



# 2019 ACC CHIEF LEGAL OFFICERS SURVEY

**LEARN ABOUT** how the Age of the CLO intersects with business and strategy.

**FIND OUT** what CLOs predict will affect legal departments and companies.

**DISCOVER INSIGHT** from over 1,600 CLOs in 55 countries.

2019 ACC  
CHIEF LEGAL OFFICERS SURVEY

*Published by ACC, the world's largest global community of in-house counsel.*

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**E**ach year, the Association of Corporate Counsel (ACC) conducts a global study of the issues and environment in which chief legal officers (CLOs) operate. With the publication of last year's *ACC Chief Legal Officers Survey*, ACC marked the start of the Age of the Chief Legal Officer. Feedback from 1,639 CLOs in 55 countries indicates the Age of the Chief Legal Officer is advancing on a strong foundation.

The Age of the Chief Legal Officer means that CLOs are occupying positions of power and influence within their organizations and taking on roles beyond that of technical legal adviser. This is being driven by the pace of change in regulation, globalization, technology, and the growing expectation that organizations address environmental, social, and governance issues. These challenges have elevated the importance of ethics, compliance, and corporate culture within an organization. Organizational health depends on strong governance and leadership in ethics and compliance to insulate the business from threats that CEOs and boards simply cannot predict. ACC's 2017 white paper, *Leveraging Legal Leadership: The General Counsel as a Corporate Culture Influencer*, noted the critical role the CLO plays in setting the right ethical tone and the importance of ensuring that the CLO is a direct report to the CEO and has regular interaction with the board of directors, including attending board meetings.<sup>1</sup>

The findings of the 2019 *ACC Chief Legal Officers Survey* support the importance of having a CLO who is well positioned to influence corporate strategy. CLOs who report to the CEO are more often sought for their input on business decisions than those who do not. CLOs who report to the CEO are also more likely to frequently attend board meetings. Independent research has also suggested the positive influence that a well-positioned CLO has on a company's compliance and legal exposure. One study found that companies with CLOs among the top five compensated officers have a 50 percent reduction in compliance failures compared with companies where CLOs were not among the top five compensated officers.<sup>2</sup> Another study suggests that companies with CLOs in top management have more accurate management earnings forecast disclosures — and the higher the CLOs' managerial status, the more accurate the forecasts.<sup>3</sup> To be sure, in the world's leading companies, general counsel report directly to the CEO. According to ACC's analysis of organizational structure in Fortune 500 companies (ACC Age of the CLO Annual Data Project 2018), 93 percent of Fortune 500 CLOs have a direct reporting line to the CEO.

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**WILL SIGNIFICANTLY  
INFLUENCE COMPANY  
BUSINESS DECISIONS  
INTO 2019**

47%

Regulation

39%

Brand and  
reputation issues

37%

Disruptive technology

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While the corporate governance community in the United States has recognized the importance of a well-positioned CLO (see, for example, recommendation number five in the 2017 Blue Ribbon Commission Report from the National Association of Corporate Directors), the idea has had a slower uptake in other parts of the world. ACC surveys have shown that compared to the US, Europe, Asia, and at times Canada have generally had lower percentages of CLOs reporting to the CEO, more frequently preferring alternative reporting arrangements, like having the CLO report to the chief financial officer (CFO) instead. This can lead to perilous situations where legal and compliance advice is not heeded at the highest levels of the organization.<sup>4</sup> The question “Where were the lawyers?” often arises in the wake of a corporate scandal, but lawyers who are sidelined from the upper reaches of corporate decision-making never have a chance to prevent corporate wrongdoing.

The past few years have brought the CLO’s role to the forefront in preventing problems and proactively addressing legal and regulatory trends. In 2019, CLOs predict that new regulations, brand and reputation issues, and disruptive technology will have the most impact on company decisions. These are all issues with clear legal implications, making the role of the CLO more important than ever.

With increasing attention paid to corporate sustainability — environmental, social, and governance issues — ACC used this year’s survey as an opportunity to examine the CLO’s role in corporate sustainability efforts. More than 80 percent of CLOs in an organization with a formal corporate sustainability plan report having meaningful influence on sustainability decisions within their organization. The participation of the CLO in this rising area of importance reinforces the CLO’s role as a top champion of culture and ethics, with a focus on mitigating brand and reputation issues.

Thus, all indications are that 2019 continues the Age of the Chief Legal Officer, with the role expanding in scope to match massive transformations underway in the business sector. While it was always a good idea for CLOs to be at the executive table, in the boardroom, and reporting to the CEO, it is now essential.

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A large, stylized red percentage graphic consisting of the numbers '47' followed by a percentage sign, positioned between two horizontal red lines.

