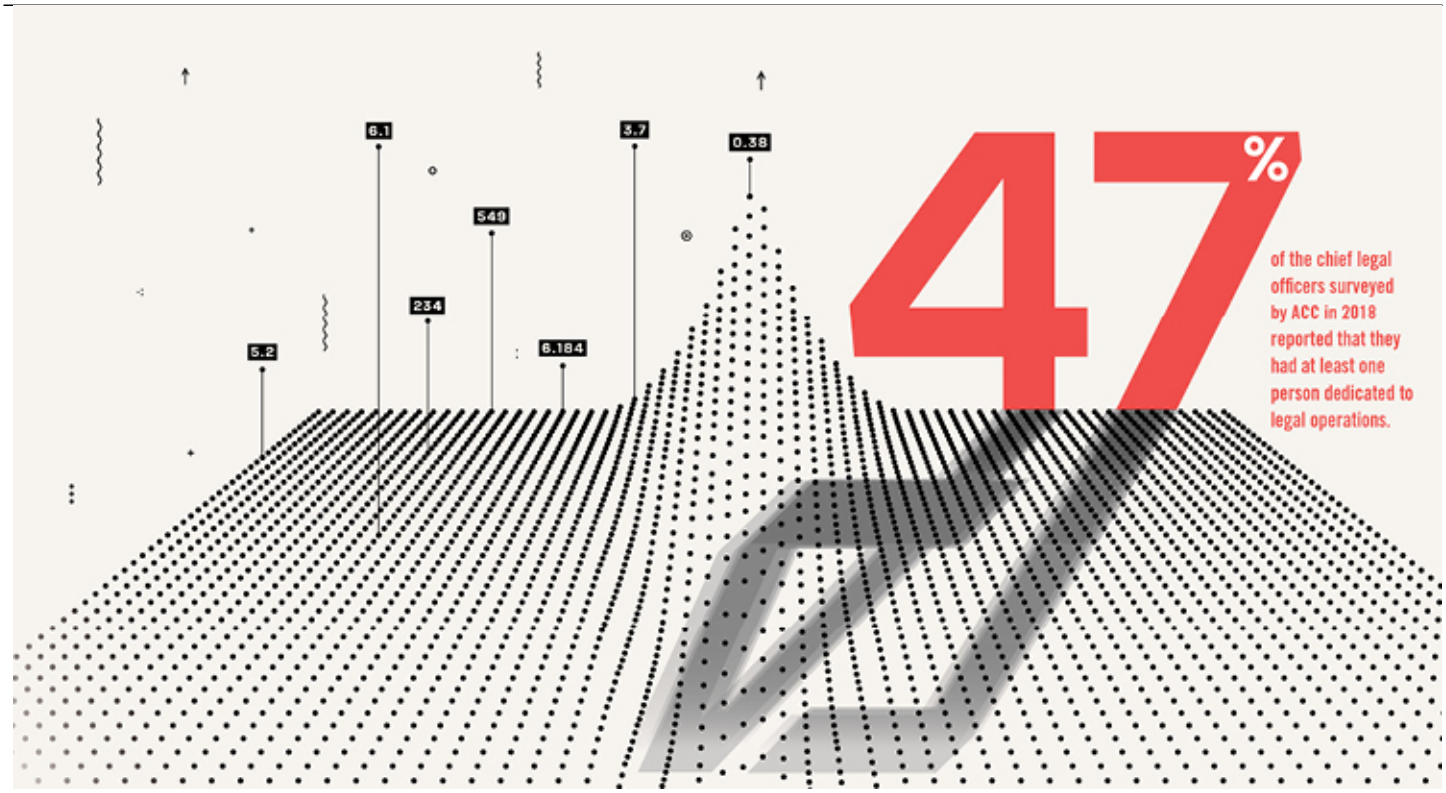
