

# **Globalization and the Future of the International Practice of Law from a General Counsel's Perspective of a Multinational Enterprise – A Navigator of Management and Steward of the 'Future of Law'?**

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## **A. Introduction**

With the opening of Eastern Europe – symbolized by the fall of the Berlin Wall in 1989 – and the collapse of the politically totalitarian and economically centralized states, combined with deregulation in major economies and digital revolution, the trend towards globalization that we are seeing all around us today, gained substantial speed. The emergence of a global market economy, which is directly linked to that political change, has set the stage for global convergence of businesses and created the need for rapidly improving technology.

Through global trade in products and services people are learning and exchanging the ideas that drive economic growth. The widening spread of knowledge and ideas – enabled by technology – becomes the most vital force in the new economies. Collaboration is the driving force behind creativity. Learning, one of the most basic activities in the knowledge economy, is an essential social activity. It is through the networks of relationships between people that we are learning of new ideas, making new contacts and feeling more at home in taking risks. The more we can depend on people we can trust, the more risks we can take. The more we come to rely on the specialist knowledge of others, the more we rely upon them to assess risks for us.

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Indeed, we are in their hands. An ethic of trust and collaboration will be as important for the new economy in the long run as individualism and self-interest.

Professional service firms led by the 'Big Five' audit firms and quickly followed by the legal profession have adapted to the globalization trend.<sup>1</sup> The effect on the organization of in-house legal departments (which perform their services to management in direct competition with external lawyers) of multinationals has been significant. In fact, the later part of the 1990s proved to be a coming-of-age period for corporate law departments, in that Web-based technology enabled in-house lawyers to collaborate in ways very different to any they had used before. The transaction speed of business increased dramatically through the widened spread of knowledge and better access to information. Gaps in regular communication and information sharing narrowed and talent in geographically dispersed offices or functionally dispersed practice groups, could be much better deployed.

## **B. An Example of the General Counsel's Function in the Endeavour to Form a More Liberal International Regulatory Framework**

Alongside the globalization trend, or perhaps just because of it, many industries have been or are in the process of being deregulated or re-regulated. More effective competition is being established worldwide. The regulatory framework is becoming more and more restricted due to controlling standards, solvency requirements and also to prevent the abuse of dominant positions. States are competing against each other for a more efficient regulatory framework.<sup>2</sup>

The following economic case for a more liberal framework for global reinsurance regulations is particularly relevant to the issues discussed in this article for two reasons:

1. The sharp reversal in the fortunes of the non-life reinsurance industry in the early nineties led to substantial changes in the pattern of supply and to a marked increase in market concentration and, hence, global risk diversification; and
2. the trend towards globalization and overall convergence in the financial service industry. Most recently, the 'Asian-crisis' and what has come out of it,

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<sup>1</sup> See also Jens Drolshammer, 'The Future Legal Structure of International Law Firms – Is the Experience of the Big Five in Structuring, Auditing and Consulting Organizations Relevant?' below, p. 713; Günter Müller-Stewens, Jens Drolshammer and Jochen Kriegmeier, *Professional Service Firms* (Frankfurt, 1999).

<sup>2</sup> The danger of a race to the bottom with respect to product standards or fiscal and social dumping is, however, marginal. Lower standards would create a reputational risk which in turn would impede firms to compete against others with a safer regulatory background.

has focused attention on the need for global standards that are uniformly and consistently applied. Such standards are essential components of the new global financial architecture. They are necessary to meet the challenges of 'operating globally and acting locally'.<sup>3</sup>

In-house counsels should seize the opportunity to play an important role as 'stewards' of the new legal and regulatory order through their direct and on-going dialogue with regulators and supervisors<sup>4</sup> and because of the fact that the market, indeed, has outpaced some of the regulation (e.g., in areas of derivatives, alternative risk transfer and blended products). Specifically, in-house counsels should do so because they are more aware of and involved with jurisdictional sensitivities and the need to accommodate local issues, while maintaining a global focus, simply because they deal with these 'market place realities' day after day. Consequently, they should play an important role in the consensus-building process, in collaboration with international organizations and sector-specific international groupings of regulators and supervisors. In doing so, in-house counsels can make a meaningful contribution to the overall effort to reduce the knowledge gap.

