

# GENERAL COUNSEL: THE GLOBAL CORPORATION'S NEXT AGENT OF CHANGE

In this highly complex and regulated business environment, general counsel are increasingly being asked to act as a trusted advisor, risk-mitigation agent, and counselor-in-chief for the organization's board and executives. Controlling costs, managing the increased risk and complexity of the regulatory environment, and defending business litigation are just some of the things that keep general counsel up at night. As these challenges have become increasingly global in scale, the demands on the general counsel have only grown.

U.S.-based businesses are overwhelmingly focused on international markets to fuel growth, expand operations, roll out new products, and partner with overseas vendors. Today, the average Fortune 500 Company is seeing global legal costs and requirements increase as global revenue also increases. Whether it be understanding the risks of

doing business in a certain locale, negotiating contracts that won't expose the company to undue burden, ensuring adherence to varying local regulation, or helping defend the company should litigation arise, corporate legal teams now have the added responsibility for managing these tasks worldwide.

This all amounts to a set of market dynamics which necessitate change within the corporate legal environment. While the concept of globalization is not new, its impact on the legal department has often lagged the impact on front-line business operations. To put it another way, now that so many organizations are running integrated operations delivering on their core business mission, the legal department is finding that it must do likewise to operate as a true business partner.

This globalization of corporate legal operations demands a certain level of flexibility and willingness to alter practices to realize global legal goals. When successful, the general counsel and his or her team operate as global change agents, driving a shift in perspective, processes, and adoption of tools that allow the corporate legal department to operate in a manner that supports the global enterprise. Stacey Coote, AIG's Director of Legal Operations in EMEA and APAC noted, "For AIG, rolling out legal tools and processes on a global scale is a massive change management program."

Whether your specific challenges are focused on controlling global legal spend, increasing collaboration amongst geographically distributed teams, or creating repeatable, predictable workflows, the challenges of globalizing operations will almost certainly be aided by the implementation of a robust change management program.

As power continues to shift away from outside counsel and into the office of the general counsel, general counsel are now well positioned to lead their teams forward to refine their global operations and truly become best-run departments within the organization. But what does it require?

**OPERATING AS A CHANGE AGENT**

Operating as a change agent for globalization means that the general counsel must move people and processes toward a future state in which global legal operations is viewed as an integrated system, one where the entire global team understands how they should be operating, has visibility into business performance, and is able to efficiently collaborate in order to get work done. That future state is one in which the entirety of global legal spend can be accounted for, understood, and analyzed—and where process can flex across the system as the global legal ecosystem changes. The future state allows the general counsel to position his or her team to best support the already global business and enables the corporation to behave as a consumer of legal services while also providing the in-house legal team with the resources it needs when working with outside counsel. In order to reach

**WHAT WE HEARD FROM THE LEGAL INDUSTRY**

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AIG

**"Understanding the real requirements of each individual country is very hard but paramount to success."**

- Sonya Bland,  
Director of Technology Solutions,  
Global Legal Department,  
HP

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- AON

these and other globalization goals, the general counsel and legal operations leaders will be required to:



## THE RISKS OF NOT EMBRACING LEGAL CHANGE ON A GLOBAL SCALE

Lacking the forethought, willingness, or ability to change can have negative consequences. If the general counsel is unwilling and unmotivated to act as an agent of change, the legal department may find itself in a very different state of affairs. What might that look like?

It looks like a reality where new global product launches open the company up to risks that could have been prevented, contract generation activities have unnecessarily long lifecycles, and staffing levels are not in sync with the global workload. This non-ideal state is one where the general counsel is not able to provide the executive team with an accurate picture of legal spending because too much is being handled in a non-standard manner, and the operations team is not able to accurately forecast future legal spend globally. This unfortunate future is one where tools and processes that worked domestically are recycled for the sake of convenience—only for them to fail to be adopted—resulting in a global team that has disparate workflows, operating procedures, and little predictability.

It is risky to assume that just because something works in the U.S., it can be replicated with the same results

elsewhere. Jerome Raguin, Founder and Director at LexConnect, a global legal consultancy, noted that “for process or technology implementations that are driven solely out of the U.S., you sometimes find that they are initially accepted to reduce friction.” However, over time, these processes often entropy and are replaced by a slew of disparate processes that are perceived to better address localized needs. In EMEA, for example, the legal procurement relationship may not be the same as that found in the U.S., where directives to vendors (both legal and non-legal) are often routed through the general counsel’s office. A clear understanding of the process and relationship norms is essential to establishing any process efficiencies. What works in one geography may not work in another.