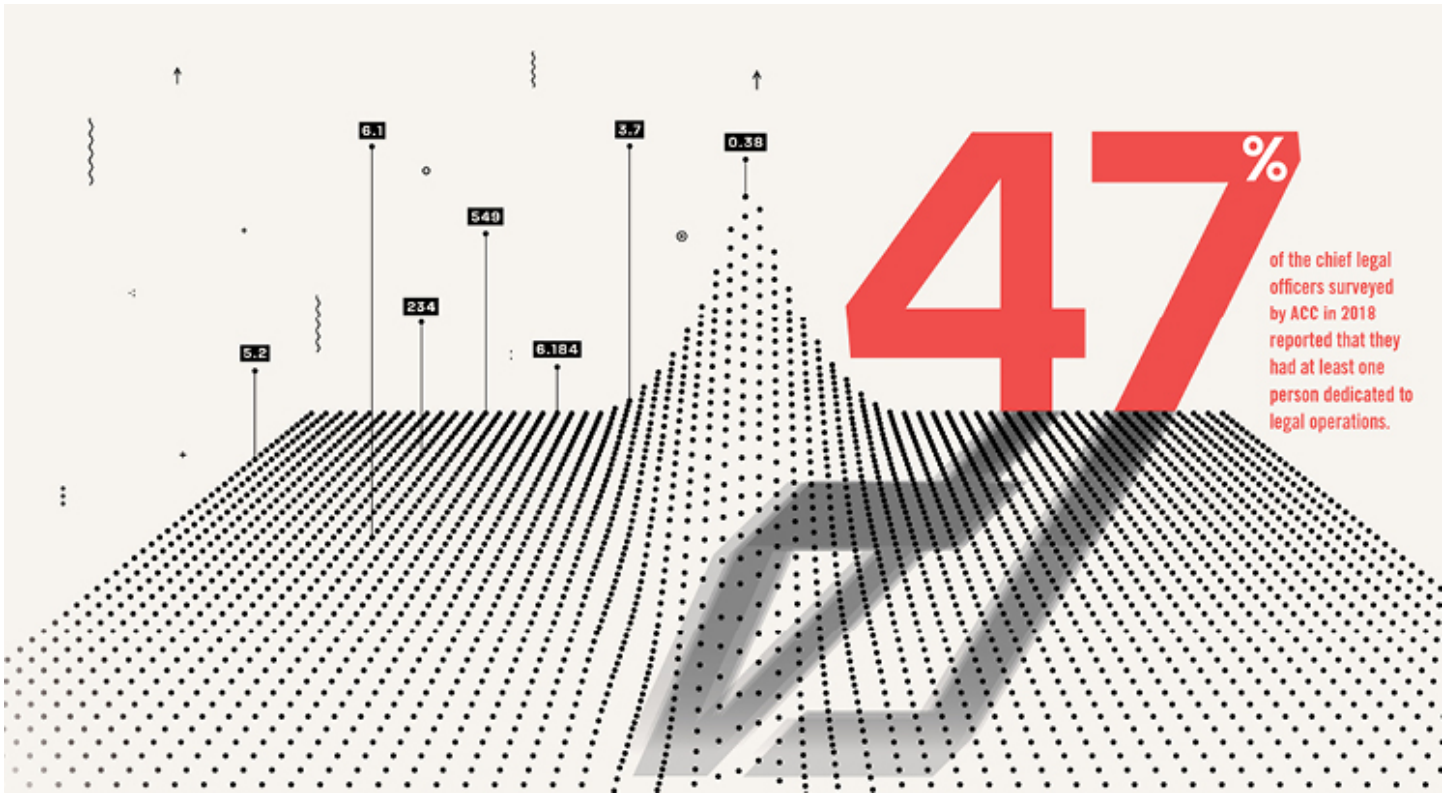


