



Global Agenda Study Report

Issues & Priorities for Senior In-House Counsel Worldwide



A study conducted by the World Law Group
in conjunction with LexisNexis® Martindale-Hubbell®



Autumn 2012

Contents

Introduction and Acknowledgements	i
Executive Summary	iii
Part 1: Survey Participants Worldwide	1
A Broad Respondent Base of Top Counsel	2
Major Respondent Countries	2
Head Offices Concentrated in Developed Economies	3
Broad Industry-Sector Representation	4
Respondent Company Size	4
Insights from Most Senior Legal Executives	5
Part 2: Key Issues and Priorities	6
What Global Counsel Are Worrying About	7
Key Priorities for the Legal Function	9
Top Areas of Concern: Regulatory Enforcement	11
Risks Increase with Legal Resource Cutbacks	13
Perspectives on Government-Corporate Relations	14
Part 3: The In-house Department and Emerging Markets	15
Satisfaction with Emerging/High-Growth Market Coverage	16
Emerging/High-Growth Markets Requiring Most Attention	17
Top Challenges in Emerging/High-Growth Markets	17
Part 4: Strategies for High-Performing Legal Departments	19
Reporting Structures for Highly Engaged Legal Executives	20
Job Satisfaction Among Law Department Leaders	21
Winning Efforts to Increase Efficiency	23
Golden Rule: Get Closer to the Business	23
Continuous Improvement in Knowledge Management	25
Shifting Use of External Service Providers	26
Types of Work Kept Inside or Sent Outside	27
Use of Law Firm Ratings/Rankings Varies Widely By Region	28
How Corporate Counsel Can Use This Report	29
Study Methodology	31



Introduction and Acknowledgements

This report is the fruition of several months of work on a project undertaken by the World Law Group and our project partner, LexisNexis® Martindale-Hubbell®, to gain a better understanding of the current key issues and priorities of senior in-house counsel of major global companies worldwide. The report summarizes major findings of a comprehensive survey conducted between April and May 2012. (See a brief description of the methodology on Page 31.)

Our goals were twofold. First, we sought to provide WLG member firms with that “better understanding” described above. We wanted to present a “world view” of the major concerns faced by senior in-house counsel working for multinational organizations (many of which are also clients of WLG member firms). We also sought insight into how these challenges are being addressed by law department leaders, and how external providers of legal services – e.g., our member firms – can best assist.

Second, we thought senior in-house counsel themselves would benefit by having access to current information on how their key concerns (and strategies for addressing them) compare with those of their peers in other global companies. We hope you will find this report useful, for example, in educating your in-house team and organizational leadership about the legal management priorities of other major global enterprises. You may also wish to compare and share data with colleagues on what areas are currently most important for investment and management focus.

Please let us know what you find most useful in this report and what additional areas you would like us to explore in future editions of the Global Agenda study. We welcome your comments and questions.

Acknowledgements

The project sponsors would like to thank World Law Group President David N. Kay, the WLG Board of Directors and WLG member firms for their support of this undertaking. We would also like to acknowledge the guidance, insight and tremendous contributions of Leigh Dance of ELD International throughout this project. The input and support provided by Bryn Hughes and Derek Benton of Martindale-Hubbell were invaluable. Thanks also to the World Law Group’s Shelley Boyes and Beth Castro for their extensive work and dedication.

We extend a special thank you to the many senior in-house counsel worldwide who provided guidance and feedback during the project and who participated in the Global Agenda survey. This report would not have been possible without your assistance.

About World Law Group

The World Law Group is a network of 52 leading independent law firms encompassing more than 16,000 lawyers in 290 business centres worldwide. Visit www.theworldlawgroup.com.

“To present a world view of the major concerns faced by top in-house counsel in global companies, and how they are being addressed.”

About LexisNexis Martindale-Hubbell

Martindale-Hubbell® helps international law firms enhance their online presence and drive more prospect enquiries through professional profiles on *martindale.com*® and coordination of Martindale-Hubbell® lawyer ratings.

Visit www.martindale-hubbell.co.uk.

About ELD International

ELD International is a leading management consultancy in the global legal services arena, working with corporate law departments, law firms and networks on productivity and performance in legal services around the world.

Visit www.ELDIInternational.com.

Study Distribution

This study report will be shared with World Law Group law firm members and their clients, and with clients and colleagues of Martindale-Hubbell, as well as with all survey participants and select business and legal media.

Selected areas will be further analyzed and offered to WLG member firms worldwide to guide development of their strategies and tactics for serving global corporate counsel.

Executive Summary

Background to the Global Agenda Study

The in-house legal functions of major corporations and institutions have gone through massive change in the last decade, as business continues to globalize. These organizations' operations and investments routinely cross multiple jurisdictions where they contend with myriad local, national and regional laws – with differing interpretations and enforcement requirements in each country, not to mention differences in culture and modes of doing business.

Navigating this maze is the law department's great challenge, as in-house counsel seek to protect reputation and reduce risks for the organization and its stakeholders, to understand and comply with so many laws and regulations, to cover growth in product and service lines as well as in new markets worldwide – and do all of this in an uncertain economy with increasingly limited resources. This is far more than a strictly legal challenge, and law departments globally are continuously learning how to respond to these demands through improvements in planning, management, staffing and operations, including outsourcing.

To obtain a clear view of global corporate counsels' major concerns and priorities today, the World Law Group, in partnership with Martindale-Hubbell, decided to undertake a ground-breaking study of corporate law departments around the world.

Respondents to this in-depth survey, conducted in April and May, 2012, are largely very senior corporate counsel – in most cases, the head of the organization's legal function or a division General Counsel reporting to the head of the global legal function – of large global corporations (75% work in organizations with more than \$1 billion in annual revenues; 25% in companies with over \$20 billion in turnover). Respondents come from 33 countries on five continents, with more than 20% of the responses coming from China. (See Pages 1 to 5 for a detailed look at our survey participants.)

Most previous "global" studies of senior in-house counsel are geographically biased due to a majority of respondents being based in one region, most often the U.S. or U.K. Other studies focus almost exclusively on the relationship between in-house law departments and their external counsel.

This study provides deeper and broader clarity and new insights about today's agenda for leaders of truly global corporate law departments. As mentioned in the Introduction, corporate counsel can use these findings to educate their teams and organizational leadership about the legal management priorities of other major global enterprises.

World Law Group member law firms and other providers of services to corporate counsel can use these findings to better understand their global clients' current needs, and shape their service offerings accordingly. We have noted some opportunities in this report.



“Law departments globally are continuously learning how to respond through improvements in planning, management, staffing and operations...”

A study conducted by the World Law Group in conjunction with LexisNexis® Martindale-Hubbell®

“Global law department leaders are juggling priorities and trying to achieve progress on several fronts at one time...”

“67% of those who have seen cutbacks think that risks to their company have increased.”

Top-line Findings

The charts and analysis in this report paint a picture of global in-house law department leaders who are pro-actively re-engineering and re-tooling their functions for higher performance and greater efficiency to respond to increasing demand. They are juggling priorities and trying to achieve progress on several fronts at one time, often without particular skills that may be required. Their top concerns cannot be taken lightly:

1. Meet demand for our (in-house) services given resource constraints;
2. Effectively cover our legal risks in high growth/emerging markets;
3. Manage so many compliance challenges; and
4. Keep up with constant change in our business (a close fourth).

They are ambitious about making changes to address these challenges, with one out of two respondents citing “improve our compliance capability” as a top priority.

Other priorities high on their lists are:

- Reducing external costs of the legal function;
- Reorganizing/restructuring the in-house legal function for higher performance/productivity; and
- Improving knowledge management capability.

(See Pages 6 to 10 for more information on top concerns and priorities of our survey respondents.)

Difficult Compliance & Government Relations Scenes

Regulatory enforcement areas of greatest concern to survey respondents are nearly equally: 1) anti-bribery/anti-corruption; and 2) antitrust/competition. Not far behind those two is data privacy/data protection. (See Pages 11 and 12 for more information, including how compliance challenges varied among industries and regions.)

Adding to the regulatory complexity is a fair degree of tension in relationships between governments and corporations today. From a list of a dozen adjectives provided as options to best describe the interaction between governments and global corporations today, respondents overwhelmingly selected “inconsistent,” followed by “aggressive” as the best descriptors. (See Page 14.) Nearly 10% of respondents provided open-ended comments, often noting that the situation varies significantly from country to country. This suggests that the achievement of a “level playing field” for multinational companies, as pursued by the World Trade Organization and other global trade-promoting organizations, is still an elusive goal.

Resource Cuts Pose Increased Risk

Given the pressure in-house leaders are under to reduce the costs of legal services (across a broader, more complex landscape), it is perhaps not surprising that, among those who have seen cutbacks in resources, 70% of all respondents think that risks to their company or institution have increased. Are in-house counsel and their law firms adequately communicating to executive leadership about the increased risk exposure? It is a valid and vital question that every General Counsel should ask. (See Page 13 for more on what participants say about resource cutbacks and increasing risk.)

“One out of four respondents are not satisfied with their ability to cover their organization’s needs in emerging and high-growth markets.”

Challenges of Emerging and High-Growth Markets

There is remarkable breadth of legal department involvement in new markets, with 40 emerging/high-growth jurisdictions mentioned by respondents as requiring significant attention. Brazil, Russia, India and China (the much-discussed BRIC countries) continue to require the greatest attention for legal services. Top challenges for global corporate counsel respondents in emerging/high-growth markets are:

- a) Understanding local and regional laws and regulations;
- b) Keeping up with the pace of growth and demand for legal support and;
- c) Finding capable outside counsel at a reasonable cost.

Providing legal support from a distance and finding capable in-house lawyers at a reasonable cost were nearly tied as the fourth greatest concern.

On a global basis, one out of five global counsel respondents say they are dissatisfied with their legal function’s ability to cover their organization’s needs in emerging and high-growth markets. In actively expanding jurisdictions such as China, more than two out of five are dissatisfied.

(See Pages 15 to 18 for more global counsel insights on emerging markets.)

Law Department Leaders, Job Satisfaction and the Executive Suite

The good news is that 88% of respondents worldwide say they have direct access to their organization or division leadership. This is a big improvement from a few years ago and a demonstration of the growing impact and status of corporate counsel today. However, there is still room to improve: when it comes to business strategy and key business decisions, more than 30% of respondents are not satisfied with their involvement.

Respondents also shared some interesting information about whether they like their jobs more or less today than they did a few years ago and the reasons why. (See pages 19 to 22 for more data on in-house function leaders’ executive suite roles and satisfaction with their jobs.)

Strategies for Improving Law Department Performance

General Counsel are undertaking a range of initiatives to improve efficiency and productivity in the in-house function. There was a range of opinion on the single key element that would help law departments to perform better but that chosen by most respondents was, as we often hear, “closer integration with the business.” Many respondents are taking active steps to further that integration.

And, while most think highly of their current knowledge management (KM) capabilities, a majority appear to believe that continuous improvement in KM will remain a key strategy for meeting increased demand for services and reducing costs.

A study conducted by the World Law Group in conjunction with LexisNexis® Martindale-Hubbell®

“Some questions yielded big differences among responses. Contact us for study results by region and industry sector.”

Additional Findings

Consult the Table of Contents for other noteworthy findings provided in this report. They include:

- Legal work most often outsourced,
- Use of outside providers including legal process outsourcers, and
- Use of law firm ratings/rankings.

We believe much of the data in this report will be very useful in providing specific directional information and trends about legal functions in global enterprises. We have also analyzed the data by key industry sectors participating and by geographic regions, and compared those findings to the global group. Some of those comparisons are provided here. If you would like more information, please contact Shelley Boyes at sboyes@theworldlawgroup.com.

