients' evaluations.

Issues

One issue to consider is whether the responses should be submitted anonymously. After having conducted surveys with anonymous as well as identified respondents, I do not maintain respondents' anonymity unless a client makes a fairly impassioned and well-founded plea for it. Even without anonymity the responses are candid, albeit more subtle. But by being able to focus on individual client concerns, an attorney receives more information he or she can act upon. In fact an anonymous report, good or bad, is frustrating to me and the lawyer involved because it yields little useful information for follow-up or analysis.

When I first used this technique, the lawyers initially reacted with concern. How would the results be used? Would they become part of their personnel files? With whom would the results be shared? Some considered the humor misplaced. Others were concerned that clients would penalize them for advice that was unpopular but correct or about evaluators who were notoriously tough graders. These are legitimate concerns. The issues generally are resolved, however, through a combination of trust and experience as the attorneys themselves discover the value of the surveys.

Interpreting Responses

Survey results are a tool for the legal manager and for each attorney. It helps the manager understand how the lawyer is doing and focus on areas where excellence exists or improvement is required and gives the lawyers a concrete focus. Although I have not used survey results as part of a formal personnel file, they have been handy in placing attorneys' performance into an overall performance context (at critical moments when their performance has fallen short, for example).

Having looked at some 500 survey responses over the past few years, I have several tips for interpreting responses.

On a scale of 1 to 10, most people will grade within a three point range. High graders typically grade between 7 and 9; low graders tend to come in between 4 and 6. It is somewhat rare to get a 10, and I have never seen a 1. I look for excursions beyond a grader's usual range, since this is where subtle messages may be sent. When most of the scores are 7, 8, or 9, for example, a 6 becomes significant and suggests that the issue is one the respondent feels needs attention. A 5 or 4 really stands out. Conversely scores above the three point range suggest special satisfaction. The scoring sheet allows room under each question for written comments that help complete the picture.

I prepare a summary chart for every lawyer, with the qualities measured on the vertical axis, and evaluators' names on the horizontal axis. The last column is for the average score for evaluated qualities. By charting the responses and averaging the grades for each measured quality, trends become apparent, as do particular areas that need improvement as well as the qualities with which clients are fairly satisfied. With a broad enough range

of evaluators, the client who "didn't like the answer" stands out starkly and can be evaluated within a larger context.

LAWYER PERFORMANCE SURVEY — SUMMARY A																
Questions	[Names of Evaluators]															Average
Availability	8	9	8	8	7	8	9	7	8	7	8	8	7	6	10	7.9
Responsiveness	7	10	6.5	9	5	9	8	8	7	4	9	6	7	6	10	7.4
Speed	3	10	5	5	5	7	8	8	3	7	9	5	5	5	8	6.2
Gobbledygook	7	9	7	7	6	9	10	8	7	4	9	6	6	5	9	7.3
Problem Solver	8	10	6.5	7	6	8	8	8	8	5	9	6	6	5	8	7.2
Expertise	8	9	8	9	5	8	8	8	8	4	9	6	5	6	9	7.3
Quality	7	10	7	8	6	9	8	8	7	5	9	6	5	6	9	7.3
Proactive	7	9	6	7	5	8	8	8	7	4	9	7	5	6	8	6.9
Risk Avoidance	7	8	7	7	6	8	8	8	7	5	9	6	6	6	9	7.1
Business Team	7	9	6	7	6	8	8	8	7	3	9	7	6	5	9	7.0
Inspires Trust	9	10	8	7	4	9	10	8	9	5	9	6	5	6	10	7.7
Ethical Leader	9	10	9	7	5	9	10	8	9	7	10	8	8	7	9	8.3
Overall Satisfaction	7.5	9	7	7	5	9	9	8	8	5	9	7	6	6	10	7.5

Summary Chart A is a good example of identifying a problem client as well as key issues the lawyer must address. The fifth evaluator's ratings were well below those of the other evaluators, and the categories of speed and proactivity were quite low relative to the other scores, as was the overall satisfaction score. This lawyer obviously has to work on his relationship with this client. If the evaluators were anonymous, the lawyer would be guessing as to which client had raised the issues.

