

10 Steps Toward Helping the CFO



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Some corporate counsel convince finance directors that legal costs are a different kind of business cost, one that's indeterminate in scope and incapable of estimation, yet well managed by lawyers. "Trust us," they say. Others relentlessly drill outside counsel fees down. "They're milking us, but we're their match," they assert.

If, instead, you work collegially with finance specialists, and consider outside counsel fees only part of the equation, you might identify a wider range of possibilities for better management of the finance side of in-house counseling. The following list is just a start.

1. Help make money. If "legal" is regarded mostly as a cost center, this affects your place at the table and constrains your ability to deliver value. To change the mindset, use both sides of the ledger, not just costs; develop ways to actually make money, rather than just spend it better. Ask questions such as: how can lawyers generate revenue? (e.g., recover in-house litigation expenses); how can lawyers save money? (not simply give great advice that saves millions, but quantify those savings too); and, how can lawyers help business teams generate more profits? (e.g., streamline operational legal compliance systems).

2. Where's the value? Do you measure legal team hours, allocated to transactions and business units? If hourly rate billing rewards inefficiency, why replicate it internally? Identify and measure what really adds value to your organization. Involve the finance team

and business units. Structure your management reports by the organization's top priorities, not legal headings or time spent. This helps focus the lawyers, and demonstrates value added.

3. Take a long view. Some managers seek immediate savings—say, legal department headcount and salary freeze, or cut the number of law firms in return for an agreed reduction in outside legal expenses. Yet a few years later, perhaps after a few disastrous transactions, a new manager might need to build up the department's depleted talent, and persuade law firms to return some of their best people to your work. Resist short-term fixes with illusory savings; the biggest sustainable benefits come with time.

4. Do you really need more advice? Faced with difficult legal issues, we often spend lots of time trying to get the right answer, or we seek corroborative external advice. Yet some things work against cost-effectiveness. First, we're lawyers, trained to ferret out definitive answers. Second, we're human; we feel safer with someone else on board, especially if later it all goes wrong. Yet the 80/20 rule might apply. That is, the first 20 percent of time and expense might get 80 percent of the way to "the" answer. For the remaining 20 percent, you might spend 80 percent more time and cost. Sometimes you need to be 100 percent right, but other times you can trust your judgment. Occasionally you'll get it wrong, yet the remedy may be far less than the savings on everything else you get right.

5. Pay more to save more. Hire great people, with expertise and experience to make great judgments. If you pay peanuts, the resultant monkeys need to do lots more work for the same result. Similarly, select the best outside counsel. Even at twice the hourly rate,

a 30-minute phone call producing the same outcome as other lawyers might take a day to produce in a memorandum can lead to huge savings over multiple transactions.

6. Resolve disputes early. Sometimes you need go all the way, yet if most times you resolve disputes early, you'll save years of legal fees and the huge commitment of management time required.

7. Systematize, systematize, systematize. If lawyers seem constantly 'fire-fighting,' doing everything urgent that hits their desks, develop systems to identify and address top priorities. Likewise, with recurrent tasks, leverage your expertise with systems.

8. Use technology. Audit technology use to identify areas to deliver better value. One of the best ways to boost productivity is to select good matter and contract management systems.

9. Focus on outside legal costs. They are often the largest single expense—and savings opportunity. You could chisel their fees, or find long-term relationship-based solutions. With many organizations, it's still possible to achieve the counter-intuitive; reduce total legal spend, yet increase revenue to selected firms. Work with your firms to find this win-win situation. Most of all let them know what you value, and together you can demonstrate the value of the legal function.

10. Get the ball rolling. If you're too busy, bring someone in to help you get started. With a good facilitator, you'll develop many more possibilities. Winnow them down, prioritize the best, and develop metrics. Identify what adds value, deliver that value, and demonstrate the value delivered. This improves relationships with finance directors, and helps lawyers deliver even more value. 