

OUTSOURCING IS THE BUZZ WORD AMONG LAW FIRMS. BUT SETTING UP SYSTEMS IN COUNTRIES SUCH AS INDIA CAN BE FRAUGHT WITH PROBLEMS. LUCY TREVELYAN WEIGHS UP THE PROS AND CONS

# Passage to India

**D**espite horror stories about how law firm forays into farming out back-room functions abroad have gone horribly wrong, legal commentators predict that outsourcing – be it IT support and development, document production, transcription work and more – will increasingly be forced on law firms that do not voluntarily step into the breach.

Even those that initially suffer bad experiences are eventually likely to retry – although presumably with a different provider – says Giles Pugh, director at professional services consulting firm Hildebrandt International.

'Reasons of cost, quality and flexibility are what prompt most law firms to outsource. If you find the right provider, you get a better-quality product at a lower price with the flexibility of work being carried out in different time zones. Technology has allowed firms to operate as a global village so work can be handed on – as one place closes another opens.'

'This is not to say that glitches won't arise. As in any profession, performance of providers ranges from excellent to indifferent. You have to be careful who you select – and it's a good idea to visit the proposed provider's site and get references beforehand.'

He says it is also imperative that firms appreciate the need to invest time and effort to get things running smoothly upfront.

'You need to be sensitive about how you implement the change both internally and externally and you have to sort out your internal business processes. Everything will break down if, in the case of document management, for example, documents just sit in in-

trays and are not collected within the law firm and sent off.'

Skelmersdale firm Scott Rees & Co recently changed its outsourced provider of legal transcription work because it found its transcribers in India had problems understanding English dialects, names and legal terms.

Chief operating officer Michael Lough says: 'The quality of work was OK but it was frustrating to use.

back in-house, it switched to UK-based provider, Voicepath which, Mr Lough says, still provides the cost savings and flexibility, but with better-quality service.

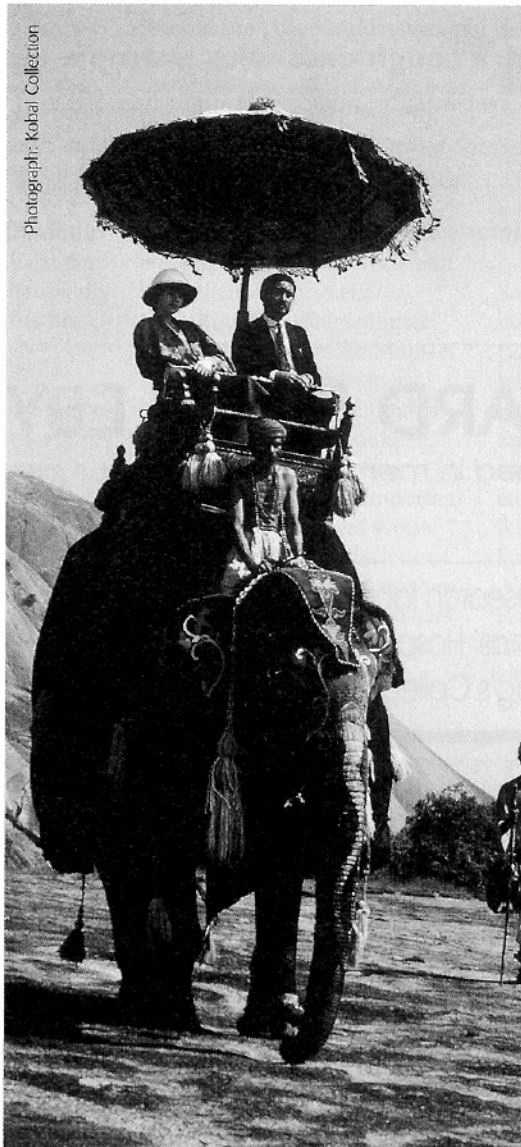
Voicepath was also in the news last month after City firm Reynolds Colman Bradley created a secretary-free office by outsourcing all its secretarial work to the company (see [2005] *Gazette*, 26 May, 11). It was part of a bid to cut down on the amount of office space the firm required.

Clearly outsourcing is not just for the big firms. North London solicitor Sunil Radia also runs UK Typing, which provides typing, transcription, database management, document management, and discovery and disclosure processes for lawyers. The company's Web site ([www.uktyping.com](http://www.uktyping.com)) gives the example of a seven fee-earner general practice in Cambridge, which employed three full-time and one part-time secretary, at a cost of around £70,000 including overheads. After outsourcing routine typing to India for around £9,000 a year, it is down to two secretaries handling all office administration.

At the other end of the spectrum, all is reportedly not running smoothly with magic circle firm Allen & Overy's much publicised India offshoring venture either, with the City firm said to be failing to meet the target it set itself in 2003 of outsourcing 80% of its document management to an Indian company.

Although the scheme is saving money and client service has not suffered, says the firm, only slightly more than half of its work is reportedly currently outsourced. Allen & Overy declined to comment.

Despite some teething problems,



Photograph: Kobal Collection

The fee-earners had to dictate in a way that was unusual to them, spelling out names and places.'

