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# LPOs: the next level of help

Legal process outsourcing is coming to Scotland and, says **Robert Glennie**, it is time to get rid of the myths and misconceptions surrounding the idea

## What is an LPO?

Legal process outsourcing (LPO) businesses first emerged from business process outsourcing (BPO) and knowledge process outsourcing (KPO) businesses. Today, some LPOs remain part of BPO and KPO businesses: these typically undertake “back office support” functions for law firms and in-house legal departments and, from that base, they aim to move into the provision of support services for aspects of the legal work which their client law firms and in-house legal departments undertake. Other LPOs – like NewGalaxy Services Ltd, which recently announced the opening of its European onshore LPO facility in Glasgow – focus exclusively on supporting the legal work which their in-house legal department and law firm clients undertake.

## The blended onshore-offshore model

Many types of LPO work can comfortably be outsourced to offshore facilities. India is the base for a large number of LPOs – and LPOs in other countries, including the Philippines and South Africa, also now exist. However, there has recently been increasing encouragement, by existing and potential new clients, to complement the range of services offered by offshore centres by establishing onshore LPO capabilities. This trend began with LPOs whose primary business focus is the US legal market, where litigation support is often the largest part of LPO businesses; and NewGalaxy is the first LPO to add to its offshore LPO capabilities an additional range of support services from its new Glasgow base.

So why is the blended onshore-offshore model developing? There are some types of legal work which clients consider too sensitive to be sent overseas. There are other types (such as some legal work relating to European or UK regulatory matters) where the legal expertise which can readily be found in the UK is not, for obvious reasons, matched in offshore locations. And while most lawyers in Scotland and elsewhere would readily accept that we live in a time of rapid and significant change in the legal services marketplace, many lawyers will find it more acceptable and more comfortable to begin to work with an LPO whose lawyers are located nearby than with one where they are over 5,000 miles away.

The blended onshore-offshore model will allow clients to decide where their work will be done. Some clients will opt to have some of their work done offshore and some of their work onshore. Others may prefer to operate exclusively with the onshore LPO. There is now a choice which did not previously exist.

## Why are LPOs growing?

We live in difficult economic times. General counsel and partners in law firms are regularly being told that they have to “do more for less”. Cutting costs is essential: and sending low-value work, or work which can readily be commoditised, to the right LPO can reduce costs and risk – both for law firms and for in-house legal teams.

Neither quality nor efficiency need be sacrificed when an LPO is used. Many clients comment that the security and quality control systems within LPOs are more comprehensive and more detailed than in their panel law firms.

LPOs combine processes, technology and fully trained lawyers and paralegals to deliver support services which truly benefit law firms and in-house legal teams. They operate matter management and quality control processes which facilitate information sharing and collaboration. Before each new piece of work begins, LPOs spend time understanding the full extent of the client’s requirements, drafting and agreeing a protocol, or “playbook”, which will be the guide with which the LPO’s lawyers and paralegals must comply, and recording the “four eyes review” procedures which will operate in relation to each element of the legal support work. This process results in it being clear to both the client and the LPO exactly what the LPO is to do.

As law firms and in-house legal departments look more closely at “who does what” within their legal teams, there is often a realisation that comparatively straightforward work is not being completed cost effectively. An increasing recognition that unbundling of legal services and commoditisation of aspects of these services can produce dramatic and positive reductions in cost – and increases in profitability – has also become a major factor in the growth of LPOs.

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## **We can't turn the clock back**

Since January 2012, external investment into law firms has been allowed in the UK. Alternative business structures (ABS) may well be most popular among law firms working with high volume consumer legal services, at least initially. But there are many other changes and developments in the pipeline – including new businesses such as Riverview Law (a new business law model partly owned by DLA Piper and involving a barristers' chambers and a solicitors' practice providing fixed-fee services to SMEs), BT's proposed new ABS spinout of its motor claims division, and new groupings of local authority solicitors providing specialist legal services to public sector authorities and agencies.

LPO is simply part of a much larger trend which is driving change throughout the legal profession in Scotland, in the rest of the UK and beyond. Some law firms will create their own captive LPOs – as Herbert Smith and Allen & Overy have done in Northern Ireland. LPO “captives”, especially in India, have a history of being unsuccessful, because of operational and attrition issues. I believe that as the market for LPO services grows in Europe, most law firms will prefer to select one or more specialist LPO providers who could meet their demands more cost effectively and efficiently – although some law firms will opt to invest time and money in creating and managing a fully serviced captive LPO business. Some law firms may even decide to create their own LPO for some matters and work only with external LPOs for others.

Businesses are increasingly requiring their panel law firms to offer “an LPO option” – so embracing LPOs and working with them to win the benefits which they can offer is a compelling proposition.

LPOs are moving up the value chain. LPOs like NewGalaxy, which focuses exclusively on legal support work for in-house legal teams and law firms, no longer find themselves being asked to work on matters such as confidentiality agreements, non-disclosure agreements and other comparatively routine contracts. Some LPOs have developed business sector specialisations: NewGalaxy's include legal support work for the engineering, construction and infrastructure industries, and our new

European onshore LPO centre will also include groups of lawyers focused on the banking and finance sector, the oil, gas and energy sector, and on TMT (technology, media and telecommunications) and commercial contracts.

From a purely practical point of view, cost savings, greatly increased efficiency, flexibility and scalability are compelling benefits which should come from working with the right LPO. Before you begin legal process outsourcing, I recommend that you meet the principal lawyers who will be handling your work, satisfy yourself as to the educational backgrounds and training of the lawyers who will be dealing with your work, satisfy yourself as to the security arrangements which your LPO provider (or providers) have put in place, and establish strong channels of communication. Upfront effort will undoubtedly be required. Of course, there is a cost associated with that effort. But that cost will be repaid many times by the economies and efficiencies which will flow from the successful outsourcing.

## **Gain an advantage**

The need for and growth of structured LPO arrangements is clearly driven by market demand. The Royal Bank of Scotland recently announced its latest panel of law firms – and reported that its panel was streamlined by almost 40%. Use of LPO providers was a focus in the panel selection process. John Collins, the deputy general counsel of the bank, led the process for appointing the new panel: he commented in *The Lawyer* that: “Generally firms aren't yet realising the future and so far haven't accepted the view that the key to success is having alternative providers and law firms collaborating together”. He stressed that: “The legal profession isn't immune from process re-engineering: it needs to flex and keep changing and law firms need to embrace that change if they are to remain competitive.”

I believe that forward thinking law firms in Scotland who are ready to embrace changing ways of delivering legal services will enhance their ability to compete effectively at national and international levels and win new work, by “partnering” with LPO providers such as NewGalaxy. ■

**Robert Glennie** is chairman of  
NewGalaxy Services Ltd