Legal Ops Can Transform the Practice of Law, but Only if Everyone Embraces It

Law Department Management



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The urgent demand for better, faster, and cheaper delivery of legal services that can keep pace with rapid growth and globalization will not ebb. For corporate legal departments, this means breaking the

model of tossing most of the work over the wall to outside counsel (to run away with and bill) or struggling to insource the delivery of legal services (by replicating law firms internally) with ever-dwindling resources.

One answer to the demands from clients and shareholders is the rise of legal operations. Forty-seven percent of the chief legal officers surveyed by ACC in 2018 reported that they had at least one person dedicated to legal operations, a huge increase from 21 percent in 2014.

“This notion of being at the intersection of business and the practice of law is helping today’s law departments run like the businesses they support,” Bruce Goldberg, corporate counsel and head of legal operations at Allstate says in an interview with the ACC Legal Ops Observer.

This article offers a roadmap for legal departments that want to learn how recent ACC Value Champions implemented cost-saving legal operations by dedicating resources to the transformation, securing the backing of the chief legal officer, and leveraging the skills and knowledge of company employees.

Dedication leads to transformation

The ACC Value Champions, proven leaders in cutting costs, improving predictability, and achieving better outcomes, have undertaken the difficult and complex work of transforming the provision of legal services. Very often, these transformation initiatives have been led by legal operations leaders.At 2015 ACC Value Champion VMware, for example, former GC Dawn Smith and Aine Lyons, VP and deputy general counsel of worldwide legal operations, teamed up to drive an 18 percent reduction in legal spend as a percent of revenue over four years by improving productivity and collaboration across a diverse and globally connected team — all while coping with rapid corporate growth.

“Thanks to our dedicated legal operations team focused on fiscal discipline, professional development, automation, technology tools, and the expansion of an award-winning outsourcing relationship, we can be fearless legal innovators who devise ways to mitigate legal risks best while pursuing business objectives in an ever-changing global environment,” Smith says in the ACC Leading Practices Profile Series report *Legal Operations: Leading Practices in Implementing Strategy, Leading Change, and Advancing Law Department Excellence.*

“Without a dedicated legal operations function, each of my deputy GCs would have the added task of managing programs, technologies, and processes individually. Given the magnitude of responsibilities that are core to their practice responsibilities on a daily basis, these operational tasks could not receive the careful strategic consideration they require.”

Adds Lyons, “Other business units have long relied on operations to drive efficiency and synergy; why shouldn’t legal?”

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>
> *— Kiran Mallavarapu, Senior Vice President and Manager, Legal Strategic Services at Liberty Mutual Insurance Group*

SolarCity’s former GC Seth Weissman tells a similar story. In 2015, the department was stretching to

keep up with the corporation's rapid growth, he explains in the ACC report.

"I realized that neither I nor my group heads could effectively manage the strategic or administrative operations of the legal department as a collateral duty. It became very clear that hiring the right dedicated legal operations director would immediately pay for the position and serve as my right hand to scale the group."

Peter Krakaur, the legal operations director hired by Weissman, helped identify and tackle key operational priorities. Krauker described implementing technology systems as "putting in the plumbing." He also redesigned the legal service intake system and gained a better understanding of the nature and cost of both internal and external legal work.

Empowerment by the GC

Whether fledgling or mature — a department of one or many — there are important caveats to the ultimate success of legal operations.First, legal operations professionals, both lawyers and "non-lawyers" (an increasingly controversial term), must possess equal footing. Direct-line reporting to the GC, or at least an empowered seat at the GC's leadership table, adds gravitas to the position. It facilitates the operational leader's role as a change manager.

"By having him report directly to me, I can give [my legal operations director] all the room he needs to be successful and knock down barriers or resistance to his success," Weissman says.

The general counsel of Avis Budget Group, Michael Tucker, agrees. At a gathering of ACC Value Champions, reported in the ACC Legal OpsObserver, Tucker introduced Vivek Hatti, director of legal operations, as his "right-hand man." Avis was honored in 2017 for completing a non-traditional convergence program. The program reduced the number of law firm partners from more than 600 to seven, cutting the outside spend budget by 33 percent.

