Guest Column : VC Funding in LPO industry

Outsourcing is a practice in which a company, firm or business establishment transfers its work or portion of work to outside vendors rather performing it internally. The cost of outsourcing is very low as compared to getting the work done by any expert within the company who may cost the company relatively higher price for his service. It is one of the most strategic options available to a company because it involves balancing the potential cost savings and the consequence of a loss in control over the product or service.

What is KPO?

The evolution and maturity which the outsourcing strategies have attained has led the business to shift towards off-shoring of high end processes to low wage destinations, a trend referred to as KPO (Knowledge Process Outsourcing). This is more like the next flavor of BPO which involves off-shoring of knowledge-intensive business processes that require significant domain expertise.

The evolving KPO Market

In comparison to BPO, KPO delivers higher value to organizations that offshore their domain-based processes, thereby enhancing BPO's traditional cost-quality paradigm. The central theme of KPO is to create value for the client by providing business expertise rather than process expertise. Hence, KPO entails the shifting from simple execution of 'standardized processes' to carrying out processes that demand advanced analytical and technical skills as well as decisive judgment.

KPO services can enable enterprises to reduce design-to-market lead times; manage critical hardware efficiently; provide research on markets, competition, products and services; enhance organizational effectiveness in business administration; and help in dealing with rapidly evolving business scenarios. Finally, the outsourcing solutions for high-end processes, unlike traditional BPO solutions that are commoditized fixed-price solutions, are usually customized and value based. It is often this customization that enhances the value proposition of KPO.

Segments of KPO

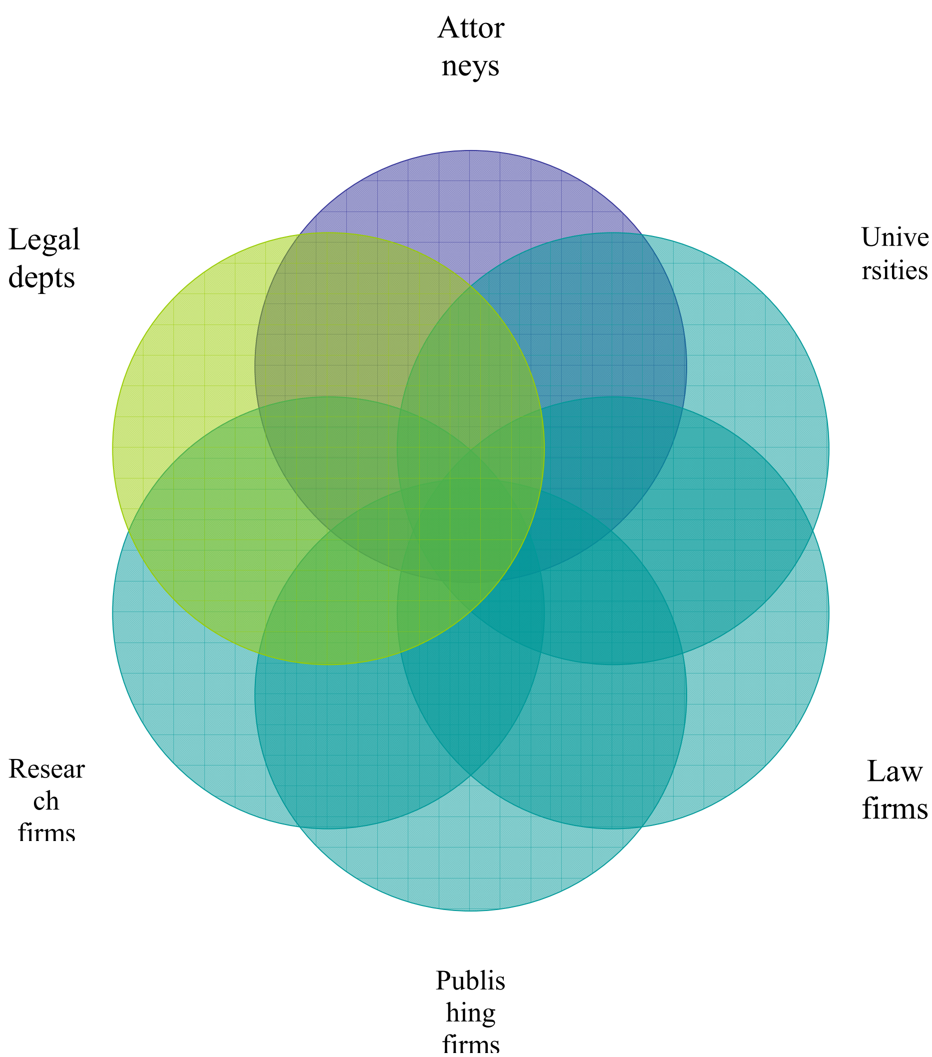
- **Financial Research**
  It includes analytical support, equity research, corporate finance and asset management.
- **Business Research**
  It includes economics research, company and industry research and documentation and library services.
- **Investment Research**
  It includes corporate finance, financial modeling and analysis and investment banking support.
- **Legal Research**
  It includes Legal, Para-legal content and services, drafting review of documents and contracts and Legal Research including Patents.
- **Market Research**
  It includes data acquisition and data entry, data processing and presentations.
- **Sourcing management**
  It includes spend data analysis and supplier intelligence, low cost country sourcing and advisory services.
- **Analytic Services**
  It includes Data ware housing, data preparation, ETL services, MIS and reporting, business intelligence, statistical and econometric modeling, optimization modeling and OR solutions.
- **Intellectual Property Research**
  In covers Patent drafting, filing, patentability assessment, overlap analysis, competitor IP landscaping, IP portfolio management, IP licensing and commercialization.

