

Preventive Law Creates Competitive Advantage

BY STEPHEN E. NOWLAN WITH DON H. LIU

IKON Office Solutions Inc. is a \$5.3 billion provider of products and services that help businesses communicate. When Don H. Liu became senior vice president and general counsel of the Malvern, Pa., company in 1999, his first task was to create an in-house law department. That department now has 11 lawyers. IKON, which started as an industry roll-up of local convenience copying and printing companies, was in great need of company-wide standards and procedures for every facet of the business.

STEPHEN E. NOWLAN: What were your first priorities?

DON H. LIU: IKON is a very innovative and entrepreneurial company with a strong focus on operating profits. My long-term goal for the law department is to find ways to help build the business. Starting in 1999, however, the short-term priorities were to get our litigation under control and create internal controls that would prevent future litigation.

To track our progress, we set up internal benchmarks for litigation spending and other legal activities so we could compare our legal costs for each of our nine districts. This enabled us to identify regions and even cities where the company's litigation costs were above the norms. As we identified higher-cost cities and regions, we quickly met with the business heads and managers to gain



DONNA TEREK

“My long-term goal for the law department is to find ways to help build the business.”

— DON H. LIU

their support for more training and better controls to avoid future litigation. They have been very supportive.

NOWLAN: In addition to more training, what preventive law measures did you put in place?

LIU: Our strategy has been to provide standard contracts that can be executed by our 5,000 sales professionals and to require that any variances from our standards be reviewed and approved by the law department. We currently have about 400,000 customer agreements,

and all but a small fraction now use our standard documents. These agreements are updated regularly to take into account any developments requiring more legal protection.

NOWLAN: How do you measure and communicate your progress to management?

LIU: I regularly present to IKON's senior management our tracking report that shows all our spending and resource allocations broken out by major categories and geographic regions. Litigation expenses are down 40 percent compared to 1999, and high-risk litigation is down to only a few cases. So senior management fully supports our preventive strategy.

NOWLAN: In addition to avoiding litigation, what are you doing to achieve your long-term goal of building the business?

LIU: With the dramatic reduction in litigation costs, we are able to shift law department resources to expand our support for sales staff to help them negotiate and close sales contracts faster. We see this as an opportunity to create a competitive advantage. With faster cycle time on agreements, sales staff may spend less time on the negotiations and, hopefully, revenue begins to flow faster. Our legal team tries to create satisfied customers, even without significant concessions on our part, because the agreement process flows quickly and smoothly. ●