

S|S|Q

IN PARTNERSHIP WITH



THE TRUE VALUE OF THE IN-HOUSE COUNSEL
AN INDEPTH LOOK AT THE POSITION OF AN IN-HOUSE COUNSEL
IN ITALY AND WHAT BUSINESSES REALLY THINK OF THIS
FUNCTION

INTRODUCTION

SSQ, in partnership with the Italian Association of In-house Counsel (AIGI), surveyed over 200 in-house counsel and business leaders in order to best evaluate the role of the in-house counsel and establish what businesses perceive the real value to be.

We are delighted to present the results and to offer an insight into a very sought-after profession within the legal industry.

We would like to thank our partner, AIGI, as well as the in-house counsel and business leaders who have provided their valuable views and experience.

EXECUTIVE SUMMARY

The value of an in-house counsel has not gone unnoticed within businesses across Italy. At SSQ we are witnessing a moderate rise in the number of companies - including medium sized companies - that have decided to invest in internal legal support. We estimate that in 2017 first lawyer hires equated to about 22% of the total in-house legal hires in Italy. As of September 2018 we estimate this number to have risen to 31%.

We have asked legal counsel to share their insights on the role, and to business leaders to provide their views on what the real value of an internal legal department is. Our survey has highlighted that the gap between what CEOs and business leaders want from their legal teams and what in-house lawyers want to get from their role and their position in the business is not really as cavernous as the stereotype often suggests. They are very much on the same page when it comes to expectations, required abilities and skills.

The results have been overwhelmingly positive. Not only do business leaders really appreciate and understand the value of having legal expertise in-house, but they do not have

unrealistic expectations of the role, and, in-house lawyers truly understand what is expected of them.

Both sides want the in-house counsel to act as a commercial business partner. Having this in-depth understanding is believed to be the best way in order to add real value to the business, largely from the day to day risk perspective but also for the general strategy. Our study shows that businesses appreciate having the ability to turn to a dedicated professional with not only strong technical skills but a deep understanding of the business and its drivers. Someone who speaks the same language as the business and can be trusted to do the right thing by it.

ABOUT THE SURVEY



Survey results for over 200 in-house counsel and business owners/leaders



Business leaders job titles included:

CEO | Owner | Director | Founder | President | COO



Sectors included:

IT | Automotive | Financial services | Engineering | Insurance | Utilities | Fashion | Consultancy | Telecoms | Banking

IN-HOUSE COUNSEL AS A STRATEGIC BUSINESS PARTNER

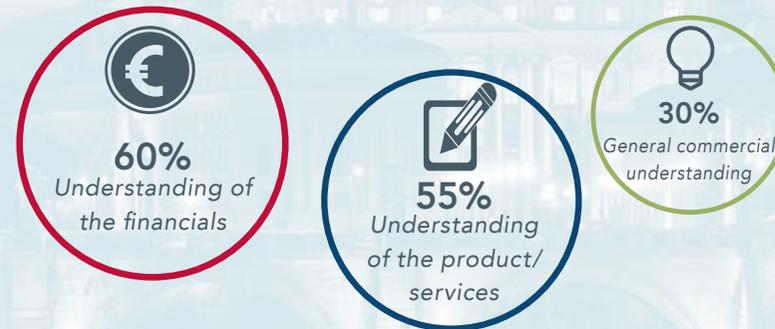
The clearest point we can draw from our survey is how aligned CEOs and in-house lawyers are on the position of the counsel: both sides want the in-house counsel to act as a strategic business partner.

Both sides understand that the role requires a commercial understanding of products and services offered and the full appreciation of the overall strategic direction of the business; making the in-house counsel a true business partner and so much more than just another support function. **97%** of business owners see the in-house lawyer as a business partner and **74%** said that they empower the legal team to be involved in the strategic operations; have a say in where the business is going and how it gets there.

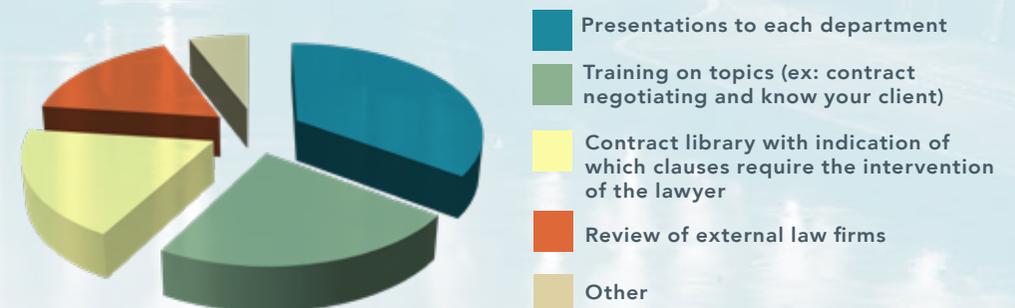
company. **61%** said that they held training on how the legal team can help specifically. Others opted to become involved in internal committees or create specific marketing communications to the leaders across the business.