Part 1: Survey Participants Worldwide



Participants are based in 33 countries on five continents, and work for organizations with headquarters in 29 countries. The average size of their companies is large: 25% with more than USD 20 billion in revenue, 17% with from USD 10 to 20 billion, 27% with from USD 1 to 10 billion.

Half hold the title of Chief Legal Officer or General Counsel, and one quarter of respondents are division, regional or deputy General Counsel. Forty-one percent report to the Chairman, CEO or equivalent.

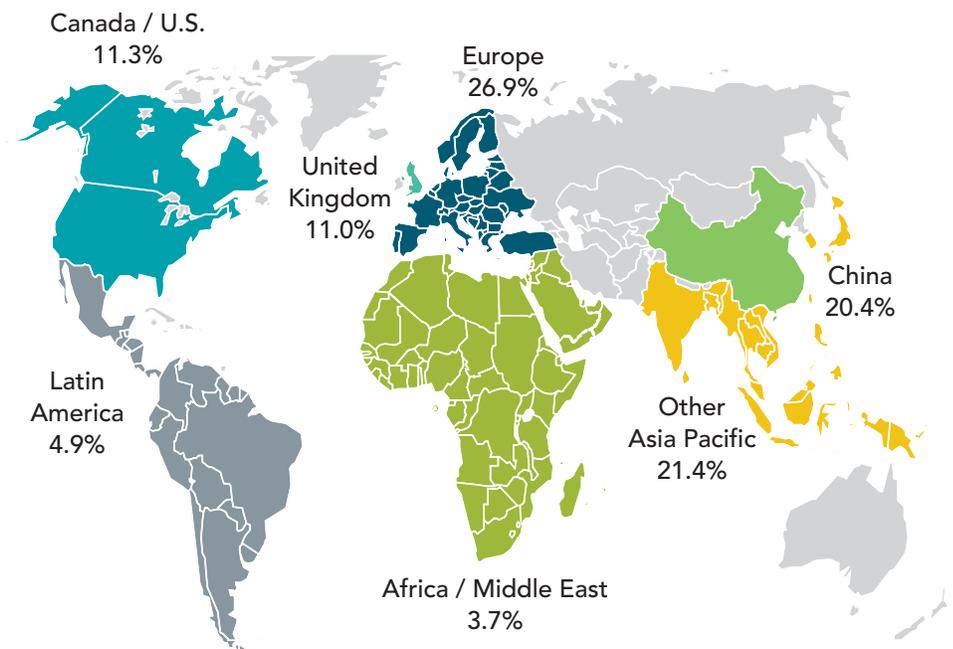
A Broad Respondent Base

Respondents to the first Global Agenda survey of senior in-house counsel are well distributed worldwide, with an exceptional response from China (where the survey was translated into Mandarin), which accounts for 20% of all responses. Responses from several other Asia-Pacific countries account for another 21.4% of total responses. Mainland Europe represents nearly 27% of respondents. North America and the United Kingdom (typically the most frequently surveyed regions) are somewhat less well represented. We welcome the global breadth of this survey and also hope to increase response in certain regions in a future edition of this study, including Latin America and Africa.

FIGURE 1

In which country are you based?

(Responses by region)



(Note: In some instances, responses from the U.K. were analyzed separately from those from the rest of Europe for comparative purposes.)

Major Respondent Countries

The survey asked where responding corporate counsel are based, in addition to where their companies are headquartered. The high response from China provides an excellent window into corporate counsel views in this enormous, high-growth market. Among other major respondent countries in the Asia-Pacific region are Japan, Hong Kong, Singapore, and India.

In Western Europe, we saw a proportionate percentage of responses in every country except Germany, which was somewhat under-represented (at only about 2% of total survey responses). The U.K. accounted for 11% of the total and the Republic of Ireland another 1.5%.

Among countries in the Middle East, the largest response came from the United Arab Emirates.

Region	Major Respondent Countries			
Europe (26.9%)	Italy	4.6%	Spain	3.1%
	France	4.3%	Netherlands	2.5%
Other Asia Pacific (21.4%)	Japan	6.7%	Singapore	3.4%
	Hong Kong	4.6%	India	3.1%
Canada / U.S. (11.3%)	U.S.	8.4%		
	Canada	2.9%		
Africa / Middle East (3.7%)	UAE	2.5%		

FIGURE 2

Major Respondent Countries

Head Offices Concentrated in Developed Economies

The eight countries shown in Figure 3 are global headquarters for approximately two-thirds of total respondents. The U.S., China, U.K., Western Europe and, to a lesser extent, Japan, account for the lion's share of respondents' head offices. Of the 20.4% of respondents based in China, 41.8% work for companies based elsewhere, primarily in the U.S. Others among the 33 countries where the employers of our respondents based their head offices – each with less than 3% – are Argentina, Austria, Belgium, Brazil, Canada, Chile, Colombia, Czech Republic, Denmark, Estonia, Finland, Hong Kong, India, Mexico, New Zealand, Norway, The Philippines, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand and the United Arab Emirates.

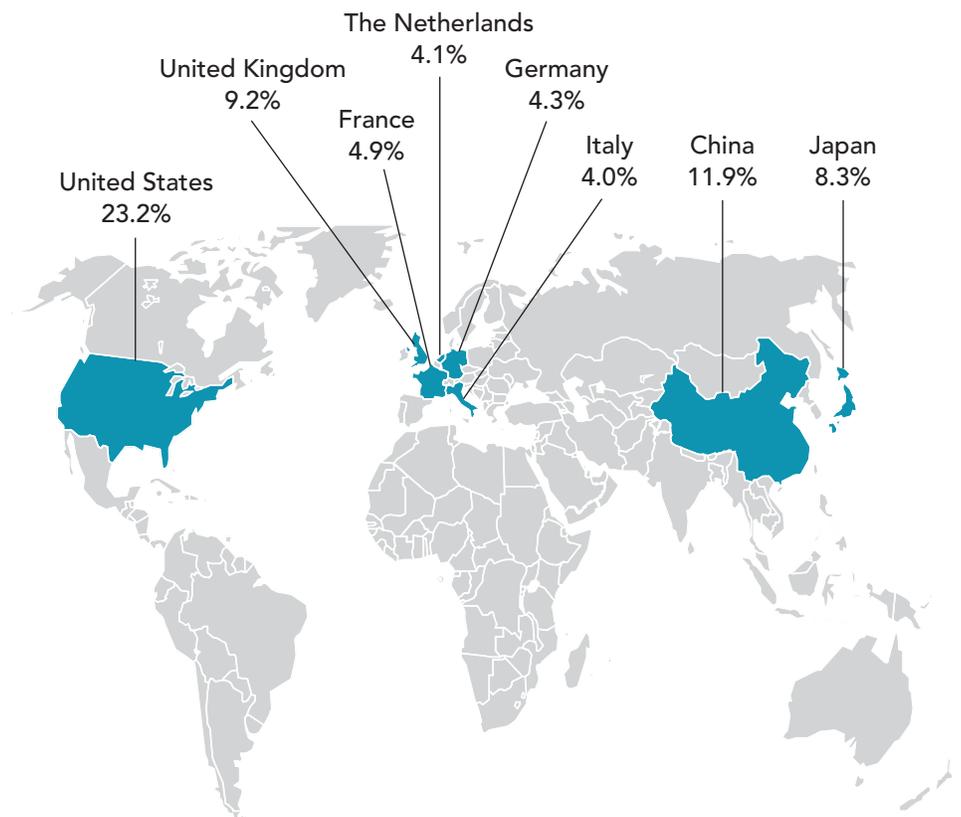
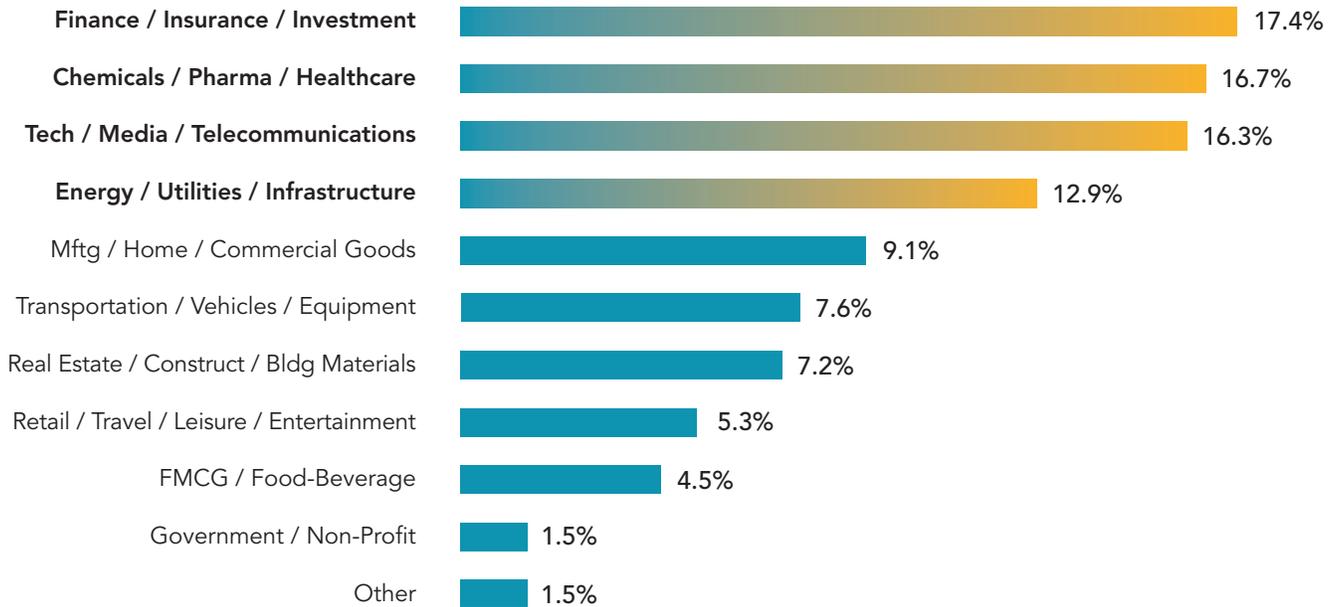


FIGURE 3

Where is your organization's head office?

FIGURE 4

What is your organization's industry sector?

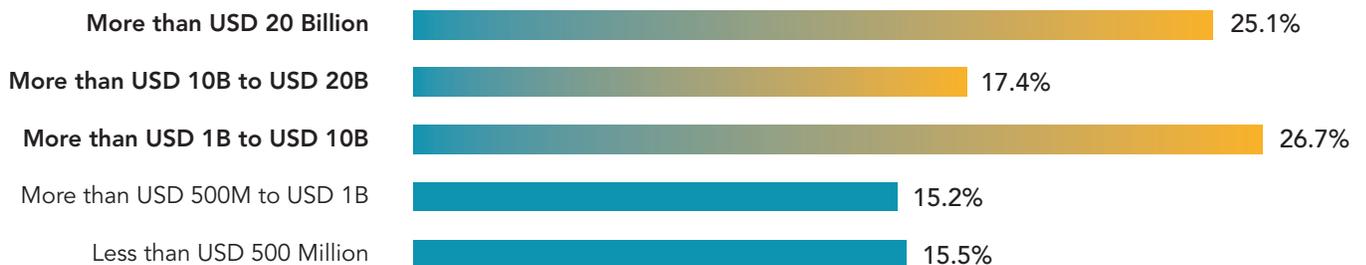


Broad Industry-Sector Representation

Participants in the Global Agenda study are well distributed by industry sector, with the four largest groups working in sectors that are now dominated by global-scale businesses: financial services; chemicals, pharmaceuticals and healthcare; technology, media and telecommunications; energy, utilities and infrastructure.

FIGURE 5

What was your company's approximate 2011 annual revenue/turnover?



