

Case Study: Synchronization in the Coperion Corporation Legal Department

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Introduction

Necessity breeds innovation and invention. To meet the necessity at Coperion Corporation, general counsel John H. Ogden came up with a concept that he labeled "synchronization." The concept, as the label suggests, is that ensuring that the strategic plan and service goals of the corporate legal department are on the same wavelength as those of management is mutually beneficial. However, synchronization is not the result of a sales job by general counsel; it is the result of a buy-in

between the senior executive team and general counsel, and that's achieved through a consensus process that aligns legal services' mission and goals with those of the corporation.

Coperion Corporation was formed in May 2001 as a result of the merger of three well-known European-based industrial companies -- Buss, Waschle, and Werner & Pfleiderer -- all leaders in process technology. Coperion is a leading supplier of systems, subsystems, key components, and engineering services to many industries, with a primary focus on plastics, chemicals, and foods. It has a global mandate, but its principal domicile is in Germany.

Synchronization Started Out of Practice Management Report Challenge

Ogden has been general counsel of Coperion or one of its predecessors (Werner & Pfleiderer) for 18 years. During that tenure all but one chief executive officer (CEO) had extensive management experience in the United States prior to becoming CEO. Several years ago, a new CEO was assigned directly from Germany. Ogden explains how this situation started him down the road to what is now known as synchronization at Coperion. He said, "My expatriate CEO had virtually no experience with legal matters in a common law jurisdiction. After several months of back and forth questions about why I was taking certain courses of actions and making specific recommendations, I decided that what I should do was come up with a comprehensive presentation of how legal issues impacted corporations in the North American legal environment generally and our situation in particular."

The starting point for that presentation was a list of the tasks and activities that were encompassed in the legal department's service mandate. The tasks and activities were divided into three categories:

1. Core. Core issues were legal issues critical to the core function and mission of the corporation.
2. Key. Key legal issues were important with the potential for serious implications that required best practices management capability.
3. Other. Other legal issues were routine legal matters that should be handled on the basis of the least-cost solution.

What Started as a Report Evolved Into a Management Dialogue

The list became the focal point for a strategic management dialogue between company executives and Ogden. It was a learning experience for both parties. The expatriate CEO got a firm grasp of what the legal

implications were for doing business in the United States. From interfacing with the CEO, Ogden gained a much better idea, beyond what was available in routine reports and meetings, about the company's business mission and where and to what extent the corporation wanted to focus its resources. The company is an engineering-driven organization. The CEO was an engineer. Engineers are accustomed to using numbers in evaluations. Ogden facilitated communications and understanding in discussions by using graphs and numerical representations. He explains, "I prepared a document with a description of legal issues, examples, and metrics that demonstrated trends. I put together several surveys that showed ours was a cost-effective legal department as compared with others in various industry surveys."

The approach was successful. The CEO and Ogden reached consensus on how the legal department should allocate its resources to add the most value to the business mission of the corporation. In fact, a graphical presentation format was subsequently built into the legal department's reporting function. This dramatically demonstrated that increasing percentages of decreasing allocations were spent on core and key issues.

A Performance Management Framework is the Foundation for Synchronization

Ogden's next step was to take what was agreed upon and configure it into a performance framework. Ogden calls this process "joint issues prioritization." This is where tasks and activities are rated as core, key, or other. Joint issues prioritization has become the baseline for determining how the legal department should commit its resources and energy. Once issues have been prioritized, they are integrated into what Ogden labels the "optimization of the legal function." Legal matters are correlated with the corporate business plan and fitted with metrics that track their performance relevant to specific business objectives.

Any general counsel who has looked into performance measurement knows how critical it is to identify and apply metrics that have a meaningful correlation with outcomes relevant to achieving desired performance. In an article in the October 2000 issue of the ACCA Docket, a publication of the American Corporate Counsel Association, Ogden describes the criteria he uses for metric selection:

"Many metrics may be used in a legal department, but to be used in the synchronization process, a metric must pass a two-part test. First, the metric must measure something that contributes to the effective delivery of legal services. An example would be a fully loaded internal hourly rate

compared with retained counsel rates. Second, the metric must be expressed in terms that are meaningful to business people. An example would be the average number of attorneys per billion dollars of sales in the client's industry. It is extremely important for business and legal leadership to agree at the beginning of the synchronization process on the relevance of specific metrics and to jointly decide where the company should be in relation to external norms."