We underestimate the negative impact that informational asymmetry has on creating, or at least contributing to, systemic risk. The need to improve people's knowledge and awareness as well as their ability to apply it, should involve senior executives as well as managers in the public and private sector, external lawyers and, of course, the people charged with the oversight and supervision of the financial service industry.

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<sup>3</sup> This opportunity has been seized by ministers of finance, international financial institutions (such as the International Monetary Fund and the World Bank), international organizations (such as the Bank for International Settlements and the Organization for Economic Co-operation and Development), sector-specific international groupings of regulators and supervisors (such as the Basle Committee on Banking Supervision, the International Organization of Securities Commissions, and the International Association of Insurance Supervisors) and various groupings of central bank experts (such as the Committee on Payment and Settlement Systems and the Committee on Global Financial Systems). Glorianne Stromberg, 'Globalising Securities Regulatory Strategies' (2000) 3 *Business Law International*, June, IBA.

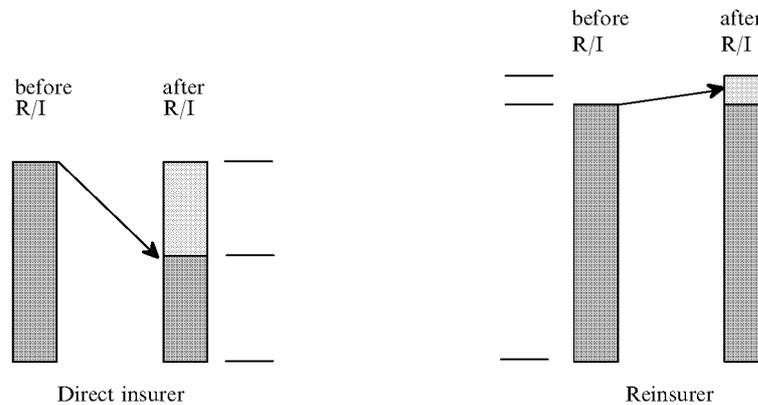
<sup>4</sup> Swiss Re lawyers regularly participate in forums of regulators around the world and engage in discussions on legal and policy issues. Swiss Re has an observer status with the International Association of Insurance Regulators (IAIS) formed in 1994 and present in 105 jurisdictions. IAIS has issued the following papers: Insurance Supervisory Principles; Guidance on Insurance Regulation and Supervision for Emerging Market Economies; Insurance Concordat; Model Memorandum of Understanding; Supervisory Standard on Licensing; Standard on On-site Inspections; Supervisor Standard on Derivatives. Other efforts on harmonization are undertaken by the G-22 and G-7 (Bank for International Settlements); the United Nations (Commission on International Trade Law and Commission on Trade and Development); OECD (Insurance Committee) and by the World Bank (Committee on Insolvency).

The case for reinsurance is quite simple because of the need to spread risks globally, principally for the following reasons:

- Managing large risks where a single loss may account for a substantial proportion of the total premium income of all domestic insurers.
- Managing catastrophe risks, particularly where a country is so exposed to natural perils that a single event may destroy a significant part of its productive resources.
- Insuring these risks is frequently beyond the financial capacity of the domestic insurance community.
- Claims payments from abroad will help to finance the event-triggered loss of exports and/or cost of necessary (higher) imports.

Although reinsurance is one of the lesser regulated industries, we can nevertheless observe major trade restriction in certain markets, for motives such as protecting local policyholders from the consequences for foreign reinsurers' insolvency; nurturing a local insurance and reinsurance market; protecting the balance of payments and foreign exchange reserves from outflows of premiums and capital funds; and to retain insurance funds for local investment. Trade restrictions include:

- barring foreign reinsurers from establishing branches/subsidiaries;
- prohibiting local insurers, wholly or partially, from reinsuring abroad;
- need for foreign reinsurers to hold and invest reserves locally;
- need for foreign reinsurers to incorporate locally;
- discriminatory taxation;
- foreign exchange controls;
- discriminatory solvency regulations (i.e. solvency margin computation).



The risk capital released by the insurer who cedes the risk is larger than the additional capital the reinsurer needs in order to absorb the risk. This is due to the global reinsurer's superior diversification and – in a competitive market – results in lower premiums for the individual policyholder.

