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BENEFITS OF A LONG-TERM LPO RELATIONSHIP

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Prior to the growth of the Legal Process Outsourcing (“LPO”) industry, corporate legal departments usually maintained ongoing, long-term relationships only with outside counsel. In areas such as eDiscovery, document review, M&A due diligence, or other legal services, in-house counsel typically engaged third-party companies mostly on a project to project basis or relied on their outside counsel to engage a revolving door of service providers. While some of these corporations certainly enjoyed productive and mutually beneficial associations with outside providers, these interactions did not reach the in-depth and repetitive nature of law firm relationships. As a result, they also did not obtain the benefits inherent in the long-term, stable relationships experienced with law firms. LPOs, however, have proven to possess a number of unique characteristics which, like law firms, make them similarly ideal long-term partners for legal departments or outside counsel.

LPOS ARE UNIQUE

As an initial matter, most leading LPOs utilize only permanent employees. While this is obviously the standard at law firms, it is especially unique when compared to many other legal service providers. The foundation of any productive long-term relationship between two companies starts with the relationships between the employees themselves. By interacting with the same people over and over again, each side becomes familiar with one another’s ways of doing business, unique preferences, and communication style, all of which leads to enhanced efficiency and improved communication. The fact that LPOs also have demonstrable career paths and better growth opportunities results in high retention rates and further enhances these opportunities for successful long-term relationships with clients. Employees remain at the company for longer periods of time, and in addition to gaining a tremendous amount of institutional knowledge of the LPO which employs them, thereby enhancing their skillset, they also develop similar institutional knowledge of and familiarity with their clients. This ultimately enables LPOs to provide a better work product for clients and to do so more efficiently.

Depending on the specific situation, the benefits of these long-term relationships manifest themselves in a variety of ways. Here are several common examples:

SERIAL LITIGANTS

Perhaps the most obvious beneficiary of the long-term LPO relationship is the serial litigant. Corporations in highly regulated industries (e.g., financial services, insurance, pharmaceuticals, etc.) or engaged in lines of business which result in frequent litigation or government investigations may consistently find themselves with a long docket of active matters. By partnering with an LPO to manage the document review for these litigations, they achieve the benefit of the LPO becoming increasingly familiar with the client’s business, industry, and custodians, and in the case of similar matters, gaining expertise in that specific type of matter or area of law. For example, a financial institution subject to RMBS/MBS litigation has probably defended numerous such litigations over the last few years, all dealing with similar legal issues and factual backgrounds. In these situations, by working on each successive litigation, both outside counsel and LPO become increasingly proficient and efficient at handling such matters. Much as a corporation would develop an ongoing relationship with a single law firm, and likely even a specific set of attorneys within that law firm, to better handle similar matters over time, the corporation can gain identical efficiencies by developing a comparable working relationship with its LPO provider.

Similarly, any corporation which faces a steady stream of litigation, even if each is slightly different in nature, will benefit from a long-term LPO relationship. The long-term nature of the relationship, coupled with the exclusive use of permanent employees, reduces the time and expense of the ramp up period and eliminates the need to go through the unproductive phase of developing new relationships with leadership teams or client contacts. Instead, the LPO can hit the ground running on each matter, knowing that they only need to learn the specific details of the new project in order to bring themselves fully up to speed.



MULTI-JURISDICTIONAL INVESTIGATIONS AND LITIGATIONS

Another common scenario which showcases the benefits of the LPO relationship is the legal matter which spans multiple jurisdictions or regulatory agencies and starts and stops over the course of many years. In an increasingly common scenario, a corporation faces an initial investigation from a regulatory body in the US, UK or EU, which then expands in scope over time and quickly leads to the involvement of other enforcement agencies and the initiation of similar investigations. In addition, private litigations or class actions are almost certain to eventually follow these investigations. From an efficiency standpoint, it makes sense for the corporation to engage the same team on each separate phase of the matter; this is especially true in cases where the amount of work for the LPO ebbs and flows. The LPO can staff the same team, familiar with the matter and client, each time the client requires assistance (e.g., every time a regulatory agency or opposing party issues a new document request). Apart from the document review, the LPO can also employ smaller teams to provide other value-added services related to the review – for example, by leveraging expertise and familiarity gained from the review itself to assist outside counsel with deposition prep – on an as-needed basis.

CONTRACTS CENTERS OF EXCELLENCE

Outside of the litigation context, corporate legal departments usually enter into more direct LPO relationships which steadily expand in scope and frequency over time. These often begin with straightforward projects that achieve an otherwise routine legal department objective, which due to resource or other constraints, the department had been unable to handle on its own. As the legal department becomes accustomed to working with the LPO and grows more comfortable with the quality of its work product, and the LPO develops in-depth knowledge of the client's business and processes, the LPO typically starts to move up the value chain and perform more complex work. The LPO can also begin to leverage its expanded involvement to analyze legal and business terms to provide additional insights into the company's contracting processes and recommend best practices. In turn, legal departments seek to drive even more workstreams to the LPO, and rely on the LPO to leverage its expertise and institutional knowledge developed over the course of the relationship to create innovative client solutions. Over time, these corporations come to see their LPO not just as an outside provider, but as their own Contracts Center of Excellence which helps fill a vital and indispensable legal department function. Finally,

because the legal department relies on a dedicated team of the LPO's permanent employees, it can take advantage of the LPO's flexibility in pricing models (e.g., by engaging its team on an FTE basis) and achieve greater cost control and budgetary certainty.

LAW FIRM COLLABORATION

The benefits of the LPO relationship are not isolated to corporate legal departments alone. In recent years, elite law firms have increasingly developed their own collaborative, long-term relationships with leading LPOs. The benefits are self-evident: by working on matter after matter with a specific practice group, an LPO becomes a seamless extension of the law firm itself. Rather than "re-inventing the wheel" for each new matter by using different outside providers and contract attorneys, the law firm works with the same team every time and can truly integrate the LPO into its practices. The LPO team in turn becomes experts in reviews relating to specific areas of law and gains valuable institutional knowledge of the law firm's working habits. In addition to the resultant gains in quality and efficiency, law firms also provide a significant value-add to their own clients. By proactively finding a solution for their clients to the inherent problems relating to the cost, quality and efficiency of eDiscovery, they strengthen relationships with clients and set themselves apart from peer law firms as innovators and problem solvers.

CONCLUSION

Corporate legal departments and law firms are increasingly forming long-term relationships with top LPOs. As a result, they are also experiencing the benefits derived from the LPO's use of permanent employees and ability to leverage institutional knowledge gained over time to increase efficiency and develop client solutions. Going forward, we expect this trend to continue, and for corporate legal departments and law firms to continue to find new ways to leverage their LPO partnerships. Clients understand that LPOs are only scratching the surface when it comes to the services they are able to offer and that by expanding these mutually beneficial relationships in terms of both depth and complexity, they can fully maximize the value of the partnership.

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