

Innovation in Legal Services Delivery  
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“Legal Process Outsourcing – A View From the Buy Side”

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1. What is Legal Process Outsourcing?

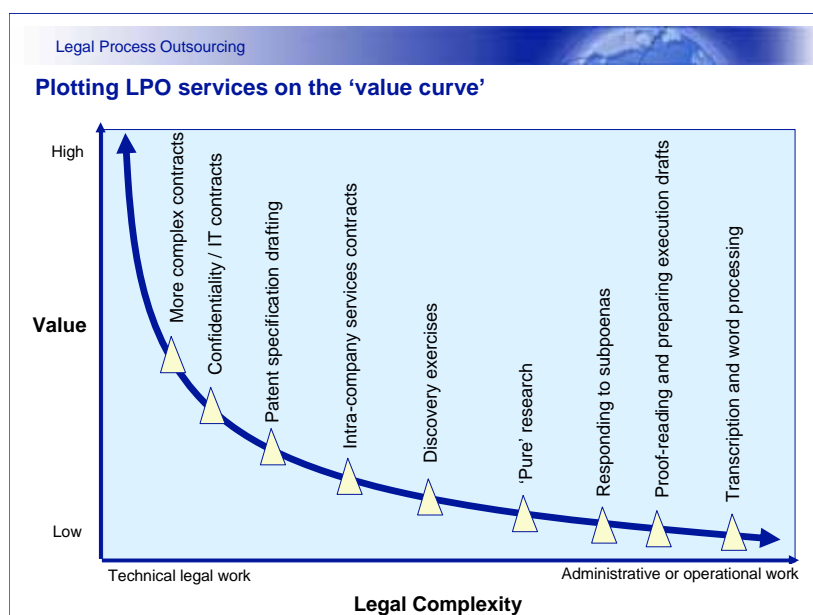
“The first thing we do, let’s kill all the lawyers”

*Dick the Butcher in Shakespeare’s Henry VI*

Legal Process Outsourcing (“LPO”) describes that part of Business Process Outsourcing (“BPO”) as it applies to legal services.

The LPO market has developed recently<sup>1</sup> and is modest in size<sup>2</sup> when compared to other parts of the BPO market. That said, there are numerous players<sup>3</sup> in the LPO space and LPO encompasses a wide range of services across the full spectrum of legal work:

- Transcription and word processing.
- Proof-reading and preparation of execution drafts of agreements.
- Preparation of materials for responding to subpoenas.
- ‘Pure’ research and draft advices on well defined questions.
- Discovery exercises / internal investigation document reviews especially involving email.
- Intra-company services contracts.
- Patent specification drafting.
- Confidentiality agreements / standard form IT contracts.
- More complex contracts.



India is the most popular location for 'offshore' LPO because of the strong English language skills available there and India's common law legal system<sup>4</sup>. Obviously, you can take advantage of LPO without using Indian vendors but currently India is at the forefront of developments.

A mix of Indian companies are offering LPO services:

- Traditional BPO vendors moving into the LPO space e.g. Office Tiger, Evaluserve.
- LPO service providers with direct ties to law firms e.g. Intellevate, JuriMatrix.
- Stand alone LPO service providers e.g. Pangea3, Quislex.

These vendor offerings are in addition to internal or 'captive' solutions developed by companies themselves. For example, Deutsche Bank operates its own offshore services company in India, DB Operations International Pte Ltd. Close to 4000 people work in DBOI's offices in Mumbai and Bangalore and much of Deutsche Bank's back office processing is now done there. Deutsche Bank's exploration of captive LPO has taken advantage of this pre-existing structure.

Is LPO fundamentally different to other types of BPO? No, probably not, although there are characteristics of legal work that are different to other BPO domains:

- Legal work more commonly involves confidential and/or sensitive information.
- Law varies from country to country and lawyers tend to practise law in one jurisdiction only. This makes it more difficult to move legal work from one country to another.
- Practise of law is generally regulated by professional bodies and there are usually rules about who can and cannot practise law.

## 2. Who Should be Interested in LPO?

{Lucille} I didn't know you were a lawyer. You're awfully shy for a lawyer.  
{Groucho} You bet I'm shy. I'm a shyster lawyer."  
*Groucho Marx in 'Monkey Business'*

By definition, LPO is only really attractive to organizations with a legal function. But within this niche, the appeal should be broad. Although law firms are by far the largest segment of the legal services industry, it is corporate legal departments (in-house lawyers) that are leading the charge into LPO<sup>5</sup>.

Intuitively, LPO should be attractive to corporate legal departments:

- with clients who are already outsourcing complex processes i.e. the corporate in question is already engaged in some form of BPO.
- under pressure to reduce costs without compromising on response times or quality.
- finding it hard to recruit and retain good people e.g. there are issues with 'work – life' balance or the quality of work on offer.
- looking for more flexible and cost effective ways to meet fluctuating demand from clients – improving 'scalability'.

For law firms there are other reasons to consider LPO:

- reduced and more flexible costs models could be used to defend services that are being commoditised.
- increased capacity and efficiency could allow development of new areas of work or extension of existing work to larger clients.

