



Finding and Keeping Your General Counsel: A Roadmap for Portfolio Companies

Private equity investment hit an all-time high of \$1.1 trillion in 2021, with [continued momentum into 2022](#).

2023 saw a slowdown due to macroeconomic headwinds, but the long-term outlook for PE remains bright. As these portfolio companies come under new ownership, leadership teams are being evaluated against their capability to take them through the next phase of growth. While the chief executive officer and chief financial officer typically get the most attention among these leadership roles, other functions, particularly the general counsel (GC), play a critical role in setting strategy and in protecting the portfolio company from missteps.

In examining how the legal function has evolved in portfolio companies, Russell Reynolds Associates found that the most sophisticated ones are ahead of the curve in recruiting senior legal leadership - a general counsel or chief legal officer - into the C-suite. We analyzed the profiles of 40 GCs at portfolio companies to develop a point of view on their experiences and backgrounds. We also gathered survey data from 26 portfolio company GCs to better understand where they sit in the organization, what falls within their remits, and how they spend their time.

We found that most portfolio companies believe the GC is a strategic necessity to respond to increasingly complex regulatory environments, transactional activity, and to be prepared for potential litigation. Most portfolio companies hire a GC early in their growth journey. In fact, 62% of the companies we surveyed are on to their second (or later) GC hire, indicating early investments into the legal



function. Furthermore, these tend to be seasoned leaders with an average of 25 years of experience post-JD.

We hope this report helps portfolio company CEOs, boards, investors, and PE fund talent partners better understand:

1. Why GCs are critical to portfolio companies' success in today's environment
2. Which experiences and responsibilities are critical for portfolio company GCs
3. How to find their first - or next - portfolio company GC



General counsels are critical to portfolio companies' success in today's environment

From rapid technological advancements to increased M&A activity, portfolio companies are navigating an increasingly complex and dynamic environment.

Forces impacting portfolio companies today



1. Technological advancements

AI, blockchain, and digital platforms that outpace existing regulations



2. ESG concerns

Increased scrutiny of companies' environmental, social, and governance practices



3. Increased M&A activity

Companies pursuing inorganic, acquisition-driven, growth



4. Consumer protection and data privacy

Data breaches, privacy concerns



5. Political and social shifts

Social justice movements, geopolitical developments



6. Globalization and international trade

Cross-border trade and investment activities impacting IP protection



7. Enhanced regulation

Regulatory oversight continues to increase; penalties for missteps can be material

The need for a strategic legal voice on the executive leadership team has never been more important, and portfolio companies with weak in-house legal teams are at risk. An unsophisticated in-house legal function can either lead to poor commercial outcomes or over-investment in outside counsel, which continues to [rise in cost](#).

Companies that do not have a general counsel on the executive leadership team face several risks:

1

Not having a sophisticated internal commercial contracting organization

Entering deals without proper due diligence of commercial terms, and potentially exposing company IP

2

Over-reliance on outside counsel for litigation, M&A, routine matters, etc.

Absence of an internal senior leader to have the company's best interests in mind

3

Increased fear of exposure to litigation or regulatory risk due to immature internal compliance programs

Lack of robust policies and appropriate culture in place to protect the company

4

Lack of a senior legal voice at the executive table for both strategic and business input

A dedicated general counsel is not in the room to discuss important enterprise-level matters with the CEO, board, and leadership team and is unable to influence decision-making at the highest levels

5

Loss of institutional knowledge when it comes to mitigating risk and protecting the organization