The economic case for liberal reinsurance regulations is driven by lower cost of reinsurance, as globally diversified reinsurers enjoy lower capital costs and can share this benefit with their clients and ultimately with local policyholders. In other words, the risk capital released by the insurer who cedes the risk is larger than the additional capital the reinsurer needs in order to absorb the risk. This is due to the global reinsurer's superior diversification which, in a competitive market, results in lower premiums for the individual policyholder.

The economic case for liberal reinsurance regulations is supported by the following arguments:

- spreading of large risks that would bring potentially unbearable losses to domestic insurers;
- claims inflows from abroad exactly when the domestic economy/insurers need them (an exclusive emphasis on controlling premium outflows is not justified; the balance on reinsurance accounts is decisive; even an annual net outflow is not sufficient reason *per se* for restricting reinsurance abroad – it may be a reasonable price to pay for superior security);
- diversification of funds (funds held in respect of natural catastrophe exposures should be unaffected by the occurrence of the event). This may require investing funds abroad;
- access to leading global reinsurers' broad spectrum of services (underwriting and global risk expertise; diversification power, through a geographically and product-wise balanced portfolio and risk financing).

Important indirect effects include free access to international reinsurance markets, which will result in more adequate, innovative and cost-effective insurance cover. This is generally expected to boost domestic entrepreneurial activity and economic growth. Moreover, more sophisticated insurance markets will raise a country's attractiveness for foreign direct investments, resulting in easier access to external capital and know-how and positive balance-of-payments effects.

### **C. Professional Roles and Procedures to Cope with the Legal Risk Management Task**

As many companies are focusing on risk management – all too often centred on financial risk – the function of the global, in-house lawyer is also changing and a much wider role, which he or she can play in global legal risk management has developed. The 'fire-fighting' lawyer, hidden away in the legal department waiting for assignments from the business people, is a thing of the past. The new-style lawyer is more integrated in the decision making process and more proactive, has a broader perspective of the business strategies and is generally more informed.

Today's most efficient in-house lawyers are those who are linked in to other functions such as corporate development, government relations, communication, compliance and internal audit as well as the general risk management department. Such links enable in-house lawyers to assume proper legal risk management, which, of course, is what we call pro-active lawyering, actively contributing to eliminating problems before they arise. If properly managed this leads to the development of an integrated or 'holistic risk culture'.<sup>5</sup>

The prominence of corporate governance issues in the boardroom, and boardroom agendas in general, acknowledge that legal risk management forms a critical part of the overall risk management strategy. Better risk management delivers all round improvement, enables boards to make decisions more confidently, creates a feeling of greater security, limits individual and corporate exposure for directors' and officers' liability and enables stakeholders expectations to be managed more efficiently.

Good risk management should also allow a bottom-up assessment of risk that should allow for a company-wide risk management perspective. Having well-briefed employees, confident in dealing with everyday issues and aware of where to turn to for advice on unusual or major issues is, of course, an essential part of risk management because there is a groundswell of activities in both companies, and their business partners, which taken together affect the company. This means that legal risk awareness must absolutely be part of the employees' job description, and then steps must be taken in order to ensure that employees across all levels are adhering to these principles.

What matters is that the in-house lawyers adopt the same framework, one that embraces a common view of risk and its consequences to the whole company in a manner that is accessible and understandable to other managers. Managing risk in a 'holistic risk culture' makes sense because it reduces the company's chances of experiencing financial loss and shields it against events that might thwart or distort its agenda of activities.<sup>6</sup>

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<sup>5</sup> See also Prakash A. Shimpi, *Integrating Corporate Risk Management* (New York, 1999); Swiss Re New Markets, *Integrated Risk Management Solutions. Beyond Traditional Reinsurance and Financial Hedging* (Swiss Re Publications, 1998); MACRO, *A Holistic Approach to Multiple Risks* (Swiss Re Publications, 1997) <[www.newmarkets.swissre.com/e/publications.html](http://www.newmarkets.swissre.com/e/publications.html)>.