Respondent Company Size

For the first Global Agenda study, we targeted the most senior law department leaders of the world's largest companies, whose company size and access to resources tend to enable them to adopt new technologies and management innovations earlier. Nearly 70% of respondents work in organizations with more than USD one billion in annual revenue.

(Note, in table below, "B" = billion; "M" = million)

Insight from the Most Senior Legal Executives

Nearly half of the survey respondents hold the title of Chief Legal Officer (CLO), General Counsel or a title equivalent to head of the in-house function. Another 37% would, in most cases, directly report to the top legal executive. Figure 7 validates the above responses with nearly 39% of respondents indicating they reported to the CLO or equivalent and another 41% reporting to the Chief Executive Officer (CEO), Chairman or their equivalents.

FIGURE 6

What is your job title?

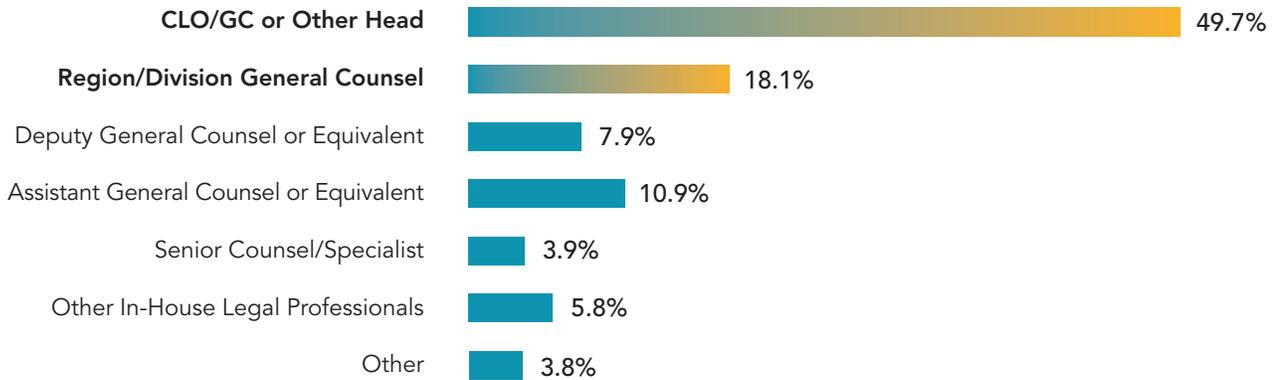
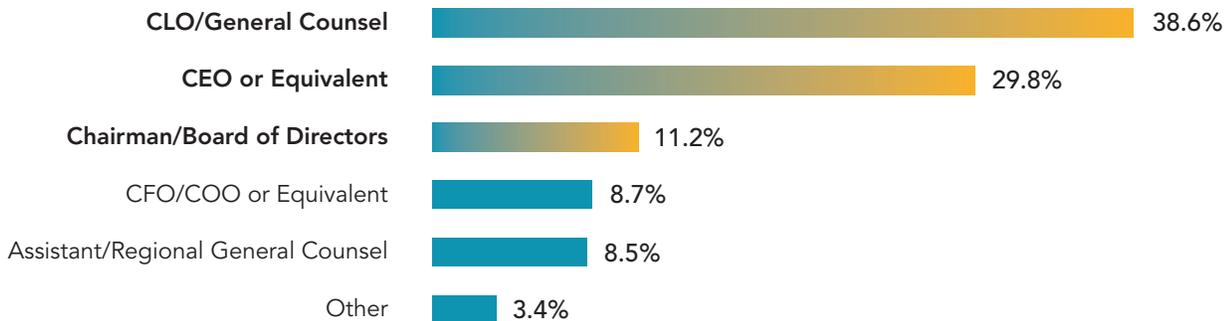


FIGURE 7

To whom do you report?



Part 2: Key Issues and Priorities



This part of the report gives you an insight into the agendas of global in-house counsel leaders for 2012 and beyond. The study editors' primary conclusion is that senior global counsel have a far wider range of challenges than ever, requiring a diverse mix of skills and resources to address. If you are a General Counsel and some of these issues and priorities are not on your agenda, you may want to consider their relevance to your organization, and consult with peers in your region. Other law department leaders may want to assess priorities, as it is unlikely you can address the many concerns raised here all at once.

If you are a private practice lawyer or other provider of services to corporate counsel, you may want to think about how you can structure or deliver your services to respond to these priorities, and talk with your corporate counsel clients.

“Worry Number One: trying to cover high demand for legal support worldwide with limited resources.”

What Global Counsel Are Worrying About

In this question, respondents were asked to select their “top 3” concerns in meeting their company’s legal needs over the next 12 months, from a list of 10 choices provided (plus an open-ended “other” option). “Meeting demand for legal services given resource constraints” is clearly the top worry for most of these counsel worldwide. Following that, nearly tied are concerns about legal risks in emerging/high-growth markets and compliance challenges – really subsets of worry number one. Next comes concern about keeping up with the fast pace of change in businesses today, a reality of corporate life in a volatile economy.

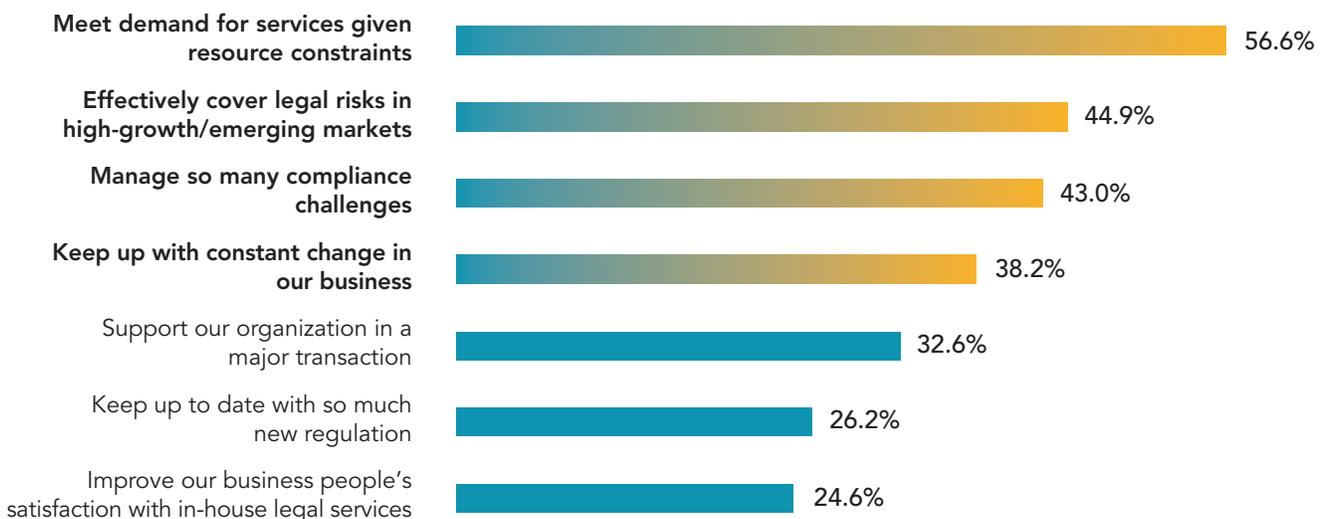
From region to region, the ranking of concerns varies somewhat, though the top ones are shared to some degree by global in-house counsel worldwide. In Asia, concerns about covering legal risks in emerging/high-growth markets are paramount, followed by meeting demand for services given resource constraints, and then by “managing so many compliance challenges”. In Latin America, concern with compliance challenges is tied with increasing demand for legal services. Among U.S.-headquartered companies worldwide, covering legal risks in emerging/high-growth markets was the second highest concern, ahead of managing compliance challenges.

Obviously, legal department leaders today are juggling many challenges and changes, particularly considering that nearly 75% (see Page 13) have also seen cutbacks in financial and other resources available to the legal function. Later in this report, we also look at some of the strategies respondents are deploying to “do more with less.” With the number of challenges that corporate counsel face, many are turning to productivity enhancement, better resource management and cost-saving measures to meet these new realities – and asking their providers for help in those efforts.

FIGURE 8

What are your top three concerns in meeting the legal services needs of your company over the next 12 months? (All responses)

(Note: In several of the following charts, percentages total more than 100% because respondents were asked to provide more than one response.)



“Respondents from China are more concerned about supporting their organization in a major transaction and less concerned with managing compliance challenges.”

Top Concerns Differ Among Chinese Respondents

Comparing the responses of the 20% of Global Agenda survey participants from China to this question versus those of all other respondents yielded a few interesting differences (Figure 8.1).

First, for respondents from China, concern with the law department’s ability to support the organization in a major transaction is among the top concerns. This may be due to the quantity of transactional work created by growth in China, vis-à-vis the relatively low transactional activity in much of the developed world. Respondents from China are less concerned about managing compliance challenges than are their counterparts in other regions globally, including Asia on the whole. This finding may be due to the evolving compliance regime in China in areas such as employment, health and safety, and the environment. Some readers may believe this lends some credence to comments, often made by foreign-based multinationals, of “inconsistent” enforcement by Chinese regulatory authorities when it comes to policing of domestic enterprises versus their foreign-owned competitors.

(On a related front, see Page 11 for differences between areas of regulatory enforcement of most concern to respondents.)



“Behind the compliance push is stepped-up regulatory enforcement in many countries, often with big fines and penalties.”

Key Priorities for the Legal Function

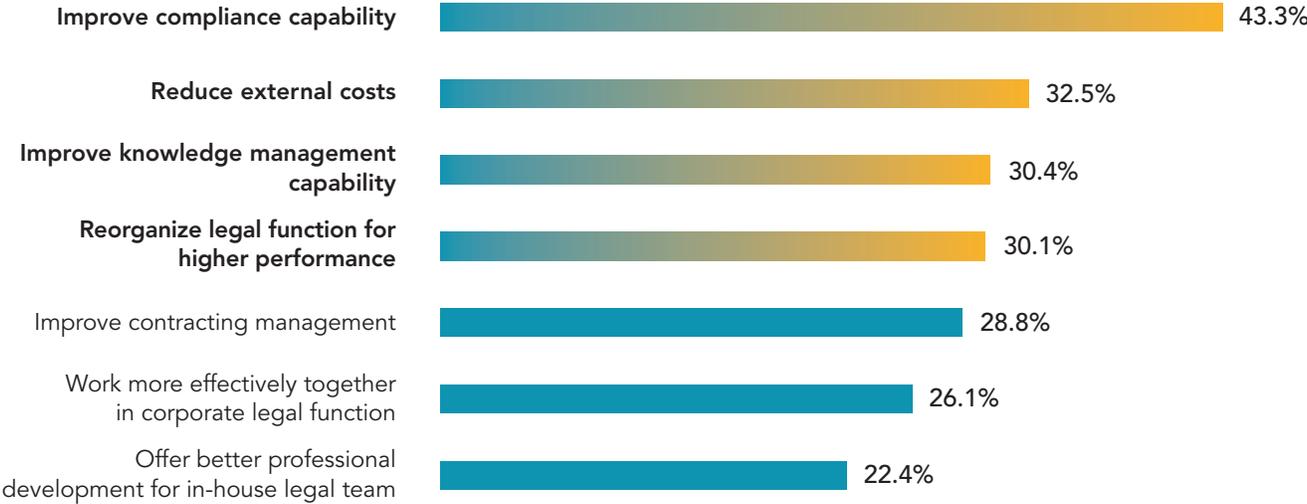
Not surprisingly, considering the significant concern with “managing so many compliance challenges” expressed by respondents in the previous question, improving their organization’s compliance capability is a key priority for many in-house department leaders. What is behind this is awareness of stepped-up enforcement by regulatory authorities in many regions, particularly in anti-corruption, competition and privacy / data protection, among other areas. Indeed, this has been a consistent theme at every forum involving general counsel of major multinationals in recent years. (See Page 11 for respondents’ top regulatory concerns.) Robust compliance programs are becoming more essential to reduce the risk of enforcement actions.