This approach helped them to gain an in-depth understanding of the commercial rational behind business operations and to put the right procedures in place in order to manage the risk properly.

For the in-house counsel, what are the key things to have an understanding of in order to be able to do the job? (Based on ranking the activity as 8, 9 or 10)



How did you encourage cultural change in the company? [as an in-house lawyer]



How do in-house lawyers achieve this?

For a new in-house lawyer and/or team, **76%** of respondents said that the best way to get buy in from the business was to use a practical approach, collaborating proactively with the different departments. We asked them more definitively how they instigated real cultural change in their

EXPECTATION VS REALITY

Every business has a different rationale as to why they hire and expand their legal team. **56%** of our respondents said that the main reason for hiring an in-house resource was to help identify and manage risk.

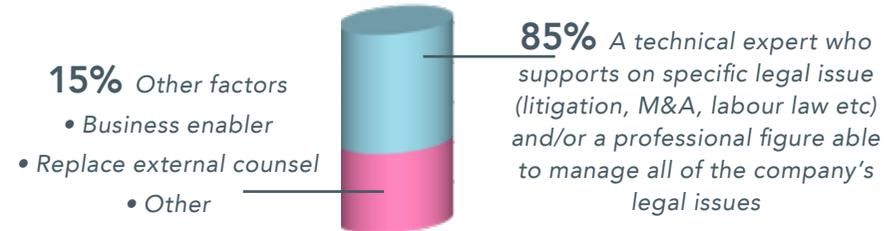
They saw this hire as very much the bringing in of technical expertise: someone who could advise on specific issues such as litigation, M&A, privacy, and employment law. Only **19%** of business owners felt that this hire (before they actually made it), would be a business partner/business enabler and facilitator with a strategic position. For many business leaders, this reversed after the hire: **97%** of CEOs said that they see the “new hire” as a key part of the business leadership. Arguably it became clear that in order to implement the most effective policies around risk it is crucial to be involved in business strategy at the highest level.

Credit must also go to the in-house counsel who are demanding this respect. Our survey suggests they go into the role with their eyes open, willing to learn the business and its protocols in order to succeed.

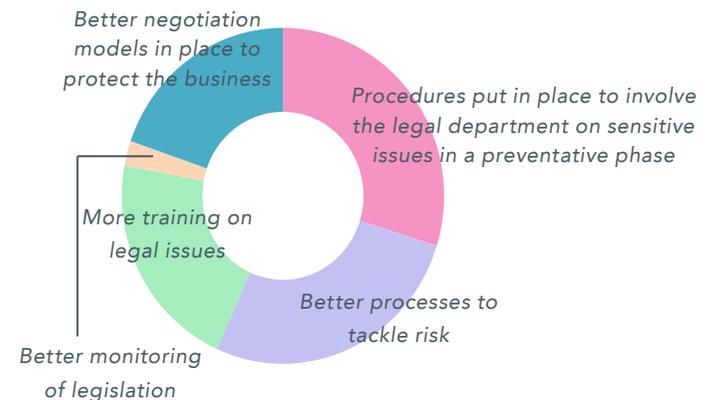
Why did you hire an in-house legal team?



What did you think an in-house lawyer would be responsible for before you hired one?



What have been the most evident changes?



The problem of external spend and the relationship with in-house counsel

One of the most interesting things to come out of our survey is around the topic of external counsel and legal spend.

It is easy to jump to the conclusion that CEOs hire in-house support (not just in legal) in order to save on costs, but most businesses are clearly aware that having in-house legal skills does not mean that the need for external counsel is removed. Only **26%** of our CEO respondents said that they hired someone internally in order to replace external counsel and only **6%** thought that a reduction in cost would actually occur. Our survey has gone further and can confirm that while cost saving may not have been the driver, having this skill in-house does lead to a reduction in external legal expenditure. **61%** said that they have seen a reduction, in some circumstances up to **70%**.

