

Implementing a corporate legal
process outsourcing solution
Key considerations before embarking
on the legal service delivery
transformation journey

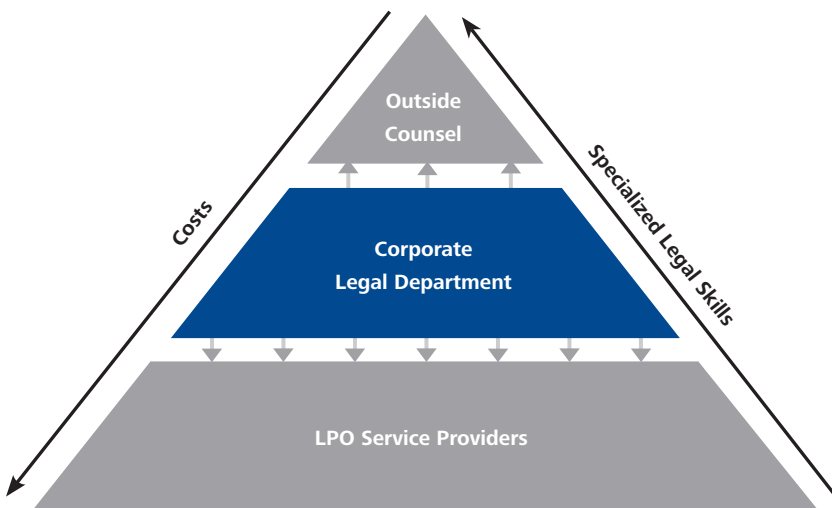


You read it online every day: increasing regulations and litigation costs are driving corporate legal budgets through the roof. As a result, companies are seeking legal spend reductions and asking their legal departments to figure out how to operate more effectively and efficiently. Service delivery approaches that worked for corporate legal teams in the past can no longer sustain the vision and requirements for the future. To address these concerns, corporate legal departments are increasingly looking to legal process outsourcing (LPO). However, in implementing an LPO solution, corporate legal departments need to determine not only what areas they want to source, but also the right time to implement such a solution — i.e., before, during, or after internally transforming existing processes.

Corporate legal service delivery transformation

As organizations have evolved and become more complex, so too have their service delivery needs for functional and business support processes. Generally speaking, service delivery transformation (SDT) seeks to help organizations in their efforts to create a flexible, scalable and efficient service delivery model — one that can enhance enterprise value by enabling cost-effective growth, supporting strong internal controls and compliance, and providing consistent global service delivery. Through SDT, organizations can evaluate the range of service delivery options — insource vs. outsource, onshore vs. offshore — to develop and execute a tailored strategy that addresses long term organizational needs.

Figure 1: Role of corporate legal department in legal service delivery business model



Corporate legal departments are no exception to the SDT paradigm and, in fact, have a significant opportunity to implement such improvements to their modes of service delivery. Corporate legal departments play a specific role in the legal service delivery business model (see Figure 1). In this model, outside counsel is used primarily for legal tasks requiring the most significant level of specialized legal knowledge and experience (e.g., legal opinions). Interestingly, in an effort to remain competitive in the maturing LPO market, many outside counsel law firms are beginning to adopt LPO provider methodologies in terms of lean, processes and program management. In some cases, law firms are even seeking to form partnerships with LPO providers. This trend, and other similar shifts in the marketplace, stem from the increased demand by corporate legal departments for low cost, but high quality, efficient legal services. Legal work that requires less specialization (e.g., typical contract drafting and negotiation for the business) remains with corporate legal resources, some of whom may be organized under a shared services model. Finally, repeatable, transactional legal tasks requiring less specialized knowledge are sourced to lower cost LPO providers.

Issues facing corporate legal departments

Corporate legal departments are faced with a number of issues that require them to evaluate and implement LPO solutions. As outlined in Figure 2, current challenges facing corporate legal departments can be evaluated across the areas of people, process and technology.

People

- **Resource allocation:** Corporate legal is under pressure to provide increasing legal services with fewer resources and evaluating an effective mix of attorneys to staff.

