



Insight

# Energizing Preventive Law

BY STEPHEN E. NOWLAN WITH RICK A. HARRINGTON

*ConocoPhillips is the sixth-largest publicly owned energy company in the world, with 58,000 employees, operations in 49 countries, and assets of \$77 billion.*

*Rick A. Harrington was named senior vice president, legal and general counsel for Conoco Inc. in 1998, and following Conoco's merger in August 2002 with Phillips Petroleum Company, he continues this role for ConocoPhillips in Houston.*

*He manages the company's legal affairs through a law department of 120 attorneys in 10 countries.*

**Stephen E. Nowlan:** You have formally integrated preventive law into your law department's culture by requiring each attorney to identify and accomplish specific and substantive annual preventive objectives. Why take such a formal approach?

**Rick A. Harrington:** As a law department, our goal is to help manage the company in a way so that legal problems don't diminish profits. It is just as

important for lawyers to find ways to save \$20 million as it is for business partners to find ways to earn \$20 million. By having each lawyer identify and accomplish specific preventive law objectives, we have an effective strategy to systematically focus legal expertise on meaning-

ful prevention goals.

**Nowlan:** Did you train your lawyers to analyze business processes?

**Harrington:** Our lawyers understand their clients' businesses and are very good at working with clients to identify each step in a process as well as any legal implications that need addressing. Most lawyers are enthusiastic about doing this. It gives them a greater understanding of what clients do, and they get involved in tailoring efficient legal solutions to meet business needs.

**Nowlan:** Doesn't this reduce time spent on meeting daily client needs?

**Harrington:** Many preventive goals can be accomplished right along with other work. For example, when a lawyer meets with clients to discuss an issue, it is very efficient also to discuss the business process that the lawyer is reviewing. We do expect the lawyers to manage their priorities so that both regular work and preventive goals get accomplished. Their success in doing so is reflected in their variable compensation.

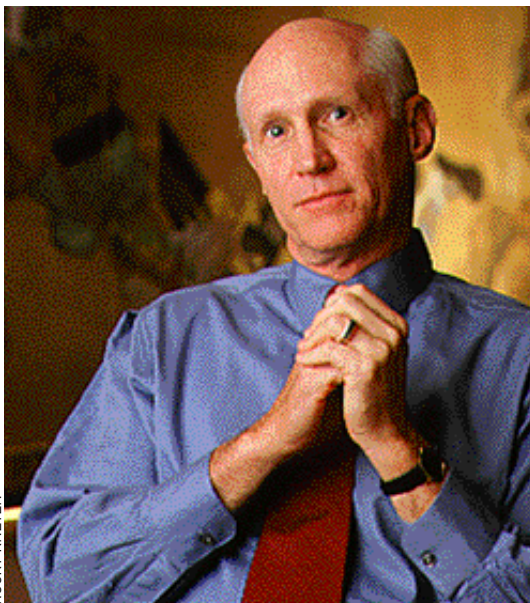
**Nowlan:** How does this work?

**Harrington:** Forty percent of attorney bonuses is attributable

to their success with respect to achieving their goals, including preventive goals. During compensation review, supervisors review each lawyer's performance on preventive and other goals to determine how much of the target bonus each should receive.

**Nowlan:** How do your business clients react to having such a formal approach?

**Harrington:** Our clients are very supportive. Executives know that in the real world, business processes change over time for many reasons and new legal risks emerge continuously. Our senior executives are glad to have our lawyers focus their expertise on reviewing business activities. The more the lawyers can do to keep the business out of trouble, the more money we will save and the less senior officers will get distracted from their priorities to deal with legal entanglements. In today's environment, clients know that it makes good business sense to harness the energy and expertise of smart lawyers and focus them on managing the company better rather than on managing litigation. •



ROCKY KNETEN

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—RICK A. HARRINGTON