Legal Process Outsourcing: Lord of the Game

Legal process outsourcing industry forms a part of the knowledge process outsourcing industry. Under this arena, the legal jobs are outsourced by the law firms (primarily) based out of foreign countries like US, UK and other European countries where skilled labor (lawyers) costs are very high.

The Source of Demand

The demand for the legal process outsourcing emanates from the following entities:



Reasons for Growth of Legal Process Outsourcing

The reasons for the growth of Legal Process Outsourcing in India are the following:

- Globalization
- Cost Effectiveness
- Faster and 24/7 Services
- Quality Service
- Increased Productivity
- Higher Returns

Change in Work Culture : Earlier and Today

The type of work that is provided to an LPO has witnessed a change with the passage of time. Due to the abundance in the talent and intellect among the LPO firms in country like India was undoubtedly poised to grow. Earlier the work that was outsourced was of the nature of paralegal. The following were the type of paralegal assistance rendered by the LPO firms earlier:

- Memo writing
- Word processing
- Document review
- Application filing
- Scanning, Coding
- Indexing
- Abstracting

Now with passage of time, the works that are outsourced have become more technical and complex. Along with the legal transcription work that was outsourced, the following have been encompassed to the domain of LPO service:

- Legal Support
- IPR activities which includes patent application drafting
- Legal Research
- Drafting & Process-based outsourcing
- Writing Software Licensing Agreements
- High end sophisticated contracts requiring strong legal base
- Pre-litigation documentation
- Advising clients, analyzing drafted documents

Potential of Indian LPO Industry

In pursuance to a study by an American research firm, India has huge potential in legal outsourcing services with the number of jobs in the field increasing to 79,000 by 2015. Though India had earned over $6.7 billion in US-based outsourcing services such as software and call centers till March 2005, the field of legal outsourcing is largely untapped. The study estimates that this sphere in terms of its worth is poised to increase dramatically from about $80 million annually to approximately $4 billion (by 2015). The industry would eventually provide job opportunities to 29,000 professionals specially lawyers in 2008, 35,000 by 2010, and 79,000 by 2015. At present the number of jobs in legal outsourcing in India stands less than 12,000.

There are various reasons that make India a big market for the legal process outsourcing industry. It is still in the developing stage and has a far way to go. The following are the key reasons that exude the potential of the LPO sector in India:

- Vast resource of talented English speaking lawyers
- Friendly Governmental Policies
- India, like the US, is a common-law jurisdiction rooted in the British legal tradition.[1]
- Appellate and Supreme Court proceedings in India takes place exclusively in English
- Indian legal opinions are written exclusively in English

Key Player of Indian LPO Industry

In accordance with the research made by Acclivant (www.acclivant.com), there are hardly 50 serious players in the Indian domain. Out of them, very few are confined to the legal process outsourcing industry. Most of them are the players in big KPO (knowledge process outsourcing) industry having one leg spread towards legal services. They alongside encompass financial services, equity research, analytics, data management, patents research, business surveys, etc. Every player in the LPO industry, as of now, has focused its efforts towards US and UK markets. Some of them are blessed by their parent companies from US like Pangea3 and EVS. Others have got subsidiary companies in US markets to have a face amongst target clients.

