

Case Study: Partnering From Olin and Beyond

By [John G. Kelly](#), Esq.

Legal Thought Leader, November 2002

Yes, there is a payoff from convergence and the other partnering programs associated with working smart in corporate legal department practice management. Johnnie M. Jackson (Jackson) is in a position to emphatically make that assertion. He was in-house with Olin Corporation, a major industrial company best known for its ammunition business, from 1978 until March of this year. He served as Vice President, General Counsel and Secretary from 1995 until the time of his departure. In 1993 the Olin legal department had more than 35 in-house counsel, 12 Paralegals and roster of in excess of 370 outside law firms. By 2000 those numbers had declined to 5 in-house lawyers, 3 Paralegals, a converged partnering relationship with 8 primary law firms and a roster of 10-15 secondary firms. The end result is a more efficient, results oriented and cost effective organization consistently delivering high quality legal services to the corporation.

Partnering Evolved Out of Strategic Thinking

Why was Jackson successful and how did he go about achieving such an ambitious service mission, especially when there were no trailblazers to follow when he started? Thinking and acting strategically were core to his success. He refused to look at the legal department as an extension of an outside law firm. He was convinced that an inside law department should neither model itself after, nor try to become an inside law firm. He recognized that as a business service unit to the corporation there were professional service firm best practices that he should be mindful of. However, he also recognized that the legal staff needed to think and act not only like lawyers but like business professionals. In Jackson's opinion, the inside lawyer is in a unique position that requires an appreciation that, from the corporation's perspective, the law is just one of many skill sets used to make business decisions. To be successful in-house, you have to be both a good lawyer and a good businessman. Building a business model that could best provide the corporation with a cost effective mix of best practices legal services, rather than maintaining a legal department that rivaled the resources of outside law firms, became Jackson's mission.

A Willingness to Change was the Starting Point

How was he able to develop what was then a radical mission in 1993? What motivated him to take the risk in assuming a leadership position in corporate legal department practice management?

“When I really looked at how legal services were being delivered to the corporate client in the early 1990's, I discovered that the model was fundamentally flawed. In-house law departments had been growing since the late 1970's and early 1980's in response to a dramatic increase in government regulations and burgeoning outside fees. Single - client inside law firms were being created and internal costs began to rapidly escalate as well. The mindset, from the in-house point of view, was that inside lawyers could do anything that an outside law firm could do, only cheaper. It became an either-or model. Outside law firms and inside law departments were on the verge of becoming competing adversaries. The model left little room for dialog as to how the best of both worlds could be combined to serve the client. It didn't make business sense and I decided that something could be done about it.

Key to Partnering Success

The key to the success of Jackson's convergence program (in 1993 there was not yet a label for it) was his vision supported by an intuition (now more popularly labeled as emotional intelligence) of the value that partnering relationships bring to the legal service mix. The debate over whether

the cost - benefit ratio is more favorable when providing legal services in-house or through outsourced law firms swings back and forth like the pendulum on a great clock. Jackson determined that some legal work would always be referred to outside law firms and that when all of the direct and indirect costs were factored into the equation, the fully loaded costs of a full service in-house legal department were not much different than the costs of referring work outside.

However, he didn't let straight dollar cost alone drive the decision making process. He realized that strategic partnering was dependent on building long - term mutually beneficial, open and trusting relationships with targeted law firms. And he appreciated that the real value add in the partnering equation was;

- ❖ the degree to which the chosen strategic partner had an open mind;
- ❖ could align the firm's interests and skill sets with the company's interests and needs;
- ❖ could really listen to the client company from the client's point of view;
- ❖ was aggressively pro-active in implementing best practices and;
- ❖ managed the delivery of services in close coordination with the General Counsel so that the firm spent the client company's money as if it were spending the firm's own money

Here is how Jackson describes the basic principles of strategic partnering with outside law firms:

First, I would say that there is no one partnering solution that fits every company. What works for one company may not work for another. There are many moving parts and considerations. The basic approach and process that can be used to establish a partnering program, however, can be used by most corporate legal departments and law firms. Company General Counsel must be the ones to undertake the initiative and targeted outside counsel must be willing to creatively respond. Based on my experience, the basic principles of a successful partnering relationship include at least the following:

- Partners have base lined their inside and law firm practices
 - Each knows their unique skills and limitations (honest and realistic)
 - Each knows what they can do and how much it costs (and share it)
 - Each knows the company's businesses and specific legal needs
 - Each knows the people and personalities involved (chemistry counts)
- Partners know how to really listen to the other from the other's point of view
 - There are frequent phone calls and regular meetings to keep current
 - Outside firms invest their own time early on to form relationships
 - Inside departments provide opportunities for firms to get involved
 - Two-way evaluations as to how to improve are ongoing
 - Annual performance reviews are synonymous with best practice planning
 - Individuals who aren't compatible with the program are reassigned
- Partners learn to share the glory, share the pain and share the load
 - Neither gets out in front of the other
 - Neither forgets the ultimate client
 - There is a senior "go to" person on both sides
 - Each knows exactly what is expected of them
 - Each respects the other implicitly
 - Both work for the best results at the lowest cost
 - Both have "one foot in the other's camp"
 - Both are mutually accountable for results
 - There are incentives that are positive and negative
 - There are metrics to measure results
 - Firms are seen by Management as part of the team (not separate)
 - Firms see themselves as part of the team

