

The Novartis in-house experiment

When Thomas Werlen left London magic circle firm Allen & Overy to become general counsel at Swiss drug company Novartis at the end of 2005, he sought to bring the know-how and expertise of a leading global firm to bear on restructuring the legal function of Novartis. Mr Werlen explains the first objective was to unite the company's diverse in-house team that had spread around the planet as the company expanded: "We have changed from a decentralised system to something with a global leadership team where we look at the legal group as one." This, he says, removed 'silos' or detached parts of the organisation.

Next on the agenda was to manage the work that actually took place, and so, taking from the law firm culture that had served him well as a partner, he outlined clearly definable practice groups with their own heads, such as M&A, litigation and IP.

With the structure in place, the next move was to hire more quality lawyers and management specialists, like a legal knowledge management expert from Allen & Overy and other lawyers from global firms. As a result, the legal group has grown in two years from 180 lawyers to about 250.

But, as managing partners often like to espouse, this isn't growth for growth's sake. Mr Werlen stresses: "We are

better equipped now and so more top-level work can be done in-house." This means less going out to external law firms and he notes that M&A spending has noticeably gone down.

Having a stronger in-house team gives Novartis more leverage in its dealings with external firms. Mr Werlen mentions that if, for example, a transaction given to a firm was eating too much into the budget for the job, Novartis could bring the work in-house.

Mr Werlen agrees that he is in the process of creating a 'mini global law firm' that can supply much of the service that external practices once did for the company. Yet, he admits that if the matter was highly important they would use an outside law firm, and cost would not be the main issue. Nonetheless, under Mr Werlen's watch, Novartis' in-house function has become a legal power in its own right – one that he hopes "allows us to show management that we run as a business too, and not just as a cost centre".

This approach is not unique: Swiss bank UBS and US company Johnson & Johnson have helped to inspire this method. But it shows that firms approaching Novartis, especially for day-to-day work, should be careful they don't take their clients for granted. The company is now more than capable of taking significantly more of its work in-house. ■