



LPO, BPO, outsourcing, offshoring ... a foreign language or a real business benefit?

Thursday 2 October 2008

Presentation by Robert Glennie, CEO and Co-Founder of New Galaxy Partners Limited, with **Rachel McCorry** of the Intelligent Office UK

In a lively and enthusiastic presentation, in the gloriously light and spacious offices of Whitehead Mann, Robert described the work of NewGalaxy, which he founded two and a half years ago. Rachael gave some practical ideas on how to ensure that outsourcing is successful.

The outsourcing market is currently estimated at US\$150 Million with estimated potential of US\$ 1 Billion by 2012.

Who outsources? Law firms and corporates with the emphasis on corporates at the moment.

The current key drivers for legal outsourcing are the current economic conditions in the US and the UK; the need to reduce in-house legal costs; the need to minimise the unprofitable work done by some law firms and the growing litigation costs in the US and the UK. Currently the United States makes up 75% and the UK 20 % of the legal outsourcing market, predominantly used by corporate in-house lawyers and some small practitioners in the US. The small firms are interested in litigation research, immigration documents and motions. Clifford Chance and Eversheds have started to outsource to India. Hammonds and DLA sold their Insurance practices and then the organisations to whom they sold it, have outsourced to India.

The proportions of the market are that the services for Litigation Support and Document Abstraction make up 75% of usage and contract management, due diligence support and customised services making up another 20%.

Content and benefit of each service are that outsourcing legal reviews of commercial contracts, including IP, IT, software and media contracts and agency, distribution and general commercial contracts enables competitive advantage to be achieved. Legal due diligence, includes a comprehensive legal review of contracts and documents and for example, can more easily be outsourced with electronic datarooms. Litigation support can be carried out by non-lawyers, who work on coding (House of Lords is Code 1, Court of Appeal is code 2); analysis and small reports. Customised services for law firms and real estate firms include commercial contracts, lease abstraction and special projects. Contract Management is increasingly being outsourced to India as it is increasingly difficult for it to be profitable in London. Risk management is an increasing market for NewGalaxy because organisations do not want to pay the increasingly high PI cover and want to manage their own risk. NewGalaxy will provide an overview of the documents and two days and a fully comprehensive review in four days after that.

NewGalaxy, Quislex and United Lex are at the pinnacle of the Outsourcing Market, and they tend to concentrate on customised services. They specialise in augmenting in-house legal teams and law firms by providing quality legal services which combine innovation with professionalism on a

secured technology platform. The secured technology is physical, with excellent protection, electronic security and quality security. NewGalaxy can be regarded as a quasi law firm particularly as they are all lawyers.

Why India? India tracks what is happening in the UK and both are subject to Common Law. Although the cost-benefit differential is reducing in India, there are well qualified lawyers, who with additional training can provide a good quality service, with a good level of process. Legal research can be outsourced to India as it can be carried out at a much reduced price than the current providers at the moment. India has a limit of 20 in a Partnership and is made up of many high quality lawyers who are sole practitioners as well as the leading larger firms, which tend to be family owned and run.

There are different ways of working with India. Sometimes staff from India are taken to work with the clients for a few weeks, and then go back to India, with a greater understanding of the client requirements. Some law firms send people to India under a co-management agreement. Sometimes six lawyers can work for one client and at other times they may be part of the in-house department. Herbert Smith used to take South African Contract lawyers for single job but are now sending work to India. Business Processing Outsourcing such as accounts and back office work, is also going to India.

Valuable insights in to how to make the best use of outsourcing were given by Rachel. She suggested that the first important decision to make was whether to outsource at all. She suggests asking the provider for references from at least two types of clients that the provider has worked with. One client should be one that had renewed their contract with the provider and the other who did not. She suggested going to visit these clients, with clear objectives for the visits, some substantial questions to ask, including, "What cost savings are you offering your clients?" and "What more will you do for us?"

She said that a structured contract, with transparency on numbers was essential. She suggested a Service Level Agreement could be used to advantage and that it should be flexible and not for the duration because they should always be able to be changed and modified. She suggested that there were agreed and objective Key Performance Indicators, which could be monitored and supported by evidence. Timelines and risk/reward factors can be included in the contract.

Many different ways of pricing are available. Rachel suggested that you could have Cost Plus, which clarifies the savings that outsourcing will give and this saving is attributed as part of the price. She also suggested you could have a fixed management fee.

Robert said that lawyers like hourly rates. This is because they can be compared (favourably) with the hourly rates of Partners and Trainees. The maximum fee in India is £50.00 per hour for complicated work down to \$30.00 per hour. Some outsourced work which is simple and non-legal can be completed for \$3.00 - \$5.00 per hour.

*Pippa Blakemore
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