<sup>6</sup> Swiss Re has adopted a model for the delivery of legal services across the Group that combines the need for experienced, responsive and integrated counsel with the necessity for a co-ordinated and balanced approach to group-wide legal risk management. Consequently, there are lawyers working directly within, and as part of, certain mature or heavily regulated operating divisions (such as Divisions Americas, Capital Partners, New Markets and Life and Health's UK and North American business units). Other operating divisions, as well as those divisions within the corporate centre, rely on the Group legal department to directly provide legal services to them. The Group legal department oversees and co-ordinates the provision of legal services within all the divisions to ensure the provision of the highest quality of legal services across the Group. It does this by the use of a group-wide electronic matter management software system and regular meetings with the relevant

At Swiss Re, the group legal risk management function is situated in the Corporate Centre (composed of the Chief Executive Officer's office and the Executive Board together with the Reinsurance and Risk-, Finance-, Communication and Human Resources- and Information Technology Divisions). Corporate centres have the potential to add or destroy significant value – consequently, one of the key questions is just how to go about designing and creating a centre that has the ability to fully exploit opportunities without the damaging overhangs.<sup>7</sup> The core tasks of the corporate centre are those which are necessary to fulfill the organization's obligations to authorities and stakeholders which, of course, include legal compliance and regulatory reporting, as well as all those which support stakeholder requirements. The tasks of the group legal risk management function at Swiss Re embrace the ability to improve forecasting through access to widespread institutional memories and networks, to genuinely be established internationally, to develop true specialists and to create new standards for informational document management systems and their transparency within the entire global legal organization.

One of the Group General Counsel's key roles is that of group-wide analysis of the legally relevant decision-making process. The old model of thinking and acting in a relatively small box which in turn forms a part of a decision chain in accordance with an established organizational chart has changed. This does not mean that every decision will be collaborative but neither will every decision be taken by an

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lawyers on material legal issues. The Group legal department produces a quarterly Group Legal Report to the Audit Committee of the Board of Directors that describes, in detail, the material legal and regulatory risks facing the Group (claims and non-claims) and legal expenses. There are nearly one hundred lawyers at Swiss Re. Half of these work exclusively on claims matters arising from issued insurance contracts. These claims lawyers are located around the globe and are generally integrated within the operating divisions. The other half (the corporate lawyers) are divided between those integrated directly into the divisions and those located within the Group legal department. Their work involves all corporate legal issues that are normally associated with the business of a large multinational financial services company. Reflecting the need for a close working relationship with senior divisional management and the need for quick, informed responses, a majority of the corporate lawyers are integrated directly into the operating divisions. Every two years a Group legal conference is held to promote the Swiss Re legal services model. This model requires for its success that the corporate and claims lawyers across the Group are able to leverage the combined skills and experience of the Group when required. Speakers on issues relevant to the Group are drawn from both within and outside of the Swiss Re group legal community. These conferences are vital to the success of the model, which is designed to provide effective legal services on all legal issues within the Group, whether that issue is relevant only to an individual division or the Group as a whole. Corporate learning and development is another factor which plays an important part in the success of this model. Programs such as the divisional development pool, which enables management to pick out high potential employees to be targeted for key positions within the divisions, have consequently been introduced.

<sup>7</sup> See Pettifer, *Corporate Centre Transformation* (Swiss Re Publication, 1998).

individual. If lawyers have better access to information, ideas are given out generously rather than hoarded and work will move from individual tasks to a group task, those on top of the organization chart no longer have the widest view. Being closer to the business people and being in constant interaction with the team may bring an equally deep view into the transaction and its strategic rationale.

The new-type lawyers, when given an assignment, just as before, will retire to their offices to think – but only for a little while – as they will then quickly turn to write up some initial ideas or questions, post them on the intranet or otherwise e-mail people who have the necessary knowledge, share the interest and are generally good to work with. They will thus start a collaborative work effort to solve the problem. As legal work is becoming more and more online-orientated, we simply have more ways of deciding because we have more ways of associating, both internally and externally. These newly established teams or groups have, of course, lots of ways to work together – as every type of association is, in the end, a matter of choice, and probably as good as any other one. Consequently, it is one of the key tasks of the General Counsel to build an organization which enables all lawyers to expand their abilities by leveraging and exploiting internal and external knowledge and talent around the world. This can only be done through a collaborative effort – distinguished from centralization – and involves investment in personal relationships regardless of the size of the organization and assuring transparency despite complexity. General Counsels should be in a position to properly identify all internal and external skills and the scope of legal services provided, to ensure their own involvement in the hiring decisions of external counsel and to manage internal legal talent through considerate hiring and assignment practice.

