

Lawyer on Tap

Lawyers Weekly May 28 2010

Legal process outsourcing (LPO) providers have arrived, and they are ready to shake-up the Australian legal services market.

Angela Priestley reports

Sometime in the not-too-distant future, an organization you've probably never heard of may well become one of the largest employers of lawyers in the world. It won't be based in one of the traditional heartlands of legal work like London, New York or Hong Kong, but it will wield much more power over the worldwide delivery of legal services than a global law firm of today.

An example of such an organization is Pangea3, an IPO provider which builds relationships with general counsels and law firms to manage aspects of their legal work in the labour-rich but labour-cheap jurisdiction of India.

Already, Pangea3 is working with a good portion of the Fortune 100 organisations in the United States as well as law firms on both sides of the Atlantic. And they have recently arrived in Australia by way of a strategic relationship with local firm, Advent Lawyers.

A connected world

Pangea3 takes its name from the word pangea, the super continent that existed before continental drift separated the world. It's a symbol of globalization and a connected world now made possible via advances in technology.

Such advances in technology mean India and other places such as the Philippines, Israel and South Africa, can present themselves as legitimate jurisdictions to undertake high-volume, low-complex legal work like document and contract review.

But India has one significant advantage over the others: there are more than one million qualified lawyers in India, with a further 70,000 OR so graduating from law school every year, according to Antony Alex, Pangea3 vice president for legal services. That's a significant labour pool which offers some significant opportunities for law firms and law departments looking to outsource more mundane legal tasks.

As a result, LPOs may redefine what organizations expect from legal services. "It's like attorneys on tap." say! Alex. "You turn on the tap and get a whole stream of well qualified, very articulate and very smart lawyers who can pick up whatever you want them to pick up."

And, adds Alex, the ability to turn on such a tap is nothing short of a revolution: "The future is leaner, manner and more efficient way of delivering legal services," he says. "It's a world where general counsels get value for money and, more importantly, their services delivered in a timely manner that makes them more effective and efficient managers of the legal department."

Logic in LPO

Pangea3 is not the first LPO provider to land on our shores. Already, providers like Exigent have a well-established client base with the likes of Swaab Attorneys, Lavan Legal and Herbert Geer. It's a little different to offshoring the work to India; however, given the fact that Exigent processes its work via a base in South Africa and, for its Australian clients, Rockingham just south of Perth.

Despite Exigent's presence, LPO as a prominent means for slashing the costs of large scale legal work has not yet been able to garner the same level of support from clients and law firms as it has in the US and the UK.

Many Australian law firm partners remain skeptical about the future of LPO, with some simply stating that it's little more than media hype, a significant confidentiality concern for clients, and over-bloated as a legitimate way to reduce the costs of legal work. At a Sydney pricing forum last week, organized by legal consultancy Janders Dean International, one law firm partner remarked that any costs saved via LPO are often levelled out by the amount of "rework" that must be applied to the outsourced material. "People do it [move to LPO] because a lot of general counsels in the United States are asking for it, but there's a lot of rework going on everywhere ... There are massive quality issues," he said.

Peter Leonard, a partner with Gilbert + Tobin, added that the cost of rework in the legal sector is significant -more so than other professions and trades. "Certainly, when the carpenter comes into your house and does the job badly and then has to rework it, the cost of that rework is significantly less than the cost of a supervising law firm reworking an outsource providers' job from India, or Brisbane," he said. "When you rework you have to read it from front to back and get your head around the structure of the definitions and everything else. For that reason, I don't believe that legal outsourcing will ever be a significant part of the Australian market."

Forcing change

The reality may be, however, that law firms do not get much of a say on just how significant a role LPO providers play.

When Pangea3 first started business in 2004, Alex says it only really serviced the needs of in-house lawyers. But the very presence of Pangea3 and other LPO providers quickly stirred things up. "The in-house counsel starting applying pressure on law firms telling them. 'Look, you've got to start using these guys in my transactions because you're running up a huge bill and it's not acceptable'," says Alex.

For in-house lawyers, it's difficult to ignore the savings LPO can provide. Alex says his team of Mumbai-based lawyers can handle the document review that might cost \$250 an hour at the low end of the scale in an Australian law firm, for somewhere between \$20 to \$25 dollars an hour - under the supervision of UK/US-trained lawyers.

Meanwhile, Alex is adamant his organization also places an emphasis on quality. "We are not the cheapest company that you can buy," he says. "We know that lawyers, unlike other users of outsourced services who might have an appetite to take work of a slightly lesser quality in exchange for a significant high cost saving, will not make such a tradeoff."

Alex says such quality can be assured through the ratio of UK/US-qualified lawyers to Indian lawyers - which is around 1 to 15 - which he believes is the highest ratio in the business. "That's a lot of investment - 10, 15, 20-year litigators who have brilliant careers in New York, California and hopefully Australia soon," he says. "Getting them to come and work in India is not cheap."

Around the world

Some of the world's largest organisations are already well acquainted with LPO, and have already forced the hands of their law firms to follow suit. At Rio Tinto, managing attorney Leah Cooper outsourced menial legal tasks to LPO provider CPA Global - also based in India - in a bid to avoid recruiting more lawyers during the global financial crisis.

Speaking at a UK-based LPO conference late last year, Cooper said the team of 15 Indian lawyers deployed overseas means her local legal department can reap savings of \$8 million a year, in addition to freeing them up from basic but resource-heavy legal work.

Still, Cooper did not profess her actions to be innovative. "This (outsourcing) has been around a long time," she said at the conference organized by UK legal magazine. The Lawyer, "Legal services are late to the party."

As for law departments, avoiding the compelling cost benefits of LPO by citing issues such as security, privacy and quality concerns, could only continue for so long. Business process outsourcing has long been a fact of business life, and it was only a matter of time before certain legal services too, could be processed out-of-office.

Microsoft, meanwhile, has a number of deals with LPO provider Integreon, whose team of Indian lawyers provides document and contract review offshore. Microsoft's senior attorney, Lucy Bassli, told Legal Week the move has allowed the team to be restructured in such a way that lawyers can focus on the priorities of other departments, reduce costs and quicken the team's response to business issues as they arise.

Across Australia

Through Advent Lawyers, Alex has been busy sprucing up the credentials of Pangea3 to Australian general counsels and law firms over the last couple of weeks. And John Knox, Advent Lawyers' managing director, is adamant those they are approaching are more than willing to listen. "We haven't had any problems getting to see most, if not all, the general counsels that we want to see," he says. "To me, that suggests that there is interest. People are willing to listen and see what alternatives might exist." Knox adds that the arrival of LPO providers should cut law firms out of the loop, and that outsourcing is an opportunity to create partnerships around efficiencies. "The law firms, to be honest, would be the first to put their hands on their hearts and say 'we know, for the last five years, we've been doing stuff that could be done more efficiently'," he says. "Having ten backpackers, 12 paralegals and other people all doing a document review else as contract staff is not a great solution."

As for the LPO detractors, Knox says experience with an LPO will be key. "There are definitely some assumptions that people have about outsourcing ... which are inaccurate," says Knox. "You can't break down those worries overnight. It takes years, and many projects."

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But when such barriers are finally broken down, there will be no turning back the influence of LPO providers in Australia. Pangea3 already has a workforce of 450 lawyers across its Mumbai and Delhi offices, and Alex expects this number to increase to around 3000 lawyers in five years' time. "In ten years' time, who knows?" he says. "That's the future."