

Corporate clients embrace outsourcing

LEAH COOPER



Leah Cooper is director, legal services outsourcing, for CPA Global. She will address the Australian Corporate Lawyers Association conference in Sydney today.

THE legal industry is on the cusp of unprecedented change and legal services outsourcing is at the forefront of that change.

While there are still some in the legal profession who believe they can hold back the tide—or who hope the force of change will die down to a mere ripple on the ocean—the truth is corporate clients are ready for a radical sea change in the way legal services are provided. They have seen a new way of working and are not going back to the old way.

The legal industry is notoriously conservative and it has taken one of the most painful recessions on record for in-house lawyers and outside counsel to take stock of the way they work and come to terms with having to provide a continued quality service with tighter budgets and an increasing workload.

The Rio Tinto outsourcing agreement with my company, CPA Global, announced in June last year, was the groundbreaking deal that made people sit up and take notice—even more so when it was revealed the Anglo-Australian mining group had saved \$14 million in legal spending in the first few months of its outsourcing arrangement.

Since then, the sector has gone from strength to strength. There is an increasing number of corporate clients and law firms, particularly from the US and UK, using providers of legal services outsourcing, although much of this has been conducted away from the glare of publicity.

We have seen strong growth in our LSO business at CPA Global, where we are working with major corporations across a diverse range of industries, including financial services, telecommunications, technology and pharmaceutical, and are handling fresh inquiries almost every day.

The tremendous growth prospects for LSO are attracting the interest of outside investors as well as high-level legal professionals, who are seeing LSO as an exciting and viable career alternative.

CPA Global, for example, has recently recruited experienced lawyers from leading corporations such as Virgin Media and Home Depot, as well as top law firms, including Baker & McKenzie, Allen & Overy and SJ Berwin, to join our fast-expanding team.

Over the past couple of years, perceptions of LSO have changed dramatically, moving from scepticism towards mainstream acceptance.

While the initial moves into LSO were client-led—many law firms fought to avoid such change—law firms themselves are increasingly embracing LSO as the cost, efficiency and other benefits become apparent.

In Australia, we are engaged with a number of law firms as part of our work with Rio Tinto. That three-way relationship between corporate client, outside counsel and LSO provider is quite typical of the new legal services delivery model LSO has helped forge.

One firm is Blake Dawson, which recently visited our operations in Delhi, initially to see how it could help support its client, Rio Tinto, in delivering more cost-effective legal services. The people at Blake Dawson are exploring how they might engage with us to help them in their own right.

This more receptive approach from law firms is further reflected in recent research of UK and US corporates and law firms commissioned by CPA Global in conjunction with the *Financial Times* Innovative Lawyers Awards. The research showed nearly three-quarters of law firms and a little under half of corporates surveyed were using outsourcers, planned to outsource or were open to the possibility of using LSO providers.

This was reinforced by another poll, primarily among UK in-house counsel, where 86 per cent of respondents said they were outsourcing or open to outsourcing. While cost is still

seen as the primary driver of legal services outsourcing, it is not the only factor. In the *Financial Times* research, 83 per cent of companies and 93 per cent of law firms saw cost savings and efficiency as the main benefit of LSO, but some highlighted other advantages, including moving their own lawyers up the value curve, flexible resourcing, and increased standardisation.

The poll of UK in-house counsel was more telling.

Although 52 per cent identified savings as the key driver, almost half cited other reasons, 25 per cent saying it was ensuring best use of resources and another 17 per cent prioritising scalability for large, unpredicted projects.

These findings reflect the type of legal work being outsourced and the way outsourcing relationships work. Document review, e-discovery, and transaction support (including mergers and acquisitions) are the main tasks outsourced, along with contract work and legal research.

It is typically lower level work, but still very important as it often relates to large projects. It is what we refer to as “the big-deal little things”.

In transactions or regulatory and compliance matters, the work can be subject to sudden peaks for which corporate law departments and their external counsel may not be geared.

While some law firms mistakenly view LSO providers as a threat, we cannot replace and are not trying to replace law firms; we don't provide legal opinion, we don't practise law.

We help in-house legal departments and their external counsel get back to practising law by taking lower-level but essential work off their plates.

Change is coming and it's not just a ripple on the water.

It's a wave building strength, ready to transform the legal sector, and LSO is riding that wave.