

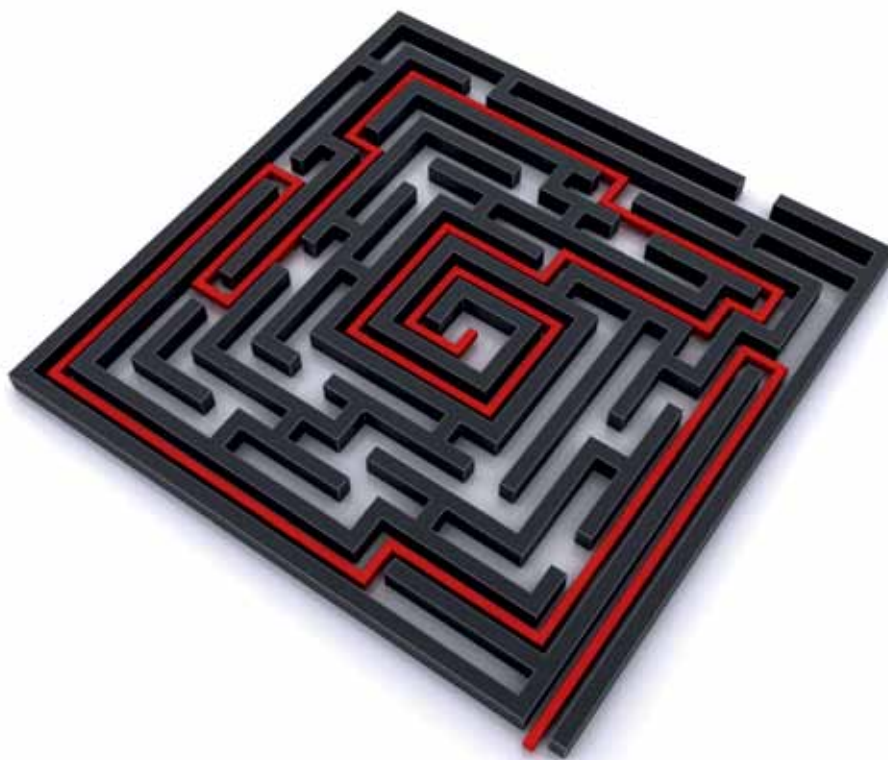
Legal Process Outsourcing Handbook

The inside perspective for buyers of legal services

2012/2013

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Technology and the LPO model: the Manthan way

LPOs with cutting-edge technology at their disposal will set the standard for legal innovation, suggests Gururaj Potnis, CEO, Manthan Legal

Most legal technology products – be they litigation matter management systems or contract lifecycle management – have been pioneered by companies that are primarily based outside countries such as the USA and UK. Very few of them have the scale and scope to leverage the global talent pool, mainly because the segment itself is small as a market opportunity.

The largest chunks of legal technology spend are in the areas of:

- Matter/practice management
- Document management
- Knowledge/information management/intranets
- Contract lifecycle management
- E-discovery platforms
- Infrastructure management software

Take-it-or-leave-it philosophy

Since skilled labour costs in developed countries are high, the basic design philosophies of these legal

technology products have been to develop products that are high on automation and low on human intervention.

Most of the products offered in the above categories are marketed as off-the-shelf, one-size-fits-all, and take-it-or-leave-it philosophy.

Some firms end up overhauling their systems every three to four years

The market reality forces companies to minimise customisation and limit the deployment time, while enabling users at client end to do most of the maintenance support and content population. Basically, after deployment, it is a DIY product where the technology provider deploys the products and leaves the customer to fend for themselves. The main reason behind this design philosophy is the skilled labour cost.

Getting perspective

A firm spends a substantial amount in legal technology as a capital investment and ends up with a system which is sub-optimum. Ruling out customisations of the solution because of prohibitive costs, clients end up using a sub-optimal product for their needs. Dissatisfaction is the order of the day. Some firms end up overhauling their systems every three to four years, trying to make up for a sub-optimal decision.

Let's say a contract management system is sold at \$30,000 as licence fees. Then there is the cost of staff, which inflates the total cost of the solution. The technology provider may charge as much as five times the licence fees for deployment, training, customisation and migration services.

A solution that may have a nominal license fee of \$30,000 may cost closer to \$200,000 by the time it goes live. On top of this substantial outlay, the cost of requesting additional support or assistance in migrating content and intelligence into the solution on an ongoing basis may be charged at rates often exceeding \$200 per hour.

Changing the design concept

Why is Manthan Legal, a legal process outsourcing company based in Bangalore, India, commenting on the adoption of legal technology?

The reason is that we are changing its design philosophy. The best legal technology centric solutions are people agnostic.

If the best solution requires technology to do 70 per cent of the job, and requires human effort to do 30 per cent, that is the right solution. But such an approach makes commercial sense only if the cost of skilled human effort is nominal. That is where an LPO comes in.