#### **D. Fast-Learning Capabilities and Collaboration Amongst International Lawyers and Managers Concerned**

Know-how is critically important in high-value added services, such as law, in which companies trade on the training, insight and judgment of their lawyers. The kind of learning and continuing improvement will be more dynamic, volatile and insecure. It will also be more democratic. For instance, via the Internet, any insurance client can access business information that earlier was available only through intermediaries: information as to where and how he can buy what, and for what basic price. Previously to this, intermediaries provided a useful service by extracting this information from the tangles of national regulations, but today an Internet navigator can provide all this for free, in the insurance industry as well as in many other areas. Similarly, the in-house lawyer has access to much broader bases of knowledge and thus becomes more self-reliant. The World Wide Web itself started out as a huge do-it-yourself project and being able to do your own technical support has become a mark of Web competency.

Like the new-style companies, the new-style professional services firms are designed to relentlessly exploit the richest assets of the new economy: the knowledge and creativity residing in people's brains. Clients want to deal with motivated, committed employees capable of solving complex problems and coming up with ideas. The so-called 'knowledge networks' of the US computer industry developed to spot new ideas among bright graduate students in university laboratories, made it evident to companies, however, that there were many more ideas outside their walls than inside.<sup>8</sup> The task to recruit and retain talent is one of the principal challenges for knowledge companies.

Employee ownership is the 'glue' that binds these networked companies together. These firms and companies promote a high performance culture, in which employee

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<sup>8</sup> Rüsçhlikon, Swiss Re's centre for global dialogue opened in November of 2000, will serve as a platform for discussion and debate in three main areas: applied research, business solutions and corporate development. The aim of Rüsçhlikon is to create a centre for risk dialogue, strategy discussion and leadership learning, in which people from bodies and institutions, science and research and academia, clients, and of course Swiss Re's own people, can meet and step beyond the confines of the bare business world to develop corporate strategies, assist the drive for innovation, implement solutions and foster cross-divisional communication. Swiss Re will stage events for its employees to give them a chance to network with clients and partners, organize debates and invite large groups of selected guests to conferences on current issues. Rüsçhlikon is also to attain a virtual dimension via the intranet and the Internet, and anyone who is not present at Rüsçhlikon will be able to link up from anywhere in the world to participate in the events and find out what conclusions are being reached. See <[www.swissre.com/e/ruschlikon.html](http://www.swissre.com/e/ruschlikon.html)>.

Jens Drolshammer, a friend and professional colleague of the author, has provided valuable ideas on a topic of common interest captured as the 'Future of Law' as well as the title to this article. It is through these intellectual exchanges of ideas and conversations that Jens has opened his personal University network to Swiss Re. Consequently, Swiss Re will be hosting and sponsoring the upcoming Rüsçhlikon conferences in 2001 and 2002 on the 'Davos' of Information Law and Policy for the New Economy and Society in co-operation with Lewis M. Branscomb, Deborah Hurley and Viktor Mayer-Schoenberger of the Harvard Information Infrastructure Project (HIIP) of the JF Kennedy School of Government. HIIP has spent the last decade laying the foundations and identifying relevant questions of information policy and law around the globe. Lewis M. Branscomb is the Aetna Professor of Public Policy and Corporate Management emeritus and Emeritus Director of the Science, Technology and public Policy Programme in the Belfer Centre for Science and International Affairs at the JF Kennedy School of Government. Deborah Hurley is the Director of HIIP (<<http://www.ksg.harvard.edu/iip>>) and a Senior Research Associate at the Belfer Centre for Science and International Affairs and in the Centre of Business and Government at the JF Kennedy School of Government and a member of the Advisory Committee to the US State Department on International Communication and Information Policy and a member of the Board of Directors of the Electronic Privacy Information Centre. Viktor Mayer-Schoenberger is Assistant Professor of Public Policy at the JF Kennedy School of Government. His work focuses on the policy issues of information infrastructures, particularly issues of privacy, security, liability and ownership. His research centres on the use of network technologies to mediate interstate conflicts and how to attribute information in a networked society. (See also Viktor Mayer-Schoenberger, *The International Lawyer in Times of Cyberspace*, elsewhere in this book).

