

## SCALING, STREAMLINING, AND SUCCEEDING: TRANSFORMING LEGAL SERVICES TO SUPPORT THE CORPORATE VISION

By Jennifer J. Salopek

In 2011, VMware's Legal Department redefined its mission to deliver innovative and strategic legal solutions in a nimble and ethical manner to support the corporate vision of becoming a \$10 billion cloud services business. To meet this vision, General Counsel Dawn Smith and her management team launched a three-year transformation effort managed by Aine Lyons, VP and Deputy General Counsel, Worldwide Legal Operations. The mandate was to scale the department to support a dynamic and rapidly growing business without significantly increasing operational costs or sacrificing client service. The focus was to drive operational excellence through the delivery of people, processes and technology solutions, while also investing in the team's growth and development to support a more complex business model.



*"Like a lot of other legal departments, VMware relied almost entirely on manual processes,"* says Lyons. *"We had no legacy systems; we were starting with a blank canvas."* Building a best-in-class legal technology infrastructure that automated core processes became a key component of VMware's operational strategy. As a first priority, the team decided to leverage automation for contract management and value-based vendor management.

*"Before we embarked on implementing any tools, we knew we needed to invest in streamlining and re-engineering our processes,"* Lyons says. But rapid business growth, coupled with a more complex business model, meant that they were already facing a support challenge. *"We knew we needed to look at innovative ways of delivering efficient support to the business, instead of continually relying on headcount additions."* The VMware Legal team decided to reallocate low-value, low-risk, repetitive work streams to QuisLex, a top Legal Process Outsourcer (LPO) in India.

Once standard work was outsourced, the team engaged in an extensive process and template streamlining effort that they believe was a key component to success. *"This initiative involved a concerted effort – not just within Legal – but also across the business, that delivered increased deal velocity and an enhanced customer experience,"* says Smith.

As with many in-house legal departments, outside counsel spend accounted for a significant portion of the VMware budget. *"We felt that we had a responsibility to our shareholders to reduce legal spend through value-based initiatives with outside counsel and legal vendors, while improving quality and value,"* says Lyons. VMware wanted to improve spend predictability and forecasting, as well as improve visibility into spend to drive strategic decision-making on optimal fee arrangements and budgeting.

**Contract management.** The VMware team undertook a four-stage project to optimize contract management and enhance the customer experience. The first priority was in contract retention and tracking. Previously, agreements were kept in a home-grown contract repository with limited search and reporting capabilities and data integrity challenges. Turning again to QuisLex, VMware cleansed and migrated over 80,000 historical agreement records into an enterprise-wide contract repository in a best-in-class contract management system. QuisLex's expertise in contract abstraction and "boots on the ground" offered VMware a scalable support solution without increasing internal headcount. This project delivered full text search of executed contracts, robust reporting, and a reduction in effort by 50 percent to collect and report on non-standard terms for tracking and reporting contract obligations with customers, partners and vendors.

The ongoing contract upload and capture of key data attributes is managed by QuisLex resources to ensure the company now has a cost-effective and consistent global data entry process for accurate and reliable reporting.

Next, the VMware Legal team engaged QuisLex to offload non-strategic contract review and template maintenance services. This freed up bandwidth to focus on improving current processes and contract templates. The team successfully reduced 60 professional service templates to just one and established a more efficient modular contract setup for long-term customer relationships, reducing the length of MSLA and ELA templates by 50 percent.

With strategy, operations and data integrity addressed, VMware next implemented Apttus, a cloud-based contract lifecycle management solution built on Salesforce, to automate the contract creation process for their core revenue contracts. This reduced document generation to a few mouse clicks. The solution also improved cycle times via automated approval routing and faster contract execution through electronic signature capabilities.

Lyons estimates that this entire initiative has resulted in more than \$3 million in cost avoidance in 2014 alone, and using QuisLex helped her organization scale to meet increased contract volumes. But the biggest value has been on the client support side. *“VMware’s in-house legal team is able to spend more time on high-value legal work and strategic issues and has greatly improved its relationship with internal business clients, as the Legal Department is seen as a trusted advisor to the business,”* Lyons says.

**Vendor cost management.** Another area that needed a technology and operational fix was VMware’s manual invoice review process, to manage and provide more visibility into spend, particularly in the litigation space. Lyons recognized that her department lacked performance and rate benchmarking for outside counsel and that billing was not standardized. To solve the problem, Lyons first deployed an e-billing system – CounselLink – to automate a rigorous invoice review process in line with best practice billing guidelines to capture spend by key matter details and to encourage budget monitoring. A substantial process improvement, the technology also gave VMware visibility into the department’s spending to explore other outside counsel management strategies and track spend to budgets via consolidated dashboards.

Additionally, the team aggressively rebuilt a preferred provider panel by negotiating billing rates, adding matter-specific discounts and establishing alternative fee arrangements. VMware also rolled out more stringent billing guidelines with their outside counsel worldwide in line with best practice vendor management. They implemented billing controls, including automated bill review, and mandated no fee increases for a minimum of two years on any matters.

The effort was not without some casualties. *“We did remove nearly half our panel firms for a variety of reasons, which was challenging,”* says Lyons. *“But the remaining firms provided the best and most cost-effective service for our needs, and those firms were rewarded with increased business.”* This effort resulted in \$2.8 million hard and soft savings in 2014.

**Staff development and training.** VMware’s investments in technology and operations helped the Legal Department focus its time back on the company’s core priorities and on investing in their employees’ development and growth. *“By focusing the team on interesting and challenging work that directly impacts the business, we achieved our goal of becoming a trusted advisor, while also encouraging career development for our team members,”* Smith says.

The VMware management team rolled out several initiatives to promote employee development, including assignment rotations, mentoring and a robust training program. They also actively encouraged community service initiatives and set a goal to have 50 percent of the team engage in giving back to their communities.

*“These development initiatives helped VMware retain talented team members despite a hot labor market,”* Lyons says.

From a cost perspective, VMware saw its legal spend as a percentage of revenue decrease by 25 percent over the past four years, and in 2014, it was under the industry benchmark. Post-transformation, Lyons has some words of advice: *“The whole process is really about people. Change management needs to start well before you begin to change, and it lasts long after you complete the change. It is important to get buy-in early and communicate frequently with leadership and your whole department, including your vendors and firms. And get everyone involved. Make people part of the change rather than forcing it upon them.”*