- Partners are connected 24/7 by the use of technology
 - Calls from either partner are returned within minutes
 - Organizations are connected at many levels
 - Bills are prepared and paid in a timely matter
 - Invoices are matter specific, task based and user friendly for both sides
 - Firm contact partners and General Counsel discuss gray areas before the bill arrives
 - Bills are auditable but rarely have to be audited
 - There are few, if any, surprises
 - New developments are relayed almost immediately
- Partners make promises and keep commitments (no kidding)
- Results are terrific both from an outcome and financial cost basis
- Morale and job satisfaction are high both inside and outside
- Partners don't take the other for granted and share an attitude and understanding that relationships are not static:
 - History is interesting but it's performance on both sides that counts
 - New people are trained in how partnering works
 - There are celebrations and rewards
 - Partners invest time in keeping the relationship alive and well
 - There's a feeling that we ARE on the same team

Managing the Partnering Network

What is frequently overlooked in an outsourcing program is that it has to be professionally managed to function at a best practices level. You can't just refer work outside and sit back and wait for the results. The in-house counsel, in liaison with the firm's responsible attorney, continues to play a pivotal role in ensuring that the corporation's business clients are receiving the level of service of value added service required.

This ongoing management responsibility is mutual and goes well beyond merely drawing up rules of engagement and reviewing legal bills. In-house counsel must develop what is essentially a business partnership with a core group of attorneys in the designated outsourced law firms. There needs to be a senior "go to" person on each side when there are problems to be resolved or major decisions to be made. Outsourced law firm partnership management is an acquired competency for both parties. Even though Jackson is a champion of convergence and outsourcing through strategic partnering, he is the first to acknowledge that if you don't have in-house counsel with business partnering management competencies, you may have difficulty making it a success. However, there is a sliver lining in what, at first glance, might seem like a cloud on convergence. The fact that the ability to manage a partnering relationship is an acquired competency means in-house counsel, and their corresponding firm counsel, can be taught how to partner. It's mostly about awareness. People skills are, of course, important but the key consideration is the commitment to make it work.

Technology Plays a Key Role

Any legal department contemplating a convergence program must be prepared to embrace technology and incorporate legal e-business into the operational framework. The legal department needs a virtual communication link with the its primary law firms to support strategic partnering. There needs to be compatible information technology (IT) in place to facilitate e-document exchanges in a real time mode. Legal e-business is much more than putting an e-mail system in place. It's the application of knowledge management and IT in a manner that adds value to the mix of legal services to clients. It requires service providers and clients to form e-partnering alliances that utilize common technology platforms and interchangeable software applications.

This is a different service environment than the one that Jackson encountered when he initiated his convergence program in 1993. Still, it was clear that technology would play a key role in his partnering initiatives.

To give you an idea of just how primitive e-everything was when we started our initiatives at Olin in 1993, just recall that there was no internet; no email service providers; no AOL; computers had slower/larger chips making user -friendly hardware assembly difficult; and the state of the art legal hardware/software systems were Wang originals – hard to believe but true. The world has changed in the last decade. But, even back then, I knew that technology was one of the keys to success and we used what was available to hard wire ourselves to our partners. It was crucial. Cell phones were new then, too. We got them for our contact lawyers and we got handheld dictating machines for our attorneys. Before it was fashionable to do so, we required all attorneys and Paralegals to become computer literate – remember; this was all new ten years ago. We computerized our databases. We computerized our discovery processes and information. We cataloged everything electronically. You can't succeed in this endeavor without technology. And, today, it seems so much easier than it was then. The options and the opportunities for cost efficiencies and other benefits are tremendous and they are there for those who want them.

Dealing With The Downside

Convergence looks like a textbook case of win-win from the partnering perspective. But, there is potentially a very real downside associated with downsizing your in-house legal staff.

Many General Counsel instinctively shy away from convergence and partnering initiatives because they are reluctant to contemplate terminating the careers of respected colleagues, many of whom they have worked with for a number of years.

If efficiencies and cost savings can be gained by cutting in-house staff without compromising the quality of legal services to the corporate client, that's a reality that law department leaders must face. In Olin's case, the downsizing from 35 to 5 lawyers represents an 80% in-house counsel workforce reduction.

However, reducing the in-house legal team doesn't necessarily translate into a lose-lose proposition. An important component of Jackson's partnering initiative was finding alternative career opportunities for displaced in-house counsel with the primary law firms or elsewhere. Knowing that the experienced in-house lawyers impacted by the move were all well qualified professionals familiar with Olin's culture, it made good business sense for them to join the partner law firms that would be doing significant Olin work. Jackson was able to negotiate positions for most of the displaced lawyers. A follow up several years later revealed that, overall, the great majority of the lawyers had successful careers. In fact, many of them still do work for Olin.

