

**A White Paper On:**

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**Outsourcing LPO to India**

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## Outsourcing Overview

Outsourcing has become one of the key ingredients in formulating the overall corporate recipe to succeed in today's emerging and highly competitive global marketplace. *Outsourcing can be defined as an assignment of one or more non-core business processes to an external specialist business partner, who owns, administers and manages those processes based upon predefined and measurable performance metrics.* Outsourcing offers huge cost savings and the flexibility to concentrate on core business processes. Outsourcing helps avoid capital expenditure, improve efficiency, saves on recruiting, training and operating costs and gives access to specialized skills.

The below picture best describes the evolution of the **global outsourcing model**

Exhibit 1



## **What is Legal Process Outsourcing ?**

Different kinds of legal systems and institutions exist in the world today. The term "legal system" means an operating set of legal institutions, procedures and rules.

LPO or Legal Process Outsourcing is one of the value added BPO services which involves legal work that companies outsource to more economical destinations.

It consists of various processes which can be classified into low skilled quantitative tasks or high end qualitative tasks.

Low skilled quantitative tasks consist of:

- ⊕ Paralegal Services & Legal Coding
- ⊕ Corporate Secretarial Services
- ⊕ Legal Memo Development
- ⊕ Medical & Legal Transcription
- ⊕ Document Management
- ⊕ Litigation Support
- ⊕ Data entry
- ⊕ Immigration data analysis and working on labour relations

Whereas the high end qualitative tasks include:

- ⊕ Intellectual Property Rights & IPR Portfolio Management
- ⊕ Patent Search & Application drafting
- ⊕ TM and Copyright Registration
- ⊕ Legal Research/Opinion work
- ⊕ Document Review and Analysis
- ⊕ Intelligence Services
- ⊕ Contracting and Administration

## What Legal processes can be outsourced to India?

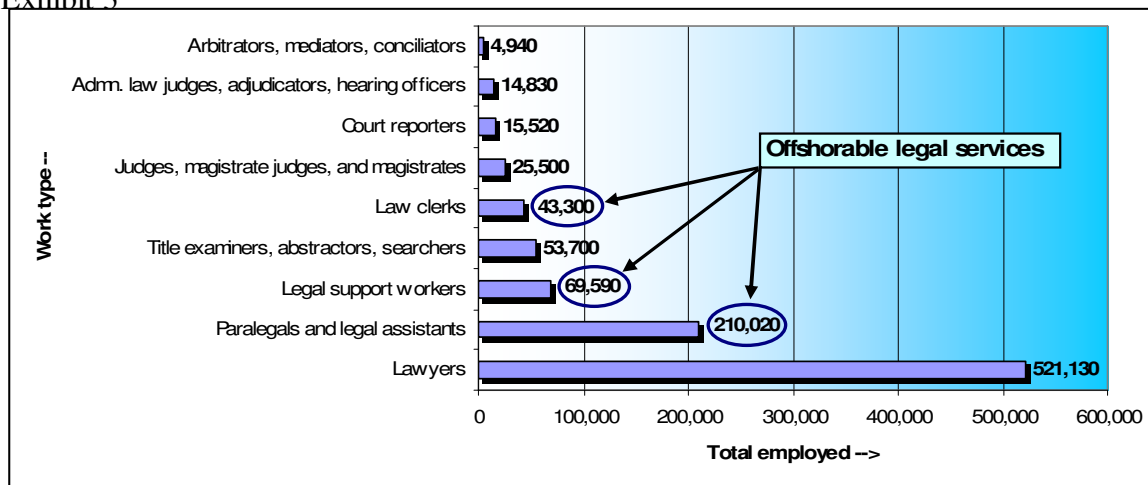
The global spending on legal services has exceeded \$250 billion. Of this amount, about two-third (\$167 billion) is accounted for legal services in the United States alone.