The impact of LPO on the law firm business model e.g. ratios between partners and junior legal staff, remains to be seen.

### 3. How can Corporate Legal Departments tackle LPO?

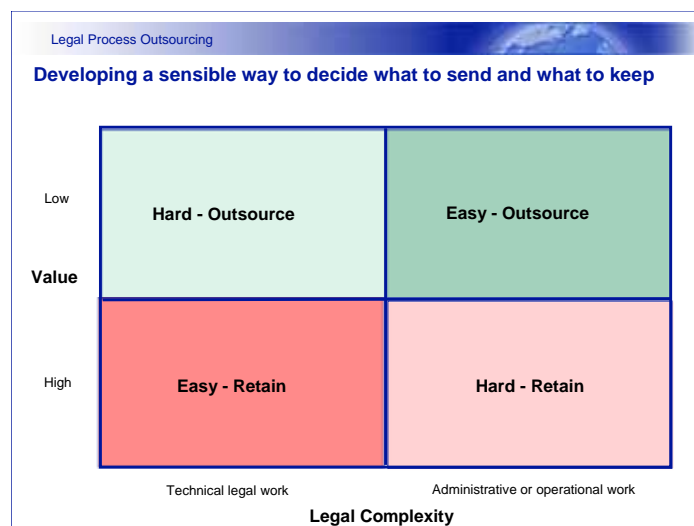
“A journey of a thousand miles begins with a single step.”

**Lao-tzu**

How you begin your journey into LPO depends on what sort of organization (or person) you are. Do you normally plan your journeys methodically, booking all your flights and hotels and packing days in advance or do you throw a passport and change of underwear into a rucksack and head off to the train station?

At the outset you should have a business case or good reason for wanting to pursue LPO. From the business case everything else will flow.

Developing some sensible way to decide what to try to outsource and what to retain is essential. This obviously turns on the specifics of your legal function and what you hope to achieve. The chart below provides a very high level framework for this kind of analysis:



More sophisticated ‘portability’ and ‘location assessments’ can be performed and there are consultants with expertise in this area.

LPO inevitably leads to some re-engineering of your legal function or the way you deliver legal services. An important decision is how to tackle this re-engineering. Do you outsource and then re-engineer, do you re-engineer and then outsource or do you do both at the same time? In working out what to do, all of the rules that apply to traditional outsourcing should be kept in mind including:

- You shouldn’t be outsourcing problems.
- Outsourcing should not be about cost reduction alone.

#### 4. What are the Challenges and Risks?

“I have nothing to offer but blood, toil, tears and sweat.”

*Winston Churchill*

LPO carries all the same risks and challenges as other forms of BPO but it also involves some additional or different challenges. These are partly a function of the nature of the work involved and partly a function of the people currently doing the work i.e. lawyers!

Some of the more obvious challenges to consider include:

- Confidentiality and legal professional privilege issues.
- A perception that legal work is inherently ‘different’ and not amenable to offshoring.
- Processes associated with legal work are generally not as well developed as processes in other areas.
- The size of LPO initiatives will generally be smaller than other types of outsourcing.
- Risks associated with staff turnover.

#### 5. Any Tips for Making this Easier?

"Give me eight hours to chop down a tree and I will spend the first six sharpening the axe."

*Abraham Lincoln*

Research and preparation is essential. You should speak to your clients, your external law firms (if relevant), talk with your peers and competitors, meet with industry groups, attend conferences, interview management consultants (both specialists in the legal services market and more general) and do a lot of thinking.

Consider getting some help. If your company has a ‘captive’ then take advantage of the expertise that has been acquired. There are also external consultants with good ideas and strong project management skills. Using the right consultant could save you time and money but make sure the consultant you retain actually has experience of LPO.

Visit the location where you propose to set up your LPO. It would be almost impossible to pursue an LPO in India without making a number of visits to the country and this is something that should be done earlier rather than later. It should be part of your due diligence. It is also sensible to take along the project sponsors and key stakeholders.

Some final thoughts and tips:

- Give yourself more time than you think you need.
- Develop your expertise by running pilot projects first - modest successes beat dramatic failures every time.
- Invest in practise management tools that facilitate re-engineering.
- Hedge your bets – make sure you retain in-house expertise in the areas in question.

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<sup>1</sup> Atlas Legal claim to have pioneered offshoring US legal work to India in 2001: [www.Atlaslegal.com](http://www.Atlaslegal.com).

<sup>2</sup> ValueNotes have calculated the LPO market as worth USD146Mio in 2006: International Herald Tribune, 22 August 2007.

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<sup>3</sup> There were reported to be more than 100 LPO service providers in India: BPO Times, 12 July 2007.

<sup>4</sup> Estimates vary but NASSCOM stated that India produces 298,000 law graduates annually: NASSCOM Market Intelligence Survey July 2005.

<sup>5</sup> Pangea3's client base is currently 80% /20% corporate legal departments / law firms: Conversations with Pangea3 management and International Herald Tribune, 22 August 2007.