LAWYER PERFORMANCE SURVEY — SUMMARY B														
Questions	[Names of Evaluators]												Average	
Availability	9	9	10	8	4	8	8	8	9	10	9	10	10	8.6
Responsiveness	8	9	10	8	6	8	9	9	9	10	10	10	10	8.9
Speed	7	8	10	7.5	3	7	9	8	8	9	9	10	10	8.1
Cobbledycock	6	9	10	7.5	7	8	8	9	9	10	10	10	10	8.7
Problem Solver	7	9	10	6	5	8	10	9	8	10	10	9	9	8.5
Expertise	9	9	9	7.5	7	9	9	8	9	10	10	10	10	9.0
Quality	9	9	10	7.5	6	9	9	9	8	10	10	9	10	8.9
Proactive	8	9	8	8.5	2	8	8	8	8	10	10	9	9	8.1
Risk Avoidance	8	10	9	8	5	9	9	9	8	10	10	10	10	8.8
Business Team	8	9	9	8	4	8	10	9	8	10	10	9	10	8.6
Inspires Trust	9	9	10	10	5	9	10	9	7	10	10	9	10	9.0
Ethical Leader	10	10	8	8	5	10	10	9	9	10	10	9	10	9.1
Overall Satisfaction	8	10	9	8	3	9	9	9	9	10	10	10	10	8.8

Summary Chart B highlights two qualities: speed and business team. Two clients gave ratings of 3 on speed — significantly lower than other ratings by the same evaluators. This suggests that the lawyer is uneven in the way she handles the urgency of clients' matters. On the issue of business team, there is again unevenness in the ratings, and one client requires immediate attention on the issue. Ethical leadership, while the highest overall average, still has a disturbing 5 rating from one client. This suggests that follow-up by the supervising attorney is appropriate. I expect every attorney to have a high rating from every client in the ethical leadership category.

The visual impact of the chart can be dramatic. In going over one set of evaluations, a lawyer tried to defend low scores in one category on the grounds that each evaluator had some unique reason to downgrade him. But when faced with the reality that every client had rated him low on the same issue, he had to acknowledge it as a problem he needed to address.

I encourage our lawyers to sit down with their clients to discuss any concerns that emerge. Sometimes a lawyer will be surprised at the score given by a particular client (speed, for instance). Often these surprises provide opportunities for candid discussions that might not have occurred otherwise.

After my first attempt at these evaluations, one of our lawyers recognized that he had to significantly improve in a particular area with his clients. When we conducted his follow-up evaluation a year and a half later, the lawyer proudly pointed to the former problem as one of his current strengths, crediting the improvement to the effort he had put into addressing it with his clients as a result of the earlier survey.

Conclusion

The survey is, of course, just a tool and is not the only one available nor necessarily the best. It may be appropriate to use it together with others. You may need to adapt it to suit the nature of your corporation, its culture, and the work your lawyers do. But it has worked for me. The lawyers who have been evaluated have come to view it as valuable. Clients have loved it. It has produced results, better and more fact-based evaluations, and better communications between the lawyers and their clients.

Simply stated, it has improved the quality of the legal department.

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ADDING VALUE
TO THE CORPORATION, COLLEAGUES, AND COMMUNITIES:
THE INTERNATIONAL PAPER WAY

ACCA's 2001 Annual Meeting

October 15-17, 2001

Hyatt Regency San Diego

San Diego, California

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I. BACKGROUND

The International Paper Legal Department is an international law firm that has but one global client: International Paper, comprised of its subsidiaries, affiliates, and employees. The Legal Department's mission is to deliver the best possible legal services to its client while committing itself to the financial success of the Company and to the three success drivers: People, Customers, and Operational Excellence.

In 1998, the Legal Department initiated a process to identify and measure the return the Company receives on its investment in the Department. The Legal Department's Value Added Task Team interviewed managers at all levels of the organization, other members of the Department, and peer lawyers from other companies.

International Paper managers identified two broad categories of Legal Department activities that add value to the Company.