Exhibit 2

Country	Amount (US \$ Billion)	Growth over the previous year (%)
Australia	6.9	11.6
China	1.6	7.0
France	18.4	14.0
Japan	1.09	8.0
South Korea	1.61	-3.3
UK	34.2	3.6
USA	166.8	5.6

With the global marketplace becoming extremely competitive, many multinational companies are compelled to streamline their operations and cut costs in order to maintain bottom-lines. Increasing pressure to reduce costs has given these MNCs an opportunity to look at various alternate sourcing methods, amongst which outsourcing of legal services to India seems to be one of the most lucrative options. Since it is not feasible to outsource every type of legal service, the market for legal services outsourcing stands at around \$111.2 billion. Of this amount, only 3.6% (\$4 billion) can be sent to India, of which only 2% (\$80 million) has been outsourced. So, there is a huge untapped market available to be exploited for outsourcing.

Exhibit 3



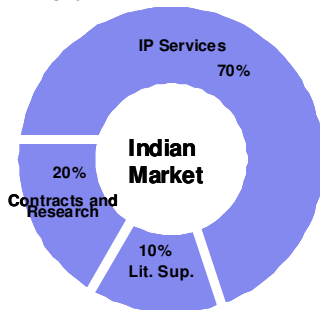
The offshorable legal services are paralegal and secretarial support services (refer Exhibit 3) such as contract review and tracking, preparing legal transcriptions, litigation support, verification & documentation of legal records, client billing services, electronic document management, intellectual property services, corporate due diligence support, patent & some other general legal research.

The **various models for outsourcing** legal services include captive centers formed by US law firms and subsidiaries, joint ventures by law firms, captive centers formed by foreign companies to move their in-house departments, third party vendors providing services to law firms and in-house corporate attorneys.

Work flow is also being observed coming in from the UK, France, Australia, Japan etc.

The breakup of the \$80 million domestic industry is shown below, which depicts heavy bias towards the patent and trademark services.

Exhibit 4



\$56MM–70% Patent and Trademark filing support services

\$16MM – 20% Customized legal research

\$8MM – 10% Litigation Support

A brief summary of the above process can be tabulated as below.

Exhibit 5

<b>Litigation Support</b>	<b>Electronic Document Discovery</b>	Data wrangling, extraction of metadata, de-duplication, data culling, conversion into desired format and legal review
	<b>Paper Discovery</b>	Image capture solutions, OCR/ICR/Text clean-up, logical utilization, indexing and database conversion
	<b>Coding of Documents</b>	Objective/bibliographic coding, In-text coding, subjective coding
	<b>Attorney Document Review</b>	Privilege determination, substantive issue coded review for responsiveness
	<b>Legal Research</b>	Conducting research by using Westlaw/Lexis Nexis, preparing memos and research notes
<b>Contract Management</b>	<b>Contracting Automation and Standardization</b>	Reduces the creation time, lowers administrative costs, reduces contract risk, fosters greater collaboration, works on pre-defined templates and clauses
	<b>Document Management System</b>	Establishes searchable central repository, greater visibility to contracts, saves cost, uncovers risk and improves compliance, increased awareness of business terms
	<b>Audit and Compliance</b>	Audits internal contract management processes and controls, organizational and structural alignment
	<b>Contract Abstraction and Summarization</b>	Reviewing the contracts, creating templates for abstracting/summarizing the contracts, working on such templates
<b>Intellectual Property</b>	<b>Patent Prosecution</b>	Prior art search, patentability assessment, patent illustration, response to office actions, claims drafting, docketing
	<b>Intellectual Property Asset Management (IPAM)</b>	Claims mapping, infringement analysis, technology landscaping, competitor analysis, patent mining, competitive intelligence benchmarking

The short-term will witness a trend correction in the Indian LPO market which will bring litigation support's current 10% market share into line with the global market i.e. 83%. This trend correction will happen at the expense of IP services.

### **Benefits of outsourcing Legal Processes to India**

U.S law firms can greatly benefit from offshoring legal services to India. Along with saving a great number of dollars each year, it will also provide easy access to highly skilled legal professionals in India.

LPO in India was initially restricted to backend processing like transcription. But now it has reached a higher maturity level. Currently many tasks like IP processes, legal research, pre-litigation documentation, document analysis, preparing software licensing agreements is outsourced to India. In fact today patent filing is treated differently from LPO and is known as Patent Process Outsourcing (PPO). Here, already more than 300 professionals are providing patent related services with a resulting fee as little as \$2000 as against \$8000-\$12000 charged by US firms.

