

## Experience Preferred: The State of Today's Fortune 500 General Counsel

For several years, Spencer Stuart has been analyzing the backgrounds and demographics of general counsel in Fortune 500 companies. In 2018<sup>1</sup>, our analysis included 490 GCs, and we separately examined trends from the “new class”— i.e., the 50 Fortune 500 GCs who began in their position after June 2017. Our research dates back to 2014, allowing us to see trends in several key areas.

In our study, we see that gender and ethnic diversity is increasing, and trends suggest the numbers will continue to climb. Also rising is the rate of external hires, who make up more than half of the GCs we studied. This increase is due to many factors including the growing complexity of the global environment and the need to lead and manage significant legal teams, leading companies to opt for an experienced GC.

### FORTUNE 500 GC SNAPSHOT

#### Profile

- » Female general counsel: 28%
- » Average age: 55 years old
- » Minority general counsel: 14%
- » Average tenure: 6 years

#### Background

- » Percent with in-house legal experience: 62%
- » External hire: 54%
- » Percent of external hires that come from a law firm: 25%
- » Internal promotion: 46%
- » Previous GC experience: 48%
- » Percent of external hires with GC experience: 66%

<sup>1</sup> Spencer Stuart research was conducted between May and July 2018.



## FORTUNE 500 COMPANIES ADDING MORE FEMALE GCs

There are 136 women serving as GCs of Fortune 500 companies, representing 28% of all GCs. That's an increase from 23% in 2014.

### Trends from the new class...



The number of female Fortune 500 GCs appears to be increasing dramatically, as nearly half (46%) of the new class of GCs are women. This ratio is more in line with the gender breakdown we see in law schools, which has been around 50/50 for several years.

## REPRESENTATION OF ETHNICALLY DIVERSE GCs CONTINUES TO INCREASE

The percentage of ethnically diverse Fortune 500 GCs (i.e., a general counsel listed as non-white) has increased over the last four years: in 2014, non-white GCs made up 11% of the total; in 2018, they comprise 14% of GCs.

### Trends from the new class...



Sixteen percent of the new class of GCs are ethnic minorities. As recognition of the importance of ethnic diversity in legal and leadership teams grows, we are seeing several groups working to support the development of minority

legal leaders. The Hispanic Bar Association, for instance, has begun a program called PODER25, which aims to increase the number of Hispanic GCs in the Fortune 500 from its current total of nine to 20 by 2025. Such initiatives will likely help raise the percentage of ethnically diverse GCs in the future.

## GENERAL COUNSELS ARE 55 YEARS OLD ON AVERAGE

The average age of Fortune 500 GCs is 55, unchanged from last year.

## AVERAGE TENURE DROPS BY MORE THAN A YEAR

The average tenure for Fortune 500 GCs is six years, almost a year and half shorter than the average tenure in 2014 (7.4 years). As the general counsel role continues to rise in importance and the GC is seen as a true strategic partner to the senior leadership team, companies are increasingly proactive in ensuring they have the right leader in the seat.

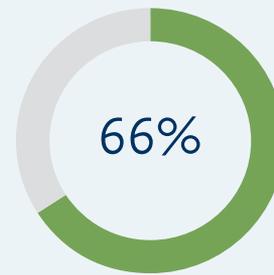
## ALMOST TWO-THIRDS HAVE IN-HOUSE LEGAL EXPERIENCE

Sixty-two percent of Fortune 500 GCs gained their experience in-house, and 25% of externally hired GCs came straight from a law firm.

## NEARLY HALF HAVE GC EXPERIENCE

Forty-eight percent of GCs have previous experience in the role, up from 39% in 2014.

### Trends from the new class...



Sixty-six percent of the new class have previously worked as a GC in some capacity (public or private company, divisional or nonprofit), indicating how important experience is for Fortune 500 companies.

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## MORE THAN HALF WERE EXTERNAL HIRES

Fifty-four percent of Fortune 500 GCs were externally hired, compared to 51% in 2014. Of those external hires, 38% came from a public company general counsel role. Seventeen percent were divisional or deputy GCs before becoming GC, and 11% were GCs for private companies. So in all, 66% of externally hired GCs had previous experience in a senior-level GC role.

Fortune 500 companies are increasingly seeking general counsel with experience because, in part, the legal function is becoming so highly specialized. Given the depth of knowledge required in senior legal roles, it's difficult to "cross-pollinate" legal leaders — for example, the head of litigation may not have a great deal of international legal experience or the corporate secretary may not have deep commercial legal exposure. Accordingly, organizations are increasingly prioritizing leaders with previous GC experience. Typically, that experience comes from outside the organization.

## FINDING SUCCESSORS FOR GC ROLES

The rise in external recruiting also suggests GCs should be doing more to build a talent pipeline of potential successors.

In a previous article about GC succession, 77% of Fortune 500 GCs we interviewed reported that they have at least one potential successor, and 30% said they had "ready-now" successors. Yet the evidence suggests that, when the time comes to select a new GC, some boards and CEOs are more comfortable looking for experienced GCs.

There is not one right path to the GC role, but there are ways GCs can prepare potential successors and help the board, CEO and broader organization see internal candidates as viable options for the top legal role:

1. **Start early.** Beginning the succession process early gives potential candidates the time to develop, and also provides valuable exposure to leadership team.
2. **Introduce possible candidates to the CEO and board.** Boards are more likely to view internal candidates as legitimate if they see them in action.
3. **Rotate potential successors throughout the business.** Diverse experience and rotations through headquarters provide a crucial understanding of the business and its legal and commercial challenges.

4. **Keep candidates engaged.** Maintain open lines of communication with potential successors, so they remain optimistic about their current position and don't start to look for work elsewhere.

Recruiting diverse talent within the legal function is key for organizations seeking to incorporate broader perspectives, which can help boost innovation and lead to better performance.

## How companies can step up diversity recruitment

- » Ensure key stakeholders are committed to the process and aligned around the definition of diversity.
- » Expand the target candidate pool to other industries, law firms and government organizations. Also, consider stretch candidates and prioritize diversity in relationships with law schools and firms.
- » Leverage relationships and create mentorship programs with relevant organizations, such as the Minority Corporate Counsel Association, the National Asian Pacific American Bar Association and the Hispanic Bar Association.
- » Prioritize culture fit, onboarding and inclusion, creating a welcoming, constructive environment.