- First, managers want members of the Legal Department to be effective business partners with the businesses they advise and represent. This includes both understanding the business environment (including customers, competitors, products, and assets) and providing preventive lawyering services such as training and other information.
- Second, managers want members of the Legal Department to contribute to the Company's operational and financial performance. In the area of financial performance, these contributions include:
 1. Financial recovery. These include activities where a member of the Legal Department collects money for the Company from an outside party. Examples include litigation judgments or settlements, recoveries from insurers, and collection of debts.
 2. Liability reduction. These include activities where a member of the Legal Department resolves a matter below the reasonable liability estimate. This may be done within the framework of early matter assessment (EMA) and early dispute resolution (EDR).
 3. Cost savings. These include activities where a member of the Legal Department performs significant work that otherwise would need to be performed by outside counsel at additional expense to the Company. Examples include merger, acquisition, and divestiture work, representation of the Company in litigation or adversarial administrative proceedings, and contract drafting and negotiation. Examples also include management below budget of outside counsel expenses and savings realized from alternative fee arrangements with outside counsel.

In order to capture the value added contributions of all members of the Legal Department, the Value Added Task Team designed and administers a database in Lotus Notes[®], a Company-wide database that also includes the e-mail applications. A view of the online value added reporting form is attached. Attachment 1.

It is a key performance measurement of the Legal Department that each professional report at least one value added activity each month.

II. ADDING VALUE TO THE CORPORATION

Overview. Since 1998, the Legal Department has steadily increased the value it adds to the Company, even as relative costs have decreased. The Legal Department prepares an Annual Value Added Report to communicate the Company's investment in the operation of the Department and to examine the return the Company receives on that investment. In 2000, the Legal Department identified over \$70 million in value added financial recoveries and cost reductions. The table of contents from the 2000 Value Added Annual Report is attached. Attachment 2.

Legal Department Intranet Site. In 1998, a subcommittee of the Legal Department's Technology Task Team assumed the responsibility of developing a client-focused intranet site to serve as the central location for the kind of information clients frequently request. Today, the site averages approximately 400 hits a day and hosts numerous memos, presentations, forms, and other tools that assist clients with routine tasks so that lawyers have more time to spend on complex requests. In addition to the site that is accessible to all employees, the Legal Department hosts client-specific sites with restricted access. A view of the home page of the main site is attached. Attachment 3.

Legal Department Contract Forms Database. In October 1999, the Legal Department conducted focus-group sessions to better understand the needs of clients responsible for contract negotiations. The sessions revealed that clients wanted a means of simplifying the completion of routine contracts and easy access to information on basic contract and negotiation principles. In response, in 2000, the Department launched the Contract Forms Database (the "CFD"). It now serves as the official location for the Company's standard form contracts and offers negotiation tips and tutorials, as well as links to relevant corporate policies, on a variety of related subjects. Within six months of its launch, employees accessed the CFD over 1500 times. This tool, originally available only through Lotus Notes[®] is now available also via the intranet site. The opening screen of the CFD is attached as Attachment 4.

Legal Desk Reference for Managers. In support of its goal to provide a basic understanding of relevant legal principles to its clients, the Legal Department prepared a Legal Desk Reference (LDR) for Managers. The LDR is available both in hard copy and on the intranet site. The LDR addresses 13 general legal topics, including basic contract law, antitrust law, protection of trade secrets, and legal issues related to use of e-mail. The table of contents from the LDR is attached. Attachment 5.

III. ADDING VALUE TO COLLEAGUES

Diversity in the Profession. For two years, diversity has been one of the Department's key strategic initiatives. The goals of the Department's efforts for 2000-2001 are outlined in the Diversity Task Team's Charter (Attachment 6). Among the most notable efforts of the Department are

- the creation of the Lighthouse Award to recognize law firms that actively support the Department's commitment to diversity,
- sponsoring and helping to design a web site for the National Bar Association,
- serving as speakers for the Company's Minority Business Development Conference,
- conducting a diversity survey of 45 of the top firms with whom the Department does business,
- creating an award-winning video highlighting the Department's commitment to diversity,
- conducting a minority internship program, and
- co-sponsoring numerous conferences and other events that benefit women and minority lawyers.

In recognition of its efforts this year, the Department received the 2001 Employer of Choice Award from the Minority Corporate Counsel Association.

