

Quadrant II - Notes

Course Code: COD 115

Module Name: Legal Process Outsourcing (LPOs): Meaning, Merits and Limitations

➤ Legal Process Outsourcing (LPOs)

LPO or Legal Process Outsourcing refers to the process wherein law firms and legal corporations outsource their legal processes to an offshore service provider. Outsourcing is a great way for legal firms/departments to significantly reduce their cost and increase their efficiency at the same time.

➤ Merits of LPOs:

1. **Huge cost savings:** The biggest advantage of legal process outsourcing to India is the significant savings in cost. The availability of skilled labour, drastically cut down operating cost by half. The use of best practices, economies of scale and process re-engineering are some of the other factors that contribute to the low cost of legal services. With the cost reductions that come with outsourcing, business will have more revenue to invest into the core areas of law firm.
2. **24/7 support:** By outsourcing LPO services to country like India, law firm can leverage the benefits that come with India's time zone. Since the night especially in western countries, is India's day, the firms in these countries can get round-the-clock services. This will not only help to complete pending work, but it will also help to stay a step ahead of your competitors.
3. **Better focus on core business operations:** By delegating some of non-core legal work to an offshore service provider, the business can minimize their delivery time; reduce their workload and free-up internal resources to focus on building up the core functions of their law firm.

4. **Ongoing innovation and business transformation:** Outsourcing can help the law firm keep up with the latest technology, changing business processes and upcoming trends. This can give Legal Corporation an added advantage in the competitive legal field.
5. **Highly qualified legal team:** A highly qualified legal team helps to get the work done in lesser time.
6. **Reducing the Law-Associate Churn:** Junior associate churn and flexibility is one feature that inclines the firms towards outsourcing. Law-associates' churn occurs when junior lawyers switch from one law firm to another or when they open their own law firm. The intermixing of these law associate is a threat to firm's confidentiality where its competitor could be benefited. Further if a law associate as his own client, his departure shall also affect the firms competitor. Hence, it is not surprising that most law-firms invest a substantial amount of resources in reducing such churn. Indeed, the off shoring of various legal and paralegal processes can help in lowering this churn because the senior lawyers in the firm would need fewer junior lawyers.

➤ Limitations of LPOs

1. **Confidentiality breaches:** Law firms often tend to worry about the confidential relationship between their valuable clients and their firm. This often stops them from outsourcing. However, Indian LPO service providers compile by stringent regulation when it comes to the privacy of client information. Before outsourcing, one can check with the service provider about their security, privacy and confidentiality rules. This can help the law firm avoid issues with confidentiality.
2. **Communication and cultural barriers:** Legal corporations and law firms may not outsource due to the cultural and communication barriers that they have to face. Poor communication can be problem in legal process outsourcing, leading to poor responsiveness, unmet goals, ineffective governing or a lack of understanding. To avoid this problem, legal firms can outsource a pilot project to a service provider and check their level of communication.

3. **Hidden costs:** At times a law firm can stay away from outsourcing, because of the hidden costs involved. Hidden costs may be added to the overall cost of outsourcing due to employee turnover, quality control, vendor profit margins, vendor management or rising operating costs. Legal firms can ask their service provider to provide a detailed list of their costs, so that they are aware of even the hidden costs.
4. **Conflicts in interests:** While outsourcing LPO, firms may find that there is a difference in the interests of their firm and the service provider. This can result in reduction in sales, irritated employees/customers or slow turnaround time. Initiate regular meetings to make sure that law firm and the service provider are on the same page. This way, one can avoid conflicts in interests.