Among respondents worldwide, the second top priority over the next year is “reducing external costs of the legal function.” External service providers – primarily law firms – should note that corporate law department leaders are deploying every weapon in their management arsenal to reduce their reliance on – and cost of – the services external counsel provide.

Reducing costs is the second priority to “improving compliance capability” in every region of the study except Asia, where it comes behind “improving knowledge management capability” and “improving contracting management support.”

FIGURE 9

What are the three most important priorities for your legal function over the next year? (All responses)



“For China-based corporate counsel, reducing external legal costs is definitely not among the priorities, in stark contrast to other respondents.”

Top Priorities in China Differ Too

Again, there were some notable differences in the responses of participants from China versus other Global Agenda survey respondents. While responses from China follow those from Asia regionally, the differences are more significant overall.

First, there is a dramatic drop in focus on reducing external legal costs among Chinese respondents, as well as somewhat less emphasis on reorganizing the legal function for higher performance. Instead, legal department leaders in Chinese companies and China-based operations of multinational companies appear to be focused on improving the technical and teamwork skills of their in-house teams.

Determining to what extent these differences are cultural or due to China’s still-emerging market status (including lower fee structures offered by external providers, particularly law firms) are beyond the boundaries of this study. But external providers, especially those new to or just expanding into China, should take note and determine how they can assist in-house leaders there to achieve these goals.

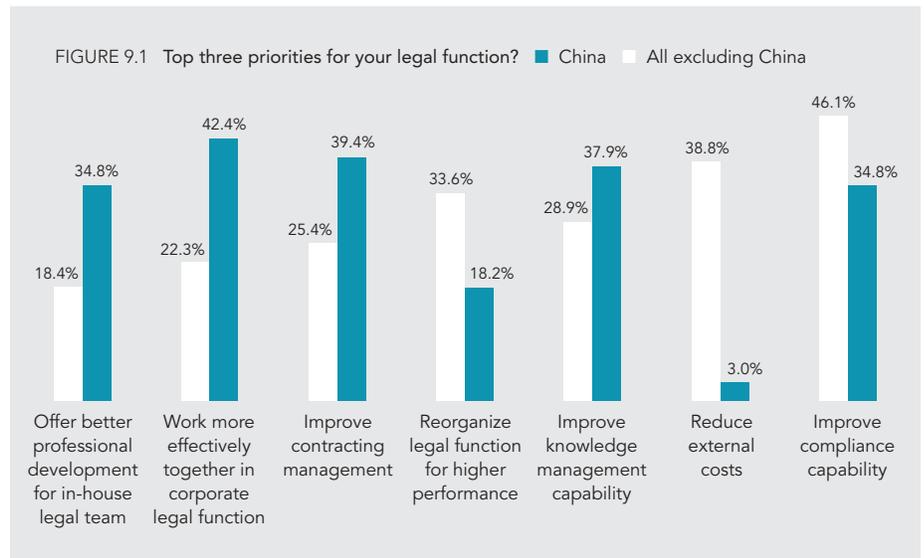
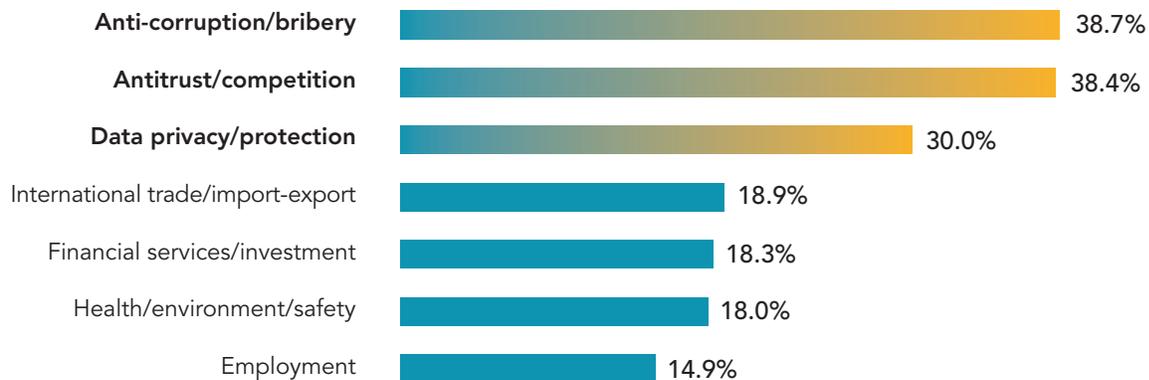


FIGURE 10

What two areas of regulatory enforcement present the greatest concern for you today?
(All responses)



Flexing Muscle in Data Privacy/Protection Enforcement

As noted right, regulation and enforcement by regional and national data protection authorities has significantly increased in many regions, particularly as it relates to new technologies and cross-border transfers of individuals’ personal information. (The WLG’s Privacy Matters Practice Group examined the intersection of compliance with whistleblowing reporting schemes and privacy regulations in 29 jurisdictions in its *Global Guide to Whistleblowing Programs* published earlier in 2012, which can be downloaded from www.theworldlawgroup.com).

Top Areas of Concern: Regulatory Enforcement

No surprises here, given recent, high-profile actions under the United States’ *Foreign Corrupt Practices Act*, the introduction of the United Kingdom’s *Bribery Act*, and a continuing focus on anti-competitive mergers and business practices by the European Commission and many national authorities. There was a near tie among survey respondents selecting anti-corruption/bribery and/or antitrust/competition as areas of regulatory enforcement of most concern today for the total global counsel response group.

What is interesting is the marked differences in regulatory enforcement concerns in certain regions. In the U.S. and Canada, data privacy and protection ranked first, which again, is not surprising given aggressive enforcement authorities in both countries and the spectre of follow-on class actions arising from data breaches, particularly in the former. This was the only region where privacy ranked ahead of anti-corruption/bribery. Health/environment/safety placed third while, uniquely again, antitrust/competition did not appear among the top five concerns of respondents in Canada and the U.S.

In Asia, antitrust came first, followed by anti-corruption/bribery, with data protection placing a distant third, and health/environment/safety a distant fourth. In Latin America, health/environment/safety was the greatest concern, followed by data privacy and protection, and anti-corruption in third place, tied with employment regulation.

These findings perhaps reinforce the characterization by a majority of corporate counsel respondents worldwide of the interaction between governments and the private sector today as “inconsistent” (see Figure 12). While many countries across all regions now have anti-corruption, competition, and data protection laws, and while those laws may have strong similarities, global counsel tell us that all are interpreted and enforced very differently – often even within the same regulatory agency, depending on the prosecutor.

China’s Top Regulatory Concerns

In Figure 8.1, we saw that fewer respondents in China are concerned overall with “managing so many compliance challenges” in terms of meeting the legal services needs of their companies over the next 12 months (31.8% vs. 46% of other respondents).

In looking at top regulatory concerns in China versus other respondents worldwide in Figure 10.1 below, note that while there is a similar concern over three top areas of regulatory enforcement – anti-corruption and bribery, antitrust and competition, and data privacy/protection – there are also some wide differences.

More than triple the number of respondents in China say one of their top concerns is regulatory enforcement in financial services and investment. Also, many more express concerns with employment regulation (perhaps stemming from the country’s relatively recent implementation of its Employment Contracts law, which only became effective in 2008.). Yet concern over health and safety matters barely registers, despite several high-profile reports on insalubrious working conditions in China by western media. On the other hand, while enforcement actions by securities regulators appear to be of less concern elsewhere, for respondents in China, it is much more of an issue.

“In China, while there is similar concern over top areas of regulatory enforcement, there are also some wide differences.”



“More than three out of five senior in-house counsel respondents say that their company’s risks have risen due to budget cuts in their legal function.”

Risks Have Increased with Legal Resource Cutbacks

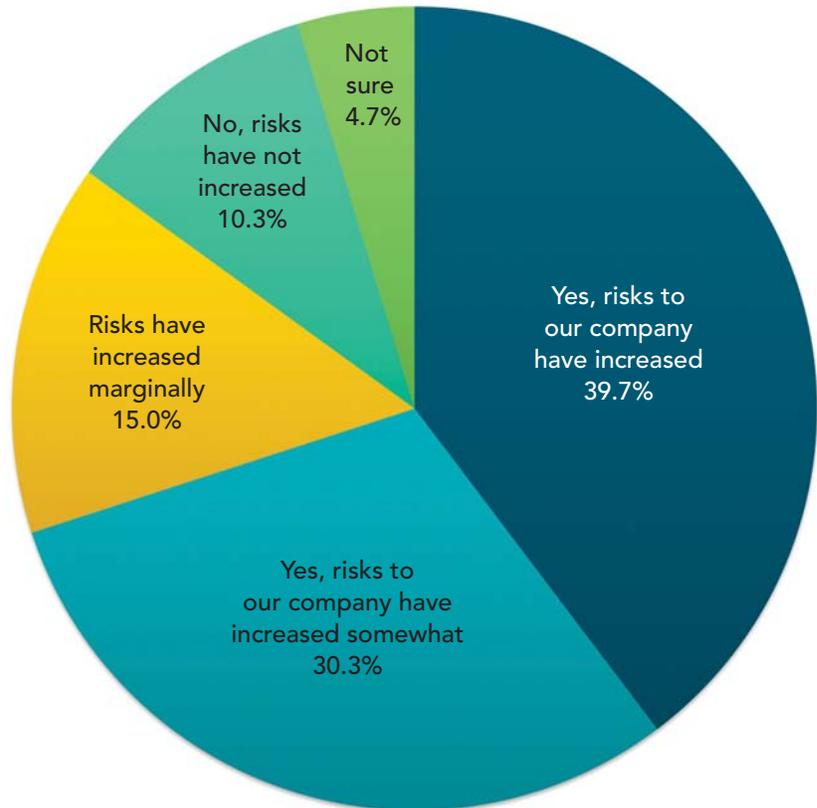
Since the onset of the economic crisis, organizations around the world, public and private, large and small, have focused on reducing costs of all kinds. Most in-house legal departments have not escaped this cost-reduction imperative despite the increasing demand for their services. Nearly three-quarters of all survey respondents say their legal function has experienced recent cutbacks or reductions in financial and other resources. Among those who say they have experienced cutbacks, nearly 70% believe these cutbacks have increased risks for their company.

This view of increased risk implies that budget cuts have affected areas of the in-house function that affect quality of legal support, and are actually reducing in-house leaders’ ability to contain or manage risks. Global in-house counsel would be wise to continually review their resource allocations to be sure that high-risk areas are effectively covered.

An additional concern is whether in-house counsel and their law firms are adequately communicating to executive leadership and the Board of Directors about the increased risk exposure. Headlines such as those that appeared in August, following the announcement by the U.S. Securities and Exchange Commission (SEC) that it had issued its first award of USD 50,000 under its year-old whistle-blower program (through which whistle-blowers can receive monetary awards for providing the SEC with assistance and information concerning possible securities fraud), will no doubt assist senior in-house leaders in communicating this message.

FIGURE 11

Do you think cutbacks or reductions in your legal function resources have increased or will increase risks for your company? (All responses)



“A striking majority sees the interaction of governments with global corporations as ‘inconsistent.’”

Perspectives on Government-Corporate Relations

Global in-house counsel are also dealing with the effects of greater interaction between governments and the corporate sector than ever before.

In this question, we asked respondents to select two adjectives (among eight provided plus “other”) that best described the interaction between governments and global corporations today. Figure 12 shows the seven most frequently selected descriptors.