The LPO business will soon become a mainstream practice for many attorneys in India. Indian lawyers are great assets to multinational law corporations. Outsourcing helps the internal teams to concentrate on core legal issues while research and mundane managerial tasks can be outsourced at effective costs. The benefit of outsourcing to India is being reaped by many companies and has become an integral part of their overall corporate master-plan.

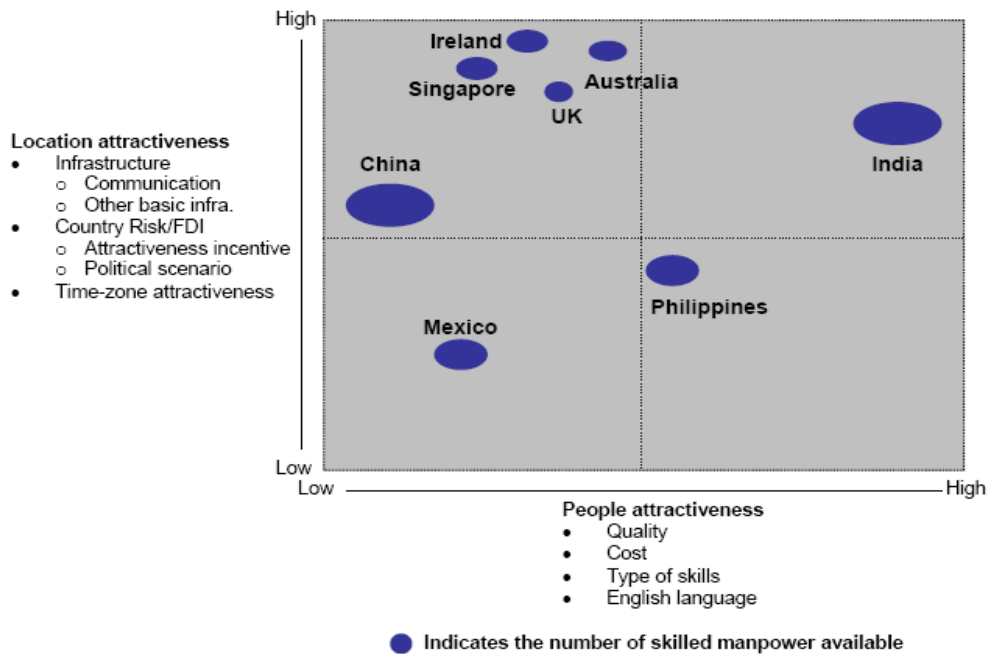
The Indian Legal System is very much like the UK, US, Canada, and parts of Europe. Indian litigation and dispute resolution methodologies are well founded on the classic Constitution of the biggest Democratic Republic in the world and are understood universally. Indian legal system is one among the most researched and informed legislations which ensures uniform and practical interpretation of the legislation throughout the breadth and depth of this land of unique diversity. There are several factors that favor Indian attorneys:

- ⊕ The time zone advantage
- ⊕ Easy availability of English speaking lawyers
- ⊕ Legal education is in English
- ⊕ Familiarity with common law doctrines
- ⊕ Indian attorneys with US/UK qualifications are in plenty
- ⊕ Labor cost differential - It almost costs up to 80 percent less than the US firms
- ⊕ The quality and speed of work done
- ⊕ Most LPO outfits in India are reported to be staffed 24/7
- ⊕ The Indian legal professionals are taught to analytically interpret the laws
- ⊕ Regulations of the Land by generously drawing on the similar legislations of other similar legal systems and are exposed to Common English Laws
- ⊕ Tradition of independent judiciary
- ⊕ Freedom of press

- ⊕ Liberty to enter into contractual agreements with other firms
- ⊕ Adequate talent - more than 200,000 law professionals graduate every year in India compared to 40,000 in the US

The following figure pictorially depicts the attractiveness of India versus other countries in the world that offer outsourcing services.

