

An onshore-offshore LPO delivery model for Europe

by Sarvarth Misra, director, NewGalex



The Legal Process Outsourcing (LPO) industry has gone through a paradigm shift since its inception in the late 1990s. From a humble beginning in the late 1990s that saw back office functions of the Dallas-based litigation law firm Bickel and Brewer and one off legal support projects by GE being outsourced to India, the LPO sector has seen an exponential growth pattern following the 2008 global economic meltdown. It is now the fastest growing sector within the Knowledge Process Outsourcing (KPO) industry.

The 2008 global financial crisis and the economic downturn which followed intensified the debate on how in-house general counsel of international corporations and managing partners of international law firms could 'do more for less' and find unique and innovative ways of delivering cost-effective and efficient legal services. Using LPO services – either via their own captives or by using third-party suppliers – emerged as a popular strategy for corporations and law firms.

LPO services were traditionally delivered out of offshore, low-cost locations such as India, the Philippines and South Africa. But an increase in demand for such services by stakeholders has resulted in use of more sophisticated service delivery models – including the use of onshore and/or near-shore locations to deliver LPO services.

This trend emerged in North America, where certain low-cost locations in the Midwest region of

the US are now being used as centres for delivering onshore LPO services and serving the North American market.

The market for onshore LPO services in Europe is far less developed, although a few large UK and European law firms have begun to open their own captive units in onshore locations in the UK.

As European corporations and law firms start embracing LPO, one of the inevitable decisions they will need to make is whether to use the onshore services delivery model or the offshore service delivery model, or a combination of both.

By using one service delivery model in preference to the other, I believe European corporations and law firms miss out on the advantages that a composite onshore/offshore model has to offer. As the market for LPO services matures in Europe, I believe that the way forward for European corporations and law firms is to optimise the use of a blend of both onshore and offshore LPO services.

The onshore delivery model

Under the conventional LPO delivery model which developed in the late 1990s and the 2000s, onshore LPO staff were largely business development, finance and sales professionals with the LPO work mostly being carried out at an offshore location, primarily India.

India emerged as the leading destination for the LPO industry. With increase in the demand for LPO services, there has been a change of guard in this conventional LPO service delivery model – especially in the US where the concept of onshore and/or near-shore LPO services is now developing.

Although a small number of UK law firms, such as Herbert Smith and Allen and Overy, have opened their own onshore captive units in low-cost locations such as Belfast, Northern Ireland, there are still significant market opportunities for development and operation of onshore LPO services in Europe.

With a maturing market for LPO services, the debate about using them is no longer restricted to cost-savings benefits – as more and more clients accept the use of LPO brings efficiencies, value addition and quicker delivery of high-quality services.

With a more open approach towards LPO, the onshore model in Europe could flourish for certain types of services. There is a clear indication that many European corporations and law firms would prefer certain types of LPO services to be provided onshore, rather than offshore. Factors such as rising

The onshore model in Europe could flourish

operational cost inflation in countries such as India and South Africa, changing European Union (EU) data protection laws which may well increasingly limit the types of LPO service which can be offshored outside the EU and better talent availability in case of certain industry-focused LPO services all make a compelling case for the development of onshore LPO services in Europe. There are also clients who are simply more comfortable with the onshore delivery model (even at slightly higher cost) as it offers them more accessibility.

There is no doubt certain types of services are better served with an onshore delivery model in relatively low-cost locations and with the right talent pool of legal professionals. UK public procurement and government-related procurement work is a classic example where an onshore delivery model would better suit the customer. Factors such as the political sensitivities of offshoring jobs overseas, changing Data Protection Laws and ready availability of trained EU procurement law professionals would make the onshore model more suited for that type of work.

Similarly, in the case of the banking and financial services sector in Europe, process-driven derivative (ISDA) contract drafting and negotiations, FSA compliance work and other types of regulatory work would all perhaps be better delivered onshore, due to the availability of trained and experienced professionals in these areas. Similar sensitivities might drive the use of an onshore LPO supplier to provide high level contract drafting and negotiation services to European corporations and law firms.

The offshore delivery model

But would a strategy of using the onshore model alone for delivering LPO services necessarily best meet the full requirements of all European customers? Can all LPO services be cost-effectively delivered through an onshore model?

I think there is consensus in the industry that simpler and more routine services can be delivered more cost-effectively and efficiently in offshore locations such as India. A recent report entitled *Comparative Location Survey for Legal Service Delivery* by the UK consultancy OMC Partners, showed the pool of legal professionals in India is significantly higher than in potential onshore locations in Europe – and the salaries of legal professionals in India are lower than those of their counterparts in London and other onshore locations in Europe. India has a developed outsourcing sector and with the use of technology, a process-driven work approach and masses of resource availability, it offers a better solution for certain types of LPO services.

Using offshore locations such as India for routine tasks such as contract and lease abstraction, technology driven e-discovery and ‘plain vanilla’ document review services seems a more pragmatic choice than using an onshore location. The cost savings of using offshore locations for more routine, high volume LPO services simply cannot be ignored.

A blended service delivery model

As the LPO market moves from providing one-off project solutions to ‘end to end’ service solutions, a blended onshore and offshore delivery model seems the most viable option for European customers. By using a blended onshore and offshore model, more bespoke, complex and sometimes industry-focused services can be delivered onshore – and less complex, high-volume routine tasks can be delivered offshore from locations such as India or the Philippines.

This blended model will allow European customers to optimise the use and the benefits of both the onshore and offshore model. The Deloitte report, *The resurgence of corporate legal process outsourcing - leveraging a new and improved legal support business model*, rightly points out that the blended delivery model also assists LPO providers to increase ‘their ability to provide seamless, around-the-clock service by coordinating their onshore and offshore resources’ work schedules’ and by using the blended model, LPOs can also offer clients ‘adaptive pricing models for such resources to fit specific legal department needs’.

Regulatory, economic and market changes in the legal services industry in the UK and Europe will drive increasing use of LPO services by UK and European law firms and in-house counsel. Public authorities should also consider taking advantage of the benefits being derived by private organisations from using LPO services. By using technology, processes, a broader pool of talent at both onshore and offshore locations and flexible pricing options, I believe that European customers would be best served with suppliers who are able to offer them the blended onshore and offshore delivery model.

To be able to deliver that innovative blend of onshore and offshore services and to meet and serve the growing demands of the European legal market, NewGalaxy, the LPO of which I am a director, has opened a new onshore delivery centre in Glasgow, Scotland to complement its existing offshore delivery centre in India.

This new onshore centre will offer European clients onshore LPO services – which will be higher up the value chain than work typically undertaken in India, South Africa or the Philippines, and will provide industry/sector-focused services. The new onshore centre will also complete work for customers who prefer not to outsource particular types of work abroad.

NewGalaxy’s existing offshore delivery centre will continue to provide more routine and commoditised services to its international client base in North America, Europe and Australia.

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