Process

- **Project management:** Corporate legal departments have struggled to build a strong corporate project management capability and the tools required to efficiently manage their projects.
- **Process improvement:** Corporate legal departments are faced with increasing inefficiencies in processes such as contract management and intellectual property (IP) management.

Technology

- **Automation:** Many corporate legal departments currently lack automation and integrated technology solutions in areas such as matter management, billing, and contract management, further draining costs and resources.
- **Document Standardization:** Specifically in the transactional area, corporate legal departments face a lack of standardization in terms of contracts (e.g. templates) which leads to increased costs and time associated with transactional lifecycle.
- **Build vs. buy technology:** With an increasing need for technology and tools to streamline legal work, companies are faced with the challenge of internally developing such tools or leveraging an external provider to provide an end-to-end or best in breed technology solution.

LPO provider solutions

Implementing an LPO solution can help corporate legal departments to overcome many of these challenges as the benefits of such a solution span across the areas of people, process and technology. See Figure 3.

“People” related solutions, such as staff augmentation, can help legal organizations address their challenges around lack of legal staffing support. In terms of “process” solutions, LPO providers offer established and tested legal processes and bring the project management rigor that corporate legal departments typically lack. In the area of “technology” solutions, enhanced legal technology capabilities can be offered as part of an LPO service delivery implementation or as a standalone offering.

Such technologies provide a means of automating and streamlining legal services and also introduce a means to standardize repeatable work. Examples include matter management, contract/IP management, and e-billing.

Depending on the LPO provider’s model, solutions can be custom-tailored to meet each legal department’s specific needs. Historically, organizations requiring 24/7 support have elected to leverage LPO providers’ offshore capabilities to maximize the benefits of labor arbitrage. However, corporate legal departments are increasingly opting to use near-shore delivery models in an effort to mitigate quality and risk concerns while leveraging reduced cost resources. For that reason, corporate legal departments should understand their own capabilities and needs prior to embarking on the service delivery transformation journey.

Figure 2: Issues facing corporate legal departments

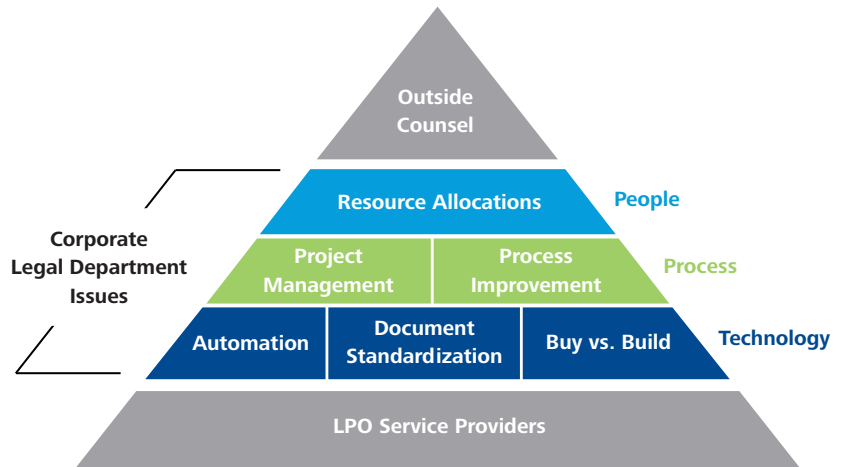
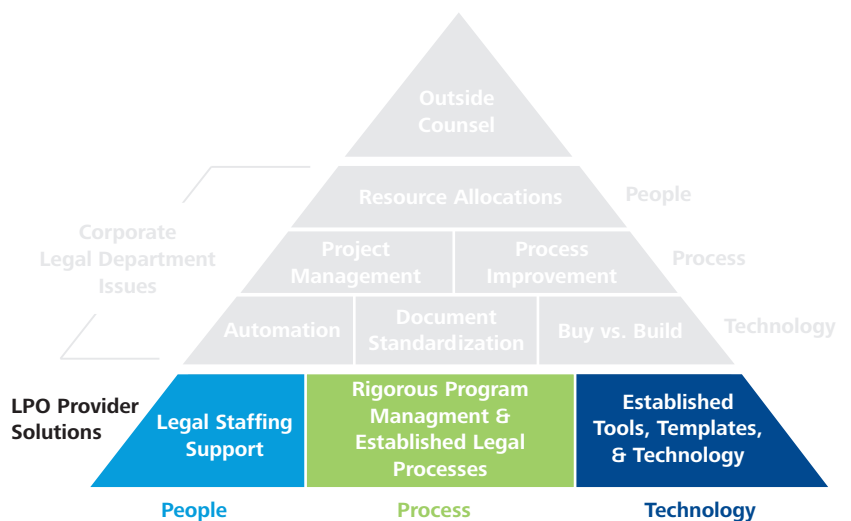