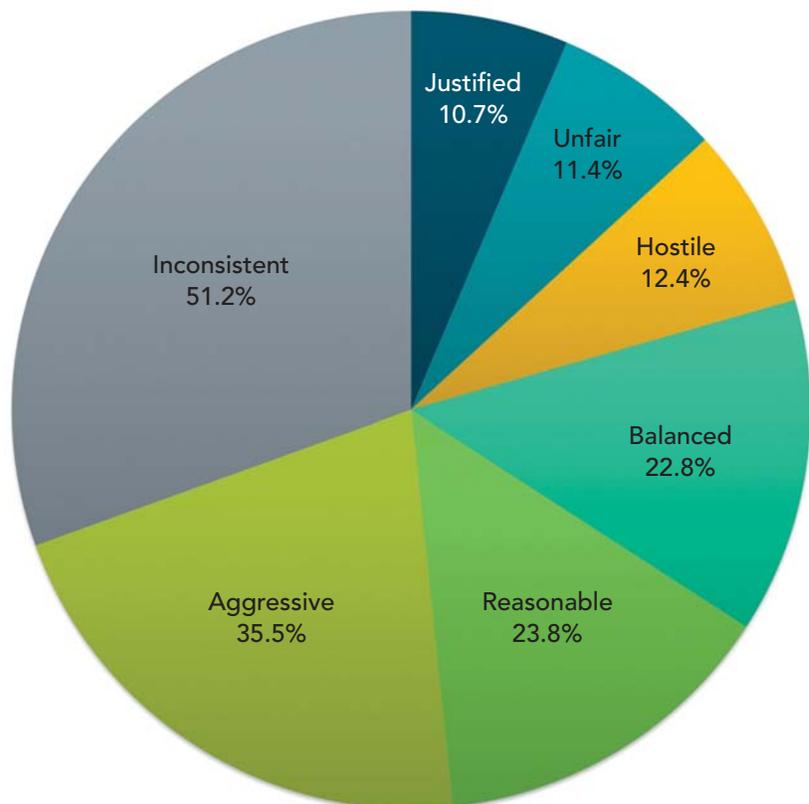
Nearly 60% of respondents reveal a somewhat negative perception of the interaction of governments with global corporations today, as expressed by their selection of at least one descriptor of “unfair,” “hostile” or “aggressive.” Interestingly, 57% indicate a more positive view (choosing “justified,” “balanced” or “reasonable” as at least one of their two responses). A firm majority overall sees the interaction of governments with global corporations today as “inconsistent.”

In follow-up conversations about the strong “inconsistent” response across all regions, senior in-house counsel referred to inconsistency on multiple levels. They say they experience (and are frustrated by) inconsistency, not only based on the size and “home country” of the company, but also in terms of inconsistent enforcement action among regulatory agencies in a single jurisdiction, and inconsistency among prosecutors in the same regulatory authority.

Among the 5.5% who opted to provide an “other” response, the most common was a variation on the practical “depends on the country.” Another 4.5% selected “corrupt” as one of their two words that best describes the government-corporate relationship.

FIGURE 12

In your experience as a corporate counsel, what two words best describe the interaction of governments with global corporations today? (All Responses)



Part 3: The In-house Department and Emerging Markets



In initial conversations with global corporate counsel during the development of the Global Agenda study questionnaire, it became apparent that a major focus was responding to the demands for legal services from emerging and high-growth markets where their companies are active. The study provides an interesting snapshot of the key issues and challenges in emerging and high-growth markets for senior global counsel in 2012.

By region, the challenges vary somewhat, but by far the greatest challenge for global corporate counsel around the world is to understand the local and regional laws and regulations in the many jurisdictions where the company is growing.

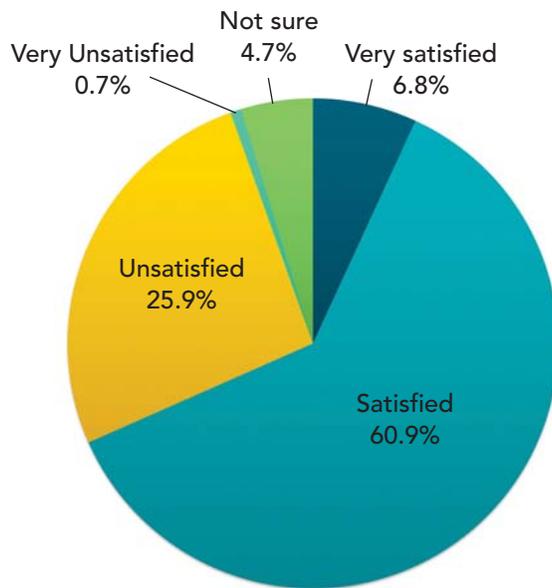
Majority Satisfied with Emerging Markets Coverage

Nearly 90% of the mostly large, multinational companies represented by Global Agenda survey respondents are active in emerging and high-growth markets. Of these, a significant majority are satisfied with the ability of their in-house legal function to adequately cover the company’s needs in those markets, while more than one quarter (26.6%) are not or aren’t sure.

Recently, international law firms have focused much of their expansion into emerging/high-growth markets. However, it is still not clear who corporate counsel will choose to support them over time. Surprisingly high on the list of challenges in emerging or high-growth markets is the cost and challenge of finding capable outside counsel. In markets like China, not only do the fees of the international firms seem high: capable outside and inside counsel are difficult to find, and, for high-value talent with international training and experience, it’s often a seller’s market.

FIGURE 13

How satisfied are you with the ability of your in-house function to cover your company’s needs in the emerging/high-growth markets where you are active? (All responses)



Note, in Figure 13.1, the difference in confidence among China-based law department leaders in their ability to effectively cover emerging/high-growth markets: a far greater number of corporate counsel respondents in China are unsure of their ability to serve their company’s needs in emerging markets. Satisfaction with covering emerging market needs seems highest among counsel in Latin America, where only 9% are unsatisfied, far below all of other regions.



Emerging Markets Requiring Most Attention

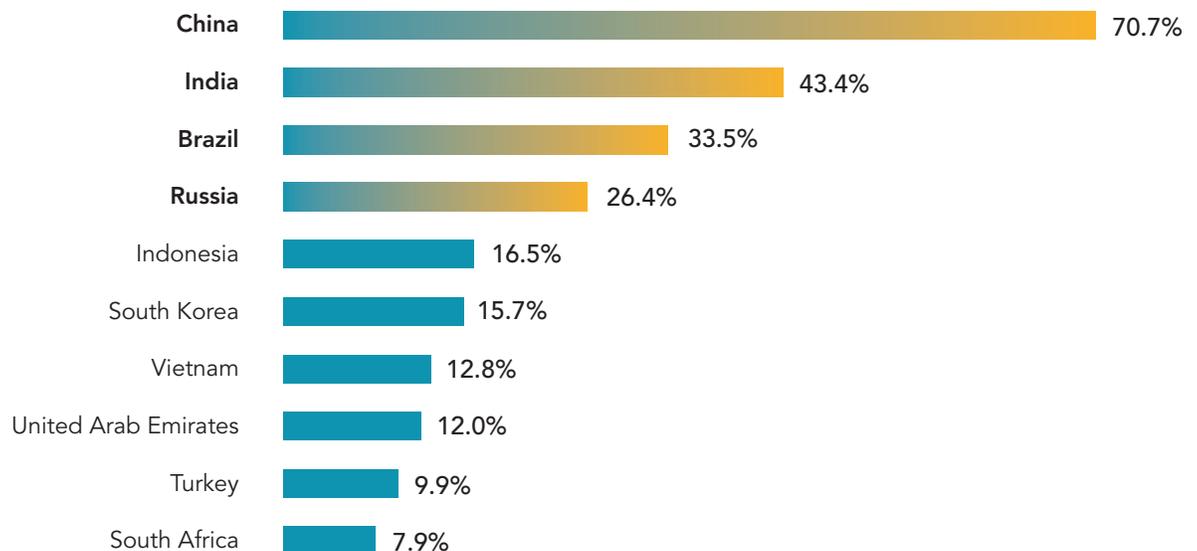
A remarkable diversity – 35 countries in all – were mentioned as being among those requiring greatest attention from global counsel respondents, including Qatar, New Caledonia, Mozambique and Trinidad & Tobago. But the famous BRIC countries still lead the pack, with Indonesia and South Korea trailing not far behind.

The emphasis on China in this finding may be slightly exaggerated due to the high number of respondents in Asia and particularly in China. Even among other BRIC countries, China leads by a wide margin. The country’s importance as one of the world’s largest, growing markets – one with a still-evolving legal regime, unpredictable policy shifts and uneven regulatory enforcement – mean it will continue to place considerable demands on in-house counsel for the foreseeable future.

As with some of the other markets, responses vary tremendously by region. Among Asia-based respondents, for example, the markets requiring the most attention are: China, India, Indonesia and Vietnam. Among those in Latin America, Argentina and Brazil are nearly tied in first place, followed by Colombia and Mexico. Business dynamics may be global, but it is remarkable how much of the operational focus stays regional or local.

FIGURE 14

Which three emerging/high-growth markets require the greatest attention from your legal function today? (All responses)



Top Challenges in Emerging/High-growth Markets

Global Agenda survey respondents’ ratings of their top challenges in these markets provide excellent guidance to providers of services to global general counsel. These issues can provide opportunities for competitive differentiation. The top challenge seems almost too obvious to be true – “understanding local and regional laws and regulations.”

The significant challenges inherent in developing a practical understanding of local/regional laws and regulations – and how they are interpreted and enforced – was one of the key rationales fueling the start-up and growth of global law firm alliances such as the World Law Group more than two decades ago. As many

multinational companies have discovered, even today there is still no replacement for home-grown knowledge and insight into local practices and players.

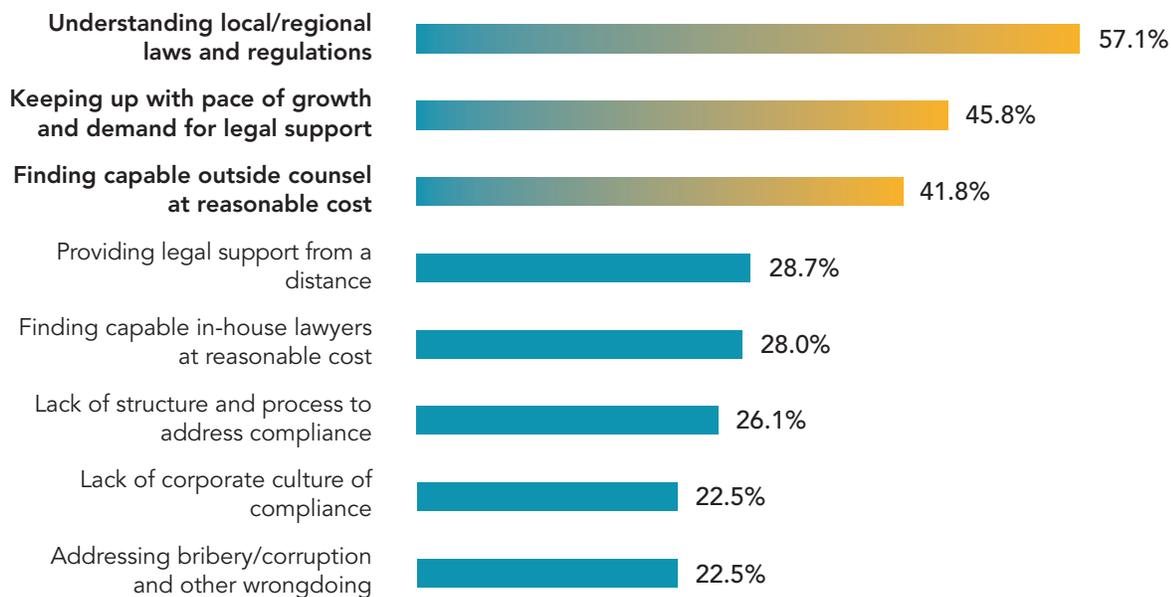
It is relatively easy for counsel to obtain basic information on local and regional laws and regulations wherever they operate. Many receive dozens of law firm newsletters, “Doing Business in...”-type guides, and similar supplier resources. What is more difficult to gain is an understanding of the nuances of the laws, how they are interpreted, and what is currently being enforced – presented succinctly. This is the information that global counsel truly value.

