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A Special Report

# When the Law Group Spans the Oceans

Managing an international legal department can mean facing a mix of languages, time zones, and standards of service.

**By Rees W. Morrison**

Once upon a time, a corporate law department consisted of just one office housing a team of lawyers. But increasingly, as companies do business around the globe, some of the in-house counsel who make that possible are located in foreign offices—and for some law departments, in a raft of foreign offices.

Management Matters

Stationing lawyers near their in-house clients enhances the efficiency and efficacy of their legal work. But it also causes problems. When legal departments have many international offices, a number of management issues arise that don't trouble general counsel with only domestic offices.

It's worth noting that no absolute definition exists for when a company should be considered global, multinational, or international. Nor does exact terminology matter for this article. For most purposes, if a company earns at least one-quarter of its revenue from countries other than the country in which it has its major presence, the company can fairly be called "global." Many U.S. companies generate close to half of their revenue overseas.

Correspondingly, a sound rule of thumb may be that a corporate law department itself should be considered global if it has lawyers in five or more countries outside its home country.

## Change by the Numbers

Let's start by considering some metrics of law department globalization.

• *Legal departments of large companies have, and increasingly will have, offices in many countries.*

The number of companies with multiple legal offices in multiple countries is rising constantly as well as are the number of those remote offices. Almost certainly scores of companies have legal outposts in more than 10 countries.

For example, the insurance provider Aon has scattered approximately 250 legal professionals in 17 countries, McDonald's has lawyers based in 19 countries, and mega-retailer Carrefour has lawyers in 30 countries. But those aren't even the most spread out. BP operates in 36 countries, and Royal Dutch Shell's legal diaspora extends to more than 50 countries.

• *These legal outposts may each employ very few lawyers.*

When companies disperse their in-house counsel, some of the offices end up with only a handful of lawyers or even just a single lawyer. For instance, there are about five lawyers on average per nonheadquarters office at McDonald's.

The Asia-Pacific group of General Electric provides another good example. It has about 140 lawyers in 13 locations. In only three of those offices do more than 10 lawyers sit in the same building complex, and even at these locations they are often divided into smaller groups in order to be closer to their clients.

Johnson & Johnson, with its 240-plus lawyers around the world, has something like 140 of them in 34 locations. Some of those lawyers fly solo or have only one colleague. BP has approximately 400 lawyers worldwide. Teams vary in size from one to more than 70 lawyers.

• *Globalization is forcing the decentralization of lawyers from headquarters.*

As the number of foreign legal offices grows, the trend is to have a smaller percentage of the total lawyers based at headquarters—if the term "headquarters" even has much meaning for some sprawling companies.

While approximately 50 lawyers sit in McDonald's headquarters, some 90 are dispersed around the globe. Sara Lee has about eight lawyers at two U.S. locations, with the remaining 25 lawyers in 10 non-U.S. offices.

Hence, the nonheadquarters attorneys at McDonald's make up about 65 percent of the company's legal department, which may be approximately the same as the percentage of McDonald's total revenue that comes from outside the United States. And 84 percent of its lawyers are not at Sara Lee's headquarters; a slightly lower percentage are not in the United States at all.

My prediction is that, like Sara Lee and McDonald's, the largest companies of the world will have decreasing portions of their total legal head count based in their largest (presumably their headquarters) location.

• *In a flat legal world, the percentages of lawyers in particular offices will come closer to matching the percentages of revenue from the countries or regions they support.*

A fairly typical ratio in U.S. law departments is four to six lawyers per billion dollars of corporate revenue. Multicountry law departments tend to move toward something less outside the headquarters office—maybe two to four lawyers per billion dollars of revenue—because legal specialists still cluster at headquarters.

Eventually, for commercial legal work—as distinct from specialties like antitrust, employment, intellectual property, and environmental matters—the percentage of lawyers assigned to a given office will trend toward the percentage of the company's revenue base they support.

## Long-Distance Challenges

Such geographic dispersion creates its own challenges for management. Here are seven issues that international legal offices particularly face and what general counsel can do about them.

• *Uneven standards of work and client service.* Lawyers who graduate from law schools outside the headquarters country have obviously had widely different kinds of legal training. Their career paths after law school also vary widely. As a result, by the time they join the law department, they have very different notions of what constitutes top-notch service and client orientation.

To meld a team of multiple nationalities and levels of professional preparation into a consistently high-quality operation is an ongoing struggle. Forming project teams made up of lawyers from multiple offices and sharing work product across offices, in addition to regular conference calls and in-person meetings, will help to smooth the rough edges of diverse standards and even raise those standards.

• *Lack of teamwork.* General counsel who oversee a United Nations of lawyers must place a premium on communication and teamwork. If the silo phenomenon—units of lawyers who talk just among themselves and neither call on nor inform other lawyers in the department—is an intractable problem when in-house lawyers are all based in one country, think how much worse it is when the lawyers are spread around the globe.

Among the additional risks for the multinational law department is that the individual lawyer, beholden to a nonheadquarters manager, will "go native." The lawyer may lose sight of her responsibility to the company as a whole and throw herself into supporting the concerns of the local manager, business unit, or country. Strong reporting mechanisms, client awareness of the possible loss of objectivity, lawyer training and support, rotations through multiple offices, and visits by senior lawyers help build teamwork and break down isolation.

• *A Babel of languages and cultures.* Most global companies hire lawyers in foreign countries who speak the headquarters tongue as well as the local language, but translating legal jargon from one language to another is difficult.

Simplified contract language helps. So do communities of practice, where lawyers who practice in similar areas of law talk to and share their work with each other, thus helping them to achieve a consistent linguistic understanding of key legal positions taken by the company.

• *Conflicts among time zones.* Sprawled-out law departments are always reminding lawyers that "it's 7 p.m. in London" when they arrange for a conference call. Sometimes in-house attorneys must attend conference calls very late at night or very early in the morning. Having a critical mass of legal talent within each time zone can help to minimize calls outside normal business hours. So can BlackBerrys and other PDAs.

• *Poor internal communication.* Given varying professional perspectives, language barriers, and time zone differences, it is no wonder that multinational law departments suffer from communication blockages and failures. An obvious but sometimes overlooked solution is for the general counsel and other top managers to travel extensively. Well-run international legal departments often have large travel bills as managers fly hither and yon to keep in touch with their reports.

To facilitate communication, some law departments also rely on special technologies. General Electric, for example, uses an application called SameTime for instant messaging and conferencing. Others develop intranets and circulate online newsletters.

• *Compensation inequity.* A dollar paid to an attorney in New York does not go as far as a dollar paid to an attorney in Mumbai, yet they may have equivalent seniority, experience, and responsibility. That's why compensation equity is quite difficult to achieve across international offices. One solution is to base compensation on purchase power parity, which takes into account cost-of-living and currency differences.

A related challenge arises when the general counsel must decide on relocation and expat pay packages. What is fair when two attorneys work side by side in Mumbai, but one has to move from New York and the other is local?

• *Irregular titles and uneven support staff.* What a lawyer is called in some countries makes more of a difference than general counsel in the United States may appreciate. If you really want title simplification, do not distribute your lawyers around the world.

As to support staff, there are large parts of the world where paralegal positions are unknown. There, junior lawyers, often paid very little, handle tasks done in other countries by paralegals or legal assistants.

None of this suggests that law departments should not spread out. The future is flat, and law departments must flatten out too. Lawyers in more places and thinner legal teams are inevitable. Smart managers will look for ways to keep those global teams working together.

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