ownership helps to provide a sense of membership, common purpose and creativity. In this new breed, employees will not be paid a wage for a fixed amount of effort; they will be rewarded by a blend of wage and equity pay, for a blend of innovation and problem solving. Professional service firms were quick to realize that a new social contract between the client and the employee had evolved and that closer collaborative ties had emerged in the context of such 'enterprise' rather than traditional loyalty to the business of the professional service firm alone. Firms made equity investments in their clients and went on to distribute shares in these investments to those employees who worked on projects for these clients. One of the top US law firms recently declared its intention to offer its services to start-up companies in exchange for equity in lieu of the traditional fee arrangements, thus elevating the firm's interest and risk to that of the client they are servicing, even though independence and conflict issues may be at stake. What matters here is the newly established 'collaborative leadership', a community of interest, a set of relationships rather than a business unit or a neatly bounded hierarchy, quite simply because companies are increasingly dependent upon assets such as knowledge, which they cannot ever fully own themselves.

Better access to information and knowledge coupled with better understanding will change some industries. For instance, the entire insurance industry system, worldwide, is quite simply too expensive. Just imagine: in non-life business, internationally, the 'friction cost' still averages around 40 per cent to 50 per cent of premium volume. This margin, which is a relic of the era when cartels dominated the national markets for direct insurance, will not last long in the digital age, which puts the value chain at stake. The role of agents and brokers – intermediaries who do not and can not carry any risk themselves – will be examined thoroughly. Moreover, the information technology revolution will provide enormous savings: an example is all the administration that will no longer be needed. In essence, we are dealing with an entirely new attitude towards the flow of information. Accordingly, companies must learn, first of all, to handle the flood of internal data more effectively than they have been doing. No single employee or project team should get the idea that they 'own' certain information. Knowledge is one of the most valuable assets in the insurance industry, as it is in many others, and one should not allow it to be caught up in any sort of thoroughly outdated internal rivalry.<sup>9</sup>

Modern information technology has been the catalyst in making standardized data available more and more quickly than ever before. In practice, any 'knowledge' company or firm will put all its know-how into practice through interdisciplinary teams that will have access to an enormous network, with global and local data as well as models drawn from any branch of knowledge. The size and composition of these teams will be highly diverse, as they will be mobile and prone to aggressively breaking up the market's traditional vertical structures. Successful teams will be

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<sup>9</sup> Walter B. Kielholz, 'Swiss Re 2000 Creating Value through Knowledge' (Annual Report, 2000).

more and more characterized by their ability to qualify as fast learners than those with merely long-standing experience or academic regalia. Even though the lawyers individually may have all the information and skills required to do their own job and prepare their own responses, lawyers working in teams<sup>10</sup> will be better able to take advantage of the combined strength of the network. Moreover, they will each learn more simply because there is a flow of information that passes in front of them. Fragmentation may not only preclude efficient collective work; it may hamper the growth of an institutional knowledge base.

Fast learning capabilities will be essential as markets are getting smarter, more informed and more organized. The new markets are about conversations among humans and these networked conversations (*internetworked* markets among *intranetworked* employees) are enabling powerful new forms of a social contract and knowledge exchange to emerge. And finally, what is happening to the new markets is also happening among employees: a metaphysical construct called the 'company' or 'firm' is the only thing standing between the two. The repetition of pre-ordained command-and-control procedures has become a thing of the past and employees are being encouraged to share what they know with each other, with departments and divisions and with the company as a whole. Understanding, learning, exploration and collaboration are being actively elicited by new-type knowledge organizations. Conversations among employees are where the intellectual and social capital is actually generated. The empowering of those people who actually do the work has become key. Company environments based on command-and-control which are often characterized by intimidation and coercion, are becoming more difficult to manage as genuine conversation flourishes only in an atmosphere of free and open exchange. It is very important that the legal departments are appropriately set up and that they form an integral part of the decision-making bodies within the company. This may involve a change of culture.

'We can't go on together with suspicious minds'.<sup>11</sup>

## **E. The International Manager**

The internationalization of business transactions is a fascinating development. Business activities flow to the markets best suited to perform them in the most economic and efficient way. Regulatory arbitrage in the financial services sector has intensified accordingly.

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<sup>10</sup> Defined as '... a small number of people with complimentary skills who are committed to a common purpose, performance goals and approach for which they hold themselves mutually accountable'; Jon R. Katzenbach and Douglas K. Smith, *The Wisdom of Teams* (Boston, HBS Press, 1993).

<sup>11</sup> Elvis Presley.

