

Law firms do the math

Your Lawyer's Office--thousands Of Miles Away

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Financial Post sent reporter Karen Mazurkewich and Legal Post editor Jim Middlemiss to India recently to track the evolution of its massive outsourcing industry. In the second part of our series, Jim Middlemiss looks at the burgeoning growth of legal and accounting outsourcing.

Rohan Dalal manages 459 lawyers, which makes his firm, Mindcrest (India) Pvt. Ltd., one of the biggest employers of legal talent in India. In fact, if Mindcrest were a law firm, it would be the country's biggest, ranking with some of the largest law firms in Canada.

But Mindcrest, located in Pune, a city of five million people that is a 30-minute flight from Mumbai, isn't a law firm and Mr. Dalal isn't even a lawyer. He's an engineer, and the lawyers he manages provide outsourced legal services to European and North American companies a world away.

Mr. Dalal has partnered with another engineer and two Chicago-based lawyers who used to work at large law firms to create Mindcrest, a legal process outsourcer (LPO), one of the hottest growth areas in outsourcing.

"What we do is provide law-related services ... as opposed to data-driven work. The bulk of our workforce and driving strength behind Mindcrest is lawyers. It is a company of lawyers, for lawyers and driven by lawyers," Mr. Dalal explains.

These vendors use technology to develop highly secure systems and facilities and build processes for doing the everyday legal work conducted in a corporate law department or law firm. That can include everything from mundane document reviews to research and patent and compliance support.

They employ Indian lawyers trained in the same common-law and business principles as British, Canadian and U.S. lawyers.

"The idea is to provide value by the way of efficiency," says Mr. Dalal, which is where his engineering strengths come into play.

Law is not a business known for structured processes. But today's biggest concern among general counsels is ballooning legal costs. Why pay a lawyer at a North American firm \$250 an hour or more, when you can pay an Indian lawyer \$50 an hour to do the same work?

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Through leveraging technology, efficient workflow processes and low-cost Indian legal talent, LPOs can provide cheaper legal service than a typical Bay Street or Wall Street firm can offer.

The industry is in its infancy, with revenues hovering around US\$50-million, but LPOs are poised to shake up the way that Fortune 1000 companies buy their run-of-the-mill legal services. Forrester Research predicts that by 2015, more than 79,000 U.S. legal jobs will be moved offshore.

To be sure, LPOs are not providing the high-value legal advice that comes with big-ticket litigation or M&A activity -- at least, not yet. Rather, they are scooping up the low-hanging fruit that law firms give to juniors or paralegal clerks.

But North American lawyers who scoff at the notion they can be replaced by an Indian lawyer do so at their peril. Big-name converts to legal outsourcing include Dell, American Express, Dupont, Purolator Courier Inc., General Electric and Microsoft, as well as top law firms such as Clifford Chance, Allen & Overy and Millbank Tweed.

There has been mild interest in legal outsourcing from Canadian companies, and some law firms have had discussions with outsourcers. But Indian-based LPOs say the Canadian market is not their priority -- the focus is the United States and the U.K.

"Companies understand that it is definitely possible to outsource core competencies in areas of the legal industry," says Lonnie Sapp, chief operating officer at Pangea3, one of a growing list of LPO firms.

There's no shortage of players looking to capitalize on the business opportunity. In addition to Mindcrest and Pangea3, Indian firms such as Quislex, Integreon Managed Solutions Inc. and Evalueserve are all jockeying for local legal talent as they vie for a piece of the market. (Prismlegal.com tracks 111 vendors of legal outsourcing globally, the bulk of which are in India.)

Pangea3, a brash upstart created by two former general counsels, wants to be the biggest vendor by the end of the year, says Antony Alex, vice-president of legal services.

A former lawyer at one of the top Indian business-law firms, where he grew the firm's Mumbai office to 30 lawyers in five years, Mr. Alex joined Pangea3 in 2006. The outsourcer employs 270 lawyers. "We have companies that straddle pretty much the entire spectrum... Interest is coming from all sectors."

Then there's Integreon Managed Solutions Inc., which employs more than 200 lawyers in its state-of-the-art Mumbai facility. Matthew Banks, senior vice-president of legal services and a former lawyer at a top U.K. firm, says he is in the process of hiring 50 additional lawyers. "It

indicates that not only is the legal outsourcing market expanding rapidly, but the size of the projects being outsourced is quite substantial."

Finding the legal talent to staff these growing operations isn't much of a problem. India produces about 100,000 legal graduates a year. The creation of National Law Schools has improved the quality of graduates. Also working in their favour is the fact that the Indian legal profession resembles the old British system, comprised of thousands of small law firms. The law prohibits partnerships of more than 20 lawyers, so the opportunities for ambitious lawyers to move up the partnership ranks are not there.

At the firm he left, Mr. Alex says he was a "partner in name only." He saw more opportunity to grow his career with an LPO.

So did Charanjot Bhui, manager of legal services at Mindcrest, who graduated from a top Delhi law school in 1997. She joined a litigation firm, then moved to a nine-lawyer corporate-law practice representing clients from Europe and the United States. A partnership didn't attract her, but the LPO space did. "This industry is growing and there are a lot of opportunities. I saw a lot of potential."

The perks are many. Besides stability and regular hours, most firms provide some form of meal subsidy and transportation to and from work. Mindcrest alone employs 78 drivers.

LPOs aren't confining their recruitment to India. They hire U.K. or U.S. lawyers, who ride shotgun over the troops and provide a level of comfort to general counsel. The founders at many LPOs are former lawyers trained at big U.S. and U.K. firms. They know how the legal business works and what clients are looking for when it comes to service. Moreover, many of the senior managers they are hiring have helped create successful outsourcing ventures in other fields and have experience working with global companies.

Pangea3's Shelly Dalrymple left a 15-year litigation career in Tulsa, Okla., after a "mid-life crisis" because she wanted to do something new and exciting. She runs the litigation department, doing much of the same work she did back in Tulsa. She oversees teams doing document review and research and writing. "India is the Wild West right now. It's all happening here at twice the speed of light."

Still, the impact these firms will have on law firms in North America remains to be seen. No doubt, it will change the nature of work done by junior and senior associates. They will become more like relationship managers, providing the client with a menu of legal services or options for getting the work done and then overseeing those projects and signing off on the work that is done elsewhere.

Ram Vasudevan, chief executive of Hyderabad-based Quislex, says, "I don't think it's going to decrease the workload on any of the law firms. It will make the lawyers and firms more efficient, which allows them to do more value-added work for their clients."