While not the norm, many legal departments are embracing their role as change agents and transforming the business of law on a global scale. At Mitratesch, we have the benefit of working with some of the best-run legal departments in the world; some of these clients are ahead of the globalization curve and others are still exploring how to lead their teams in these efforts. We find that many of them are collaborating together to solve their challenges. Several best practice examples of leading global legal departments acting as change agents are highlighted below.

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### KEY CHANGE MANAGEMENT INITIATIVE 1: The Challenges of Managing Global Legal Spend

The change associated with rolling out formalized procedures to control legal spend are clearly a challenge for companies looking to globalize their legal operations. Spend management can include budgeting, electronic invoicing, rate negotiation, non-hourly billing arrangements, and tracking spend over time. Clearly there are benefits from having full visibility into legal spend worldwide. This visibility enables the corporate legal team to be more predictable when forecasting future spend, highlights additional regions or matter types that warrant alternative fee arrangements, and empowers the in-house team to negotiate better rates. However, in order to realize these benefits, there are a number of challenges that must be solved for as part of the global change management initiative.

Firstly, the adoption of LEDES billing is still progressing outside the U.S., and not all firms are tracking at the level of granularity to which those with electronic billing systems have grown accustomed. Vendor adoption programs, such as the one AIG is currently undertaking, will help continue to

drive this progress. Corporate legal teams and vendors alike must partner to help understand the local billing guidelines of different jurisdictions, create processes that encourage the adoption of the e-Billing system, and provide support to vendors at the times they are operating. Ultimately, vendor adoption will be key to the success of any spend management initiative.

Sonya Bland, Director of Technology Solutions for HP’s Global Legal Department, explained that managing the change management process and training staff were the top two challenges they faced when rolling out global matter management and e-Billing. One area that created an impetus for change was that very little matter information was being tracked in their systems outside the U.S., especially when it came to budgeting for litigation and other matters. “It was difficult to get all of the local countries on board and there were definitely language challenges,” explains Ms. Bland. “Understanding the real requirements of each individual country is very hard but paramount to success.” By planning for and rolling out a global budgeting process, records of every matter, budget, and invoice are stored within the centralized TeamConnect system, which now affords HP

the luxury of pinpointing exactly where their global legal spend exists. Through this initiative, they were able to leverage existing tools which were already being used in the U.S. to gain that traction overseas.

Ms. Bland noted that the combination of currency, tax, and processing of non-U.S. invoices are other top challenges in implementing global spend management. While there may be corporate standards in processing non-U.S. invoices, the ability to collect and process invoices submitted in non-U.S. currency, as well as displaying the invoices in a preferred currency for review and tracking purposes, will very likely be an important requirement for success. An additional layer of complexity is also introduced when dealing with different regions that prefer to review invoices in their local currency. While the accounts payable system may be the system of record, the financial data that resides in the e-Billing system should closely match and be justifiable. There must also be a way for that billing data to seamlessly make its way to the accounts payable system, which is further complicated when dealing with global financial teams who may use disparate systems and practices.

HP has implemented a budgeting process to help better manage global spend. The Operational Support team aids the legal group on the financial components of managing matters. This team is accountable for the accuracy and predictability of budgets, and the key performance metric for this team is 99% predictability for every fiscal quarter. The HP legal and Operational Support team work together with outside counsel, who actually update their budgets monthly, to create and track budget on a monthly basis and generate rolling six month forecasts. The Operational Support team is also global and able to support regional counsel across the world so that HP can gain a better understanding of their legal spend, and ultimately be smarter about making projections. Having a global team would not be nearly as beneficial if the tools being used are not able to scale to the level of supporting tens of thousands of matters and hundreds of users worldwide. This is one contributing factor to HP having 95% of legal spend in a traceable, reportable format.

As AIG embarked on a global roll-out of matter management and e-Billing, their initial challenge was getting all of their vendors on board and properly adhering to standards. AIG has spent a significant number of focused hours and tremendous effort creating training materials to help firms understand how to electronically bill and host workshops with the vendors to drive adoption. This effort was time-consuming but necessary to create the foundation for change. Coote notes, "U.S.-based firms and large, global firms are

just more used to and accepting of e-Billing, but onboarding and gaining buy-in from the dozens of smaller firms around the world who partner on AIG matters is just as important to obtaining full visibility over global legal spend and operations." Communication is key in order to execute this change management initiative, and having processes and technologies that facilitate refinement over time will further the success in these efforts.

Lastly, legal operations teams must understand taxes outside the U.S. in order to successfully roll-out global spend management practices. The most common tax to be handled is value added tax (VAT). Similar to sales tax, VAT is paid to a law firm performing services that are then in turn responsible for payment to the government. VAT can be applied at different rates for different services, and rates vary by jurisdiction and are typically applied at the individual line item level, as opposed to most U.S. tax which is applied to an entire invoice. For auditing purposes, the invoice must be in human-readable format and a large amount of scrutiny can be placed by tax enforcement bodies outside of the U.S. Being able to systematically track and store taxes on the line item, while entering varying rates for different services, will be an important part of successfully globalizing spend management practices.

