



FEATURE

# LPO: RAISING THE BAR

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Last year saw legal process outsourcing take on a life of its own, making national press headlines and thriving during a time of cutbacks. Nicolette Allen tells the story of the growth of LPO, with a little help from industry experts

The legal process outsourcing (LPO) movement has gained significant momentum in the past year, as the practice started to become mainstream at law firms across the UK in 2009. A measure of its success came with a report from independent business analyst firm ValueNotes last year, which indicated that the sector in India grew by 16 per cent in 2008–2009. Additionally, by the end of 2010, Indian LPO revenues are forecast to reach \$440m – an impressive figure.

The general consensus from those in the know is that 2009 was a pivotal year in the LPO industry, as it reaped the rewards for prioritising quality service provisions at low costs. According to Paul McGolpin, director of legal services outsourcing at CPA Global, 2009 was the year the LPO industry cemented its position in the outsourcing sector: “Last year,” he says, “the business partnership that corporate and law firms were hesitant to embrace took centre stage, with headline news coverage hitting business pages of the national newspapers and specialist legal media.

“Instead of providers being forced to make a case for the outsourcing of legal work, corporates and, more recently, private law firms, have begun to speak publicly about its benefits,” he adds.

Kulvinder Reyatt, managing director for Europe and Asia at RR Donnelley Global Business Process Outsourcing (GBPO), agrees that LPO is finally having its chance to shine: “Few industries have thrived in the recession, but LPO is one

exception, having made headlines throughout the year for significant deals involving some of the world’s largest law firms,” Kulvinder points out.

But what has happened to aid success in the sector? As with many areas of outsourcing, the recession played its part, as companies with tightening purse-strings took the time to focus more closely on cost.

“As the cost-saving eye of company boards turned to their legal departments last year, in-house attorneys were forced to look at the value provided by their law

firms,” explains McGolpin.

“They decided it was no longer acceptable to pay hundreds of pounds per hour for a junior associate to carry out tasks that could be undertaken more cost-efficiently elsewhere.”

“Increased costs of legal services, combined with the economic downturn, has led the LPO industry

“ Increased costs of legal services and the recession have led LPO to a tipping point of maturity.”

to the brink of a ‘tipping point’ of maturity,” adds Reyatt.

“All businesses are looking at cost-cutting opportunities to get better value and efficiencies – and legal services are a

key area of focus. Both companies and law firms alike are using LPO as a way of delivering lower-value tasks, enabling them to concentrate their investment on strategic legal challenges.”

## **I MONEY, MONEY, MONEY?**

It’s not all about cost savings, though, argue our experts. Also contributing to the industry’s rise is the fact that the quality of work delivered by legal outsourcing service providers is improving constantly – a trend that more clients are beginning to tap into.

“LPO is not coming to maturity only due to the current economic climate – it is certainly more than just a reaction to the slowdown,” says Reyatt.

Indeed not. There are LPO companies out there, managing to develop expertise in legal processes – and create quite a reputation for themselves.

“In the early part of this year, some sections of the legal profession were still claiming the service was peripheral in nature, regarding it simply as a means of shaving costs and reducing aspects of administrative burden. To some extent, LPO was in danger of becoming associated with low-level, high-volume legal work, which has become a rather commoditised offering,” explains McGolpin.

It’s a different story now, though, he argues: “For the leading LPO providers the more disciplined approach extends far beyond volume work into a broader ‘legal services outsourcing’ offering, which is seeing providers increasingly take on the management of more sophisticated and strategic projects and becoming consultants to their clients, rather than just process providers.”

This improvement in service standards, and the transition of outsourcers from basic service providers to expert consultants, is due at least in part to the quality of staff in the outsourced centres.

“We employ more than 600 qualified attorneys and technical experts in Delhi, tapping into India’s large supply of high quality, English-speaking law graduates and experienced local lawyers,” says McGolpin.

Reyatt agrees with this encouraging analysis of LPO professionals: “LPO providers are not just hiring general administration staff to do this type of work. They are hiring paralegals and lawyers both locally and offshore, who have extensive expertise in this area.”

## **I LOOKING AHEAD**

What do the experts think about the future of LPO? It’s optimism abound. “Estimates for growth in legal services outsourcing range from 30-50 per cent, and as providers bed down their relationships with corporations and law firms, there’s scope for greater efficiency within the industry, improved cost savings and continued quality,” says McGolpin.

“In addition to volume legal work, leading providers will increasingly be taking on more sophisticated and strategic tasks across a whole range of work which doesn’t require a legal opinion, and law firms will need to make a finite decision on how they deal with this.

“Some will chose to simply ignore the existence of legal outsourcing and some will try to compete with providers. Others, however, will begin collaborating, leading to even more high profile legal outsourcing announcements in 2010,” he finishes.

“We are seeing a trend of growth within our existing LPO accounts, as well as significant new business opportunities. Companies are becoming more and more open and realising the benefits of legal process outsourcing,” explains Reyatt. “After all, if companies can get their non-core legal services delivered at a lower cost and to a high standard, then legal process outsourcing can be an appealing solution for all companies, large and small.”

### **I CASE STUDY: BIG NEWS IN LPO**

Last year, the LPO sector created headline news on a global scale. CPA Global announced its partnership with mining giant Rio Tinto, with the former supporting Rio Tinto through a dedicated team of lawyers in India and the United States.

Rio Tinto expressed its confidence that the initiative would be likely to save the company more than 20 per cent of its annual legal spend, without compromising on quality. The news prompted blanket media coverage and led to speculation over whether others would follow suit.

They did: during the last six months of 2009, some of the UK’s best known corporations and top tier law firms have negotiated new deals with LPO providers; some publicly and others outside of the industry’s gaze. An example of things to come this year, perhaps.