Outside counsel is not a long-term or permanent solution

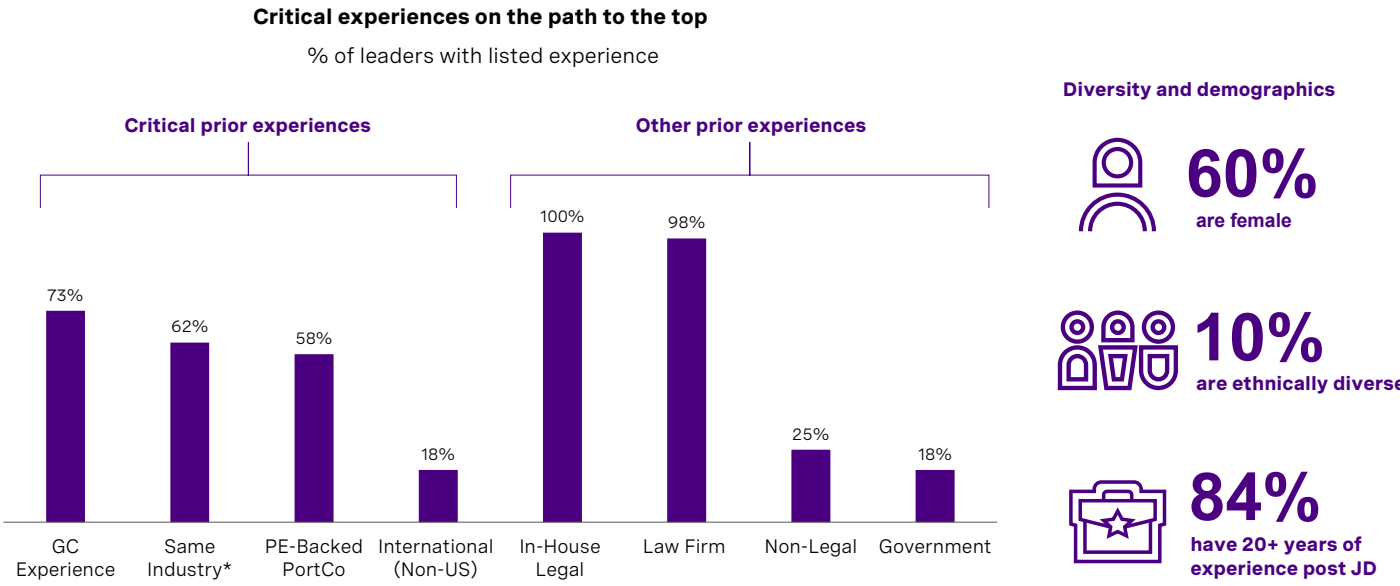


Who is the portfolio company general counsel?

We analyzed critical experiences for portfolio company GCs, along with their place in the organization, their key responsibilities, and the key activities they spend their time on.

DNA of a portfolio company general counsel

Successful portfolio company GCs bring several key experiences to the table. Most have prior GC experience, come from the same industry, and have worked at portfolio companies before. Almost all have a combination of in-house legal and law firm experience.



* Externally appointed GCs only

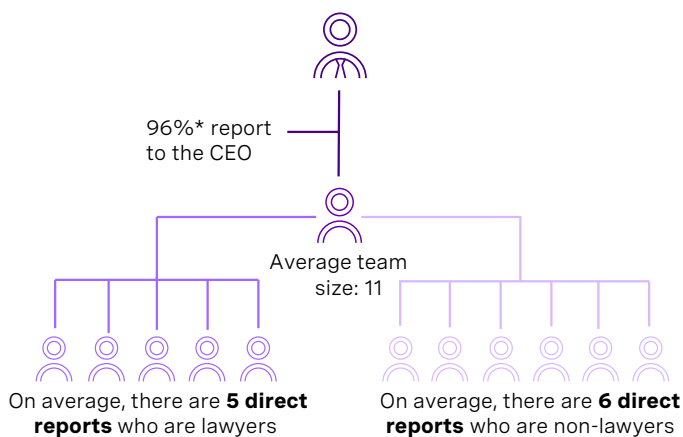
Sources: Russell Reynolds Associates Survey of Portfolio Company GCs N=26, 2023; Russell Reynolds Associates RTTT Analysis of Portfolio Companies GCs N=40, 2023



Where does the general counsel sit in the portfolio company organization?

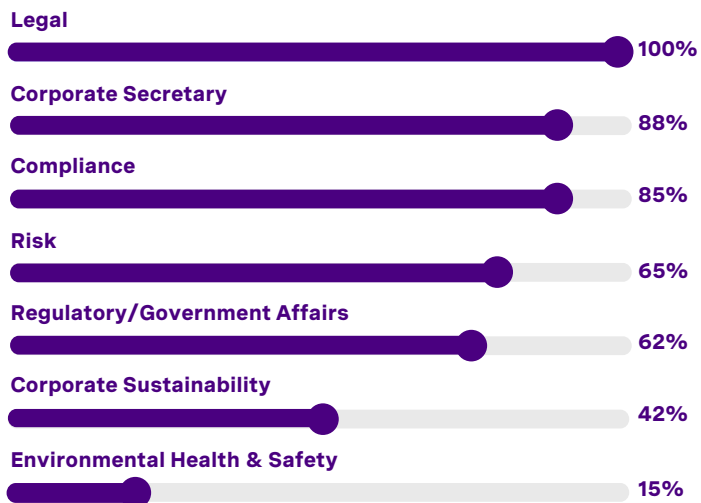
Portfolio company GCs most often report to the CEO, while teams reporting to them functionally span legal, corporate secretary, compliance, risk, regulatory/government affairs, and at times corporate sustainability and ESG.