Today, Jackson prefers to say "reassigned" rather than "displaced" in referring to law department downsizing. His advice for anyone undertaking significant reassignments is to "do it as openly and as quickly as possible and be sensitive to the anxiety caused by delay once the program is underway. People can deal with reality much better than they can deal with anxiety".

The Partnering Bottom Line

In the final analysis, there is a certain built in skepticism within the corporate counsel community about the long -term value of convergence and strategic partnering between corporate legal departments and law firms. Why, some General Counsel ask themselves, should I take the time and effort required to make convergence and strategic partnering a priority when my corporate

legal department has chugged along through all of the other flavor of the month programs and survived?

Is what Jackson advocates in danger of withering out over time? Will the senior executive team really notice any difference and, just as importantly, provide corporate legal with the level of recognition it believes is commensurate with the taking on the challenge of changing business as usual? In short are the rewards worth the risks? Yes, definitely so from Jackson's perspective.

Nothing ever stays the same. Partnering initiatives are no different. And, today, things are changing more rapidly than ever before. Change can be threatening. For the most part, human nature encourages us to resist it. It prompts us to say: "Why bother, it's just a flavor of the month that will pass". In my view, the reason most of those initiatives fail is that they tend to be change models focused on labels, focused on incremental changes in the way things are done – they tend to be fixed in time and are held out to be THE answer.

The truth is these models introduce solutions that often become lifeless and static and, in time, the very solutions themselves create a whole new set of problems. There may be a temporary increase in enthusiasm and excitement with these initiatives, but they never seem to last.

What I am talking about is looking at things from a totally different angle; transforming the whole management process so that it's alive, flexible and responsive to changing demands.

- ❖ It's adaptable.
- ❖ It takes into account the people side of the equation – human capital – thinking like a lawyer and thinking like a business professional.
- ❖ It embraces the opportunities afforded by new technology.
- ❖ It acknowledges the need to allocate and share responsibilities.
- ❖ It identifies niche expertise and the imperative of mixing and matching skill sets.
- ❖ It recognizes the need to improve efficiencies through the adoption of best practices.
- ❖ It appreciates and takes hold of the opportunity for achieving peak performance with limited resources; ample rewards for all; and the changing responsibilities of inside and outside lawyers to their corporate clients and their relationship with management.

Partnering does work and can be incredibly effective. Why not have it all? It's possible.

Moving Forward

Through years of untiring efforts, Jackson has developed core competencies in partnering principles and practices. At Olin, he had to design his own partnering model and a professional development program to deliver it to his in-house legal team. And then he had to establish the management system that would keep everything on track. He proudly wears the label of "partnering pioneer."

Jackson is now committed to working with other law department leaders and their preferred outside counsel and legal suppliers to achieve the same partnering success that he forged at Olin. Under the auspices of his new company, Transitions Consulting, LLC (www.transitionsconsulting.com), Jackson is exploring new working relationships with LawPartnering, Inc., founder sponsor of the LawPartneringSM Institute (www.lawpartnering.com), and members of the LawPartneringSM Alliance. The Alliance is a unique affiliation of companies providing a one-stop, multi-dimensional resource to help law departments organize, initiate and strengthen partnering relationships. He is determined to continue his pioneering efforts by helping

in-house and outside counsel transition from traditional lawyering to focusing on their role as both lawyers and business professionals through partnering initiatives.

On November 6-8, Jackson will give a keynote talk to attendees of the 4th Annual 2002 LawPartneringSM Forum in Long Branch, New Jersey. His presentation will take a retrospective look at the partnering and re-engineering efforts undertaken and accomplished on his watch at Olin beginning in 1993 – and then focus on where partnering initiatives need to go from here.

From law department leader to consultant is a big step for any General Counsel. Why has Jackson decided to take on a consultant's role? And how much of a personal transition is this for him?

“Actually, in some ways, it's not that big a shift for me. I have always been a counselor and have always practiced business right along side the practice of law. I have also been tremendously interested in the human side of the equation of just what makes an organization click – what works and what doesn't.

I see tremendous value that can be mined from partnering initiatives both in terms of human capital improvement and cost/benefits. How that value is obtained is something I want to share with as many firms and companies who want to listen. I have also noticed that the business of law is something most lawyers, inside and outside, are not comfortable with and that current cost and billing pressures have created a tremendous ground swell of personal job dissatisfaction. I would like to transform that somehow and believe that I can.

The profession has changed dramatically over the last decade and has, in some ways, become less a profession and more of a business and there are costs associated with that shift. There is a possibility of living and lawyering that is both profitable from the firm's point of view; efficient from the corporate client's point of view; and satisfying and rewarding from the individual attorney's point of view. As I said before – You can have it all! Why not?”

© John G. Kelly, 2002. All rights reserved. Reprinted with permission. Visit the author's Web site at www.LegalThoughtLeader.com sponsored by Bridgeway Software.