[1] NAASCOM research group; Market Intelligence Service, July 2005

LPO	Team-base	Principal working	Website
Acclivant	6 lawyers and 3 MBAs in Delhi	IPR issues and Business Surveys	www.acclivant.com
Atlas Legal Research	3 lawyers in Bangalore	Legal Research and Brief Writing	www.atlaslegal.com
Intellevate	72 employees in Bangalore and Delhi	Patent proofreading, prior arts searches& paralegal functions	www.intellevate.com
LawWave	8 lawyers working on an as-needed basis in Chennai	Document review and legal research	www.lawwave.com
Lexadigm Solutions	6 lawyers in Gurgaon	Research memos, briefs, and surveys of state law	www.lexadigm.com
OfficeTiger	12 lawyers in Chennai	Word processing and legal research	www.officetiger.com
Intellextra	5 lawyers in Noida	Research and document review	www.intellextra.com

Venture Capital: Need in LPO Industry

As from the definition it is clear that the Venture Capital is the funds for the growth or start up of a new establishment. It is very much needed in the LPO industry which has the immense potential of growth in India. Venture Capital of course is deemed to be a critical resource for supporting innovation, knowledge based ideas and technology in human capital intensive enterprises. Alongside, Venture capital supports first generation entrepreneurs by providing the finance needed for idea based enterprises generally not available from banks and other institutions.

Seed Funding: India has witnessed lots of entrepreneurial activities happening in the legal industry. This trend has started alluring investors to park in their funds too. There are investors who are ready to make seed-stage funding in the LPO companies. These seed-stage investors assist the young entrepreneurs by putting in the necessary capital to execute the LPO working. They not only put the money in the business but networking, management skills mentorship, business procurement strategies, contacts with buyers community can also be arranged up to some extent.

The following may be the compelling factors that the Indian LPO vendors can allure VC funding in this industry:

- Entrepreneurship
- Bright Idea
- Market potential is huge
- Credible team that can execute
- Superb return on investments

Lots of LPO vendors are good entrepreneurs who have a proven track record; equally skilled and have a good business experience. In addition, they are passionate and have good commitment to the work they do. They have carved out an idea to entice foreign attorneys to outsource their back end, non-core legal activities to support. Idea is unique to be executed. The industry itself is passing through its transition phase with unlimited growth. This industry certainly includes understanding the industry, need analysis of foreign entities, hiring good talent from domestic sources, appreciation of clients' issues, clear possibility of creating a business, identifying pain points in the organization etc.

Indian legal process outsourcing market is flourishing at a very fast and high rate. So it would be the high time for the VC community that the funds are parked in good LPO vendors so as to reap superior margins on the investments.

Venture Capital: Recent Funding in Indian LPO

Recently, Sanshadow Consultants, an LPO firm operating from Delhi, providing technical support related to intellectual property issue and also covering pre-filing activities, prior art searching of patents, analysis and strategic report received strong investment from the Band of Angels, a group of successful entrepreneurs who invest in start up or early stage ventures. Band of angels has ensured to bring together highly successful entrepreneurial guidance for the LPO vendor to increase the potential of creating values. Apart from that, the band provides access to mentoring, its vast network and inputs on strategy as well as execution. One of the members from the band would sit on the board of the company.

The company also offers strong investment opportunity as it is built on a niche and scalable model. It provides services to overseas market like US and Europe.

Rakesh Jhunjhunwala, a leading investor in the country, has picked up a stake in the Mumbai-based Inventurus Knowledge Solutions for $5.5 million. The company has recently been set up and provides services in the verticals of healthcare and legal process outsourcing. In the legal processing arena, the company is going to focus on IP, litigation support and financial transactions. Inventurus, which was floated by four industry veterans, has a 25-seater office in suburban Mumbai and plans to increase the number of seats to 1000. The company is still in the process of hiring lawyers and other professionals to execute the projects which have already been acquired.