"None of this happens without his daily efforts," Tucker says of Hatti's leadership. In a separate ACC interview, Hatti asserted the importance of reporting to the GC. "Without that, ops will not have the necessary weight to transform the legal department and perhaps the company. To be successful, the ops director needs executive backing at the highest level and to have honest conversations at the highest level," Hatti says.

Executive support should not be confused with chief legal officers who give their "blessing" to dedicated ops leaders, and then toss the leadership of the operations initiatives over the wall, similar to the outdated strategies mentioned at the beginning of this article.

At 2016 ACC Value Champion Aon Global Law, headquartered in London, Peter Lieb, EVP and CLO, listened to conversations among his peers about legal ops and quickly recognized the direct correlation between the quality of the working relationship of each chief legal executive and head of legal operations and their measures of success.

"The heads of operations were clearly close partners with the chief legal officers and other department leaders," Lieb says in an interview with the ACC Legal Ops Observer. "The best COOs seemed to grasp all needs of a law department, including finance, human resources, and technology. They introduced strategic initiatives, drove change, and helped make the law department more valuable to the entire company."

An operational mindset for all

And yet, the ethos of legal operations must be fully embraced and acted upon by the entire legal department. Legal operations is not a movement separate from the legal department. It should drive every action of every individual — practicing lawyer or not — with the singular objective of creating a competitive advantage for the entire organization.

The most frequently cited justification for the legal ops function is its role in freeing up in-house counsel to do what they do best: practice law. However, change management is not effective unless every lawyer and member of the legal department, including and most especially the chief legal officer, are fully subscribed. “Time and again, I have found that projects are most successful when they bring in a sponsor, whether the attorney(s) responsible for championing that area or other supporters,” says SolarCity’s Weissman.

Here’s a moment of industry truth gleaned from a review of over 400 nominations to be named ACC Value Champions: In law, “innovation” traditionally starts and stops at making sure the right work is going to the right resources. It is not uncommon to tout law firm convergence programs and alternative fee arrangements as big wins. These projects do yield tangible results.

However, sustainable success is found in the redesign of whole processes around service delivery. The overall objective might be “cut outside counsel spend,” but the best solutions utilize collaboration among individuals who come together internally and externally to form multi-faceted design ideas. These models hold everyone responsible for changing the way they work. Accountability across the board is key.

The most profound transformations nearly always include a focused understanding of the specific needs for change, thoughtfully re-engineered processes (based on objective, curated data delivered with enough time to be proactive), dramatically new methodologies, key stakeholder engagement, and the willingness to see things through. Finally, chief legal officers — not the heads of ops — need to be seen department-wide (and to outside partners) as the fountainheads of change.

“In our case, detailed communication and a unified message from the top down helped ensure buy-in by the lawyers from the start,” says Sabine d’Angely-Lavail, head of legal operations for Paris-based energy company Total S.A. A direct report of the general counsel, she suggests that “managing change is a difficult process, perhaps more so in European departments as compared to our American counterparts.” Though some of her US-based peers may disagree with her assessment, she acknowledges.

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Telstra Corp Limited, the global Australian telecommunications company and 2017 Value Champion, is supported by a legal team scattered around the world. Legal sub-teams work side-by-side with their assigned commercial business units and their executives; each of these GCs reports directly to Carmel Mulhern, group general counsel and member of the CEO’s leadership team. On equal footing with the legal practice areas units is a team of six led by Mandy Bodger, head of people and operations.

Three years ago, Mulhern realized that while the teams executed their responsibilities well, the siloed

structure of the legal department was inconsistent with the more matrixed, evolving model of the enterprise. “It became very clear we needed a more holistic approach to managing legal, from a cohesive map for using resources to enhanced ways to develop talent pipelines and manage finances,” Mulhern says in an interview with ACC for its Leading Practices Profile Series.

“With Mandy’s arrival and centralization of the talent management role, it was possible for the first time to see and manage across the entire legal department and train across the globe simultaneously,” Mulhern recounts. Internal lawyers are now more agile, flexible, and adaptable. Their accomplishments are more visible to senior general counsel, and performance reviews have strengthened.

