

Ex-Chrysler GC Offers 4 Tips For Weathering A Crisis

By **Melissa Maleske**

Law360, New York (January 27, 2017, 6:18 PM EST) -- After an eventful 15 years in-house in the auto industry, Marjorie Loeb, who led Chrysler's legal department through its merger with Fiat, has weathered sweeping transformations and crises set against the backdrop of an industry in flux.

From the inception of Sarbanes-Oxley, a financial restatement and a bankruptcy at Delphi Corp. to an emergence from bankruptcy and a megamerger at Fiat Chrysler Automobiles NV, Loeb's experiences have given her a hands-on education in changing management from the legal department perspective.

Along the way, she picked up a healthy dose of wisdom about the critical role of the general counsel's office in ensuring that companies can emerge from extraordinary circumstances stronger than when they started.

Here, Loeb, who joined Mayer Brown as a partner in November, shares her best advice for legal department leaders in the best of times and the worst of times.

Bridge the Gaps

Companies bring in outside bankruptcy or deal teams to lend expertise and experience, but they don't have an insider's visibility into the business's interconnected parts and the way they work together best. Loeb says that ensuring that the general counsel's office provided that context was key to getting the most of outside counsel at both Delphi, where she was assistant general counsel and corporate secretary, and Chrysler, where she was associate general counsel of corporate and commercial affairs before becoming general counsel of Fiat Chrysler.

The general counsel's office sits on top of the entire organization because the entire organization is its client, Loeb says. That visibility puts legal in a prime position to ensure the business units, too, are aware of the matters each one is working on and that they don't lose sight of the bigger picture of the ongoing business.

"I think the general counsel has to do that, particularly when the whole business is going nuts because some kind of big change is happening," Loeb said. "Because you see all the working pieces, sometimes you can help to bridge gaps between the business units."

Be Mindful of Necessary Isolation

On the other hand, Loeb points out, there are times when temporary silos are justified and even necessary to ensure confidential information is protected and to isolate certain teams from crisis or uncertainty so they can keep running uninterrupted.

“You need to make sure that your assistant general counsel or practice groups understand what’s going on in the crisis at the right level of detail,” Loeb said. “But you don’t need 20 different hands making decisions on this, and you also don’t want confidential information being gossiped and spread throughout the organization, which leads to unrest.”

An apt example is when a company is entering into a major reorganization transaction, according to Loeb.

Fiat’s acquisition of Chrysler was a gradual process that began after Chrysler emerged from Chapter 11 with Fiat as a minority owner. Before Fiat took full ownership, the companies operated separately and had separate boards of directors while cooperation agreements and negotiations between the companies were hashed out. The lawyers had to respect company boundaries and protect the interests of their separate clients, but the rest of the organization needed to begin building relationships and benefiting from their shared resources.

“You need to understand what issues need to be solved by whom and where to go for input, and I think if lawyers are the ones bridging the silos, they can properly gatekeep some of that so that the rest of the organization can go about their business, and they’re not all waiting for something to happen that they have no control over,” Loeb said.

Don't Point Fingers

When companies are in crisis, the focus tends to fall on failures on an individual or managerial level, and when blame is being thrown around, it only makes the response and recovery process more stressful. The biggest thing general counsel can do is to keep their cool and act as the voice of reason that recognizes a few key points, Loeb says.

First, she says, people sometimes place blame at the bottom of the food chain to protect themselves at the top, but it’s important to recognize they typically follow orders and mirror behaviors and don’t hold the responsibility of preventing major problems in the first place. Instead, GCs need to think holistically across departments and look to the senior management levels to take responsibility for fixing a problem — even if they may have been some of the ones to make the mistake.

“You need to not have a knee-jerk reaction,” Loeb said.

Second, general counsel need to understand that in a crisis environment, people may not be at their emotional best. They’re under pressure, they’re angry, and they may need to blow off steam. And as GC, you should let them, but then you have to circle back, according to Loeb.

“Private conversations are helpful,” she said. “When the management team all gets in a room, people are yelling, or no one wants to say anything, so sometimes you have to talk to them individually behind the scenes. They’re your client. Being their adviser is an important relationship to build.”

Show People the Day-to-Day Stakes

In a high-stakes, high-pressure situation, a hardworking legal team will be stressed and tired. It's on the GC to be the cheerleader of sorts, keeping team morale high. But just as important is keeping them motivated after the comedown, when you've closed the book on the bankruptcy or the merger, and things start returning to a new sense of normal. To maintain a sense of urgency among in-house lawyers after the adrenaline fades away, Loeb says legal department leaders need to keep them interested.

Legal staff should in no way be isolated from the rest of the company, Loeb advises. They should understand the business in which they and their clients are operating: the yearly objectives, the financial forecasts, the budget. Loeb insisted her lawyers understood the business and helped by funneling that information down to them. She also encouraged them to stay proactive and involved with their client teams and to attend regular business meetings.

The key is that the in-house team understands that there are core, day-to-day items that can lead to success or failure even when the sword is no longer hanging over their heads, Loeb says.

"If we're being sued or we're in the middle of a bankruptcy or we're going to be stop-shipped, of course lawyers respond to that immediately," she said. "But [after a crisis], they need a direct connection between the work they're doing, what their clients are doing and how it fits into the business plan, and that's how I think you keep them working because no one wants to do stuff out of context."

--Editing by Christine Chun and Bruce Goldman.