



Winner — 2022 ACC Value Champion Award

Volkswagen Group of America and Legal Tracker Advanced:

Improving the rate increase process with streamlined workflow and powerful data analytics to deliver savings

Overview: The Volkswagen team . . .

- Increased automation to streamline workflow, saving weeks of legal operations time
- Strengthened the use of data analytics with powerful industry-wide benchmarking
- Used Compound Annual Growth Rate (CAGR) metric and cost impact modeling to increase savings
- Implemented data-driven governance and logic from leadership to increase consistency
- **Bottom line:** Saved time and money and built a strong business case to show how legal is using data and technology to increase efficiency in challenging times, with inflation at a 40-year high

Background

For years, the in-house legal team at Volkswagen Group of America, Inc. (“VWGoA”) used a manual, time-consuming approach to review law firm rate increase requests. Firms would email proposals to various in-house attorneys, who in turn coordinated with legal operations and leadership. This kicked off a volley of communications — internal and external — forwarding emails, PDF letters, and spreadsheets for analysis and follow-up. Legal operations provided some central support, but this was often challenging because data limitations made it difficult to account for past rate increases and freezes across different firms. Overall, the efforts felt somewhat *ad hoc*, and were very time-consuming. “It has always been important to us to get this right,” said Antony Klapper, Deputy General Counsel, Product Liability & Regulatory. “We want to be fair to our law firms, whom we view as trusted partners. At the same time, we must manage our company’s finances responsibly — and execute all of this efficiently with a leanly-staffed team.” Trisha Fletcher, Legal Operations Specialist, emphasized these points as well. “Collectively, our team had a strong desire to find a better way to do this.”

A new approach for 2022

The team launched a new initiative to process rate increase requests more effectively for 2022 and beyond. The first step was to **establish a more centralized, uniform approach**, managed by legal operations with strategic guidance from legal leadership. There would still, of course, be coordination with the in-house counsel, but in a more efficient way — built around a centralized process, featuring stronger use of data analytics, benchmarking, and core decision governance from leadership.

The next step was to **improve the intake process**. The firms were asked to submit increases within a designated window of time. This allowed the team to consider them all together, performing side-by-side comparisons of similar firms to ensure more consistent treatment per then-current market conditions. Also, to save time and improve workflow, the firms were asked to submit their increases through Thomson Reuters® Legal Tracker (now Legal Tracker Advanced), which has powerful analytics to assess past rate increase history, as well as internal and external benchmarking comparisons.

Within this framework, the team also **applied an enlightening new metric** — Compound Annual Growth Rate. This figure shows a multi-year view of a law firm's rate increase history, accounting for past increases and rate freezes. Standardizing the figures this way enabled better side-by-side comparisons across the portfolio, and showed which firms were high or low outliers based on multi-year rate history.

The VWGoA team also found it very helpful to use Legal Tracker data to **model the dollar impact of the requested increases** per timekeeper for the coming year. This was instrumental in identifying the most impactful requests to focus on to manage costs.

Using these metrics, VWGoA legal leadership and legal operations were able to implement more effective governance and decision logic to streamline the rate decisions in light of portfolio metrics and company financial considerations. Setting auto-approve thresholds save lots of time, as well.

In the end, the projected savings for the coming year were significant, with rate increases for various timekeepers, for example, trimmed to about half of the increment originally sought. The VWGoA team devoted particular attention to adjusting high outliers and managing the impact on budget in a sustainable way. Beyond dollars and cents, and time savings, the team built a process focused on better data to drive better decisions. The result is a **strong business case showing how legal is using technology and data more effectively to increase productivity and execute against business metrics.**

Alex Dobson, Senior Product Manager at Thomson Reuters, and part of the Legal Tracker Advanced product team, notes, "Legal departments have told us it is helpful to see — in a data-driven, actionable way — which firms are making reasonable rate increase requests in light of multi-year history, and which firms are higher outliers in the portfolio — already having had their bite at the apple in recent years."

On the other side of the coin, from the law firms' perspective, understanding the data that informs the client's financial position is a helpful way to focus the rate increase conversations to a productive end for both sides. "We recognize that, in this economy, many clients are facing challenging headwinds," said Susan Vargas, Partner at King and Spalding LLP. "As trusted partners, we are glad to talk about goals and metrics to strengthen our relationship in mutually beneficial ways. And we welcome informative data to help us do that."