Synchronization is an Effective Outside Law Firm Management Tool

Ogden also discovered that the synchronization and reassessment process had an impact on how the legal department viewed its relationships with law firms providing legal services to the company. Ogden describes what occurred:

"Joint issues prioritization with a focus on optimizing our legal functions ultimately changed the way all legal costs (inside and outside) are incurred. More specifically, key, core, and other areas were identified signifying cost centers that could be handled by generalists in-house or those requiring the expertise of specialists -- typically, but not exclusively, retained counsel. For example, we found certain employment, environmental, and intellectual property issues were best suited to the specific expertise of outside counsel as well versed in company matters as in-house attorneys would be. Commercial and corporate matters could be effectively handled by the use of two part-time attorneys who regularly work at the company and are familiar with both our business and personnel. This shift in approach dramatically reduced our outside legal costs while strengthening our relationship with those select attorneys who consistently work with us. With this 'virtual' legal department intact, we were well suited for the challenges brought on by due diligence requirements and ultimately our sale and subsequent merger. The relationships with outside counsel that had been established years ago and then refined in the past few years served us well this past year. It was both efficient and reassuring to be able to reach out to these outside counsel and part-time attorneys, often requiring immediate resolution of an issue, and receive timely and thorough responses without needing to elaborate on the nuances of the matter due to their existing familiarity with our company. Since, as general counsel, I had business functions outside of my legal capacity, my legal team's ability to handle matters from inception to completion freed me to focus on other issues, while offering the company services at below-market rates."

ACCA Supports Conceptualization Process

It wasn't until Ogden was well into the ongoing management of his system that he realized he had developed what might well be a methodology. Synchronization was an after-the-event label that, upon reflection, Ogden felt best described the process he had designed. He now views his efforts over the past six years as a work in progress. In the past couple of years, Ogden has begun writing and speaking about what he's accomplished. He credits his active involvement in ACCA with helping him in his efforts to conceptualize and articulate what he has done in a strategic management context: "I've been active in ACCA for many years. My ACCA experience enables me to write about my activities. Participating in ACCA allows you to extrapolate from your specific situation to general initiatives which, in turn, improves your operations. Synchronization was a word I thought best described what we were doing."

Synchronization is a Strategic Management Tool

There's no question that synchronization started out as the personal creation of Ogden; however, whether it can succeed as a stand-alone methodology and service process depends on the ability of others to understand it and find value in its application. Coperion's legal department consists of two regular part-time counsel who report to Ogden. Mary Barnes is senior counsel. Here's how Barnes recounts her experience in working within the synchronization framework: "The creation of core, key, and other areas has been instrumental in tracking our outside legal costs, as well as providing analyses on past and future spending to senior management. What has proven particularly helpful is charting our expenses vis-à-vis subject matter on a monthly basis, thereby providing an instant snapshot as to costs in a general category (e.g., patent) or a specific matter within that grouping."

Ogden is extremely positive about the learning experience that synchronization has been for him. He is also proud of the value-added service record that the legal department has been able to demonstrate to the corporation through the performance measurement system that synchronization incorporates. What are some of the major lessons Ogden has learned from this experience and what advice does he have for his colleagues in light of his success? He answers: "Whatever form it takes, the legal function must engage in a dialogue with senior management of the enterprise. Among the purposes of this dialogue is to ensure legal activities are, in fact, consistent with the needs of the company. Absent this process, legal could perform excellent work in a vacuum, which does not add as much value to the organization as it would if synchronized with other corporate goals and objectives. A key

method of identifying and measuring the level of synchronization is developing appropriate metrics.

He continues, "That said, Coperion Corporation's law department continues to face new challenges of incorporating all that we have learned and implemented during the last year into our new corporate structure. In particular, we are attempting now to synchronize all of our legal documents and procedures with those of the other merged companies and familiarize new faces with our virtual legal department. Most importantly, we are trying to do all of this while keeping our outside legal costs well below industry average with an increasing percentage spent in core and key areas."

Synchronization is Part of a Bigger Practice Management Picture

In his efforts, Ogden finds value and inspiration for new ideas in contributing to the corporate counsel community by working with organizations committed to developing strategic relationships between legal departments and their clients. In this regard, he devotes time to presentations at national LawPartneringsSM Forums designed to provide introductory and intermediate level education about the partnering business model and the strategies and tactics involved in providing more cost-effective legal services to corporate clients. He also serves as a faculty member of the LawPartneringsSM Institute (www.lawpartnering.com), a Web site dedicated to providing comprehensive education, information, and support for attorneys, legal administrators, law marketers, and others interested in developing effective and mutually beneficial partnering relationships. In addition, Ogden is a founding member of the National LawPartneringsSM Council, a newly formed association of law department leaders from companies committed to developing and utilizing partnering business models in providing cost-effective legal services to their internal clients.

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