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More CLOs Reporting Directly to CEOs, Boards

Big Law Business -
Feb. 19, 2019



A new study from the Association of Corporate Counsel finds chief legal officers under increasing pressure because of regulatory and technological change to provide greater input into corporate strategy.

Surveying more than 1,600 chief legal officers in 55 countries, the findings highlight the increasingly close collaboration between legal heads and the CEOs and boards of nearly all Fortune 500 companies. The same reporting arrangement, however, characterizes only about 78 percent of the largest corporations worldwide, the study found.

“In Canada and in countries across Asia, the percentage of GCs who enjoy a direct reporting relationship to the CEO drops as low as 63 and 67 percent, respectively,” said Veta T. Richardson, president and chief executive of ACC. “This is counterintuitive in the ‘age of the CLO,’ when regulations have never been more complex, and legal risk is inherent in all business risk calculations.”

Data breaches and safeguarding corporate information are the top concerns of many chief legal officers, followed by regulatory and government changes. CLOs in Asia, however, are more concerned about whistleblower issues than colleagues in other regions, the study found, while Latin America CLOs rank ethics and compliance issues higher than GCs in the U.S.

“It is also noteworthy to watch how perspectives evolve over time,” said Richardson, who noted that whistleblower issues were a significantly smaller concern for CLOs worldwide only two years ago. Meanwhile, “disruptive technology wasn’t on most CLOs’ radar in 2015 and 2016, but interest exploded in 2017 and continues to be a top issue affecting companies today,” he said.

While risk factors vary by region, the study highlights the imperative for chief legal officers to move beyond merely being technical legal advisers. This means fostering a corporate culture embodying ethics and compliance that can help companies weather market and other risks CEOs and boards can’t predict.

“Having the CLO report directly to the CEO and contribute fully in the development of business strategy is most beneficial to the company, especially given some of the more recent high-profile cases where calls of ‘where were the lawyers?’ followed corporate missteps,” Richardson said. “When the CLO has a direct reporting line to the CEO, he or she can do more to ensure that ethics and compliance are factored into all decisions.”