Bar Association Leadership. Several members of the Legal Department have assumed leadership roles in local and national bar associations. Most notable are the General Counsel, Bill Lytton, who is incoming chair of ACCA; Jim Barry, incoming chair of the Litigation section of ACCA; Brian Cadwallader and Mark Stall, active leaders of the Southwest Ohio chapter of ACCA; and Nicole Walthour, contributor to the ABA's 2001 publication, "Educating the Public About the Law." Members of the Department are also frequently called upon as speakers, panelists, or moderators for bar association events.

IV. ADDING VALUE TO COMMUNITIES

Pro Bono and Other Community Involvement. The Legal Department formed a Community Involvement Task Team in January 2001. In addition to the objectives set out in the Team's charter (Attachment 7), the Team has spearheaded the Department's involvement in programs with local schools and community centers, including production of a video and classroom materials designed to warn junior and senior high school students of the perils of entering contracts without an understanding of their basic rights and responsibilities. In addition, the office in Covington, Kentucky, sponsored Race Judicata, a 5K run to benefit a summer internship program for law students interested in public service. The Department set a goal of 1000 community service hours for the year. The hours are tracked in the value added database.

Law Day Celebration. Each year the offices of the Legal Department host or sponsor events in keeping with the ABA's Law Day theme. A summary of the Department's activities for Law Day 2001 is attached. Attachment 8.

V. CONCLUSION

At International Paper, the Legal Department takes seriously its commitment to adding value. To advance our efforts, we seek to ensure that everything we do leaves our company, our profession, or our communities being better off because of our involvement. In the course of doing our assigned jobs, through our task teams, and through the individual efforts of our members, we strive to give back more than merely what is expected of us. For us, that is what "adding value" means.



Value Added Report

for International Paper
Legal Department
use in reporting value added

Links-->

- [FAQ's](#)
- [Looking Forward to 2001 Memo](#)
- [Tips on using this database](#)

Reporting Person:

Practice Group or Specialty Area:

If you are reporting a mediation, please check one of the following and complete Part A or Part B below.

- Part A Mediation Not Settled
 Part B Mediation Settled

Please complete the applicable section.

A. Effective Business Partnering or Community Involvement

What type of activity are you reporting?

Please check all that apply.

If you marked Other, please describe:

Date of Activity:

use this format: mm/dd/yyyy

Hours of Participation, if applicable:

use numbers in this field

Number of Participants/Recipients:

use numbers in this field

Description of Participants/ Recipients:

Summary of Activity:

Materials Used/Provided:

Please check all that apply.

If you marked Other, please describe:

What type of media is the material?

Please check all that apply.

If you marked Other, please describe:

Could others use your materials?

Attach Documents Here:

Attach documents the same way you attach documents to an e-mail message.

If you marked Only Qualified Attorneys, please specify:

Can the materials be posted on our web site?

If yes, which site?

Please check all that apply.

If you marked Restricted Area, please specify:

B. Financial Contribution

Matter Number:

(if applicable)

Matter/Report Name:

Date Value Added Completed:

use this format: mm/dd/yyyy

Amount:

use numbers in this field

- Cost Savings
- Financial Recovery
- Liability Reduction

mark only one

Hours:

use numbers in this field

Description:

Data from this report will be the source of information for determining departmental performance to goals and the General Counsel's Value Added Report.

Submit

2000 Value Added Report Table of Contents

1.	Introduction	1
	Knowledge Sharing	1
	Diversity	2
	Early Dispute Resolution	2
	Customer Focus	2
	Maximizing Personal Development	3
2.	Investment	4
	Total Legal Costs as a % of Sales	5
	Number of Attorneys per \$Billion of Sales	6
3.	Organization	6
4.	Practice Area Reports	7
	A. Business Counsel	8
	1. Paper	8
	2. Packaging	10
	3. Forest Resources/Realty	11
	4. Xpedx	15
	5. Building Materials	18
	6. International Lawyers	20
	B. Specialty Counsel	21
	1. Environment, Health and Safety	21
	2. Labor & Employment	22
	3. Litigation	24
	4. Intellectual Property	27
	5. Corporate	30
	6. Knowledge Sharing	32
	7. Business Manager	34

