

India – Service Providers

Global Outsourcing Expert Discusses The Future Of The Legal Industry And The Key To Delivering Services From India

The Editor interviews **Raymond E. Bayley**, CEO and Founding Partner of Novus Law, LLC.

Editor: Since we spoke last, what types of trends are you seeing in the legal industry and how are these trends impacting the kind of work Novus Law does?

Bayley: The most significant issue facing the legal industry today is the unsustainable, runaway costs of preparing documents for litigation, investigations and so forth. This exploding expense alone threatens the efficacy of the American civil justice system and could wipe out 50 percent or more of corporate profits in the next several years. America's 1,000 largest corporations spend more than \$60 billion, or 50 percent of their total legal operating budgets on average, to prepare documents for litigation, which is the single largest legal operating expense for most corporations. The growth of electronically stored information, which is the key driver of this expense, is rising rapidly. It's as much as 60 percent annually according to one study. At this rate, \$60 billion will become more than \$500 billion dollars in five years, absent a change in the rules or the way this work is done. That's unsustainable. Corporate legal departments and law firms are recognizing that a change needs to occur and are turning to global legal services firms, like Novus Law, that can provide a measurably better work product for far less money than what is typical in the profession today. More than ever, our firm is focused on helping our corporate and law firm clients address the unbridled growth of this enormous expense because it endangers our civil justice system, the financial well-being of corporate America and the global competitiveness of our nation. I don't know that there's a more serious issue facing the legal profession today.

Editor: How has your firm evolved given these trends?

Bayley: Although the credit crisis and recession have impacted the legal profession, our firm has experienced impressive growth, particularly in India, as we continue to benefit from our unique business model. For example, our emphasis on process efficiency, quality control and knowledge management, combined with global resources, means we're able to make a meaningful difference for our clients as they face the challenges associated with the runaway costs of litigation. As a result, we continue to build upon several successful ongoing relationships, which support our expansion despite our profession's difficulties. Many of our clients have mentioned that they have experienced better than anticipated results, which further underscores the importance of delivering both cost savings and a mea-

surably high-quality work product. We have also received some important recognition, including the prestigious global InnovAction award from the College of Law Practice Management for our eDiscovery process and induction into the College's Hall of Fame, making us the first-ever non-law firm in the history of the college to have achieved these honors. In addition, we recently received an ISO 9001:2008 global quality management certification from Underwriters Laboratories ("UL"), which is also a first in the legal profession.



Raymond E. Bayley

Editor: Tell us about your global growth. How has Novus Law been expanding?

Bayley: There have been a few notable areas of growth. Novus Law has made a concerted effort to expand its operations and capabilities globally, including in the U.S., EU, and Asia. We have also added capacity to handle more and larger cases while delivering an exceptional level of quality management and service. We've experienced our most significant growth in India, which is part of a larger strategy that focuses on redefining how legal services are delivered using more efficient work processes, rigorous quality control and collaborative knowledge management systems. For us, India is not about finding a less expensive place to do business. This distinguishes us from many of the companies that simply employ lawyers in India because it's a lower-cost jurisdiction. We think a business model based on labor arbitrage, whether using lawyers in India or elsewhere, is short-sighted because it cannot possibly deliver the measurably better results that clients are increasingly demanding as their litigation budgets spin out of control. After all, how can you deliver a better work product simply by paying less for labor? You can't.

Editor: Has the economic downturn affected your business model?

Bayley: The legal industry has been hit hard by the recent economic turmoil, and the results have been well documented, from layoffs and deferrals of incoming associates to calls for alternative billing and compensation models. These changes have led some firms and businesses to explore global service delivery options, but much of what has been done, such as the examples detailed above, has focused on labor as the sole driver of economic efficiency, which will only deliver limited, short-term, results. The legal industry needs to embrace what successful businesses in other industries do when one driver of economic efficiency has been played out; seek other drivers, like better process management, improved quality control and new technology solutions. If anything, the current economic downturn has reinforced the Novus Law business model because it is built on more sustainable drivers of economic efficiency and not simply access to less expensive labor.

Editor: When we last spoke, you discussed the important role of corporate legal departments as supporters of your work. Is that still the case?

