

**Value Practice:
Sourcing Legal Work in India Leads to Significant Savings**

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Sun Microsystems has successfully developed partner relationships with several Legal Provider Organizations (LPO) in India to complete selected legal assignments that are generally process oriented:

- The effort started in 2005 with in-person meetings in India with prospective partners.
- Assignments have focused on process-oriented work such as contract review, e-discovery document review, IP filings and other projects not involving application of complex legal judgment. Up until recently, Sun has only used Indian resources for contract and document review. IP related work and e-discovery are other areas that can be appropriate in some instances to send over, but are not something Sun has yet tried.
- Cost savings have been significant with an ROI of up to 78%. For example, one project that was initially budgeted at \$1.2 million ultimately cost \$260,000 in fees.
- Ongoing close collaboration and liaison with regular exchange of views and feedback are required as well as detailed written instructions; in-person training for partner teams in India and onsite visits are highly recommended.

This ACC Value Practice example focuses on Sun Microsystems' use of LPOs in India to complete repetitive, process-oriented legal assignments.

Key Elements of the Initiative:

- *Scope:* the company has given several legal assignments to India-based firms. Since 2005, the company has developed partnership relationships with firms after in-person review meetings. The group of firms looked at as potential partners has changed over the last three years as the outsourcing market matures and expands.
- *Types of Legal Work appropriate to send offshore:* Contract and document review, e-discovery, segments of IP related work, research on enforceability of agreements and real estate – work for which a process can be developed.
- *Partner Selection Process:* In 2005, after extensive review of information available on the internet and from people in other companies, several Sun Microsystems lawyers went to India and met with the principals and staff of many LPOs. Several were identified as qualified to bid on process-oriented legal assignments. Responses by the firms to the company's RFP was followed by a "dynamic bidding event" – real-time bidding – that resulted in fees reduced even more. In-person meetings in India have been conducted every year to grow the relationships and to better understand the landscape and how the market is maturing.

Background on the Marketplace in India

- Since 2005, the marketplace in India for this type of service has grown very rapidly. Whereas in 2005 there were only a small number of firms providing such services, now there are more than 100 firms. Many of the early firms have either merged or not survived the growth in competition.
- For Sun, the most desirable firms to work with are those that have been in business four or five years as these have substantial experience compared with the recent start-ups.
- One litmus test is the level of E&O insurance they carry as this tends to reflect the level of business a firm has with sophisticated clients. Firms with \$10 million in insurance are telegraphing that their clients are sophisticated and demanding multinationals.
- Connie Brenton reports that she receives two to three sales calls a week from new LPO firms in India looking for U.S. clients.
- Currently, there is no organization that rates the quality or certifies the performance of LPOs in India.
- Law schools in India vary widely in quality. The National Law School, considered as one of the top tier schools, graduates only 70-plus students a year. There are a large number of second and third tier law schools in India, graduating thousands annually. Training programs at the LPO providers is an important criteria in selecting a partner.

Critical Success Factors:

Have face-to-face meetings. When possible, the in-house coordinator should personally meet with current and prospective providers in India. Meetings should include a wide range of people in the firms. Firm principals are likely to be lawyers with some US legal training or work experience. While most of the staff will be graduates of law schools in India or the U.K. and have different training experience.

Process-oriented projects work well. At this time, assignments given to firms in India should be process-oriented projects with well-defined parameters. To pilot or build the partnerships, small projects are appropriate to consider awarding along with the bigger ones.

To ensure the best possible outcomes, develop a collaborative approach and work closely with the LPO firm as you would with any traditional law firm or legal vendor.

Provide written instructions and feedback. Complete written process-oriented instructions should be provided that give detailed explanations of why your picture is not here, please add. It is required at each step of the process and how exceptions or problems should be handled. The instructions should be comprehensive and accurate since the LPO firm is relying on those instructions to successfully complete the project.

Good communication and the insertion of an escalation manager are essential. The law department in-house coordinator should ensure that there is ongoing communication with the India legal team at the beginning of an assignment to address any problems that arise and to tweak processes as necessary. These problems are likely to stem from a need to improve or

expand the written instructions, mistakes made by the U.S. legal team in the way they packaged or organized source materials provided to the India team, and other basic issues coming up from misunderstandings between the two culturally diverse teams. The role of the escalation manager is to ensure a one key point of Sun contact with the LPO provider to resolve any urgent issues in an expedited and consistent manner. This manager is often the same person who provides the training and updated information to the LPO provider.

Train on project requirements. When starting a large project, it is desirable for a member of the in-house legal staff to go to India to train the team on the project's requirements. When the project is half completed, it may be desirable for another round of training, again in India where the U.S. trainer can meet with the entire legal team doing the work.

Get buy-in of in-house attorneys. This is viewed as essential to success. In-house attorneys are often concerned about the quality and confidentiality of the services provided by offshore firms in addition to their job security. Their support for the effort is especially important because the preparatory work, additional training and close supervision necessary for offshore LPO firms are vital to getting good results.

Practices to Avoid

Don't make assumptions regarding training and education. When meeting with prospective partners in person in India, don't assume that the firm's entire team has the same level of training, education, and knowledge as the firm's principals. Law school graduates in India reflect a wide range of skills and knowledge. Meeting with many people in each firm at different levels provides insights as to how well trained the staff is and what the firm is doing to ensure quality performance.

Don't expect to send the project to your partner in India with minimal instructions or only loose supervision at the U.S. end. The project team will have good questions about precisely how the project is to be implemented and to ensure success, it will be very important to address these in a timely way. Communication on a regular basis is the key to sustained success.

Don't depend on having one representative from the India team come to the U.S. for training on the project who will then train colleagues back in India. It is far better for a U.S. in-house lawyer to go to India to provide training for the whole team there. Training only one person in the U.S. who then must take the complete picture is not here, please add. knowledge back to the India team ultimately leads to gaps in the training that may be very salient to success.

Don't assume that small projects require less detail in the preparation of written instructions and training than the larger projects. Firms in India are very precise in implementing projects based on the written materials and training. Any gaps in these materials are likely to lead to problems that take time to sort out.

Steps in Selecting a Provider in India

Conduct reference checks.

Investigate the background of the principals, the legal team doing the work and the LPO itself.

Many firms may be too new or growing too fast to provide meaningful staff training and retention statistics.

Interview the primary lawyers involved in your matters and assess educational and training backgrounds. Many principals have started firms after being trained in the U.S. as lawyers. There may be major differences in their training, as compared with that of the people on their teams. Additionally, the firm may have experienced major growth and/or contraction based on the nature and scope of big legal projects, such as e-discovery review. An erratic grow-shrink-grow pattern may create problems in achieving consistent service quality. The differences between the U.S. legal and cultural environment and those in India cannot be stressed too greatly.

Inquire into LPO's hiring and retention practices to evaluate the quality and character of the employees likely to have access to client information.

Investigate the security of the provider's premises and computer network. Because of the high level of client concern over confidentiality standards, many firms in India are likely to maintain systems and protocols that are higher than providers in the U.S.

Conduct a site visit and be sure to speak with a wide range of managers and legal staff. The best LPOs will expect you to want to speak with staff actually doing the legal work.

Disclose the outsourcing relationship to the client, and obtain informed consent.

Investigate E&O coverage. The more established firms will have coverage up to \$10 million.

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