Attachment 3

Home Page of Intranet Site



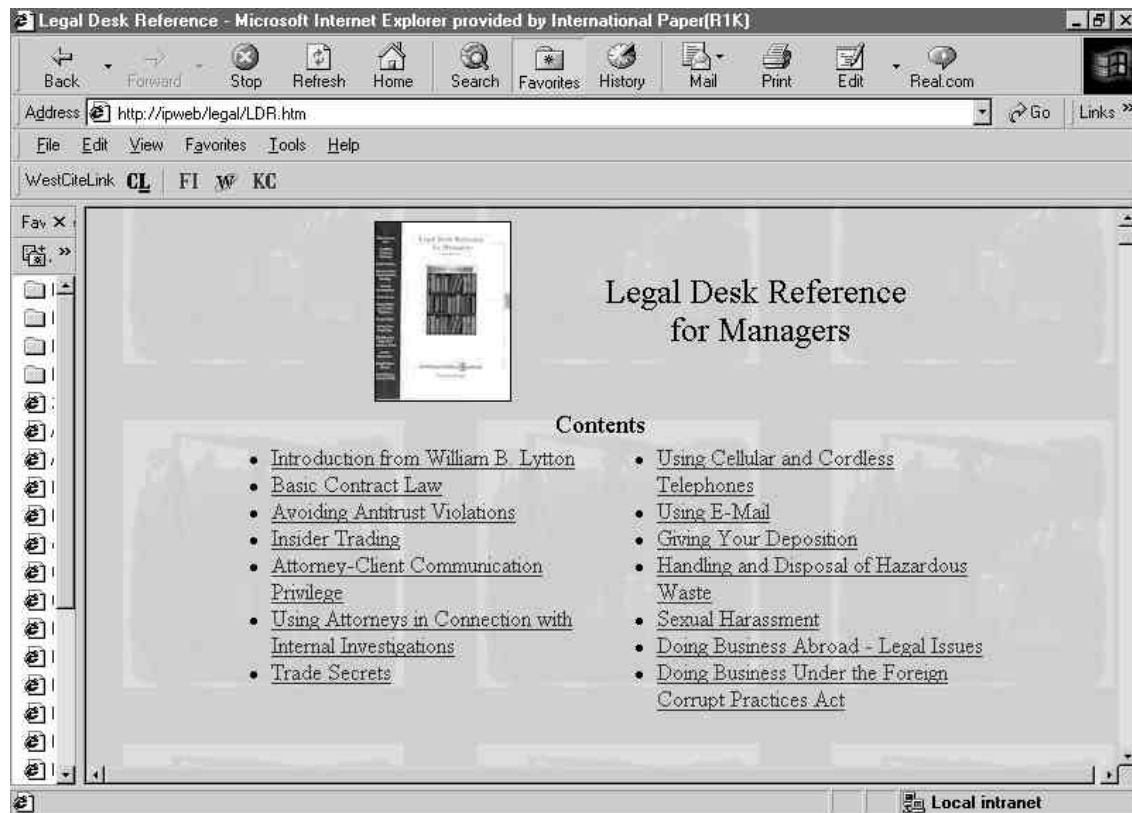
Attachment 4

Opening View of Contract Forms Database



Attachment 5

Online Legal Desk Reference



Attachment 6

International Paper Legal Department

Diversity Task Team Charter

The Diversity Task Team will work to promote diversity by actively seeking opportunities to impact diversity initiatives in the legal profession, including encouraging the law firms with whom we do business to develop effective diversity practices. The Team will also explore ways to participate in Minority Job Fairs, the Minority Corporate Counsel Association and International Paper's Minority Business Development Conference.

Task Team Goals and Activities for 2001 include:

1. Continue the Diversity Survey and compare to last year's results - reward those law firms with effective diversity practices.
2. Continue/Increase participation in Minority Job Fairs.
3. Participate in International Paper's annual Minority Business Development Conference
4. Develop a formal Internship Program for a minority law student(s).
5. Publish an article on the Legal Department's diversity efforts. Possible forums include:
 - * Unity or other IP publication
 - * The Minority Law Journal
 - * ACCA or MCCA (Diversity & the Bar)
6. Participate in the Minority Corporate Counsel Association.
7. Work with the IP Foundation to sponsor a legal position at a non-profit organization.
8. "Career Talks" by members of the IP Legal Department at local high school and minority colleges (i.e. Patent Department - combining technology and law).
9. Attend and/or sponsor an event at the National Bar Association annual meeting.
10. Evaluate interaction with the Bell South Diversity Team.
11. Coordinate with the Value Added Team on Diversity entries in the Activity Report.