#### **KEY CHANGE MANAGEMENT INITIATIVE 2: Business Process & Collaboration**

One of the most obvious challenges facing those wanting to globalize their legal operations is communication. Given that globally dispersed teams operate on different wavelengths—whether due to a different pace of work, language challenges, time zone differences, or a combination of all of these factors—it can be hard to get everyone on the same page.

Dan Herbek, Senior Manager of Applications-Legal at AON, noted, "English is the standard language of our business, which is acceptable on paper. If you were to hand someone new training material who is a non-native English speaker, they may be able to understand it and learn from it. The real problem is when you are trying to converse and collaborate; it's just more nuanced." It is important that, as legal teams analyze their operations and staffing levels, appropriate consideration is given to those who have multi-lingual skills. These multi-lingual team members can play an important role in facilitating the change conversations.

At AON, the office of the general counsel embarked on a global business process standardization initiative across the entire legal team in order to gain the full visibility needed to be a best-run legal department. For example, while a process for selecting vendors from preferred lists was in place,

it was found that this process broke down when working on matters outside the U.S. The headquarters team did not know who the best firms were in every international jurisdiction or for a particular matter type, and this was not captured on their preferred vendor list. Therefore, for situations with anticipated significant fees, AON implemented a process to gain approval from the regional head and/or the Chief Operations Counsel in order to authorize and negotiate rates with vendors who are not on the preferred list. This allows for the right amount of flexibility and does not prevent regional counsel from doing their job.

Simply having tools and processes in place for geographically dispersed teams to work together on legal matters will go a long way toward achieving success. AON is using TeamConnect today for legal department staff throughout the world to collaborate together on matters. This enables them to preserve intellectual capital generated by the legal department for all of their matters, which can ultimately reduce re-work, generate productivity gains, and foster a better legal community, especially in a situation where team members work in so many different time zones.

Another area of complexity facing a global collaboration initiative centers on security and data privacy and who has the

right to access what information. Attempting to centralize global counsel on one system of record requires thoughtful planning to understand how data will be accessed in a way that ensures users can see only the things to which they actually have permission. Using TeamConnect at AON, Dan and the team have been able to apply the appropriate business rules and lock down access to specific information on a country by country basis. Access to impermissible data introduces an increased level of risk, so AON takes advantage of their tools to ensure they mitigate this risk as much as possible.

Data privacy concerns are also not just limited to the systems and processes that the legal department put in place. As a key strategic advisor to the business, it is increasingly important that the general counsel and his or her team be able to advise the business on this issue. Some jurisdictions require that data reside within that country, which will ultimately affect both U.S. businesses operating overseas as well as non-U.S. based businesses dealing in data. Regional counsel familiar with the data privacy rules and regulations will be called upon to help navigate this complex environment and stay informed on regulatory changes and challenges, such as challenges to Safe Harbor, as the future of data protection and privacy continues to be established.

## MOVING TOWARD A GLOBALIZED FUTURE STATE

In today's fast-paced, global business environment, general counsel must consider how they will successfully globalize their operations. Implementing a formal change management program to reach this goal is the best way to mitigate the risks facing the business. As noted through the examples above, those that have successfully embarked on a global change management program are realizing tremendous results for the overall business.

In order to implement the type of change needed to roll out global processes and tools, it is key to identify those

areas that will have the most impact on your team and the greater organization, and then to work with all stakeholders to ensure that a realizable vision for an ideal future is documented. As the plan is put into action, communication and collaboration are essential to ensuring strong adoption of the changes as you strive to meet those end-state goals. In a world where general counsel and the team surrounding them are being asked more than ever to act as a key advisor and partner to global organizations, acting as a strategic visionary willing to implement and see through necessary changes will position the corporate legal department to operate as a best-run function.

### ABOUT MITRATECH

Mitratech is the leading provider of fully integrated enterprise legal management solutions for global legal departments of all sizes, including more than 25% of the Fortune 500. Mitratech's offerings include the flexible and proven TeamConnect and Lawtrac product platforms, both of which offer end-to-end matter management, e-Billing, legal hold, contracts management, entity management, and GRC solutions. Mitratech clients are able to prove demonstrable value creation for their organization by automating legal workflows, improving business outcomes through actionable data and insight, increasing collaboration with external partners, and reducing overall legal spend. To learn more, visit [www.mitratech.com](http://www.mitratech.com).

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