GC reporting structure



* 4% of GCs report to the CFO, N=1 of 26 GCs surveyed

Which functions is the GC responsible for**



** Other functions the GC is responsible for include Cybersecurity, DEI, Privacy, and Quality, as indicated in the "Other" category

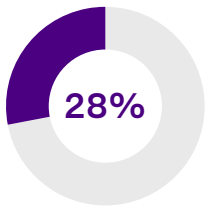
Source: Russell Reynolds Associates Survey of Portfolio Company GCs N=26, 2023

Where do portfolio company general counsels spend their time?

Portfolio company GCs allocate about half their time and efforts to commercial and M&A activities, and an equal amount to governance, compliance, and litigation. The best GCs combine being commercially savvy with having the gravitas to manage the board.

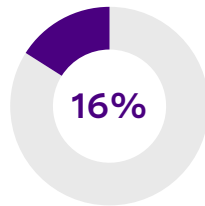
Portfolio company GCs spend roughly half of their time on commercial and M&A activities....

.... With an equal amount of time focused on other legal responsibilities such as governance, compliance, and litigation

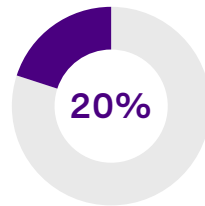


Commercial

- Contract negotiation
- Business transactions
- Legal risk management
- Transaction due diligence
- Deal structuring
- Post-closure obligations

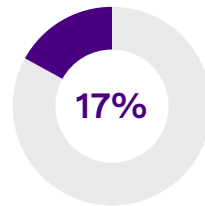


M&A



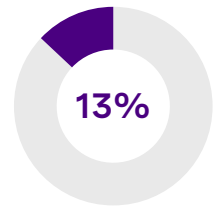
Governance

- Policy development
- Board management
- Corporate ethics and responsibility



Compliance

- Regulatory compliance
- Compliance audits
- Policy implementation



Litigation

- Guidance on dispute resolution
- Strategic litigation planning
- Post-litigation actions

Source: Russell Reynolds Associates Survey of Portfolio Company GCs N=26, 2023



Implications for portfolio company CEOs, boards, and PE fund talent partners

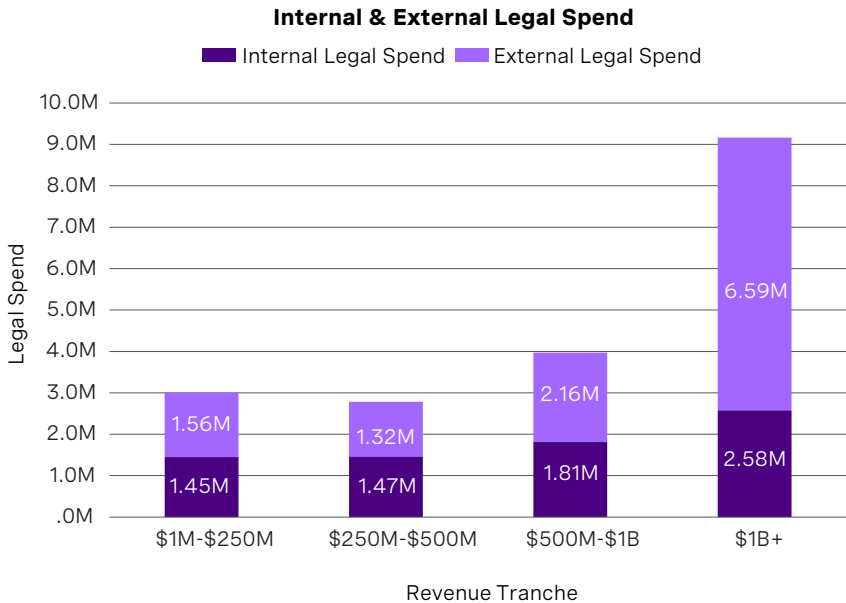


Budgeting to build a legal team

In their developing stages (< \$250 million), companies will allocate a larger percentage of revenues to their legal department as they begin to put proper legal infrastructure in place. As the company scales its operations, the legal spend decreases as a proportion of revenue but the GC remains a critical advisor to the CEO and executive management.

The cost to establish an in-house legal department is in the range of \$1.5M and stays relatively flat until the company hits a revenue of \$500M, at which point spend begins to grow.

As companies scale, the legal spend becomes a smaller proportion of total company revenue



Revenue	Average legal spend as a proportion of revenue
\$1M-\$250M	1.47%
\$250M-\$500M	0.89%
\$500M-\$1B	0.56%
\$1B+	0.39%

Source: Russell Reynolds Associates Survey of Portfolio Company GCs N=26, 2023

How to find your first - or next - portfolio company general counsel

1. Examine your company's risk and regulatory situation

- Consider the regulatory environment in which your company operates and whether it is equipped to navigate current or emerging regulations.
- Examine your company's risk profile and understand whether there are unaddressed legal or compliance risks.
- Review your company's external legal spend and determine whether it is cost-effective to bring capabilities in-house.