Bayley: Yes, we continue to serve increasingly more corporate legal departments, although law firms are becoming more interested in our services as well. Corporations are forever in need of creating value for their shareholders by doing more with less, so they have been and remain the biggest buyers of services from firms like Novus Law. Corporations also understand that they can get more for less without sacrificing quality, confidentiality or security by working with a global legal services firm, like Novus Law, because most of them are global, too. As the challenges from the economic downturn continue, the need to create shareholder value is greater than ever before, and it has begun to influence outside legal counsel. As a result, law firms are becoming more interested in the work of global legal services firms because they are feeling extraordinary pressure from their corporate clients to provide even better services at reduced costs.

Editor: Have you seen any changes in your clients' needs and expectations regarding your services?

Bayley: Yes. The recent downturn in the economy has accelerated the pace of change that was already underway in the profession, and has changed our clients' needs and expectations. Not surprisingly, one of the biggest changes is the movement away from the billable hour, which does not reward results or the types of process efficiencies, quality control measures and knowledge management systems that are critical to delivering a high-quality work product at reduced costs. For example, several studies show that lawyers spend more than 20 percent of their time looking for things. If you can bill 400 or more hours annually looking for things, there is no incentive to build a better knowledge management system to eliminate this wasted expense, unless you provide services on a fixed fee basis, as we do at Novus Law. Not only do our fixed fees require us to be more efficient, but also our clients are enthusiastic about the cost predictability and certainty that they provide because we can tell them before an engagement begins exactly what it's going to cost.

Editor: What changes do you see in the future?

Bayley: A growing emphasis on process efficiency, quality control and collaboration to rein in the runaway costs of preparing documents for litigation, investigations and so forth. Today, more than \$30 billion of the \$60 billion or more that is spent by America's 1,000 largest corporations to prepare documents for litigation is wasted: more than \$15 billion as a result of inefficient work processes, \$9 billion because of poor quality and \$6 billion due to a lack of effective knowledge management and collaboration. This is unsustainable, and if left unabated will have a profound impact on the legal profession, the financial well-being of corporate America and the global competitiveness of our nation. I predict that

the tide will soon shift away from a focus on labor as the primary driver of economic efficiency, whether it's increasing billable hours, the elimination of lockstep compensation or hiring lawyers in lower-cost jurisdictions, etc., to more effective drivers based on intellectual property assets like process, quality and technology. I also predict that when this shift occurs it will kill the billable hour once and for all because investments in intellectual property assets cannot reasonably be included in an hourly billing rate. This is why Novus Law's service delivery strategy is based on UL-certified work processes, ISO 9001:2008-registered quality control programs, Web 2.0 collaborative knowledge management systems and fixed fee billing, and not simply on hiring lawyers for less in India. As a result, we are currently providing services to clients that are measurably better, faster and less expensive than the industry-standard work processes. For example, for one recent large-scale litigation we provided our client with a work product that was more than 99.9 percent accurate according to an independent audit, which is 10 to 20 percent better than what is typical in the profession, in about half the time that would normally be required and for a fixed fee that was about one-third of what the client would have paid using an industry-standard work process. Although only from our experiences, these examples highlight the future and direction of the global legal industry.

Editor: How do you respond to corporations and law firms that are hesitant to buy legal services from a firm like Novus Law?

Bayley: I certainly understand the hesitation, especially since there have been so many reports of disappointing results lately. However, in recent studies the proportion of disappointing results with global legal services firms is about the same as it is with law firms and other providers of legal services generally, whether they are located in the United States or elsewhere. There is a spotlight, however, on global legal services firms because it is a new way to buy legal services in an established industry. I think choosing a provider of legal services is less about one type of firm or another, or even where lawyers are located, and more about how work gets done. There is a shift in needs and expectations of corporations that require law and legal services firms to use well-defined processes, ensure quality, embrace collaboration and knowledge management systems and offer fee structures that fairly balance risk and reward. My suggestion is that corporations and law firms ask if the global legal services firm they are considering has documented and certified work processes, registered and auditable quality control programs, collaborative knowledge management systems and if they provide their services in a manner that fairly balances risk and reward. If the answer is no and the firm's strategy is based on paying less for lawyers in India or elsewhere, walk away. If the answer is yes, what does it matter if the lawyers doing the work sit in India or anywhere else?

Raymond E. Bayley, CEO of Novus Law, LLC can be reached at 1-877-NovusLaw. Novus Law is a global legal services firm focused exclusively on providing corporations and law firms with measurably better and less expensive document review, management and analysis services for litigation, investigations, due diligence, contract management and corporate governance.

Please email the interviewee at rbayley@novuslaw.com with questions about this interview.