

# Small Legal Departments Strive To Boost Efficiency

BY AMALIA DELIGIANNIS

CHICAGO—At a recent seminar, the general counsel of a small legal department read the following quote about GCs from the book *Successful Partnering Between Inside and Outside Counsel*:

“The ideal candidate of a small legal department is an obsessive compulsive workaholic, preferably celibate, and immune from all illness, highly intelligent, jack and master of all trades, highly organized yet completely flexible, computer literate, a team player and a self-starter, extraordinarily skilled at communication at all levels inside and outside the organization, with a sparkling personality and absolutely no desire for individual advancement, recognition or wealth.”

That quote not only epitomizes the qualities needed for a lawyer to survive and flourish in a small legal department, but also illustrates the unique challenges they face. And the reality is that many in-house departments are small, but the businesses themselves are often large, as are their legal problems. However, most of these GCs don't have the human, financial and technological resources to put out all the legal fires they encounter.

These challenges were on the minds of many attendees and panelists at this year's SuperConference, which included the sessions “Running Lean: A Roundtable on Small Law Department Best Practices” hosted by Martindale-Hubbell; “Alone at the Helm: Building a Fulfilling Career in a Small Legal Department”; and “Covering the Bases: Legal Management Concerns for Small Legal Departments.”

Panelists at all three sessions agreed GCs of small legal departments are under increasing pressure to streamline business operations, add value to their organizations and contribute to business decisions.

## Money Talks

Although GCs in large legal departments

## SUPER CONFERENCE REVIEW

face similar pressures, those heading small departments are under much more intense pressure to slash and control costs.

“When you have runaway legal costs, you fuel this perception that your law department is just a cost center and not a value-added business unit,” says David Graff, executive vice president and general counsel of New York-based Edison Schools Inc. “That overshadows your argument that you're adding value.”

Because Edison Schools manages schools throughout the United States, Graff uses up to 100 law firms at any given time. To control costs, he uses billing software that sets limits on how much outside lawyers spend. The software also allows him to establish

billing guidelines, track financial data and demonstrate to his CEO that he is using his budget efficiently. In addition, it allows him to create budgets based on the previous year's expenses.

“The implementation of these controls, and particularly the data-tracking systems, allows you to really demonstrate the worth of your department to management who may not be lawyers,” Graff says. “It allows you to impress management with the scope and breadth of all the issues your department deals with.”

Because small legal departments often

## Beyond Legal

**During the SuperConference session “Alone at the Helm: Building a Fulfilling Career in a Small Legal Department,” Roger H. Marks, senior vice president, general counsel and secretary of H2O Plus, offered the following advice for GCs looking to assume a greater business role within their organizations:**

- > Know your company and its business, as well as its short-term and long-term strategies
- > Invite yourself to management meetings in which business strategies are being discussed
- > Offer your opinion on matters that go beyond the legal realm
- > Find a business ally within the organization to learn more about the business
- > Join organizations, attend seminars or participate in trade associations that may be relevant to your business

## C2C Forum At A Glance:

“Running Lean: A Roundtable on Small Law Department Practices”

### Co-Chairs:

- > **Deidra Gold**,  
Senior Vice President, General Counsel & Secretary, United Stationers Supply Company
- > **Richard Lavers**,  
Executive Vice President, General Counsel & Secretary, Coachmen Industries, Inc.

### Law Firm Co-Hosts:

- > **Baker & Hostetler LLP**
- > **Jenner & Block, LLC**
- > **McMillan Binch LLP**

### Facilitator:

- > **Norm Rubenstein**,  
Zueghauser Group

don't have all the legal resources they need to deal with all the legal problems their clients face, they often are more dependent on outside counsel. Therefore, it's essential that GCs demonstrate the value of retaining outside counsel and carefully track costs.

Some do this by demanding only senior-level associates work on their cases. Others rely on software solutions. Some, however, believe the key is forging long-term relationships with outside counsel. This not only develops increased efficiency, they argue, but also can lead to significant savings.

For instance, Richard Lavers, executive vice president, general counsel and secretary of Coachmen Industries Inc., an Indiana-based manufacturer of recreational vehicles and modular homes, established a two-step process when developing partnerships with law firms. His first step is to pick firms that treat him like he is their main client and show an interest in learning about his company's business.

"We have to be an important client to that firm," Lavers says. "The result is a lot more knowledge about each other, which is extremely important when handling cases. We can discuss issues up front, evaluate it up front and do a target resolution. Part of the whole purpose of the convergence is to establish trust."

Once he has chosen a firm, he then assigns cases using a computerized case-management system. Through the system, Lavers sends an e-mail to a firm when he needs help with a matter. If a law firm accepts the case, the firm replies via e-mail. Lavers then negotiates fees with a law firm, which is based on the cost of resolving similar matters in the past.

The result: Lavers spends less time on bill review and has eliminated the need for a billing clerk. In addition, he can pay the bills faster, has reduced outside counsel costs and is better able to manage billing information.

"We've eliminated about four steps of paperwork, and we no longer have any arguments with our in-house clients about why we are paying so much on a particular bill," Lavers says. "They know what to expect up front."

### Balancing Act

While managing outside counsel costs is essential to the success of a GC working in a small legal department, so too is developing knowledge about the company's opera-



Scott Fehlan, general counsel of Universal Access Global Holdings Inc. (left); David Butler, partner, McMillan Binch LLP.



Wendy Freyer, general counsel of Drane & Freyer Ltd., speaks about building a fulfilling legal career in a small department.

tions and culture.

Howard Malovany, vice president, general counsel and secretary of Chicago-based Wrigley Jr. Co., believes GCs of small legal departments need two types of knowledge to succeed. The first is hard knowledge, which includes learning about patents,

trademarks, agreements and business plans. Much more difficult to attain is what he calls "soft knowledge"—the ins and outs of the company's operations.