47%  
of CLOs have a significant  
role in sustainability

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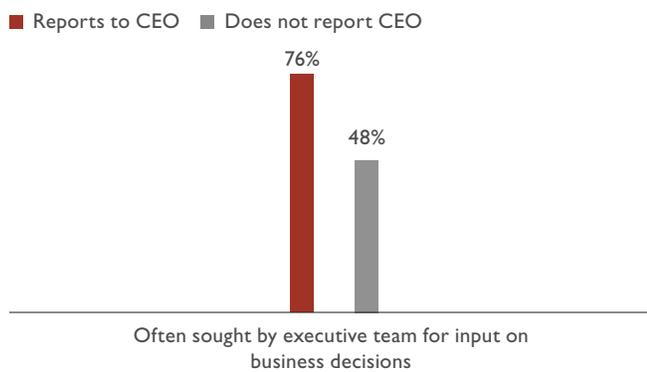
# KEY FINDINGS

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## The Age of the Chief Legal Officer gains momentum

Acceleration of change in the geopolitical and business climate makes it even more important that companies set the right tone from the top. Companies recognize this; 78 percent of CLOs report to the CEO. This percentage is higher for CLOs in Fortune 500 companies. The ACC Age of the CLO Annual Data Project (2018) reveals that 93 percent in this group report to the CLO. When the CLO or general counsel (GC) reports directly to the CEO, it sends a signal to the company and its stakeholders that ethics and compliance are a top priority.

### CLOS WHO REPORT TO THE CEO ARE MORE LIKELY TO HAVE INPUT ON BUSINESS



## Executives seek CLO input on business

When the CLO isn't at the executive table, risk increases. Given the range of legal, regulatory, and reputational risks facing companies — from data breaches to high-stakes mergers — it is not surprising that nearly 70 percent of CLOs indicate that the executive team almost always seeks their input on business decisions.

## CEOs think about growth; boards ask about risk

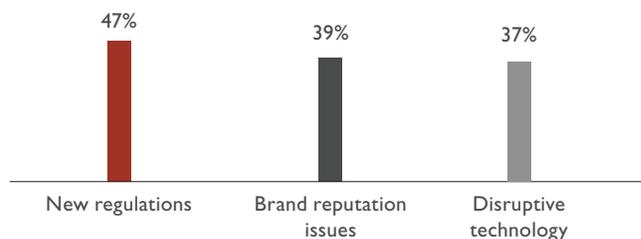
Risk — whether risk management, risk assessment, or determining areas of risk — is the most frequently cited topic CLOs discuss with their board of directors.

Growth is the biggest focus for CEOs, say survey respondents. Over half of the CLOs surveyed say their CEO is focused on growth in some way — revenue, customers, new markets, etc.

## What's keeping CLOs up at night?

In 2019, CLOs have their eyes on data. Data breaches, regulatory changes, and information privacy top the list of concerns for CLOs in 2019. With new regulations like GDPR governing data sharing and storage, it is foreseeable that a majority (68 percent) of respondents to this year's survey say they are very or extremely concerned with data breaches and the protection of corporate data, followed by 66 percent who cited regulatory or governmental changes as highly important. Information privacy (65 percent) rounds out CLOs' top three concerns in 2019.

### TOP ISSUES SIGNIFICANTLY AFFECTING COMPANY'S BUSINESS DECISIONS FOR 2019?



## New regulations and reputation are driving business decisions

CLOs report that new regulations, brand and reputation issues, and disruptive technology will have significant effects on company decisions. In companies with more than US \$10B in annual revenue, ethics and compliance are among the most important issues CLOs expect to navigate. When M&A is on the horizon, companies are clearly paying attention to factors that may affect perception, solidifying reputation as a top area of focus for company leaders.

## M&A expected by nearly half — driving decisions for those anticipating activity

In this year's survey, CLOs were asked which single issue, among those they rated extremely important, would have the greatest impact on legal departments in the coming year. M&A and regulatory changes share the top spot. For the second year in a row, nearly half of the CLOs surveyed report anticipation of M&A activity.

## Sustainability: CLOs playing a significant role

CLOs and members of the corporate legal team play a significant role in various aspects of sustainability, helping to guide or even lead sustainability efforts. Ninety-three percent of CLOs in a company with a sustainability plan report some level of participation in the company's corporate sustainability efforts. CLOs outpace the CFO and chief operating officer (COO) when it comes to direct oversight of sustainability teams or individuals.

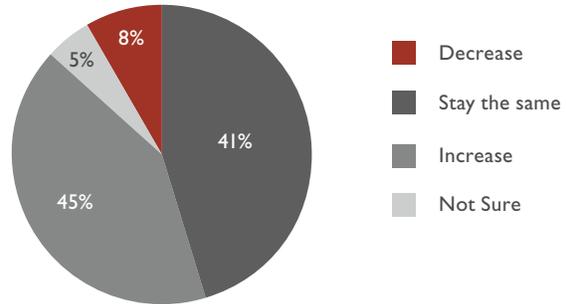
## Reputation is the link between M&A and corporate sustainability

When asked what prompted the organization to develop a sustainability plan, those anticipating M&A activity in 2019 were slightly more likely (61 percent) than those who do not (55 percent) to say that reputation was a major driver of sustainability planning. Forty-three percent expecting M&A activity in 2019 report that being a "choice brand" was a driver in their decision to undertake sustainability planning, compared with 33 percent of CLOs who don't expect M&A action this year.

