Doing It Better: Contracts

Scale matters. At hard-to-define thresholds, larger collections of just about everything tend develop their own unique characteristics. This process is known as emergence, and it is in evidence everywhere. Biology, for example, is cited as an emergent property of the interacting molecules studied in chemistry. Organizational psychologists observe all sorts of emergent properties as corporate entities grow in size. The 20,000-employee company differs in kind, not just degree, from the 20-employee company from which it grew. And emergence is certainly at play when dealing with data. You cannot organize 100 documents, the same way you organize 10,000 documents, the same way you organize 10,000,000 documents without running into the problems of scale. Scale matters and demands doing things differently. Different does not always result in better.

Getting it right is hard, which is why stories about getting it right — like what Aine Lyons has done at VMware — are so compelling.

As a leader in virtualization and cloud infrastructure, VMware has enjoyed geometric growth and now reports more than $5.21 billion in revenue from 500,000 customers across the globe. Proportional expansion of the legal department to satisfy surging demand would have been impractical. Instead, General Counsel Dawn Smith created a Worldwide Legal Operations group and empowered its leader, Deputy General Counsel Aine Lyons, to embark on a three-year transformational strategy to meet the challenges of scale.

Contracts serve as a prime example of Lyons and her team joining with groups inside and outside the VMware legal department to reengineer vital workflows. A coordinated effort between Lyons’s team, the VMware Worldwide Sales Legal Team (WWSLT) led by Morris Kremen, and a legal outsourcing partner, QuisLex, attacked contract templates first. They corralled the 60 templates the company had been using for professional service contracts and reduced them to a single template. They cut the length of their more complex contracts (e.g., master services agreements) by more than half. Streamlining their templates and introducing modular contract architecture, they were able to reduce the number of
deals escalated to the legal department by 74 percent while having more confidence in the consistency and quality of the contracts VMware was signing. The dynamic duo of the reduction in work and improvement in quality would be impressive in a static environment. But such gains are of existential importance for a legal department serving a company experiencing exponential growth.

Not only did Lyons’s operations team answer knowledge-management guru Ron Friedman’s challenge to “do less law,” they also reoriented the department to focus on the legal work that was most vital to VMware’s continued success. Routine deals that were escalated for routine reasons were outsourced to QuisLex for routine resolution. This avoided more than $2 million in annual headcount costs and, more importantly, allowed VMware’s legal department to focus their attention — a finite, depletable resource — on the complex customer deals and strategic priorities where engaged legal expertise could add the most value.

Lyons and her team delivered improvements that substantially cut down turnaround time and, as a result, only increased the number of contracts that the company had to manage. _The chief cause of problems is solutions_. But consistent with their comprehensive, systematic approach, the VMware operations team, in partnership with WWSTL, had already implemented a new contract management system that could handle the ever accreting corpus of contracts. Working with QuisLex, they had already migrated approximately 85,000 existing records. Paper records were scanned and made text searchable (OCR). Existing electronic records were cleansed. Every agreement was tagged with data fields to optimize search. The result was a system that hides the scale from the end users. All the users know is that they can find the contract they are searching for easily and immediately, the size and organization of the virtual file cabinet is invisible and irrelevant to them.

Reengineering the end-to-end contracting process is just one of many initiatives that Lyons and her operations team have successfully completed at VMware. As VMware continues to grow and new challenges of scale emerge, they recognize that their work can never be done. They are committed to continuous improvement. And as they embark on those endeavors, they will carry forward the lessons learned from contract optimization. According to Lyons, those lessons are:

*The necessity of management buy-in.* A project that fundamentally alters the way business is done cannot be successful unless it has support at the highest levels in the organization. Otherwise, inertia will continue to reign.

*The importance of comprehensive planning.* The truly hard work needs to get done before a project of this breadth is implemented. There are known knowns, like the fact that a more streamlined contracting process will result in a higher velocity of contracts. You need to allow process reengineering time to leverage tools like Lean Six Sigma principles to identify and eliminate waste in the process flows to deliver an optimized process that can scale – you need to go slow to go fast and be ready for these intended consequences of success. You also need to leave room in your timeline and budget to deal with missteps and unintended consequences of the unknown unknowns.

*The value of measuring results.* One element of comprehensive planning was knowing where things stood at the beginning of the project. The VMware
operations team captured metrics like contract volumes, response times, turnaround times, employee and customer satisfaction, and others. Once new processes were implemented, Lyons was able to measure project outcomes against these baselines. Lyons’s ability to quantify her team’s success for VMware management has led to further expansion of the reengineering program.

The advantages of legal outsourcing providers. LPO’s like QuisLex are more than an economical source of labor. They have expertise in high volume projects and taking a systematic approach to the challenges attendant to scale. They are often better situated than law firms—most of whom tout their economies of scope (geographic and practice diversity) while failing to take advantage of their own economies of scale—to assist corporations with change management.

A conversation with Aine Lyons:

Describe your company.

VMware is the most disruptive, innovative company I have ever worked for. We believe we are going to change the face of IT in the new liquid environment we live in.

Describe your legal operations team.

We are a small but mighty team, and we focus on really adding value to the profile of the legal function as a well-oiled machine that delivers innovative, solutions-driven legal and compliance services in an efficient manner to the business.

Describe your strategy.

As a legal department, our goal is to drive operational efficiency to enable us to scale to support a rapidly growing and more diverse business. From an operational perspective, we continue to focus on:

- Building a legal technology infrastructure that automates our processes;
- Promoting development programs to upskill the team to support a
more complex business;

- Improving operational metrics to drive better reporting, forecasting and strategic decision-making;
- Outsourcing low-value, low-risk, repetitive work to focus the team on the company’s strategic priorities; and
- Improving our knowledge management capabilities to facilitate knowledge-sharing as we grow as a global team.

What is the key to successful technology implementation?

In my experience, technology implementations will only be successful if you have the full support of your GC and management team. You also must take the time to adopt a holistic approach to your implementation through a pre-implementation process-engineering effort to streamline your processes, a well-defined and integrated project plan, and a comprehensive change management strategy that extends for at least 12 months post go-live in order to drive enhancements, including additional hands-on training to increase adoption and ROI.

What are your passions beyond legal operations?

I am passionate about gender diversity and being a role model for my kids [Kate, 9 and Michael, 5]. My weekends are totally devoted to them and when I am with them I try to be totally in the zone — being mindful and grateful for each moment with them.
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