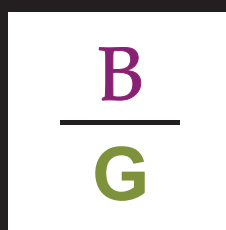




General Counsel Succession **PLANNING PRACTICES**

————— *From the Pros* —————



When longtime MasterCard General Counsel Noah Hanft delivered a presentation on Alternative Dispute Resolution (ADR), he never imagined a recruiter would approach him with an exciting new career opportunity—or that he would be named CEO of the International Institute for Conflict Prevention & Resolution (CPR) just six months later.

Fortunately, Hanft had already been preparing for his next move for years.

In his nearly 30 years at MasterCard, he developed a passion for alternative dispute resolution and knew he wanted to pursue it, although he didn't know when the right opportunity would arise or what it might entail. For more than a decade, he hired and developed multiple high potential lawyers, including Tim Murphy, who would ultimately become his successor. Noah invested a great deal of time and effort throughout his career preparing for his successor.

Likewise, Covance GC James Lovett had been mentoring potential successors for years before LabCorp acquired his company in a deal he negotiated. When Lovett decided not to stay with the new parent company, he felt confident he was leaving the company in good hands, including one direct report who succeeded him as General Counsel of Covance and another who became head of Corporate Development.

These recent transitions reflect two key trends:

1. Turnover among General Counsel is becoming increasingly common.
2. More companies are making succession planning a priority.

While not long ago it was common for GCs to devote their entire career to one company, the turnover rate has risen steadily as the economy has improved. Many GCs of the Baby Boomer generation feel more comfortable with their investment portfolios than they did several years ago, increasing the rate of resignations to retire or to pursue new business ventures. Additionally, as more companies recognize the value of these strategic leaders, they're offering high-stakes incentives to recruit GCs away from their current positions. Compensation continues to climb, while stock options, status and other perks sweeten the deal.

At the same time, companies view the General Counsel as more critical to business strategy and risk mitigation than ever before.

In fact, **86 percent of board members said their General Counsel is a member of the executive team today, compared to just 55 percent a decade ago** according to the results of a [2014 survey](#) conducted by BarkerGilmore, NYSE Governance Services and Corporate Board Member.

Recognizing the value of these leaders and the inevitability of their departure, more companies are realizing the importance of General Counsel succession planning. In some cases, their boards are even demanding it.

While it's important for the company to have a structured process in place to identify and develop successors, **the best leaders make it an ongoing part of their job responsibilities.** They want to ensure they can move on with a clean conscience and set the company up for future success when the time comes.

We asked Hanft and Lovett, two respected leaders with decades of experience at global companies, to reflect on their own experiences and offer insights on how GCs can incorporate succession planning into their daily responsibilities.

A Collective Evolution: Selecting a GC Successor For MasterCard

Although Hanft had been considering how he might pursue his passion for alternative dispute resolution (ADR) for years, the opportunity to become CEO of the International Institute for Conflict Prevention and Resolution (CPR) brought it to the forefront of his mind. He had candid discussions with his CEO at least two years prior to accepting the position at [CPR](#), an independent nonprofit organization that specializes in helping global businesses and their lawyers resolve commercial disputes more cost effectively and efficiently.

Long before then, however, Hanft maintained an eye to the future.

“I think the critical thing is to ensure you bring on enough people that you think could ultimately be a successor one day,” he said.

One of those employees was Murphy, whom Hanft hired in 2000. At the time, Murphy was hired into a transactional role, primarily responsible for securities and governance matters, but it quickly became evident he was capable of much more. He was promoted and given increasingly broad responsibilities in a variety of areas, including special projects that fell outside his official scope. It was a combination of Murphy showing the initiative to do more and Hanft offering new assignments to stretch his skills.

The two worked closely together on a number of challenging projects, including the IPO that brought MasterCard public.

Murphy held several positions in both the law department and business organization over the course of his early career, including Chief of Staff to the Chief Operating Officer, President of the U.S. region and Chief Product Officer before he ultimately became General Counsel.