"Soft knowledge is locked into each of our heads, and it grows daily because we're inundated with information," Malovany

# Conference Candids



Jerry S. Solovy, partner at Jenner & Block, chats with the Solicitor General of the United States, Theodore B. Olson.



Attendees check their e-mail at LexisNexis' exhibit booth.

says. "The real test is how you capture that and put it in place where everybody can access it."

To help his team access this knowledge, Malovany holds weekly staff meetings with his 12-member legal team, which includes lawyers in Germany, Russia and China.

"These meetings not only allow us to connect all the members of the law department, but they also make sure that all of us know what's impacting the entire organization around the world," he says.

In addition, Malovany organizes breakfast briefings about every four to six weeks in which senior leaders within the organization discuss their role with the lawyers and learn how they can use in-house lawyers more effectively. Malovany believes these meetings increase productivity and innovation.

"If you don't get new information or look at information, you can't change the result to what the organization strives for," Malovany said. "Each one of us is challenged everyday to do things faster and cheaper, but we don't have unlimited head counts or budgets, so we have to do it with fewer resources."

## Growth Opportunities

This type of knowledge also can help GCs in small legal departments expand their roles beyond law. For instance, Roger H. Marks—senior vice president, general counsel and secretary of H<sub>2</sub>O Plus, a Chicago-based manufacturer of beauty products—is not only the company's

## Working With Less

Name	Title	Company	Legal Department Size
Roger H. Marks	Senior Vice President, GC & Secretary	H2O Plus	1 lawyer, 1 assistant
David Graff	Executive Vice President & GC	Edison Schools	3 lawyers, 2 assistants
Wendy Freyer	GC	Transwestern Investment Co.	3 lawyers, 2 paralegals, 4 assistants
Richard M. Lavers	Executive VP, GC & Secretary	Coachmen Industries Inc.	4 lawyers, 1 paralegal, 1 legal secretary, 2 claims investigators/managers
Howard Malovany	Vice President, GC & Secretary	Wrigley Jr. Co.	12 lawyers, 15 support staff, 2 legal interns

lawyer, but he's also president of its international division.

"In some of the larger companies, lawyers are trained not to think beyond the legal role, and therefore stepping outside that legal box can be viewed as challenging or risky to one's legal career," Marks says. "But it is for that very reason that integrating yourself as much as possible with the businesspeople will reduce the barriers to assuming additional responsibilities within the company. In addition, it allows you to provide more value to your organization."

Whether you're a go-getter like Marks—whose career path led him to take on additional responsibilities—or your focus is

solely on the company's legal issues, life in a small legal department requires a proactive GC. And although the rewards of working at a small legal department may seem few and far between, the satisfaction is in having much more of an impact on the organization's success.

"Working in this environment is exhilarating and fascinating, but it presents some balancing challenges," says Wendy Freyer, partner at Drane & Freyer Ltd., and general counsel of Transwestern Investment Co. in Chicago. "But if you approach the ebb and flow of practice with a glass half full approach, you can be productive and, at the same time, move the enterprise forward." ♦

Throughout the day's discussions, four best practices repeatedly rose to the surface as GCs shared their varied experiences and learnings.

### **Harness the power of the business clients.**

GCs should proactively empower their business clients to make low-risk decisions and sign related documents without turning to the legal department. Education and training must be a primary focus as more work is pushed back to non-lawyers. By working with business clients to understand why a form has to be a certain way—even if it means reviewing the document side-by-side with the client—GCs delegate some of the decision making and create a sense of shared responsibility. Business clients learn to answer the critical questions—What are your business objectives? What discussions have you had? What negotiations have you had?—before utilizing the Legal Department's resources.

### **Utilize non-lawyer resources.**

It goes without saying that paralegals can serve as a critical resource in a small legal department. Savvy GCs tap the talents of other non-legal resources too. Formerly at Universal Access Global Holdings Inc., Scott Fehlan, general counsel, hired a contract negotiator who's a non-lawyer. "Sales looked at legal as this kind of black box holding up the deals. Often, we'd discover that it was a business issue holding up the process, not a legal issue at all. So we brought someone in from a different business unit who had negotiated contracts for 20 years at large telecom companies. And we gave her the authority to negotiate within certain parameters."

### **Analyze what work to send out and what to keep in-house.**

Many GCs find that keeping the mundane, day-to-day work in-house, while farming out litigation and other big ticket matters, is the most efficient use of time and resources. Don't make this assumption, however, without some accompanying analysis. Susan Greenfield, vice president, legal, Palace Sports, learned that, due to the diverse nature of the potential litigation, it was better handled in-house. "The results of an adverse litigation could be very detrimental to us so I do as much of the litigation hands-on as I can. I handle the interrogatories, investigate each of the claims and talk to each of the people involved. I save costs that way and I know just as well as the outside lawyer what's most likely to happen in this case and what the best result can be."

### **Find external counsel who will serve as an extension of the legal team**

As Deidra Gold succinctly stated, "I look for outside counsel who not only deliver practical legal advice, but who also have the bench strength to deliver the resources needed to supplement and support our small law department. I spend a fair amount of time on selection of outside counsel and then seek to build long-term relations with key outside firms, because that's an important investment in the future effectiveness of our overall legal services delivery. I am helped by outside counsel who truly partner with us and get to know the company." GCs need to find outside counsel who understand the company and the risk calculus the GC must perform. Said Robert Slaughter of Jenner & Block: "At each critical decision point, the outside advisor should be able to help you make an informed decision. 'What's the cost of going ahead and what is the likely outcome?' They should be able to help you make a rational decision and not an emotional one."



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