

The Rise and Impact of Alternative Legal Service Providers

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By **John D. Munro** JAN. 26, 2018

A trend that continues to become more widely accepted is the use of alternative legal service providers (“ALSPs”) for traditional and non-traditional legal services. Historically referred to as Legal Process Outsourcing (LPO), ALSPs have been in use for more than 50 years, but have seen significant growth in the last ten. Though the recent growth has been primarily propelled by demand from corporate law departments, law firms have utilized ALSPs for decades to outsource traditional legal services that don’t require attorneys. Today, leading firms like Fenwick & West LLP are using ALSPs to scale in subject-matter expertise and delivery of technology-centric, cost-effective solutions, while prominent corporations like Adobe are partnering with ALSPs for such benefits as controlled costs, protection of IP, and software solutions built specifically for their legal and compliance needs.

Who Uses ALSPs

At last year’s Legaltech, Thomson Reuters released a report that surveyed over 800 law firms and corporations. The study¹ found that “the growing use of ALSPs is largely about expertise, not low cost, as is often assumed. In addition, ALSPs are about technology and not just labor arbitrage, and for a lot of uses beyond e-discovery.” The survey found that over 51% of law firms and 60% of corporations it surveyed were already using ALSPs. By including firms and corporations who intended to use ALSPs within the next twelve months, those numbers grow to 72% and 74%, respectively.

The division of labor principles that initially introduced legal process outsourcing in law firms have since expanded to corporations. While the masses blame this shift on the failure of many law firms to adapt to the ever changing technical and legal landscape, that is not the only factor. Pressures to increase cost-effective competency as well as leverage cutting-edge technology have been the most significant drivers toward outsourcing many legal services to teams who specialize in those areas. The trend for corporations to grow their internal legal and

compliance resources and take greater control of their internal and external processes is furthering the shift from law firms to ALSPs.

While law firms use ALSPs primarily for eDiscovery, document review, and investigations, corporations engage ALSPs for a wider spectrum of services like regulatory risk and compliance, contracts management, and IP management. At BlackStone Discovery, we provide top law firms like WSGR, Morrison & Foerster, and Arnold & Porter with eDiscovery, managed review, and forensic services. On the other hand, we are also a close partner to companies like Adobe, Netflix, and Fitbit, helping them protect their IP and navigate challenging legal and technical issues while guiding them through the ever-changing eDiscovery landscape. Summarily, both corporations and law firms have increasingly subscribed to the principle that many solutions and services can be more efficiently delivered outside the walls of a traditional law firm.

Outlook and Considerations for ALSPs

As the complexity of services and tasks required of the legal industry continues to rise, expect the outlook for ALSPs to brighten and more areas of specialization to come forth. The stakes for choosing to keep certain services in-house will grow, as the investment required to implement and incorporate those services into an organizational structure becomes greater. Still, many firms will choose to keep their work in-house due to lack of trust or pains endured in the past with ALSPs.

The truth about managed legal services is that they aren't successful without focused, hands-on management, at least to start out. As Casey Flaherty, Principal of legal operations consulting company Procertas, points out, "Most successful users of ALSPs will tell you that... once they took time to train the provider and work to establish a common understanding for the product, the returns on the investment were spectacular." Treating ALSPs as partners instead of vendors, that is, spending the time to incorporate and coordinate efforts up front, will significantly increase the success and value of the engagement. Even after implementation, corporations and firms who choose to incorporate ALSPs into their processes will be most successful if they continually cultivate the relationship.

Getting the Most Out of ALSPs

Legal departments have reason to be excited about the great savings that ALSPs can help them achieve, but often forget that these savings will not be automatic. Good ALSPs don't require micro-managing, but they do require an understanding of the corporation or law firm's legal landscape and often more importantly the client's business goals. In optimal vendor relationships, parties work together to determine a strategy and the vendor in turn is able to help the client become a better advocate in the case.

Perhaps what has made ALSPs so successful is their entrepreneurial spirit. ALSPs like BlackStone develop proprietary technologies and individually customized workflows to provide the best value possible for their clients. They incorporate teams of prior litigators into a business model focused on technology, growth, and better solutions for the future.

¹ "Alternative Legal Service Providers: Understanding the Growth and Benefits of These New Legal Providers", *Thomson Reuters*, © 2017 Thomson Reuters S043079-1/1-17

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