Figure 3: LPO provider solutions to corporate legal issues



Determining which legal services to outsource

Determining whether a legal process is core or non-core to the organization's legal department is an important consideration when determining whether to source such functions. This involves an assessment to determine how essential a particular legal service is to the company's business. In assessing whether a legal service is core to an organization, companies should consider whether sourcing the service compromises the legal department's ability to establish and to execute business strategies related to that service. As the LPO market becomes more mature, corporate legal departments are starting to move outsourcing beyond transaction-based legal processes to higher level capabilities, such as contract drafting and IP.

- **Core services:** Corporate legal departments may look to explore internal legal SDT options such as shared services or internal technology enhancements for "core" legal services. Examples of such services include corporate legal representation and M&A activities. For legal process deemed as core services, legal departments may still look to outsource specific components. For example, although patents and trademarks are a core process to the business, there may be transactional elements which exist within these processes that can be outsourced.
- **Non-core services:** Legal departments may consider outsourcing certain "non-core" transactional services, including document review, contract/IP management, and paralegal support. When doing so, legal departments should also assess whether these functions and their associated processes are mature enough for such a transition. For legal processes deemed as non-core services, legal process outsourcing can provide reduced costs and increased resources. Processes which require less specialized knowledge or are more transactional in nature tend to be outsourced most frequently. Technology may also play a role in the LPO providers' solution to obtain efficiencies within such non-core legal competencies.

When assessing which legal services can be outsourced, legal processes are generally broken down into five distinct categories. Processes within each category which are most commonly outsourced include:

- **Administrative support:** Data Extraction & Entry; Electronic Document Management; Secretarial Services; Billing Services; Paralegal Services
- **Litigation support:** Document Discovery; E-Discovery Compliance; Database Creation and Maintenance
- **Intellectual property:** Patent Drafting and Review; IP Portfolio Management; Patent Proofing and Docketing; Cease and Desist Notices
- **Contracting support:** Contract Due Diligence; Contract management
- **Legal research & analysis:** Statutory / Case Law Research; Legal Coding and Indexing



Determining when to outsource legal services

Once a corporate legal department determines which services to outsource, it should next determine the ideal time to make such a transition. In assessing whether a function is ready for outsourcing, a company should determine whether the process requires further maturation within the organization before being sourced and, if so, whether they should outsource before, during or after internally transforming those processes. As LPO solutions become more commonplace in the market, corporate legal departments are beginning to take a more sophisticated approach to legal service assessment and to view LPO as a way to supplement or complement broader corporate transformation initiatives.