The increasingly global nature of market transactions causes firms to understand and operate within a more complex political, legal, regulatory and cultural framework. While the transactions are fundamentally the same, the context is quite different and often overwhelmingly so for managers. To operate successfully in less familiar environments, managers must develop a sufficient understanding of the government sector, regulatory framework, and the cultural idiosyncrasies of the markets where they do business. While there is a strong case towards standardization or homogenization of customer segments across different countries, the political, legal and social environments remain different.

This development is a new challenge for the legal profession and management. Lawyers are increasingly required to deal with multiple jurisdictions and cultures. Within the firm, both legal and management professionals should work together towards increasing firm value and achieving sustainable competitive advantages, bringing different perspectives to work jointly as a team towards this goal. Lawyers have a wide area in which to provide input to guide company action. How should the firm formalize relationships with its international partners (e.g. suppliers, buyers, regulators and competitors)? How should it position itself within its industry? How should it approach its target markets? How should it configure its global procurement, manufacturing and marketing operations, and consequently coordinate them? Traditional managerial functions need to be complemented with legal perspectives and expertise. Effective solutions must link managerial and legal perspectives. This implies teamwork and interdisciplinary problem solving. Legal expertise must be integrated into the mainstream activities of the firm. Corporate use of Web-based technology has grown dramatically over the past few years.<sup>12</sup>

It has enabled corporate functions to improve the effectiveness and efficiency of service delivery – and consequently, has generated significant interest among in-house counsels. The primary motivations are obvious:

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<sup>12</sup> Swiss Re embraced this concept with the introduction of the Intranet system eCounsel earlier this year. Though not technically an Intranet, rather a client server application based on architecture which was already in use by the company, eCounsel serves as a comprehensive case/matter management system, designed specifically for the corporate legal department by Bridgeway Software. As well as being able to establish databases of matters, invoices, people, events and entities and maintain associations between them, Swiss Re can also utilize the system to generate comprehensive reports in line with the company's specifications and eCounsel has proven to be an invaluable tool with regard to the quarterly reports. Since the introduction of the system Swiss Re has been able to track all litigation, project and merger and acquisition matters across the legal departments for inventory, quick access, reporting and chargeback purposes. The system also facilitates financial tracking of actual costs versus budgets and outside counsel expertise and performance evaluation, all of this enabling the quantification of anticipated legal need in each Division across the Group. With this interconnection of the Group's lawyers on a worldwide scale, the system facilitates reliable data by providing both the Group General Counsel and senior management with a global view of the legal department and the individual activities within it.

1. improving internal knowledge sharing within the legal departments across the group;
2. collaborating with outside counsels; and
3. delivering service on-line.

This trend will fundamentally alter the way organizations operate by improving communications and increasing connectivity within corporations, as well as collaboration with outside vendors. Legal departments which can overcome (legitimate) security concerns can reap substantial benefits by ensuring consistency of legal position, more fully leveraging the work of outside counsel and improving the cohesiveness of its network of outside counsels. Intranets can effectively carve out a significant portion of routine legal services thus allowing lawyers more time to focus on higher value, more complex legal work.

## **F. Changing the Way We Conduct Business – An Outlook**

- The new social capital evolving through global conversations will finally bring down the building of forts. Knowledge companies will, of course, continue to be the home of great ideas but they have come to realize that they are nothing without the human energy and potential that pulses through their corridors, meeting rooms and computer terminals.
- Like a sentry on duty, companies are poised to become much more vigilant; they scan the landscape, antenna deployed.
- Global conversations in the information society will bring about fundamental changes to the way business is being conducted which will lead to further revolutionary developments.
- Knowledge networks among the members of the wider legal profession (lawyers, in-house counsels, judges, regulators and public interest groups) will result in more semi-public/private partnerships acting with a vision and commitment to adapt existing laws or legal risk management behavior to the new economy.
- Such newly defined laws and legal risk management issues will be as important to a free and progressive economy as the infrastructure of the economy – as important as roads and bridges.
- The question of the ‘future of law’ and the ‘future of lawyers’ will be debated by the new-type of international lawyers and their networks in an interdisciplinary manner and involving corporate decision-makers, international organizations, universities and governmental authorities.
- General Counsels should seek the opportunity to contribute to the cause because of their intertwinement with, or ‘navigator’ role in, the corporate-decision making process and their contacts with regulators, analysts, investors and other stakeholders. They have a role to play, both inside the companies and outside.

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