Simply gaining this understanding, as companies branch out in every direction, is a major current challenge for global corporate counsel, as clearly expressed here. It appears to be particularly challenging for respondents based in Asia and Latin America.

For other regions, access to capable outside legal support is an ongoing challenge for global enterprises. It is difficult to balance the need to meet demand for legal services with budget pressures in places where capable external advisors’ fees may not be acceptable. Moreover, in every high-growth market, foreign-based providers move in as soon as local law permits, driving up competition for local talent.

FIGURE 15

What are the three top challenges for your in-house function in emerging/high-growth markets?



Overall, the very fundamental but ever-demanding task of providing legal support from a distance appears near the top of the list of challenges, ahead of what might appear to be more business-critical demands, such as addressing corruption.

At the same time, it is a fairly new phenomenon for so many global companies to have in-house counsel on the ground in so many remote places. Only 10 or 15 years ago, the major legal growth markets for business centered on financial hubs such as Frankfurt, Hong Kong and London. In the multi-polar world of 2012, global corporate counsel need to build management skills and communications infrastructure for a dispersed team of counsel, internal and external.

Part 4: Strategies for High Performing Legal Departments Worldwide



Today, in most global companies, the most senior in-house counsel are highly engaged and well-connected members of the executive team. A majority of the respondent group of senior global and divisional in-house function leaders are highly satisfied with their jobs and their roles in business strategy and decision-making in their organizations. Those who like their jobs less generally work in legal departments with less access to and engagement with top level decision-makers. CEOs may wish to take note.

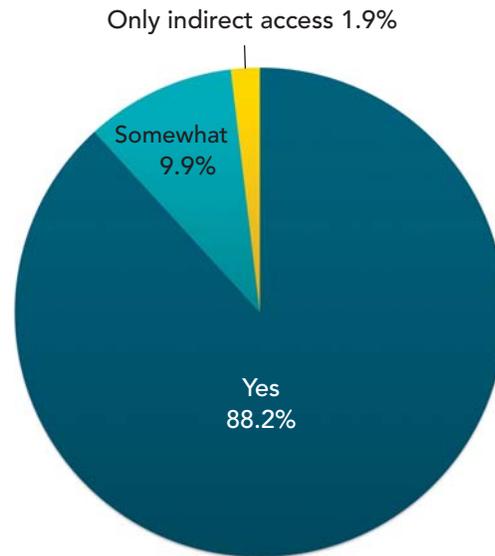
The Global Agenda study shows just how focused most law department leaders have become on improving the efficiency of the in-house function – and they are employing a variety of means to do so. Respondents also realize how important it is that the in-house legal function be closely integrated with the business to deliver value and many are implementing strategies designed to achieve that goal. And, while a majority report satisfaction with the knowledge management (KM) capabilities of their in-house legal functions, they also appear to see improving KM as a key way to improve both efficiency and compliance capabilities.

Respondents are also changing the nature and amount of work they send to a variety of external service providers and, while law firms remain dominant among these, nearly 20% of respondents rely more on other types of legal service providers.

“88% of respondents worldwide have direct access to their organization’s leaders.”

FIGURE 16

Does your legal function have direct access to your company or division leadership? (All responses)



Reporting Structures for Highly Engaged Legal Executives

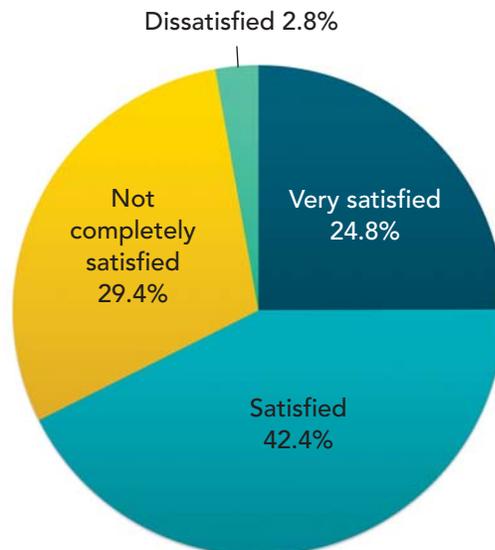
We’ve come a long way over the past decade when most General Counsel reported to an operational or finance executive. As noted in Part 1, a majority of survey respondents today report directly to the Chairman or CEO or equivalent. This finding conclusively demonstrates a major elevation of the role and status of the in-house legal function in today’s global corporations.

Figures 16 and 17 confirm just how engaged today’s law department leaders are with top decision-makers in their organization and their high level of involvement in helping to address strategic issues and opportunities for the organization as a whole. (The overall satisfaction expressed with their level of involvement in strategy and key business decisions also likely accounts for the generally high level of job satisfaction indicated in Figure 18.)

Still, consider the responses to the following question. While almost all senior global counsel survey respondents say they have direct access to corporate leadership, nearly one third are not satisfied with their level of participation in business strategy and key business decisions.

FIGURE 17

How satisfied are you with your corporate legal function’s involvement in business strategy and key business decisions in your organization? (All responses)



“Among the 54% who like their jobs more today, nearly 80% say it's because of the stronger role of corporate counsel.”

Among the senior global counsel who are not satisfied with their ability to provide input into business strategy and key business decisions, many say that they are not invited into key meetings where these decisions are made, often because corporate leadership may not consider that level of participation as part of the chief legal officer's role. In conversations to develop the survey questionnaire, a few senior counsel questioned whether many in-house counsel have developed the experience and business acumen to play that role.

Throughout Asia, a higher percentage of senior in-house counsel are dissatisfied with the legal function's involvement in key business areas, and nowhere more so than China, where more than 46% are dissatisfied. This may indicate an underutilization of the corporate counsel resource in China.

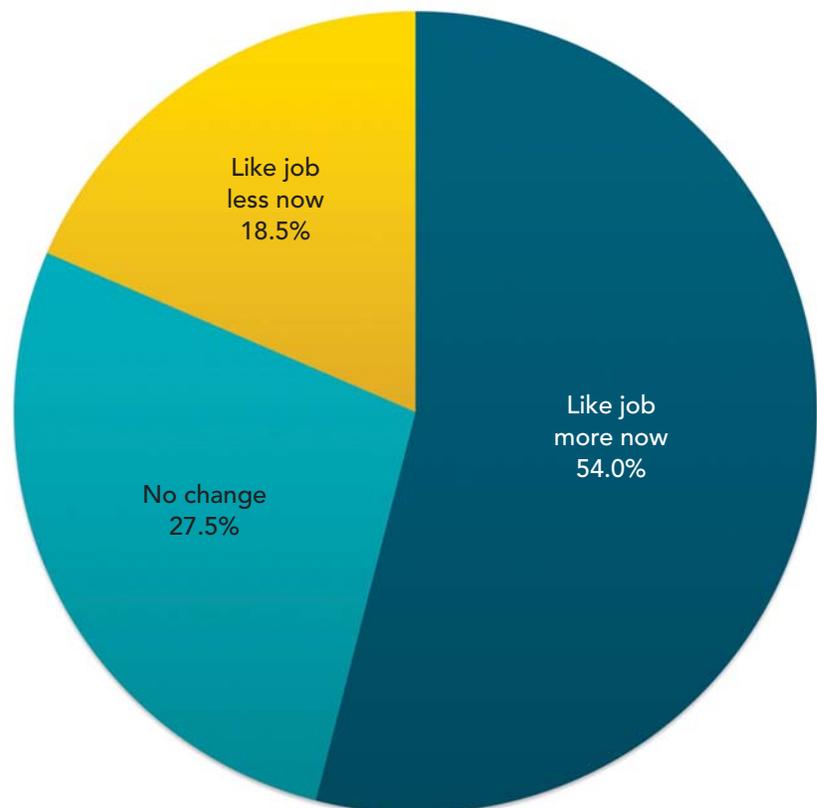
Job Satisfaction Among Law Department Leaders

Most law department leaders seem unfazed by the constant demands today to “do more with less”: More than 80% say they like their jobs as much or more than they did a few years ago.

As mentioned above, there is a strong correlation among respondents who express satisfaction with their involvement in business strategy and decision-making, and those who say they like their jobs more today than they did a few years ago. Among the 54% who say they like their jobs more today, when asked why, nearly 80% say this is due to the “stronger role of corporate counsel.” Following that, “internal issues or changes” (presumably positive ones) was cited as the reason they like their jobs more today.

FIGURE 18

Do you like your job as corporate counsel now more or less than you did a few years ago? (All responses)



“Far fewer in-house counsel in the financial services sector like their jobs more now than a few years ago.”

For those who like their job less today, the most frequently selected reasons are first, “effects of the economic downturn,” followed by “effects of increasing regulation and complexity,” and “internal issues and changes” (again, presumably changes that negatively affect the in-house function).

Among the “other” reasons respondents provided for liking their jobs *more* today than they did a few years ago:

“More opportunities to create internal initiatives.”

“Greater experience and work-life balance.”

“More exposure to other areas of the business.”

And, from those who like their jobs *less* today:

“Less room for decisions, short-term results driven.”

“I am tired of still being the only woman in senior management.”

“Ever increasing workload despite additional in-house resources, and ever-growing regulation to try to deal with.”

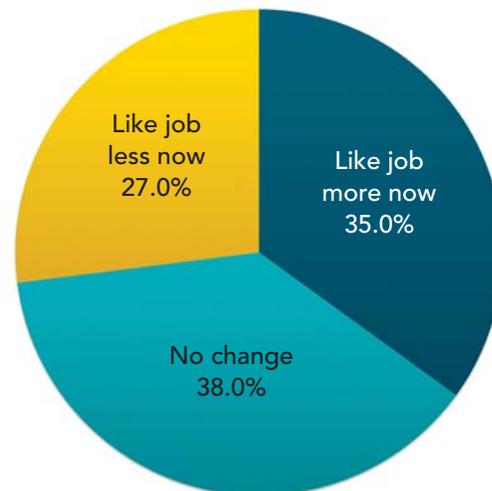
Job Satisfaction Drops in Financial Services

Analyzing responses related to job satisfaction by industry yielded some noteworthy differences. For example, far fewer in-house counsel in the finance/insurance investment industries like their jobs more now than they did a few years ago. The most frequent reasons cited for the negative change are, not surprisingly: “economic downturn” and “increasing regulation and complexity.”

FIGURE 18.1

Do you like your job as corporate counsel now more or less than you did a few years ago?