## Law department budgets anticipated to grow in 2019

Though not as high a percentage as seen in 2018, law department budgets are mainly on trend for growth, mirroring data dating back to 2015. This year, 45 percent of CLOs anticipate law department budgets will rise in 2019, down slightly from 2018's high of 56 percent but on par with earlier findings that range from 43 to 48 percent expecting budgets to increase.

## DO YOU ANTICIPATE YOUR DEPARTMENT'S OVERALL BUDGET WILL DECREASE, STAY THE SAME, OR INCREASE IN THE NEXT 12 MONTHS?



## A majority of in-house legal departments will maintain their current staffing mix

Over half of all CLOs surveyed intend to maintain their current staffing numbers across positions. The largest increases in corporate legal department staffing are predicted in the in-house counsel position. Thirty-one percent of respondents say they intend to add lawyers in the coming year. One in three CLOs will create new positions in contracts and/or general corporate commercial law. Top legal skills CLOs seek include leadership, business management, and communication.

## Legal operations continues to expand its footprint

Legal operations professionals continue to see growth in their profession, with 15 percent of CLOs reporting they predict increasing legal operations staff in their departments. This is nine percentage points higher than 2015, when just 6 percent intended to add legal operations professionals to their departments.

# PROJECT OVERVIEW & METHODOLOGY

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## Project Overview

The 2019 ACC *Chief Legal Officers Survey* opened on October 14 and closed on November 13, 2018. A total of 1,639 respondents completed the survey. ACC current and former members with the title of GC, head of legal, or CLO were invited to participate. To expand participation, ACC collaborated with partner bar associations to invite their qualifying members to participate.

All participants, regardless of membership in ACC or path to the survey, were required to confirm their status as the highest-ranking lawyer in their company. We recognize that in-house leadership titles vary by industry, company, and region. Not all in-house legal leaders hold the title of GC or CLO. For the purposes of this report, we include all participants who entered the survey by identifying as the highest-ranking lawyer in the company. In this report, we refer to those in this position as CLO for readability, though functional titles vary globally.

## Interpreting the Data

The overall results present all survey responses question by question. These responses were analyzed by several relevant demographics at both the individual and department/company levels, including gender, minority status, industry, department size, company revenue, and region/country. By analyzing responses in this way, we attempt to decrease the influence of overrepresentation among audience segments. Cross-tabulations are presented to assess the influence of these segments of the survey population, and t-tests were used when appropriate to determine whether differences between groups or between time periods were statistically significant at the .05 level. Industry analysis was conducted among industries with a minimum of 30 responses, and in some cases with a minimum of 50 responses. These are noted where industry is referenced.

Due to rounding, some table and chart percentage totals may not sum exactly to 100. When adding percentages, the whole number is rounded evenly. Tables may not reflect 100 percentage points where “Don’t know/Not sure” is not shown. In some cases, due to changes in question structure and/or response measurement, year-over-year trend comparisons are not presented. Further, some response categories were collapsed in the presentation of results to provide a clearer or more holistic summary of the data. Data for company type is shown for public, private, and non-profit companies only. Nine percent of respondents are employed in wholly owned subsidiaries and are noted where data for this subgroup is unique. Two percent of respondents are employed in government or other types of companies. All respondents were included in analysis, even where not shown.

Additionally, some results presented by regional segments have relatively low sample sizes or skew toward a small number of countries in the region. Therefore, readers should be cautious in generalizing regional results and judicious in drawing strong conclusions. Data shown for Latin America includes 23 responses. We show regional results for informational purposes but were unable to conduct significance testing due to the low number of responses. Japan (64 percent), India (19 percent), and Hong Kong (10 percent) account for 93 percent of responses in the Asia region.

## References

<sup>1</sup>The NACD Blue Ribbon Commission Report on Culture as a Corporate Asset; National Association of Corporate Directors [Oct. 3, 2018]; <https://www.nacdonline.org/insights/publications.cfm?Item-Number=48252>

<sup>2</sup>Morse, Adair and Wang, Wei and Wu, Serena; Executive Lawyers: Gatekeepers or Strategic Officers? [Aug. 15, 2016]; SSRN: <https://ssrn.com/abstract=2446611>

<sup>3</sup>Kwak, Byungjin and Ro, Byung T. and Suk, Inho; The Composition of Top Management with General Counsel and Voluntary Information Disclosure; Journal of Accounting and Economics 54 (1), 19-41 [March 10, 2012]; SSRN: <https://ssrn.com/abstract=2332054>

<sup>4</sup>Richardson, Veta T., De Ridder, Liesbeth; Including general counsel could prevent scandal [2018]; <https://www.raconteur.net/risk-management/general-counsel-scandal>

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