



ACC CHIEF LEGAL OFFICERS

2014

SURVEY

LEARN ABOUT ISSUES keeping CLOs up at night, business priorities, career satisfaction and trends.

FIND OUT HOW CLOs manage their law departments and budgets and how they evaluate the effectiveness of their law department.

DISCOVER INSIGHT from more than 1,200 CLOs in 41 countries.

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## Introduction

Tasked with managing the legal and ethical complexities related to growing their businesses, the role of the chief legal officer (CLO) continues to evolve. Today, CLOs frequently serve as key members of senior management teams, sharing responsibility for the development of business strategies that support overall growth. It is not uncommon to find the CLO directly involved in decision-making regarding evaluating new business opportunities, budgeting, hiring practices, technology, process management and change management.

To understand the driving forces behind the evolving role of the CLO and of corporate legal departments, the Association of Corporate Counsel (ACC) reached out to 9,600 individuals. Survey results reflect data\* from more than 1,200 individuals in 41 countries who serve as the organization's chief legal officer or general counsel (referred to as the CLO in this report). From roles and responsibilities to salaries, skills and work environments, the study explored a broad range of topics. This study of CLOs heading corporate legal departments is the most comprehensive global study of its kind to date. This report discusses CLOs' prioritization of business issues, the adoption of practices that drive greater value for law departments, and CLO concerns for the coming year. New this year is a comparative analysis of the data from the 2013 and 2014 survey results, thereby addressing current trends facing law departments.

As their influence has grown, increasingly it falls upon CLOs to identify issues related to ethics and compliance. It is not surprising this ranked as a top concern for 2014. Minimizing compliance risks facing organization liability while also helping it grow and expand into new markets requires a high level of knowledge and experience. From global expansion to the rapid adoption of new technology, businesses are increasingly facing new challenges and uncharted waters. While these changes bring new opportunities, organizations need to concentrate on ways to mitigate the associated risks.

In addition to ethics and compliance, the two biggest issues keeping CLOs up at night are regulatory or governmental changes and information privacy. These factors also play an important role when organizations seek to expand into new areas or new markets. They also drive increasing levels of complexity that require a combination of business and legal expertise.

As the global economy starts to slowly recover, corporate legal departments are poised to adapt. CLOs regularly review their law firms' overall performance, and require detailed budgets and early case assessments in order to control outside counsel costs. In most cases, the operational management of the law department is handled by the CLO with the cost for accounting purposes allocated to the organization's general overhead. However, as the size of the law department increases, the CLO is much more likely to delegate operational management of the department. Thirty-one percent of CLOs with 25 or more employees in their department delegate part or full management of the department's operations, compared to just 10 percent of CLOs with two to nine employees and 20 percent of CLOs with 10 to 24 employees. In addition, base salaries among survey respondents have not changed significantly over the past 12 months. The average CLO base salary was found to be \$246,841 (all in USD).

*\*Please note, percentages in the demographic overview and overall survey results have been rounded to the nearest whole number, therefore, they may not always total 100%.*

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"I once worked for a CEO who said the only reason he could sleep at night was a strong culture of ethics and compliance at the company. The more experience I have, the more I see how right he was. In today's environment, a compliance mindset has to be 'in the water.' It has to be everyone's job.

Highly regulated businesses are even more highly regulated today. There are more regulators, and they are more active. Companies have to devote resources to staying on top of those regulatory expectations and building effective communications with the regulators."

**Patricia R. Hatler, Executive Vice President, Chief Legal and Governance Officer, Nationwide Insurance**

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"I personally believe that a well-run in-house legal group will have at least 60 percent of its budget dedicated to in-house costs. To improve our efficiency in-house, we are using more and more non-lawyer professionals and practicing process management skills such as Lean. When we do go to outside counsel, we carefully evaluate the nature of the work. Only the matters that require very unique or a very high level of expertise go to the traditional law firms.

Finally, for matters where we use external counsel, we are aggressive in looking for flat fees for a project or service—I don't want to buy hours, I want to buy results."

**Mark Roellig, Executive Vice President and General Counsel, MassMutual Financial Group**

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**“ONE OF THE MOST EXCITING AND INTERESTING PARTS OF MY JOB IS BEING A BUSINESS PARTNER; THAT IS, BEING AN ADVISOR TO THE BUSINESS AND HELPING THE BUSINESS GROW, WHILE ENSURING THE BUSINESS DOES SO IN A LEGAL AND ETHICAL WAY. HAVING A STRONG LEGAL BACKGROUND IS HELPFUL, OF COURSE, BUT SOMETIMES THE ISSUE IS NOT SOLELY A LEGAL ISSUE. IN THOSE INSTANCES, THERE ARE BOTH LEGAL AND BUSINESS DIMENSIONS THAT ARE IMPORTANT TO CAPTURE IN THE ANALYSIS.”**

**Ivan Fong, Senior Vice President,  
Legal Affairs and General Counsel, 3M**

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## The CLO is a vital member of the senior leadership team, but challenges remain.

CLOs are directly responsible for adding value and shaping the future of their organizations. CLOs continue to take on more responsibility, with more than 76 percent of CLOs reporting a greater level of involvement in corporate strategy development. Not only do CLOs report spending more of their time in a consultative leadership role, they also prefer it. Eighty-one percent of CLOs indicated they would prefer to spend the majority of their time advising executives and participating in strategic corporate issues. On the other hand, 76 percent of CLOs prefer to spend their time on *strategy development and execution*, but just 57 percent of CLOs were able to concentrate on that area.

## Reducing risks remains a top concern among CLOs.

While this study did not reveal any universal or pervasive game-changers that are significantly altering the way organizations make decisions, liability is still an issue that weighs heavily on the minds of CLOs. CLOs see *ethics and compliance*, *regulatory or governmental changes* and *information privacy* as the top three issues of primary concern for the year ahead. Protecting organizational assets, being compliant with laws and regulations, and approaching ethics issues proactively are also critical. At the same time, CLOs recognize an effective compliance program can reduce many of the company's greatest risks, reduce the severity of claims and penalties when violations of law occur despite the compliance program, while also enhancing company performance and profitability.

## CLOs are maximizing resources to advance business practices.

Although the CLO role is becoming more strategic and influential, 63 percent of respondents are now in-sourcing work formerly performed by outside legal service providers. CLOs are being asked to analyze current business practices and make recommendations that will enable organizations to maximize efficiency and productivity.

The vast majority (89 percent) of CLOs recognize the importance of professional development in advancing non-legal skills among their staff. The non-legal skills most sought after include business management (62 percent), project management (54 percent) and communication (49 percent).

## Looking Ahead to 2014.

In the year ahead, we expect CLOs to be proactive in auditing and monitoring compliance programs. By participating in these activities and minimizing their organization's risks, CLOs could play a role in helping to avoid unnecessary management distractions and negative publicity.

CLOs will continue to monitor information and communications to prepare for potential challenges that could impact their organizations. Their priorities will be:

- awareness of company activities that may have legal implications;
- staying current and well informed of changes in the law; and
- keeping management apprised of legal developments.





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