Rather than bringing the work

**'Reasons of cost, quality and flexibility are what prompt most law firms to outsource'**

outsourcing will become increasingly popular for law firms, predicts Tony Williams, founder of UK management consultancy Jomati and former Clifford Chance managing partner, largely thanks to client pressure.

He says: 'A large number of law firm clients – banks, retailers, financial services companies and so on – are outsourcing various parts of their business and the feeling is, if they can do it, why can't lawyers look at it?'

'Law firms are notoriously conservative in their approach and if they can get away with the model they are using, they will do so. And if they can charge the same rate for all the work they do, who can blame them? However, you are beginning to see clients saying they won't pay the same amount for this sort of work as for that.'

The outsourcing experience clearly works for some. City firm Charles Russell began outsourcing some of its IT functions – including back-ups, hardware maintenance, server hosting, network management, e-mail virus scanning and spam scanning – in 2001.

IT director Jon Gould explains: 'I looked at the performance of the in-house IT team and realised their time could be divided into three broad categories: remedial work, putting right things which had gone wrong; management tasks, procedural work designed to keep systems running; and development.'

He says that development is the interesting area, 'as it moves the organisation forward', and so outsourcing management work freed up staff time to concentrate on this – also meaning there were no redundancies.

Apart from a one-off annual cost saving on equipment purchases, he has not found that outsourcing saves the practice money. For Charles Russell, outsourcing was more about service delivery, he says. 'We have found the initiatives undertaken show clients how seriously we take provision of service and care of data, so it has actually had a positive impact.'

He warns that exit strategies are always important in an outsourcing agreement and firms need the discipline of planning ahead. 'Currently, the massive growth in our data volumes has skewed our back-up costs beyond budget

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allocation for the year. We are therefore looking at options with our supplier,' he says.

Leading US law firm Milbank Tweed Hadley & McCloy began outsourcing document production in January after an extended pilot programme.

Executive director Jim Lantonio, says: 'We did it primarily to provide 24/7 coverage for when we needed it, rather than having staff always available even if we did not need them. We considered a number of options in India and the Philippines.'

Eventually India was chosen. 'Our principal criterion was assurance by the vendor (outsourcing company Office Tiger) that they had a back option in the cities where we operate if something were to go awry,' said Mr Lantonio.

'It has been very successful to date. The quality and dedication of the staff assigned to us has been terrific and the communication links really work well. We have not experienced any drawbacks. The savings is in not having to pay for staff who are just waiting around for work to come in.'

Mr Lantonio says confidentiality and security are handled through signed agreements, encryption and firewalls. 'We do an on-line quality control review of each job with the lawyer requesting the work and we have a full review with the vendor once a quarter. We have a manager who works for us who oversees the operation.'

He says the best things to outsource are repetitive functions like word processing, PowerPoint presentations and so on. However, he says his firm would not consider outsourcing actual legal work. So far it would appear that the perennially innovative Hemel Hempstead solicitor Kerry Underwood is at the forefront of that race, setting up an operation in South Africa to handle personal injury work initially, and then possibly moving on to transactional matters.

Since announcing the move in April 2004, Mr Underwood admits that he has not attracted any outsourced work, although there have been a lot of regulatory hurdles to get over. Underwoods is now registered as a law firm in South Africa and a paralegal recruitment campaign is under way. Having found law firms cautious about outsourcing their work, he is targeting legal expenses insurers,

trade unions and claims management companies. The infrastructure is in place, he says. 'We could start on Monday.'

Despite the lack of take-up thus far, Mr Underwood is convinced that this is the future. 'I've spent the majority of my time in the last two years on this and have no shadow of a doubt that in the next five years, a huge amount of legal work will be offshored.' The question then, he says, is how much of it his pioneering practice will corner.

Andrew Ziarno, legal services director at Office Tiger, says outsourcing benefits include allowing younger fee-earners' activities to be directed to more satisfying, higher-level work, while clients benefit by having the appropriate individuals with the right skill sets working on their matters.

He adds: 'Historically, law firms have been moving to increase the number of fee-earners per personal assistant or secretary because of cost pressures. Given the favourable cost structures associated with outsourcing models, many clients find it desirable to reverse this trend. Having more dedicated resources per fee-earner increases fee-earner satisfaction.'

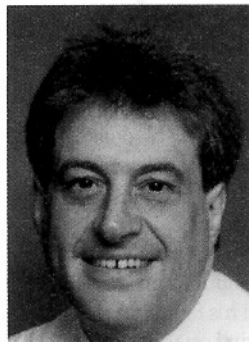
Mr Ziarno says key issues such as confidentiality, security and data protection issues are addressed using sophisticated methods common to onshore businesses.

'Employees are screened during the hiring processes, trained on confidentiality issues and proactively monitored. Facilities and infrastructure security is backed by rigorous policies and is monitored daily. Access to data is on a need-to-know basis.'

Mr Williams does not foresee a big bang of law firm outsourcing; rather it will be a Trojan Horse – 'something that will start small with back-office functions such as typing, document management, payroll or financial analysis but which may move on to debt collection, human resources, litigation support and even more front-office functions'.

He predicts: 'Big corporate companies are at least at first base in terms of outsourcing while law firms are still in the foothills. But cost pressures on firms will mean it will happen more and more.'

*Lucy Trevelyan is a freelance journalist*



**Underwood: offshore work will take off**