(Finance/insurance/investment industries respondents)



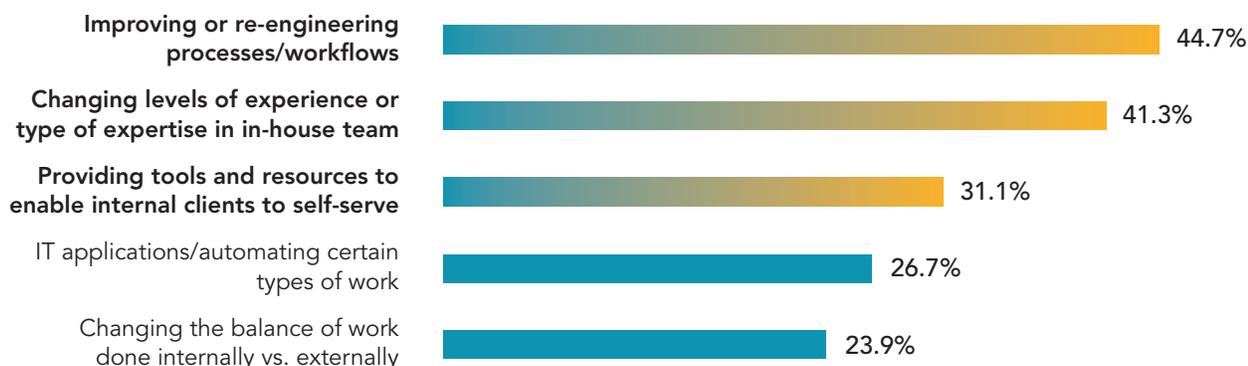
Winning Efforts to Increase Efficiency

Results from efficiency initiatives taken by in-house legal teams vary widely from one region to the next. In the U.S. and Canada, as well as in Western Europe, by far the most beneficial initiative so far has been to “improve or re-engineer legal function processes and/or workflows.” Survey respondents from both the Asian and Latin American regions say that “providing tools and resources to enable internal clients to ‘self serve’” was their highest-return effort. Across the board, “changing the levels of experience or type of expertise in our in-house team” has been highly beneficial in increasing efficiency. Figure 19 shows the combined global responses.

Today, approximately 15 years after DuPont began sharing results of its work on its pioneering “legal model” (of which business process re-engineering or BPR is a core element), nearly 45% of the legal departments represented in our survey have also found BPR one of the most effective ways to increase efficiency.

FIGURE 19

With growing demands on the legal function and limited resources, what two initiatives have been most helpful in increasing efficiency?



Golden Rule: Get Closer to the Business

The imperative for the in-house legal function to be integrated with the business and, as important, to be seen to be intricately connected to the business by non-legal management and staff, is ever-present in the minds of global law department leaders. Those considered to be most effective in that role know the business and its language of financial performance very well, and are engaged in helping the organization achieve its competitive growth strategy, including the management of legal risk.

Global counsel look constantly for ways to further that integration. The fact that nearly 45% of survey respondents still seek greater integration with the business (as shown in Figure 20) suggests how they are orienting their re-engineering and restructuring efforts today. Furthermore, in Figure 21, the top three most frequently selected strategies pursued to deliver greater value all connect to greater integration with the business. The findings shown in Figure 8 on Page 7 suggest the same, where nearly a quarter of respondents selected “Improving our business people’s satisfaction with in-house legal services” as one of their top three concerns over the next 12 months.

Also noteworthy, considering the concern on meeting so many compliance challenges (Figure 8) and the focus on improving compliance capability (Figure 9) and the somewhat negative perception held by many respondents on the interaction

of governments with global corporations today (Figure 12), is the fact that so few respondents see investing time in developing “better relationships with regulatory officials” as a way to help their law departments perform better for their companies today. Does this suggest that in-house counsel view regulatory officials solely as “enforcers” and not as a partner or resource to assist in improving compliance?

FIGURE 20

What is the *one key element* (not counting money) that would help law departments perform better for their companies today? (All responses)

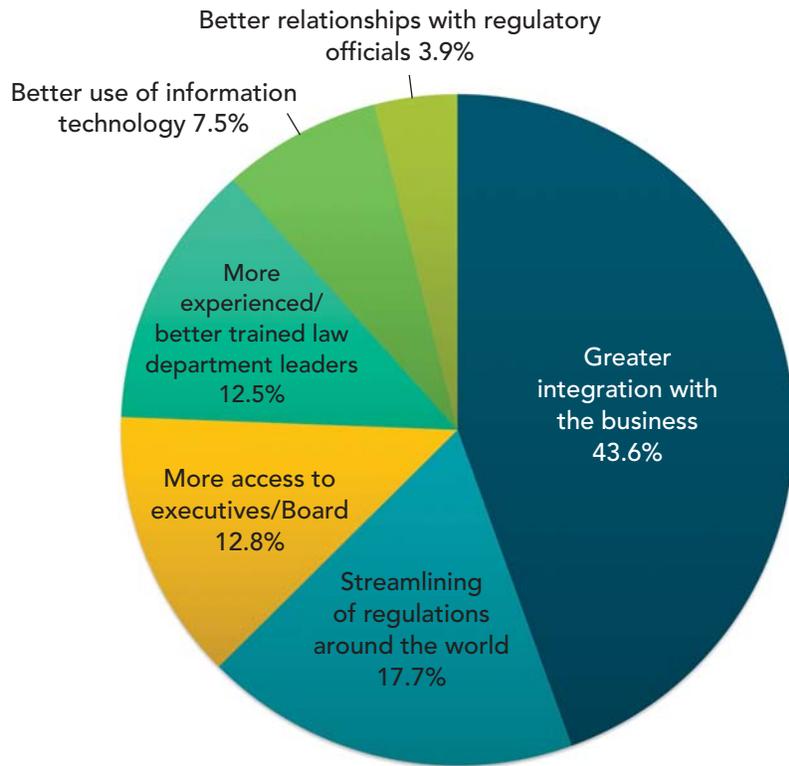
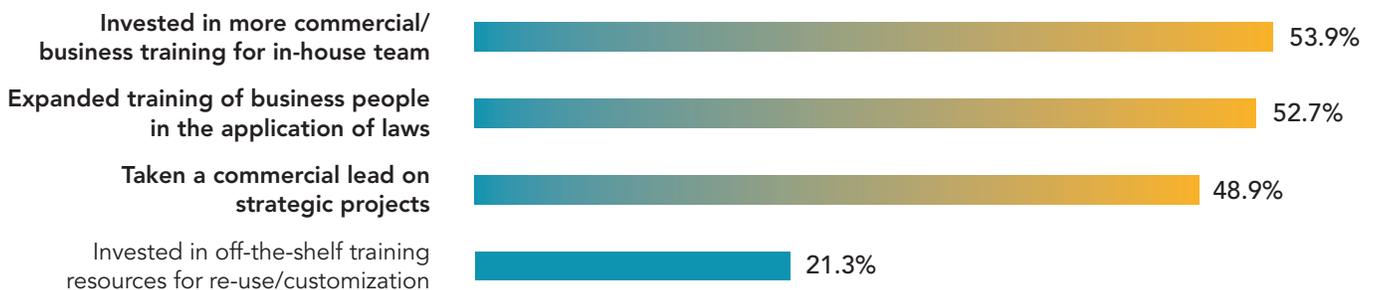


FIGURE 21

What strategies has your in-house legal function taken to deliver greater value to the organization? (Select all that apply) (All responses)



“We suspect that senior in-house counsel see ongoing improvement in KM as essential to meet ever increasing global demands and greater business complexity.”

FIGURE 22

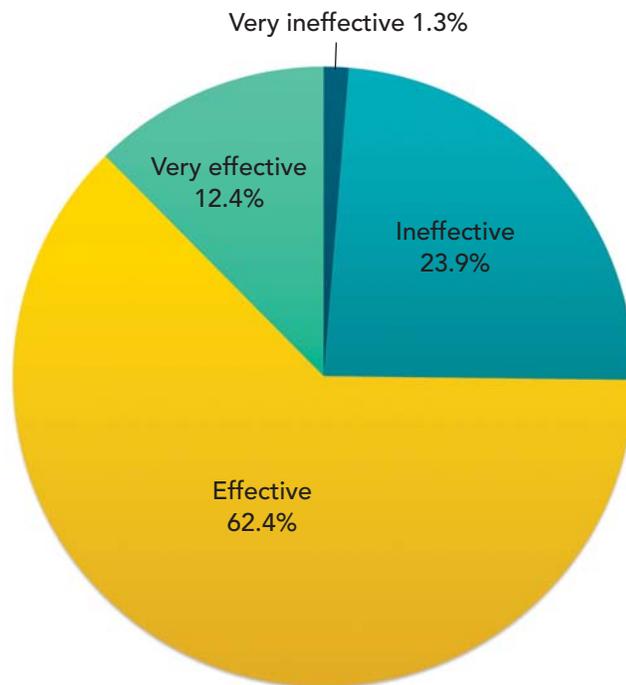
How effective is your legal department at capturing, storing and re-using/re-purposing knowledge? (All responses)

(Knowledge: standard and customized contracts and agreements, precedents, regulatory and compliance information, transaction documentation, etc.)

Continuous Improvement in Knowledge Management

In Figure 9 (Page 9), we saw that “improving knowledge management capability” is among the three most important priorities for respondents’ legal functions in the coming year. However, when asked to rate their KM capability, three-quarters already say it is effective or very effective while only 25% say that it is ineffective or very ineffective.

We suspect that, no matter how effective their KM is considered to be now, in-house department leaders see ongoing improvement of this capability as essential to meet the growing legal needs of their global companies as they expand in geographic reach and business complexity, as well as to strengthen their compliance capability.



Shifting Use of External Service Providers

While law firms remain the dominant provider of legal services to major multinationals worldwide, as indicated by the percentage of Global Agenda survey respondents who ranked them as the provider they rely on most (Figure 23.1), respondents' second and third choices (as shown in Figures 23.2 and 23.3) confirm that other service providers are eating away at the overall spend on external legal services.

FIGURE 23.1

What outside providers do you rely on most for assistance with your corporate legal function?

(First Choice)

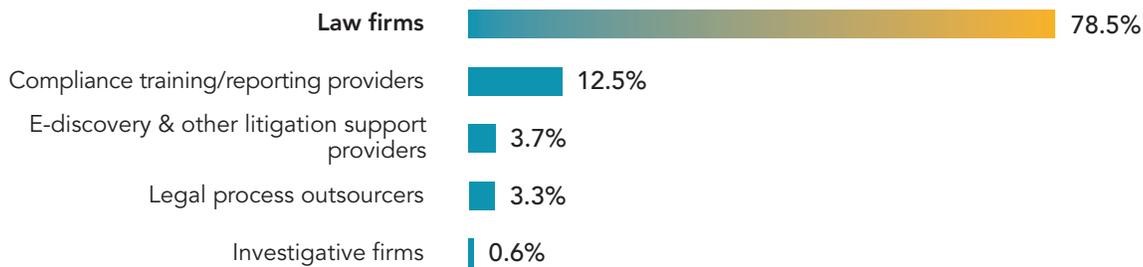


FIGURE 23.2

(Second Choice)

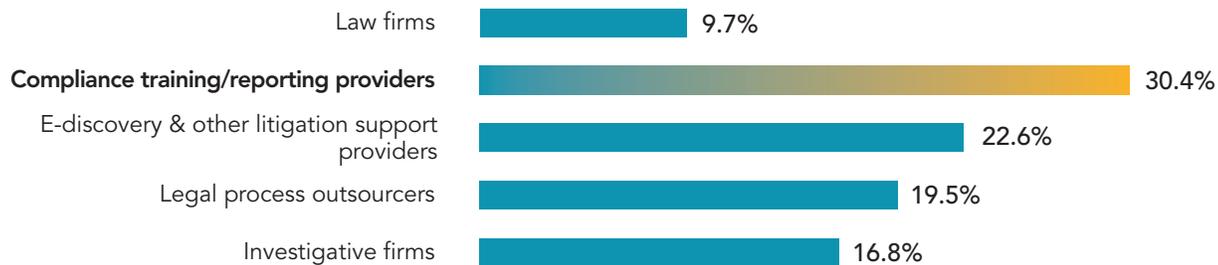
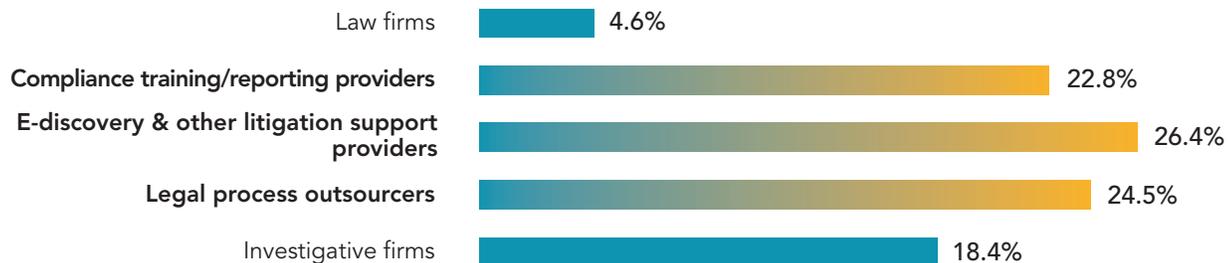


FIGURE 23.3

(Third Choice)



Types of Work Kept Inside or Sent Outside

Global Agenda survey respondents were asked to choose a maximum of three areas of legal work they are most likely to send to law firms among 20 options provided, (plus “other”) versus the three types of work they are most likely to handle inside.