Despite the “nervousness” that came from implementing these changes, “there’s an energy, a right level of agility and movement that is palpable,” Mulhern explains. “Legal ops is the driving force of that momentum.”

Liberty Mutual Insurance Group’s legal ops experience is another example of how an operations mentality embedded into the DNA of the legal department. Chief Legal Officer James Kelleher preceded his appointment of an operations executive with significant enhancements to the structure of the legal department (you can’t perform new processes with old models) driven by a need to ensure that Liberty’s lawyers and legal professionals better understand the business mechanisms of the nation’s fifth-largest property and casualty insurer. One result is a culture wherein employees — whether attorneys, paralegals, or administrative staff — are constantly looking for better ways to do things.

“Due to the short-term and tactical needs we all face, having time to focus on the long-term view gets scarce,” Kiran Mallavarapu, senior vice president and manager, legal strategic services, says in an interview with Legal Business World. “For this reason, [Kelleher] inspired us to create a group focused on short- and long-term aspects of innovation and charged with understanding the legal marketplace, collecting and incubating ideas from the rest of the legal department, and piloting ideas to evaluate their feasibility.”

While acknowledging the innate challenges of invoking dramatic change in an industry grounded in its strict adherence to precedent, Mallavarapu and his colleagues fully embrace the current evolutionary times of the profession.

“I think the most successful companies and firms are those that are willing to pilot new methodologies, practices, and technologies,” Mallavarapu says. “This allows more and more people to get comfortable with change without disrupting the entire environment all at once. The legal industry can build new cost-effective precedents without making difficult trade-offs in service.

Knowledge-sharing is natural

The backgrounds of those joining this burgeoning function run the gamut from finance gurus, tech geeks, and Lean Six Sigma Black Belts to litigators, corporate lawyers, and business leaders. Ops roles and responsibilities see even greater diversity — from administrators acting alone to legal COOs supported by teams of professionals with marching orders to implement progressive initiatives and the air cover from the general counsel to do so.

Arriving in the legal operations hub of the office of the general counsel from so many different directions, and taking on wide swaths of responsibilities, ops directors are even more motivated than

other legal professionals to learn from each other.

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> *— Carmel Mulhern, Group General Counsel at Telstra Corp Limited*

Over the past decade, regional legal ops groups formed in Chicago, Minnesota, Southern and Northern California, and New York, among other places, to share information and debate best practices. However, the narrow perspectives of the groups — often saturated by a dominant local industry — prompted the leaders of five legal operations groups to seek an independent, broad-based forum to institutionalize the knowledge of experienced pros and offer support to those new to the role.

In 2015, ACC formed the ACC Legal Operations section to answer the demand for a member-driven organization to deliver benchmarking and collaboration opportunities, resources, and a unified voice to advance and support this critical business function. The structure allows participants to get what they need to grow and advance the sophistication of legal operations functions.

Additionally, ACC Legal Operations created interest groups to connect not only the heads of ops but also colleagues focused on many of the subfunctions within ops — those deeply immersed in areas such as metrics and analytics, information governance and discovery, and project and knowledge management.

The culture of sharing "know-how" and the ops journey is strong among legal ops professionals — many of whom have established and grown the function in at least one legal department. They, in turn, have shared their operational tools and savvy with the larger in-house community by creating the ACC Legal Operations Maturity Model Toolkit and Webcast series (www.acc.com/maturity), providing guidance and resources to use in advancing from early to intermediate stages in 14 operational areas.

Legal ops is the sourcing and collaboration "ringleader"

Even without an official "Legal Ops" title, some in-house counsel are natural legal operations professionals, like Lucy Bassli.