Attachment 7

International Paper Legal Department Community Involvement Task Team Charter

In continuing our department's pursuit to maximize personal development of all Legal Department attorneys, paralegals and administrative personnel, the Community Involvement Task Team will develop opportunities to add value to the communities where we work and live. The team will develop projects that allow the department to use both legal and other skills to aid our communities. The team will be responsible for capturing the number of hours expended by the department both in team sponsored projects and by individuals in their own service to measure against the key performance measurement set for the year 2001.

Objectives for the Year 2001 of the Community Involvement Task Team

1. Provide one or more Habitat for Humanity, Americares or similar opportunities either at the legal conference or other times during the year.
2. Coordinate with Memphis Legal Services to assist in the development of educational outreach that can be adapted for use in many of the communities where we live and work.
3. Develop a list of local lawyers in various locations willing to offer an International Paper Discount to IP employees for quality legal services such as wills and other legal work.
4. Sponsor and participate in Career Days at local schools and colleges.
5. Provide the department with an alliance with the Pro Bono Partnership in Westchester County and develop similar opportunities in other department locations to allow for pro bono work in a manageable format.
6. Encourage involvement by members of the department in community, school, religious or other activities within their community.

Attachment 8

SUBJECT: Adding Value to Our Communities: Report of Law Day 2001 Activities at International Paper Company

The Legal Department at International Paper engaged in numerous activities in celebration of Law Day 2001 --

MEMPHIS, TENNESSEE

- Poster contest for sixth graders at Coleman Elementary, our adopted school. Employees voted on their favorite posters in person or via our intranet site. First-, second-, and third-place poster contest winners received savings bonds during Coleman's year-end recognition program for sixth graders. All participants received certificates.
- In accord with this year's theme -- "Protecting the Best Interests of Our Children" -- the Law Department also sponsored a book drive for the Coleman Elementary library. The effort brought in 250 books, including books emphasizing the value of diversity.
- In conjunction with the presentation of the books to Coleman, the Department coordinated a week of story-telling at the school during which Law Department employees read to Coleman students from selected donated books or from their own personal favorites.
- The Department presented a mock trial entitled "State of Italia v. Geppetto" to the children at Coleman on April 26th. The issue in the case whether Pinocchio should remain with Geppetto or become a ward of the State. First through third graders rendered their verdict, finding that Pinocchio should be allowed to remain with Geppetto. A fourth grader played the role of Pinocchio; a local U.S. District Court judge presided over the trial, and the remaining seven roles were played by members of the Law Department.

CHICAGO, IL

- The Law Department collected donations for Safe Place, a Chicago charity that helps battered and abused children and women. May 1st was "Bring Your Children to Work Day," and the members of the Law Department hosted a lunch for approximately 30 people, including the children who were brought to work by their parents.
- During lunch, the Department showed a PowerPoint presentation that included messages from different charities that provide assistance to children in the Chicago area. A speaker from Safe Place also came to the lunch and spoke about volunteer opportunities there.

COVINGTON, KY:

- The Law Department at xpedx held poster contests both at xpedx offices and at a local school. It gave savings bonds to the winners and presented a number of giveaways to the students, including Law Day bookmarks and stickers.

TUXEDO PARK, NY:

- The Law Department at IP's Corporate Research Center also sponsored a poster contest and opened it to all children and grandchildren of IP employees. They awarded \$50 gift certificates to the winner in each of four different age groups.

In addition to the above local activities, on our Law Day 2001 web pages, we posted such materials as the ABA's recognition of our Law Day activities, the Brown v. Board of Education decision and a summary of its meaning, our Diversity Time Line, our IP diversity initiatives, the Law Department diversity initiatives, a message from the general counsel, our poster contest information, and archive material from past Law Day activities.