In Figure 24, we show the six most frequently selected areas of work (which account for nearly 70% of responses) for work most likely to be sent to external providers. Compare this to Figure 25, which shows the six most frequently selected types of matters respondents were most likely to handle within their in-house legal function from the same 20 options.

There may be two key reasons for litigation showing up so high on the Figure 24 list: 1) disputes arise for these global businesses all around the world, often where they have no in-house counsel present, or the in-house counsel available are not trained litigators; and 2) in many jurisdictions, in-house counsel are not authorized by local regulation to go to court. In many cases, in-house lawyers handle a great deal of the preparation for litigation, and assist outside counsel with dispute resolution efforts prior to litigation, but the litigation itself is handled by outside counsel.

FIGURE 24

Which three areas of legal work are you most likely to give to outside lawyers today?

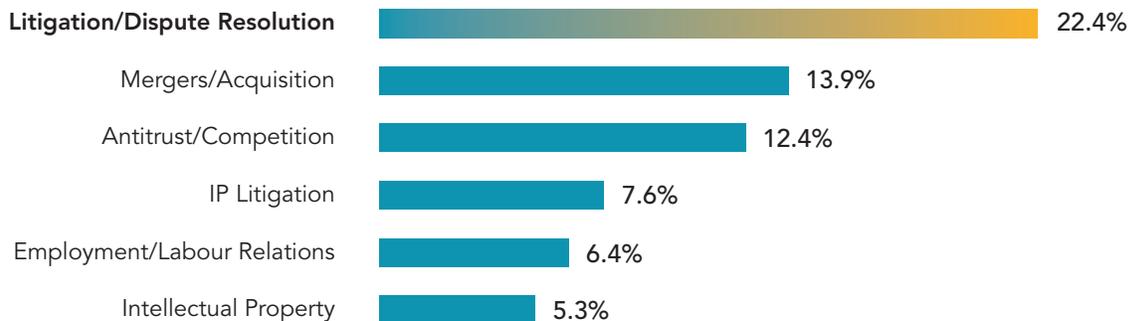
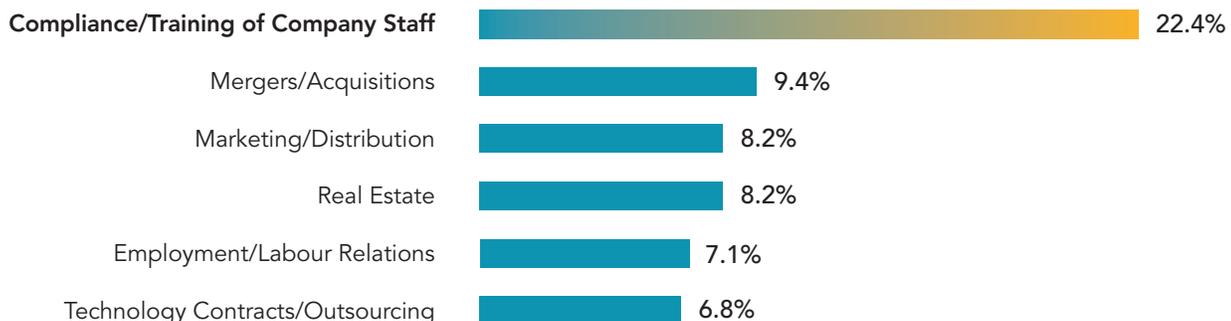


FIGURE 25

Which three areas of legal work are you most likely to handle within your legal function?



“61% of respondents worldwide continue to find third-party ratings and rankings important in their decision-making process for external counsel.”

As to the number of respondents who keep compliance and other training of company staff in-house, more and more in-house counsel find that they can often best educate their business colleagues about laws and regulations and the steps they must follow to comply. Typically they use a hybrid of resources for compliance training, including online training providers, law firms and other service providers, and conduct the training themselves. Mergers and acquisitions also came up high on this list, even though it also ranks high on the “outsourced” list because so many corporate counsel are heavily involved in commercial transactions, often collaborating with outside counsel.

Regionally, M&A and antitrust/competition were somewhat more likely to be outsourced by respondents in China in particular, perhaps a reflection of the many large foreign investments, particularly in natural resources and energy, being made by Chinese corporations.

Use of Law Firm Ratings/Rankings Varies Widely by Region

Sixty-one percent of all respondents consider the use of third-party ratings/rankings to be “very important” or “important” in the process of selecting outside counsel, indicating the continued relevance of independent feedback in the selection process.

Markedly, respondents in Latin America, Asia and China found ratings/rankings to be of most importance – 73%, 67% and 61% (“very important” and “important”) respectively. Notably, Latin American and Chinese counsel tend to attach most importance – 13% in Latin America and 12% China (“very important”). While survey participants were not specifically asked to explain their reasons for their answer, the high levels of economic growth and foreign investment opportunities in both of these regions have created an increased demand for local legal expertise. In turn, independent ratings/rankings are perhaps becoming more prevalent in these newer markets to help in-house counsel validate the available expertise and select the best firm to meet their needs.

In the more mature markets in Europe and North America, where longer-term relationships already exist between in-house counsel and private practice law firms – unsurprisingly – less importance is attached to ratings/rankings. However, they still play a role in the selection and validation processes in these regions, with 63% of European respondents considering them to be “very important”/“important”, compared to 31% of those in the U.S.

Importance of Ratings/Rankings	Europe, (incl. U.K., Russia)	U.S., Canada	Asia (not incl. China)	China	Latin America	All
Very Important	4%	0%	9%	12%	13%	7.5%
Important	59%	31%	58%	49%	60%	53%
Unimportant	35%	69%	30%	39%	27%	38.5%
Very Unimportant	2%	0%	3%	0%	0%	1.3%

FIGURE 26

How important do you consider the use of ratings/rankings in the selection of law firms and lawyers?

How Corporate Counsel Can Use This Report

As a senior in-house leader, you have very little time and many requests for legal support – as this report confirms. The Table of Contents and Executive Summary will help guide you to areas of specific interest in this report. Use the Subject Matter Index below to zero in on specific topics.

This study report can help you make progress with your priorities and address your concerns. Consider the ways you can use this report for professional development, as well as to mobilize your team to take further action to improve performance. See some suggested “Action Plans for In-house Teams” provided on Page 30.

Subject Matter Index

Anti-bribery/anti-corruption	Page 11, 12	Knowledge management (KM)	Page 19, 22, 25
Antitrust/competition	Page 11, 12	Law firms, outside counsel	Page 9, 26
Budgets	Page 13, 18	Legal risk management	Page 13
Business/internal client satisfaction	Page 7, 21	Litigation	Page 11, 26
China	Page iii, v, 2, 8, 10, 12, 15-17, 23	Metrics, measurement	Page 23
Compliance	Page iv, 7, 8, 9	Performance management	Page 9
Contracting management	Page 9	Productivity	Page 23
Corporate leadership	Page 1, 5, 13, 20	Professional development	Page 9
Costs, cost reduction	Page 9, 13	Recognition/rewards	Page 20, 21
Data protection/privacy	Page 11, 12	Re-engineering legal function	Page 9, 23
Emerging markets	Page 7, 15-17	Reporting structures	Page 5, 20
Europe	Page 2, 3, 23	Ratings/directories	Page 28
High-growth markets	Page 7, 15-17	Regulation, regulatory enforcement	Page 9, 11, 14, 17
Human resources/staffing	Page 23	Training, education	Page 9, 23
IT tools	Page 23	United Kingdom	Page 2, 3
In-house counsel job satisfaction	Page 20, 21	United States	Page 2, 3, 23
		Value	Page 23

Action Plans for Your In-house Legal Team

By providing a comprehensive view of the agenda of global corporate law departments worldwide, this study is a useful benchmark your law department can use to focus on your own objectives and actions. We recommend distributing the report and gathering your in-house team to discuss it.

Suggested Approaches

- 1. Assign to each in-house lawyer a key topic of interest from the study to review and then make recommendations in a group meeting for how the group might make changes and take actions for improvement.**

Examples of key topics:

- Strategies for in-house counsel to deliver more value to the company,
- Better understand laws/regulations in emerging/growth markets where we operate,
- Improve performance through better integration with the business,
- Keep up with pace of growth in emerging markets and demand for legal support,
- Initiatives to consider for increasing efficiency and productivity.

Decide which topics are of greatest interest to the team, and assign task forces with a timeline to come back with an action plan.

- 2. Organize an in-house legal team meeting to discuss how to improve your knowledge management capability to enhance lawyer productivity and ability to focus on more interesting and important work.**

As a group:

- Define what KM means in your law department,
- Identify which KM practices are working well,
- Identify which KM abilities are the highest priority for development,
- Assign roles and timing for next steps.

You may wish to ask your preferred law firms to participate, as well as your Chief Information Officer, and you might invite participation from a part of your company known for good KM practices. Ask your preferred law firms to present the KM tools they use that they have found most effective. Consider how those tools could be adapted to your in-house function. Select the one or two highest priorities for KM in your in-house legal function, and assign roles and responsibilities for making progress on those priorities.

- 3. Ask everyone in your in-house legal team to read the study report. In a team meeting or teleconference, each in-house lawyer and legal support staff can share views on what stood out for each of them, such as:**

- Areas where your legal team excels vis-à-vis others in the study,
- Areas where your legal team could improve,
- Areas that should receive more consideration in your legal function.

Study Methodology

The study's focus and parameters were developed jointly by the World Law Group and ELD International. To begin, we contacted more than 15 chief legal officers and senior counsel of major corporations and institutions in a number of jurisdictions to better understand what areas of inquiry they would like to see explored in this study. We also reviewed many recent in-house counsel studies to understand what areas had already been covered.

With this background, the WLG, ELD and Martindale-Hubbell worked together to develop and refine the survey questionnaire, which was then adapted to an online survey platform.

Between mid-April and mid-May 2012, invitations to participate in the study were distributed by e-mail to a select group of senior counsel worldwide, including WLG member firm clients, ELD International contacts, and Martindale-Hubbell contacts. The survey was also translated into Mandarin in an attempt to increase the participation of Chinese senior in-house counsel. The invitation included a link to the online survey.

We reached out to senior counsel in more than 50 countries. The survey was confidential: questionnaire responses cannot be linked to individual participants and the identities of respondents are not available to any of the parties involved in the study. The only exception involves e-mail addresses of participants who, by separate e-mail, requested a copy of the study report: these email addresses will be retained temporarily by the World Law Group to fulfill these requests.

The demographic information requested during the first part of the survey enabled us to review and analyze the responses by geography (region), industry group, company size, etc. Results of some of these analyses are included in this report.



If you would like more information about the Global Agenda Study Report,
please contact Shelley Boyes at sboyes@theworldlawgroup.com
or any World Law Group member firm.

www.theworldlawgroup.com