As the former assistant general counsel at 2016 ACC Value Champion Microsoft (where she oversaw all inbound procurement contracting), Bassli created a managed service operation with two trusted outside firms. "We learned about the benefits of outsourcing and we wanted that from our law firms, i.e. metrics, business intelligence, process analysis, and length of negotiations," Bassli says. "In short, I wanted the high-level legal skills of a law firm, and the metrics and operational efficiencies of an LPO.

"Firms are eager to offer something different to clients, but they may not know how to get it done," she says. "That puts the onus on clients to ask their firms for more, not just cheaper, faster, and better," adds Bassli, who founded the law firm and consultancy InnoLegal Services in 2017.

Similarly, when Brad Rogers took the helm of legal operations at TIAA, he envisioned a legal department unafraid to do things differently. Unsatisfied with traditional legal practices and incremental improvement, TIAA's legal leadership developed a strategic plan to design and cultivate a "batting average culture."

“We’ve given people permission to try,” Rogers says in a recent interview. “This results in greater comfort with taking calculated risks for everyone in the legal department.”

Led by Rogers, TIAA’s general counsel, and chief litigation officer, the in-house department developed world-class legal operations to explore new work processes, disruptive technologies, and data analytics. The legal department also embraced more sophisticated internal and external partnerships, particularly with alternative legal services providers.

When faced with the enormous pressure of a substantial matter earlier this year — one that would have caused many lawyers to cling to familiar tactics — Rogers and his colleagues doubled down on their commitment to legal innovation. With that mindset, a unique partnership among TIAA, a traditional Wall Street law firm, and global legal services provider and 2015 ACC Value Champion Novus Law LLC provided surprising results.

By doing things differently, TIAA grasped the story of what happened in their matter three times faster than would have been possible using a traditional legal process, while spending 78 percent less than with traditional methods, all while under enormous scrutiny. “That was a real win,” Rogers summarizes.

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>
> *— John Shultz, Executive Vice President, General Counsel, and Corporate Secretary at Hewlett Packard Enterprise*

The explosion of legal technology, the complexity of ever-changing regulations, increased security risks, unrelenting information growth, and the richness of resources available to general counsel and the world’s corporate lawyers present significant challenges and opportunities for in-house legal departments.

Whether one, or 100, or 1,000, they must now discern what they should be doing to serve their overall business organizations at the highest levels. Oh, to return to the days of being subject matter experts! Instead, unrepentant shareholders and unprecedented paradigm shifts abound. We all need to embrace legal operations mindsets, with those in leadership positions (internally and externally) leading the charge.

“The holy grail is a legal operations team not only plugged into [the in-house legal department] but also into the ops teams of our network [of legal service providers] collectively leveraging their and our data to allow us to make the best decisions about how to consume and pay for legal services,” says John Schultz, executive vice president, general counsel, and corporate secretary of Hewlett Packard Enterprise and 2016 ACC Value Champion.

With an ops mentality, the thoughtful application of new systems under the guidance of trusted and equally valued operations specialists will result in previously unattainable competitive advantages to global businesses and greater opportunities and fulfillment for corporate lawyers around the world.

“If I were sitting down with a new GC, on the top of my list of recommendations would be to establish a legal operations unit,” Shultz advises. “And once they have it, to make sure the person who runs it is one of the best players on the team.”

Catherine J. Moynihan



Senior Director of Strategic Intelligence

Epiq

Catherine J. Moynihan is Senior Director, Strategic Intelligence & Advisory for Epiq’s Legal Business Advisory Group overseeing Hyperion Research, Epiq’s legal market intelligence program, as well as spearheading practical guidance and programs for global legal executives focused on legal

operations transformation.

Rachel M. Zahorsky



Director of Marketing

Novus Law LLC

She is responsible for developing marketing strategies, overseeing internal and external communication, and preparing media content the firm. She is a former legal affairs journalist for the ABA Journal where she co-authored the award-winning Paradigm Shift series, which discusses how the current economic and technology climate is changing the future of the legal profession. Zahorsky has a JD from the Illinois Institute of Technology Chicago-Kent College of Law and an MS from Northwestern University.