This is arguably because having an efficient and successful legal team means that processes and policies can be tightened and implemented properly and risk is better managed. Therefore, not only are legal matters resolved more quickly, but litigation is reduced (according to our survey **68%** of businesses said the volume of litigation fell).

Has external legal spend been reduced?



YES



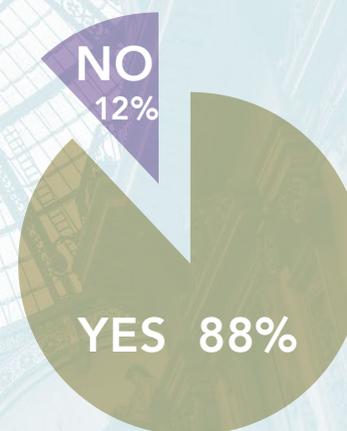
NO

Amount of saving

Percentage of respondents

Up to 20%	9%
21-30%	12%
31-40%	3%
41%+	12%

Has the in-house lawyer changed the relationship with external legal advisors and succeeding in becoming the first internal point of contact



IT'S ALL ABOUT MANAGING RISK

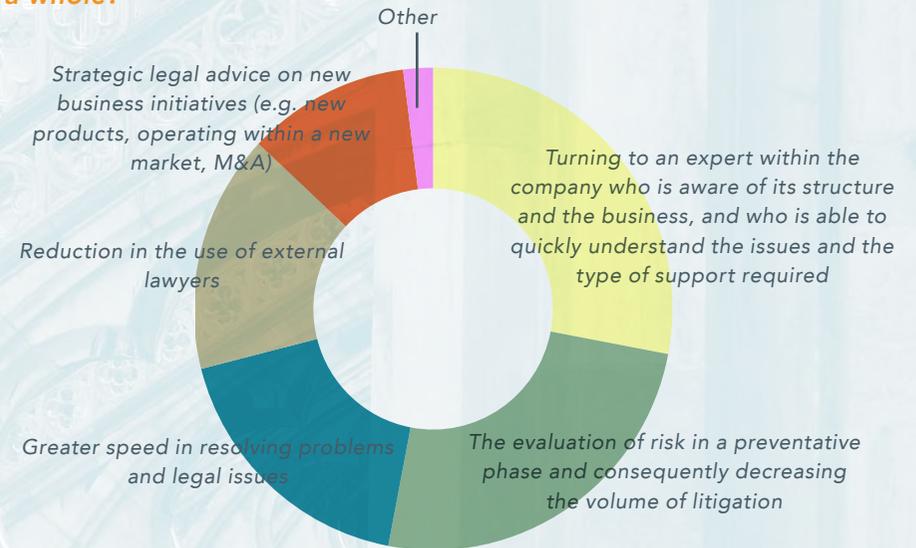
As already briefly pointed out, the majority of businesses initially hire in-house legal support to better manage their risk and to stay on top of regulatory changes.

Was this target accomplished?

84% of business owners said that after the implantation of the legal team the business was better at managing and preventing risk and **71%** said that compliance and governance were the main reasons they approach the team internally. This can largely be contributed to the ever changing nature of business, complexities of compliance and the changing regulatory landscape.

Having this resource in-house means that not only is there a technical mind on the side of the business, one with a commercial understanding and bias towards the business in times of crisis, but also there is someone dedicated to implementing policies that are going to protect the business on a much broader level than is ever possible purely through external counsel. An in-house lawyer can better interpret the impact of regulatory change on a business and come up with more tailored solutions.

Following the introduction of an internal legal department, what were the most evident changes perceived by management and the business as a whole?



What is your priority when contacting the internal legal team?

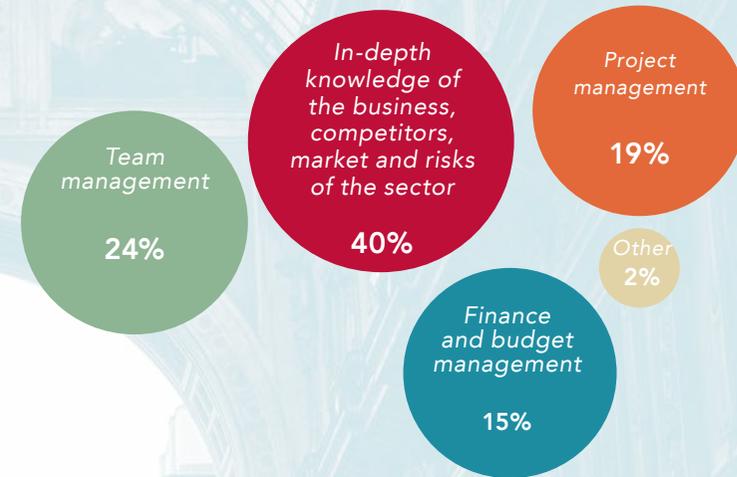


WHAT'S IN A SKILL?