When it came time to accelerate the search for a replacement, his name naturally rose to the top of the list. While that was largely a credit to his own drive to succeed and Hanft’s mentoring, it was other key stakeholders who ultimately made the decision to hire him.

“The most important thing is that the board of directors, CEO and senior management team all be comfortable with the decision,” Hanft said.

“It’s a collective evolution to get a successor.”

Once Murphy was officially tapped for the role, the two spent many hours in transition meetings over a period of several months. They covered every aspect of Murphy’s new responsibilities, including personnel issues, policy and litigation. There were also many conversations, including some final words of wisdom.

“One of the last things I said to him was to make sure he continued to reach deep into the organization,” Hanft said. “Rely on your direct reports, but also meet regularly with more junior staff and ensure you have your finger on the pulse of the group. And be yourself. When you assume a role, it’s important you stay within yourself and who you are.”



Hanft strived to follow the same philosophy throughout his career at MasterCard, where he ultimately succeeded in resolving a number of cases through alternative dispute resolution and developed a passion that led him to his next step.

As he considers the impact he wants to have at his new company, succession planning will no doubt be part of building that legacy.

“Like any organization, you want to build it to be as high functioning as possible,” he said. “Having a collegial, honest, forthright and supportive environment at CPR is just as important to me as it was at MasterCard.

I’d like to leave that behind when I leave. I also think we have our work cut out for us in changing business culture to be oriented toward thoughtful dispute resolution, as opposed to knee-jerk litigation. It may be some time before I move on, because there’s a lot to be done.”



Key Takeaways

Hire Top Talent From the Beginning

Succession planning may not have been Hanft's ultimate goal when he hired Murphy 15 years ago, but it was an important consideration. Hiring is a critical function of your role as General Counsel, and **the quality of the people you hire become a reflection of your own success.** Hire in-house counsel with strong leadership abilities and an eye for making strategic business decisions. Don't forget to consider cultural fit, a key factor in retaining these individuals.

Ensure Broad Input and Support From the Entire Team

While the General Counsel shoulders a large part of the responsibility of planning for a successor, it's also essential to seek input from other key stakeholders, including the CEO, CFO, CHRO and board members. Ask them to offer feedback on the job description, critical competencies and key characteristics.

Plan Properly For A Smooth Transition

Once the new GC has been chosen, you want to integrate him or her into your company with as little disruption as possible. That's why it's crucial to plan ahead. Focus on integrating the GC with the executive team, with the board and with regulators. Integrating the new GC into the company culture is also important, even if you've chosen an internal candidate.



Ensuring A Ready-Made Successor At Covance

Lovett relied on his own career development experience to build a development model for his staff. He started as a private practice lawyer handling antitrust and high-stakes litigation and transitioned to an in-house role once he realized he wanted to one day become General Counsel. He joined FMC Corp. with a handshake understanding with then-General Counsel, Paul McGrath, that in exchange for the expertise he would bring to FMC, he would be groomed in other areas necessary to become a General Counsel himself. He produced a list of experiences, competencies and qualities he needed to one day achieve his goal. Four years later, when Lovett became General Counsel at Covance, he used a modified version of the list as the template for mentoring his own successors.

Lovett inherited a team of talented, capable lawyers who were experts in their specialty areas. However, the Law Department's siloed structure made it challenging for those lawyers to gain the broader, more strategic experience the General Counsel role demands. Lovett reorganized the legal department to be better aligned with the company's business units. He assigned a lawyer to each unit and encouraged the business leaders to invite them to their strategy meetings, while reminding the lawyers it was their responsibility to add value. Although the primary goal was to improve client service, an explicit purpose was also to improve career development for lawyers.

With the realignment, **Lovett pushed his lawyers to become involved in more strategic decisions and projects, which improved decision-making while preparing those individuals for broader leadership.** "I think that's especially important for lawyers because if they're involved early on, there's more flexibility in how to accomplish the business objective, and you don't end up cleaning up messes after the fact," Lovett said. "An ounce of prevention is worth a pound of cure."