2. Determine whether you have the right capabilities to tackle your legal mandate

- Assess the volume and complexity of commercial agreements and decide whether you have the right internal team to negotiate these agreements.
- Consider your litigation docket and whether you need an experienced leader to manage litigation and investigations.
- Consider your M&A strategy and whether you have adequate legal expertise to execute that strategy.

3. Be intentional about having a legal voice on your leadership team

- Assess the leadership team's maturity and whether they would benefit from having a senior legal perspective at the table.
- Take stock of 'orphaned' (or non-existent) functions (e.g., sustainability, government affairs, risk and compliance, etc.), that could benefit from senior executive oversight.
- Upon hiring a GC, ensure they report to the CEO and are part of the C-suite, and create a meaningful job profile with a breadth of responsibilities.

4. Determine the best talent solution based on your unique needs

- Look for an executive who can bring a deep business perspective along with legal expertise and where essential, industry experience.
- Use this as an opportunity to offset gaps you may have elsewhere on your leadership team - e.g., if your company is founder-led or has a first-time CEO, you want to recruit a more experienced executive into the GC role.
- Make smart trade-offs depending on your company's growth stage - e.g., if your company is about to IPO, ensure that you recruit a GC who has public company experience and ideally has taken a company through an IPO before.



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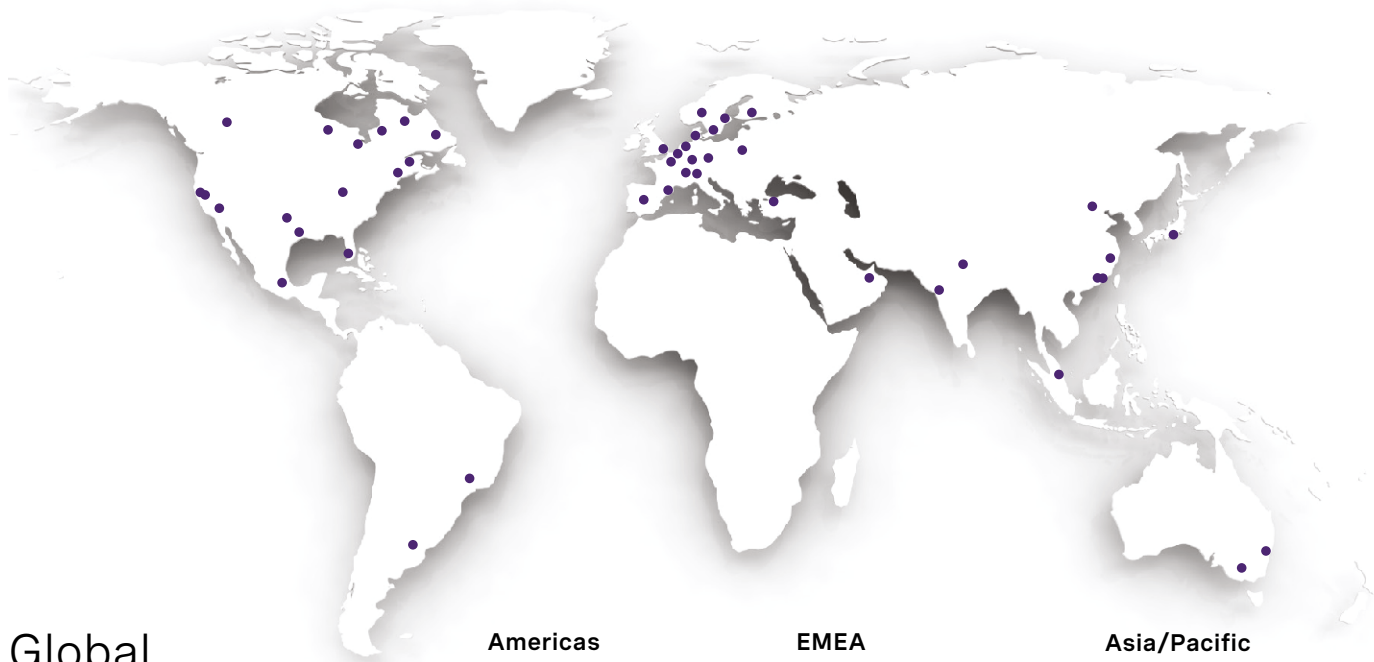
Data & Analytics

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About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 600+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led

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