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Playing on a new court

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The Indian IT industry has a new court to play on — Legal BPO. But as global firms outsource work to India, domestic players will have to address concerns of data security and service quality to score in the game.

THE Indian IT industry has a new court to play on - Legal BPO.

With international law firms, the in-house legal departments of MNCs, and legal publishing and research firms, particularly in the US, increasingly looking at sourcing services from India, Legal BPO may well be the next big opportunity for Indian firms.

Indian firms, till now, have cornered only 2-3 per cent of the potential market, says a Nasscom report.

"While the size of the Indian legal BPO segment is still very small, the success achieved by early movers has established the proof-of-concept, which is the key to unlocking the potential in new waves of offshore-outsourcing.

Estimates of the current addressable market potential for legal services outsourceable from the US alone are pegged at \$3-4 billion.

Though there is little hard data available to quantify the legal offshoring segment of the Indian BPO industry, it is estimated that only about 2-3 per cent (\$60-80 million) of the potential market has been tapped so far," says the latest Nasscom report on Legal BPO.

The increasing maturity of the business process outsourcing industry has prompted businesses to review their service delivery models, in order to seek ways of leveraging resources from lower-cost offshore locations, it says.

"The legal services segment is a relatively newer segment that has witnessed recent interest and is believed to hold significant market potential.

Though a bulk of the legal services work considered offshoreable comprises para-legal and

secretarial support, a few companies are beginning to `push-the envelope' to offer a broader range of more value-adding services such as contract review, patent writing, litigation support, general research and review," it says.

Global spending on legal services is estimated to be at least over \$250 billion, with the US accounting for more than two-thirds of the market.

The report observes that increasing levels of interest in offshore-outsourcing of legal services to India have been aided by a steady growth in demand for legal services.

Other factors tilting the scale in favour of India include:

- The demonstrated benefits of offshore-outsourcing.
- Access to skilled managerial and technical resources at a significant wage differential.
- Time-zone advantage enabling 24x7 operations; and
- English language expertise.

"The legal services outsourcing segment in India is still at a nascent stage, with no known large `one-stop' service provider.

Currently, the market comprises a fair mix of captive centres established by large law firms/multinational corporations as well as third-party providers," it says.

Firms providing offshore legal services from India include the in-house legal departments of large multinationals such as General Electric, Oracle, Sun and Cisco, that have moved some parts of their in-house legal departments to their India-based units and units of large multinational law firms (Schwegman, Lundberg, Woessner and Kluth have a subsidiary called Intellevate, which has two centres located in India, Nishith Desai and Associates has incubated IPPRO in Bangalore, and Patent Metrix, a US firm based on the west coast, has a subsidiary in India).

In addition, there are offshore-centric service providers, which include pure-play legal service providers such as Pangea3, Atlas Legal Research, Lexadigm and Lawwave; as well as other service providers with a division focusing on providing legal or patent support services such as Evalueserve, Office Tiger, and Manthan Services.

"It is reported that there are about a dozen pure-play firms offering offshore legal services from India, and the total number of companies offering some form of offshore/outsourced legal services is about 50," it says.

The total employee base engaged in providing legal BPO services from India (both captive and pure-play third-party units) is estimated at about 600-700 employees, while the billing rates for legal BPO in India range between \$12-125, depending on the nature of services provided.

A note of caution

The report, however, points out that despite the huge potential of legal BPO, the experience of early movers has thrown up a few issues given the sensitive nature of legal work.

"Buyer markets have expressed concerns about data security and service quality. Some lawyers also have concerns about outsourcing work to professionals whom they have not trained themselves," it says.

Moreover, the ability to outsource can also be impacted by the fact that lawyers cannot represent two businesses on opposing sides of a legal dispute unless both sides waive the conflict of interest prohibition.

"On the supply side, since resources trained in US legal case laws are quite scarce, firms often have to invest a fair amount of time to train professionals in legal writing and for undertaking work beyond the basic levels," the Nasscom report says.

Differences in the academic curriculum and their acceptability in each country, as well as regulations governing the profession across geographies, may also restrict the scope of offshore legal service delivery.

For instance, lawyers qualifying the bar in India need to take the corresponding examinations in the US — before they can practise there.

"In spite of these challenges, legal BPO holds significant potential for offshoring and there is enough room to manoeuvre around the constraints by redesigning the existing models for delivering legal services.

Underlying this belief is the fact that demographic shifts in countries such as the US are expected to make it necessary for organisations to rely on offshore resources," concludes the Nasscom report.

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