While it's important to be able to live up to the expectations of the business and become a partner of it, how do legal counsel find themselves going about this? (Particularly in instances where they are the first in-house lawyer a corporate has hired.) It is not an easy job and they need to have so much more than a technical mind in order to be able to operate at the highest level. We have already mentioned that the majority of in-house counsel go down the education route in order to get buy in. However they went about this, **78%** of legal counsel said that interpersonal skills were the most important in order to get the job done and done properly.

In regards to skills one anomaly that appears to stand out is how both in-house counsel and CEOs do not put much weight on the role requiring leadership skills. Given how bought in both side are about the role acting as a business partner and needing to be involved in the strategic decisions of the business, this seems strange. For in-house counsel these soft skills are quite far down the list. For the CEOs we see an even more altered picture, with leadership featuring as the very least voted skill and problem solving featuring first on their soft skill wish list. Another example of where there is great synergy between the mind set of these two groups of people.

As a business leader what skills do you think are the most important for an in-house lawyer to have (aside from technical skills)?



What are the soft skills that you find most useful in order to successfully complete the professional challenge of being the first lawyer in a company?



CONCLUSION

The survey has shown what a culture-change agent a legal department can be for the corporate environment. According to the results, Italian companies have a rather sophisticated view of the role of in-house counsel (in terms of added value) and this shows an encouraging outlook.

The amount and complexity of laws, regulations and related risks, together with the challenges posed by the global markets, play an important role in increasing the perceived strategic importance of the in-house lawyer. These factors also affect the decision of hiring a first corporate counsel.

Cost reduction and a better and faster management of legal matters are additional positive side effects.

From the lawyer's point of view, transitioning from being seen as a pure technical resource to a strategic business partner is not easy, and it is often up to the individual to find the right approach to instigate such a change. This surely includes a consistent amount of self-education on the technicalities and challenges of the products and the business, and is often also a case of learning to speak "another language". Lawyers must capture the attention and trust of the business whilst maintaining expertise, competence and credibility.

Despite these positive trends, there is still a way to go. In Italy, a vast number of companies still do not have an internal legal department, even in cases when the volume and complexity of the business would justify it. The reason must surely be cultural. Initially business leaders do not expect much from a lawyer beyond specific, on-demand advice, and this leads them to pick external counsel if and when the need arises (sometimes, only when court proceedings are already starting).

Hopefully, the positive attitudes that we have seen in our survey will continue and more Italian companies will begin to see the value of an in-house legal team and the real time positive changes one can bring.

ABOUT SSQ

SSQ is a leader in legal search and places lawyers into law firms, companies and financial institutions at all levels of seniority and in multiple jurisdictions around the world.

Founded in 2003, our team has now grown to over 90 legal search professionals working across the globe. They are highly experienced recruitment professionals with significant experience and understanding of the legal sector. Many of our consultants are qualified lawyers and have worked in private practice or in-house, giving them a unique insight into the environment in which lawyers and clients operate.

Our brand stands for leadership in legal search. We work in partnership with our candidates and clients and provide insightful market analysis. We seek to add value on both sides, holding true to our guiding principles of transparency and quality of service, delivered with integrity and professionalism. These core values set us apart.

Our expertise and track record are outstanding. Together with our long standing global relationships with magic circle, white shoe and top international law firms, as well as leading corporates and financial institutions in the UK, Europe, Asia, the Middle East and North America, our connections are unrivalled.

ABOUT AIGI

The Italian In-house Counsel Association was established in 1976 by a group of General Counsel from established companies with the scope of enhancing the role of the in-house legal counsel.

The Association, moreover oversees the respect of ethical principles included in its Code of Conduct and supports the exchange of information, knowledge and experience among the members.

On December 5, 2013, AIGI obtained a listing with the register of non-regulated bodies, managed by the Ministry of Justice. Since 2005, AIGI manages the Graduate National School for In-house Counsel and cooperates with several universities and education academies providing lecturers, seminars, conferences and workshops on legal matters.

If you are not an AIGI member or if you simply want to learn more about the association, please visit their website on www.aigi.it