Exhibit 6



**Source:** BPO and Call Center Outsourcing: An Industry Overview (InterGlobe Technologies)

Outsourcing legal services to highly-qualified, English-speaking lawyers based in India gives a clear edge to companies in terms of cost, quality and turnaround time.

Legal process outsourcing to India is still in a blossoming stage with about 1300 professionals providing such services to US from India. But studies by US-based research firm Forester finds that "legal process outsourcing can bring \$4 billion and 79,000 jobs in India in ten years and boost Knowledge Process Outsourcing."

The Indian Government also has taken major initiatives to promote outsourcing:

- ⊕ Foreign Direct Investment in 100% equity of the firm in LPO / BPO
- ⊕ Foreign corporations can set up their subsidiaries as private limited companies with limited liability over share capital
- ⊕ 100% income tax exemption for export of many services like back office operations, legal databases, claim processing etc

## **Challenges in Outsourcing to India**

Along with a wide range of advantages listed above, legal offshoring also brings some major challenges, which must be taken into account before law firms embark upon outsourcing legal work at full-scale to India.

- ⊕ Cutback in the domestic legal jobs in the US and UK
- ⊕ Risk of loss of maintaining an attorney – Client Confidentiality
- ⊕ Initial cost of training the respective Indian lawyers to maintain quality
- ⊕ Regulatory Scrutiny under varying privacy laws
- ⊕ Malpractice / Practice law without license
- ⊕ Conflicts of interests and ethical considerations – Very difficult to determine when the LPO vendor has the liberty to accept work from any client
- ⊕ Unpredictability in regular flow of work
- ⊕ High attrition – Many firms switch at last minute due to minor changes in fees
- ⊕ Complete quality assurances from firms are difficult to get
- ⊕ Performance and quality issues while delegating work to somebody who is more than 10,000 km away in terms of monitoring and control

## **While choosing the right partner**

The main aim always lies with the importance of quality rather than cost drives this huge growth in the LPO marketplace. This is the reason why companies seeking to outsource key tasks, should be seeking an experienced partner who ensures quality of work, manages risk, guarantees data security, exports control, makes data interoperable and transfers work smoothly.

The LPO service providers work on many levels, Sypher is among the few companies that can provide the worldwide multi-faceted approach to LPO that most businesses need.

Basically, businesses should ideally outsource non-core and lower value activities, allowing in-house staff to focus on their core value activities to drive earnings growth.

The following are indispensable to a foreign client:

- ⊕ A trustworthy and value adding partner who ensures quality and service support
- ⊕ Reliability of the partner who can ensure success
- ⊕ Values that go beyond words
- ⊕ Experience that holds the customer in good stead to make the right decisions and provides accuracy
- ⊕ Infrastructure that can ably support and add value to a customer

The key performance indicators which a client needs to be aware of while outsourcing legal services to a partner in India are:

- ⊕ Average data value
- ⊕ Customer satisfaction
- ⊕ Service levels
- ⊕ Abandoned percent of data
- ⊕ Cost per data
- ⊕ Errors and rework
- ⊕ Forecast work-load to actual
- ⊕ Scheduled staff to actual
- ⊕ Adherence to schedule
- ⊕ Average handling time

Periodic review of strategies needs to be carried out to increase performance levels with partners.

### **Conclusion**

The legal industry across the world is going the outsourcing way to gain efficiencies and maintain a healthy bottom-line in a highly competitive marketplace. Recognizing that legal companies need to focus on their core competencies and leave back office processes to the hands of competent vendors is creating a compelling case for outsourcing non-core processes. The availability of outsourcing companies with world-class resources and expertise is also boosting the growth of outsourcing by legal entities. Legal Process Outsourcing is a money-spinning route to reduce cost and increase effectiveness by outsourcing legal work to India.

### **About Sypher**

Based in Bangalore Sypher has branches in Gujarat and New Jersey. Sypher is one of the prospective leaders in software development, manpower consulting, legal process outsourcing and back office management services. With a vision to deliver cost effective solutions to our clients, we provide cutting edge solutions that truly enhance performance and build profits.

We take pride in catering to a comprehensive range of software services to a wide variety of industries. To learn more about our reliable and value-added services visit our website [www.sypher.in](http://www.sypher.in)