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المجلة القضائية

The importance of in-house legal departments and their evolving dynamism

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Traditionally, lawyers or jurists have had generic titles, such as attorney, barrister, solicitor, counselor to name a few; The legal sector has been rapidly evolving, as well as the role and function of people with a legal background, which is not strictly limited to practice in a law firm. Numerous titles such as General Counsel, In-House Legal Counsel, Chief Legal Counsel, Chief Legal Officer, and Head of Legal Affairs are routinely used today, which demonstrates the evolution of the position of in-house legal counsel around the world.

The link between law firms and in-house legal counsels has become increasingly important as we are seeing more and more such positions filled in organizations, with even more developed legal departments in large corporations.

The function of law firms and what is expected of them has dramatically shifted as a result of this new mode of operation, and a new equilibrium has evolved between in-house legal counsel and law firms.

Having someone with high level legal knowledge and expertise has become essential to operate in the ever-changing legal environments, and to ensure that the businesses' overall strategy is sound legally. This is more than just a change of job title - it's an acknowledgement that the most senior lawyer is part of the C-suite.

As for Law firms, they are now expected to drive critical business decisions by providing a legal perspective. The most significant reason for the increasing need for in-house lawyers is the expansion of their job description. Balance risk against rewards and provide strategic advice.

However, more and more people's expectations for the senior in-house role these days require you to be: An enabler and strategic partner, not merely a service provider; Excessive risk-taking can damage an organization's reputation, consumer trust and, ultimately, share value. A risk-averse organization generally will reduce its potential for profit. Those that take excessive risks can not only lose money, but find themselves involved in litigation and regulatory investigations. The factors that influence risk appetite are different in all organizations.

The Role of General Counsel in the Creation of Organizational Value:

An expert inquiry on whether a company's decision to elevate corporate general counsel to senior management influenced the firm's credit risk assessment, concluded that having a Senior Legal Adviser on the board of directors resulted in a 9.5% rise in company value. Experts have also found that a company with a general counsel on its senior management team is more likely to release more regular and accurate earnings predictions than a company without one. General counsel also drives value creation through their day-to-day activities.

According to some experts, general counsel's functions and responsibilities also include controlling potential lawsuits, maintaining responsible corporate practices, and estimating the impact of regulatory changes on firm operations and performance. As a result of the growing range of responsibilities falling on their positions and departments, the position of general counsel continues to gain prominence and recognition.

Given that the lines between law and business intertwine, general counsel is becoming more widely recognized as a key component of senior/executive management. Experts state that having a well-rounded, business-oriented counsel at the strategic planning table will be a critical necessity for long-term success in the future. General counsel is now referred to as "strategic partners" within organizations because of their combined responsibilities as legal counsel and business value providers.

The Takeaway

Supporters of the general counsel or in-house counsel movement typically make three types of arguments to justify a larger role for internal lawyers: an economic argument, which claims that strengthening in-house legal departments will reduce legal costs; a substantive argument, which claims that internal lawyers will provide better legal advice than external lawyers because they have a better understanding of the company's business and culture; and a professional argument, which claims that internal lawyers will provide better legal advice than external lawyers because they have a better understanding of the company's business and culture; I present five interconnected metrics for evaluating these claims:

The size of in-house departments.

The credentials and demographics of the Legal Advisors working inside these departments.

The General Counsel’s relationship to, and degree of control over, external counsel.

The internal standing, jurisdiction, and authority of in-house Counsel.

The professional standing of internal counsel in the profession as a whole.

These change indicators, when combined, constitute a useful tool for analyzing and benchmarking in-house legal departments in comparison to their parent corporations, outside service providers (such as law firms), and the legal profession as a whole. There is considerable evidence in the GCC Countries in general and specifically in KSA that legal departments have witnessed transformations with respect to all five of these aspects in accordance with the in-house counsel movement's ideals.