

Added value: a five-point plan

How can heads of legal demonstrate that their department creates and maintains value within the business? **Julia Chain** explains



THE HEAT, AS they say, is well and truly on. In an environment in which businesses are under constant pressure to

maximise operational efficiency, so-called 'service departments', such as in-house legal, are the first to be put under the financial microscope. But if properly managed, the legal team can be a powerful and cost-effective tool for creating and maintaining value within the business. In-house lawyers know this - the trick is convincing the business! The five-point plan below may offer some help.

1) WHAT THE CLIENT REALLY WANTS

The in-house legal team needs to keep pace with its constantly evolving business. It is easy to forget that priorities can change suddenly. A value-added legal team will have its finger on the pulse, recognising change and adapting to it.

Getting out and about is essential for all the members of an in-house team. Walk the floors, pop in to see people, meet your opposite number in the business for a coffee, and even listen to the gossip! The business needs to feel you are part of its world, so make yourself visible. It puts you in a far better position to influence a decision than sitting back and wading through a deluge of e-mails.

2) UNDERSTAND YOUR HEADCOUNT

Justifying a large department with a higher ratio of secretarial staff to

managers than anywhere else in the business can be difficult. When I joined T-Mobile, it had an annual legal spend on property work alone of over one million pounds. We insourced all the work, hired a team of seven and still reduced costs by more than 30%. In more specialised areas it was more cost-effective to retain outside counsel. The important element is to know what you need now, and to try to judge how those immediate needs might change over a three-year period. A headcount is never static and should be reviewed regularly.

3) MANAGE THE CLIENT'S EXPECTATIONS

An effective in-house department will prove its value on a daily basis. This, however, can be a challenge when dealing with demanding clients who expect immediate responses on everything. This leads to problems when the in-house team has not taught the business about prioritisation. It is important that key contacts are made in each area and instructions are filtered through those contacts. Realistic timelines should be put in place, and 'visiting hours' introduced, encouraging casual calling to the legal department at specific times. Most significantly, the in-house team must constantly remind the business to call it at the start of every project, and not when a deadline is only a few hours away.

4) STRUCTURE AND SUCCESSION PLANNING

Investment in people and the intellectual capital they bring to a

business is vital. However, retaining these people and offering them a structured means of progression and promotion is a major challenge for every general counsel. Unlike private practice, with its primarily flat structure, most well-run in-house legal departments operate as a pyramid - there are relatively few senior positions available and little movement at a senior level. How to retain people and give them a long-term career in the business is the subject of another article. Suffice it to say that the value of any in-house legal team diminishes every time specialised business knowledge acquired by an in-house lawyer walks out the door.

5) OUTSOURCING/INSOURCING

Value in overall terms and not simply cost per chargeable hour should be considered when looking at sourcing issues. It makes perfect sense for a technology or retail company to insource IP/IT expertise, which is business specific and generally needed every day. However, an IP/IT team working in the financial services industry is likely to be expensive and underused. Know when to outsource, ensure that fees charged by external law firms are constantly under review and take advantage of all the extras that these firms offer, such as secondments, training and helplines. In this way, an in-house legal team

can justify its insource/outsource balance, safe in the knowledge that the value is there.

With every finance department trying to slash its in-house legal budget, the good news is that most

'The in-house team must constantly remind the business to call it at the start of every project, and not when a deadline is a few hours away.'

in-house law departments cost a lot less than is generally thought. Consistently demonstrating the value that an in-house team can bring to a business is crucial to ensuring that it works in partnership with its business colleagues as a valued and trusted friend, and not as a necessary evil!

Julia Chain is founder of the Kite Consultancy and former head of legal at T-Mobile.[CHK]

The CLO Programme is the UK's leading programme for general counsel and heads of legal. Please visit www.cloprogramme.com or call 020 7605 8002.

The **CLO**
PROGRAMME