

Solid, Dotted and Matrixed: Reporting Lines for Legal

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This article is the fourth in a six-article series discussing the changing and dynamic role of general counsel and the realities they face as they create strategies to facilitate profitable and compliant business practices.

Lawyers are not known for having an obsession about reporting lines or for having a deep understanding of management structures. People tend to go to business school for that, not law school. Lawyers receive little or no training in management theory or practice, and so we wing it. Outside the corporate setting, lawyers work in partnerships with widely divergent structures, traditions and ground rules, some of which are massively inefficient or outright dysfunctional. Once inside a corporation, lawyers tend to cling to these informal ways of organizing themselves, despite the evident fact that, all of a sudden, the lawyer reports to a “boss”, and the boss usually reports to someone other boss.

In small legal departments, as in law firms of modest size, informality and continuous personal interaction can bond a culture and can therefore suffice as an organizing principle. In such cultures, seniority and success create varying levels of influence or power, and the cultures can replicate themselves through recruitment, the promotion of individuals or the creation of new partners, and the rewarding of economic or professional success. But in larger legal organizations, the centrifugal effects of physical distance, sheer size, and multiple agendas create a compelling environment for more formal organizational systems to take hold. Indeed, when we consider the modern legal department of a large international company, it is impossible to imagine the successful delivery of that much intellectual property in so many places on so many subjects without the creation of a firmly defined hierarchical structure of some sort.

By default, the organizing principle used by nearly all corporations is the traditional “org chart” comprised of boxes (name and title) reporting to other boxes (boss and title), and so on through to the creation of a large pyramid of boxes with the general counsel at the top. This format works reasonably well for companies generally, even though a great many accretions and exceptions to the traditional org chart have taken hold in order to solve the problems associated with its two-dimensional, overly simplistic nature. For legal organizations specifically, the problems posed by the traditional org chart are quite a bit more daunting, since lawyers are usually called upon to advise across a spectrum of issues or businesses, and because the businesses being advised rightfully want to have some level of control or influence over their lawyers.

Thus, the rise of direct and dotted line reporting for lawyers. In its simplest form, this is a variant of “matrix management” in which a person has two bosses instead of one. The “solid line” report is the primary “boss-employee” relationship, and the “dotted line” report is something short of, or different from, that. Dotted line reports can be anything from a basic requirement to keep someone informed, on the one hand, to a mission-critical role on a corporation-wide project, on the other. By their nature, dotted line reports tend to be poorly-defined in theory and not much better implemented in practice. They are soft. They are informal. They are, um, dotted. Almost always, dotted line reporting implies little participation in personnel evaluation and little or none in the setting of compensation.

In many corporate legal organizations, the solid line reporting is from lawyer-boxes to boxes outside of legal, i.e., to the businesses, wherever and whatever they may be. The dotted line reporting is up through the legal org chart. Whatever labels are used in such organizations, what becomes clear very quickly is:

- It becomes more difficult to establish a proper culture of lawyer independence and ethicality, or “tone at the top”, because messaging is diffused through a secondary dotted reporting line that by definition is not as important as the primary solid reporting line.
- It becomes difficult to the point of statistical impossibility to assure that all of the lawyers are not economically co-opted by businesses who hold the power to hire and fire, set compensation, and punish proper reporting of problems up through Legal.
- It becomes more difficult for senior or central Legal to obtain visibility about the workings of businesses, especially geographically remote businesses, because the lawyer working there is inevitably influenced by pressures to report problems only if they reach a certain level of severity, or to avoid reporting them at all, or to report them only in a manner that overtly or subtly downplays their significance.
- It becomes immensely more difficult to reward quality lawyering throughout the organization because reward decisions are being made mainly or exclusively by individuals not trained in legal skills.
- It becomes quite a bit more difficult to tackle company-wide generic legal issues, where central legal has only secondary reporting lines and therefore secondary enforcement capabilities.
- All of these problems become more severe as physical or cultural distance between lawyers grows.

All that being said, it is critical that lawyers in corporations be responsive to the fair demands of the businesses they serve. For that reason, the days of unitary solid line reporting through Legal are gone, if they ever really existed, and rightfully so. But in even the simplest matrix organizational structure, *lawyers should report to other more senior lawyers at least as firmly as they report to anyone else*. This can mean a solid line through Legal and one or more dotted lines to businesses or other advisory corporate functions. Or it can mean a pair of equally solid line reporting relationships, in which evaluation, promotion and compensation decisions are made jointly by the supervising lawyer and the supervising business boss.

The solidity of the line through Legal must not only exist, but it must be *seen to exist* by all of the lawyers at the company. Yes, this involves some expenditure of time negotiating raises and bonuses, and maybe it also involves engaging in an occasional controversy about the meaning of good performance. Every once in a while this structure may even lead to the irony of a GC opposing a lawyer bonus recommended by that lawyer’s business. This is such a small price to pay for a structure that assures that lawyers act as lawyers – i.e., as creative facilitators of profitable and ethical business practices – and not as (highly-compensated) help-mates for the least ethical among us.

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