

The Main Challenges Facing The Corporate Legal Department

By Patrick Bignon

In two decades, the legal function has become essential within French companies. However, owing to the competition it is facing from other cross functional professions, the legal function now has to demonstrate its ability to bring added value to the company.

Over the past few years, the legal function has undergone intensive changes. The legal function, considered in France for too long as an unimportant part of the company, is now receiving better recognition. Legal departments also have better organisation, with teams at different levels, headed by a Legal Director.

Legal departments are however also subject to increased pressure. Between the quest for performance and the need to reduce costs, they are faced with a delicate equation. Like any other department in the company, the legal department must report on its management and streamline the way it is run. Therefore, optimising the organisation of a legal department has become a fundamental necessity. In order to succeed in this exercise and rise up to the current challenges, the Legal Director should centre his reflections around the following principal themes.

The Legal Function's Place in the company

First and foremost, the Legal Director must assert his position in the company's hierarchical structure. It is necessary for him to have the executive management's support for him to fulfil his role completely. Therefore, he should make sure that this relationship is established as clearly as possible, preferably through reporting directly to executive management. The Legal Director should also ensure he serves on the various executive committees.

Organising the Legal Department

The legal department should be adjusted to fit the company's requirements. The department's size should be optimised based on several variable criteria: amount of work handled in-house versus work contracted out to external legal advisors; business sector, nature of operations carried out, etc.

Achieving the Right Balance between Outsourcing and Insourcing

Finding the right balance between the amount of work carried out in-house by the company's legal department and the amount handled by external advisors is a rather delicate task. Calculating the respective costs of each of these options is a determinant factor that can only be dealt with through an appropriate benchmarking process.

Incorporating Issues Relating to Compliance and Risks

Legal departments have an increasingly important role to play in ensuring corporate compliance. This development in the role of the legal department, brought about by the evolution of corporate governance, has now become so important to the company that a position is often dedicated to this topic in the organisation charts of large legal departments. The endless international expansion and growing ramifications of companies make it especially difficult to check compliance, hence justifying the need to set aside resources to this effect. Setting up a legal reporting system is equally important, so as to measure the risks incurred by company departments.

Proximity with Operational Staff

Operational staff expects more and more from their legal department. As internal clients of the department, they expect the legal team to handle their files with the same receptiveness and responsiveness as they would expect from an independent law firm. They also expect the legal team to understand their various businesses and be able to address their problems from a global angle, i.e. beyond the strictly legal context.

As such, the Legal Director must ensure that the right communication channels are established between him and operational staff. Setting up satisfaction surveys makes

it possible, for example, to strengthen internal relations and to accurately target the needs of the various divisions of the company. Lastly, campaigns raising awareness about the legal parameters should be undertaken in order to improve the way the legal function is perceived within the company.

Improved Interaction with Service Providers

In a race to keep tight control over costs, the Legal Director has to structure and streamline relations with law firms. Legal departments no longer hesitate to radically reduce the number of service providers and take advantage of competition between them to obtain competitive rates. The use of panels of law firms, as is often the case in the UK and the US, should be developed in France.

The Use of New Information Technology

Using new information technology makes it possible to optimise the running of a legal department. Therefore, the Legal Director must show his ability to use these resources to the best advantage to rise up to the big challenges that he may face. Innovative IT tools can make it possible for him in particular to improve the circulation of know-how within the legal department as well as help him manage relations with operational staff and external law firms (billing, time management, communicating information, etc.)

Career and Mobility Management Policy

One of the most sensitive issues the Legal Director has to handle is human resources. The Legal Director needs to make the legal function attractive and know how to retain the best professionals. It is becoming more and more essential to establish a sound career management policy for legal professionals. The legal department must be organised in a consistent pyramid, to permit career evolution. The firm should equally simplify the legal staff's evolution process (mobility within the group, international mobility, and possibility to evolve to positions outside the legal profession) and their professional development, mainly by setting up tailor-made training programmes to suit individual needs.