Over the years, he maintained detailed notes about his staff, especially the top performers. Also, when he recruited new lawyers, he worked tirelessly to hire the strongest talent available – choosing talent over a perfect match in experience – so the lawyers would have plenty of "runway" to grow.



Twice a year, he met with key stakeholders to discuss his team and rate their strengths, development needs and readiness to take the reins. Were they ready now? A couple of years away? Three to five? What experiences did they need to gain to increase their readiness?

Over Lovett's 14 years, a few likely successors developed. Lovett and others at Covance made sure they received assignments that enabled them to fill gaps and prove themselves with key stakeholders. For example, if they had a strong M&A background, he put them on point for a key lawsuit, and vice versa. At first, such assignments required more of Lovett's time for oversight and mentoring, but he quickly saw the return on his investment in his top employees in just three months.

“The stronger your team is, the more ready-now your successors are and the better you look,” he said. “The more they can do, the more bandwidth you have to take on more responsibility. When I joined Covance, we were about \$850 million in revenue. All I did was oversee legal and I worked at least full time. Fourteen years later, we were at \$2.5 billion in revenue, and I had responsibility for our global security, government affairs and for operating a business unit with 500 employees on three continents. I am able to do this in the same amount of time, not because I’m better, but because my team is better, and that is a great result for everyone.”



Key Takeaways

Develop Your Team With Broad Experiences

Assign responsibilities in a way that will further the development of each of your lawyers, exposing them to new areas of the business. As you identify top performers, give them opportunities that take them out of their comfort zone.

Clearly Define the Role, Including Key Criteria

Lovett maintained a list of key competencies he needed to develop to one day become General Counsel and ultimately passed that on to his lawyers. While your list depends on your company size, industry and business objectives, all successful General Counsel today share a set of core competencies and characteristics, including:

- A proven track record of successfully managing others, including both in-house counsel and outside counsel
- Global business acumen
- Remaining calm during crisis situations
- Litigation knowledge and experience
- Experience in mergers and acquisitions
- Excellent communication skills and experience with internal and external constituents
- Securities law experience, if applicable, and governance
- Experience managing data privacy and security
- Knowledge of information systems and technology
- Experience with talent management, development and recruiting

When the time comes to hire, make sure your job description is updated to reflect the more strategic role today's GCs play as business advisors and risk managers.

Develop A Succession Planning Template to Rank Internal Talent

Long before a need is imminent, the GC and other key stakeholders should take the time to periodically review top internal contenders and discuss their level of preparedness. What additional skills and experience do they need to acquire? What are the next steps in their career, and has there been an ongoing discussion with the employee about these next steps? Who is mentoring this person along the way?



The Bottom Line

When the time comes to select a replacement, be honest in your assessment of the candidates on your short list. If you feel someone still isn't ready, don't push that person through just because you've invested so much time on development. Benchmarking is one of the best ways to ensure you've been thorough in your assessment.

In fact, it appears to be common practice. Ninety percent of board members believe internal GC candidates should be benchmarked against external ones to ensure that the most qualified individuals are identified, according to a 2015 survey by BarkerGilmore, Corporate Board Member and NYSE Governance Services.

Working with an executive search firm with a focus on recruiting general counsel and a rigorous assessment process to evaluate talent, can help you identify lawyers who fit all of the legal, business and cultural criteria necessary to be successful. Even if you're spearheading the process, involve your executive team at every stage.

Ultimately, succession planning comes down to hiring well-qualified, loyal employees from the beginning. It starts by knowing what to ask corporate counsel candidates as you build your legal department and hiring candidates who are the right fit for your company's culture. This, in turn, makes it more likely that they'll remain loyal and you'll be able to groom them for future advancement.

What legacy do you want to leave as General Counsel? If you announced your retirement or resignation this year, are you confident in the abilities of your most likely successor? General Counsel succession planning is an ongoing process that starts with surrounding yourself with highly talented people. Working with a legal recruiting firm that specializes in-house counsel and General Counsel search can help you build a strong bench of potential successors.

BarkerGilmore is a top legal recruiting firm that specializes in recruiting in-house counsel and General Counsel. **If you're ready to talk about the future of your legal department, [contact us](#) to start the conversation.**



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