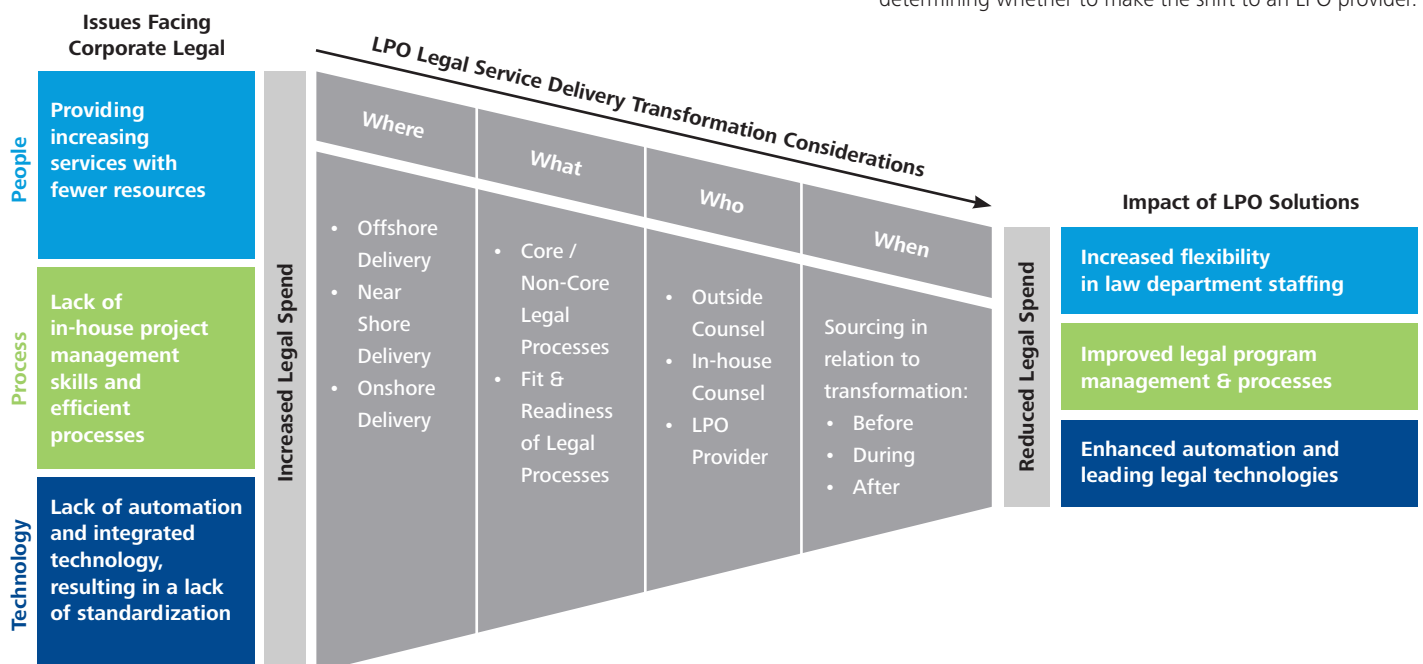
In the case of legal, generally the type of service dictates when a process can be sourced. For example, the nature of litigation is often unforeseen and driven with a sense of immediacy. If a company is facing a large unexpected litigation or has a minor impending transactional matter (i.e. small contract management task), they should consider whether the immediacy of outsourcing outweighs the need to fine tune internal e-discovery processes. On the other hand, when a company has anticipated, steady transactional work, such as a voluminous IP or contract portfolio, they may want to consider whether to assess and refine their IP or contract management processes prior to sourcing to an external provider.

As many legal departments are “testing the waters” with LPO strategies and providers, they may elect to utilize an LPO provider in a test pilot in a low risk legal function or particular legal matter. In this instance, a company may elect to implement an LPO solution during the course of an internal legal service delivery transformation — or at least at the point when the legal department has been able to assess those areas in which they spend the most time and money.

Another factor which drives LPO involves ethical considerations germane to the legal sector. The American Bar Association (ABA) provides certain guidelines for companies to consider when selecting an LPO provider. Such requirements for analysis involve assessing the LPO provider’s qualifications, ensuring that the project will receive adequate supervision from a corporate attorney as well as attorneys within the LPO provider’s structure, and ensuring that the LPO provider can meet any other confidentiality, data security and other regulatory requirements by which the company is bound. Depending upon the LPO provider and amount of analysis required, this may affect the timing of a company’s legal sourcing decision.

Under the right circumstances, the issues facing corporate legal departments can be positively affected by a broad legal service delivery transformation approach involving legal process outsourcing. See Figure 4. Clearly, such a transformation involves the evaluation of many complex factors. In the end, corporate legal departments should consider all aspects of the legal sourcing decision making process, including where to outsource, what to outsource, who to outsource to and when to outsource when determining whether to make the shift to an LPO provider.

Figure 4. The LPO legal service delivery transformation journey: Issue to impact



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