Manthan Legal has an inherent advantage. In our

Is your sales force waiting for the legal team to deliver a draft contract ?



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opinion, Bangalore, the Silicon Valley of India, has the right talent milieu to architect world-class technology solutions.

Manthan Legal has built two products for Contracts Intelligence:

- Entergence and
- Encobi

Entergence is the precedent intelligence-driven authoring platform and Encobi is the contracts business intelligence portal.

While Entergence is a paradigm shift for pre-signature contracts management, Encobi is an elegant solution for post-signature contracts management. But what makes it appealing is the fact that Manthan Legal backs customers who have deployed these technology solutions with continual services support from a team of 200 lawyers and 100 technical staff.

So, when customers are using Manthan's solutions, they have service support to

- draft contracts;
- build knowledge trees;
- author playbooks;
- automate contracts;
- customise workflows,
- build specific features that are crucial for a firm and
- maintain and upgrade the contracts knowledge base on an ongoing basis.

While we boast cutting-edge technology in the above solutions, it is the bundled offering of content building, maintenance and upgrading services support that has made a huge difference in customer satisfaction.

Successful business models

LPOs with cutting-edge technology solutions will help set the standard for the ideal design of legal technology solutions.

Firms that can leverage global talent while optimising costs for both technology services as well as legal support services, clearly have the edge.

As a result, more models based on the same principles of Manthan will succeed. Going forward, we

Firms that can leverage global talent while optimising costs clearly have the edge

believe the larger legal technology firms will probably acquire LPO firms, while others may tie up with various LPO firms to plug the missing gap. But the future belongs to those who can offer turnkey solutions combining the best of technology with the best of ongoing technical and domain support. Customers want peace of mind. Manthan Legal shows how it is done.

LPOs drive contract analytics

By Mangala Hunnargikar,
VP legal solutions, Manthan Legal

Business intelligence

In today's world, information is the key power for businesses. The best source of information for any business to business (B2B) relationships for an organisation is its well structured contracts repository. Customer trends, revenue leakages, compliance metrics locked in the contract files, can be made readily accessible with the help of the right analytical and business intelligence tools.

The information embedded within contracts not only gives a user power to understand and interpret historical data, but also to contribute to future planning and execution. Knowing this statistical business-related information gives an edge to companies.

The primary beneficiaries of contract analytics includes the sales team, procurement team, legal team, corporate planning team and the chief financial officer (CFO).

Analytics as a science

Contracts bind the parties into a legal relationship and they have to value this document as long as they are doing business with each other. The contracts also record and evidence any changes in the position and relation of the parties with respect to each other. This dynamic document showcases how the parties are related and holds the key to all the rules of the business by which the parties have to abide.

Analysing all the key information within the contracts and putting it to use to make strategic decisions is the science of contract analytics. We call it a 'science' despite the fact that a lot of contractual terms are subjective. This is because a methodical way of interpreting contractual data gives objective insights leading to actionable intelligence. When we visualise and analyse this information not at the 'tree level' (from individual contract level) but at the 'forest level' (all contracts put together), then this information is a rich seam of business intelligence. The actionable insights gleaned lead to better decision making.

Turnkey contract analytics solutions

Contracts contain a mass of information. It is imperative to capture the right information matching our set objectives and avoid the risk of losing our focal point. Systematic culling of required

information spread across many contracts is needed. It is a human-effort-intensive activity. This also means you may need a large number of contracts specialists, in-house or otherwise, besides use of optimal automation and technology.

This is where an LPO firm can make this proposition feasible. Several LPO firms have large teams of contract specialists trained in contract analysis. Manthan Legal, a technology-centric legal process outsourcing firm, offers turnkey solutions that includes a contract intelligence platform – Encobi, as well as a team of trained contract specialists. LPOs, by their inherent model of tapping global talent, have provided process rigour and pricing advantage. The idea of using contracts analytics as a means to empower decision makers throughout an organisation is now feasible and readily available.

Actionable intelligence

Our contract analytics team is well trained in the science of contract analysis. It reviews contracts, extracts key information and metadata and populates contracts intelligence platforms. Each piece of information synthesised is controlled by a quality assurance (QA) group. Below, is a demonstration of how Manthan's contract analytics team breaks down each contract by its components with intent to answer several business-critical queries. Each step of the contract analysis below is guided towards a possible course-correcting decision-making point.

All the information in the table can be made available only if the firm has access to intelligence from contract analytics. Each contract term, when analysed as a pattern across all contracts, gives a valuable insight into how business decisions have had an impact on the progress of the company.

The analysis helps not only from the customer side, but also from the vendors, employees, and suppliers' side of the business. Retaining cost-effective vendors and suppliers is also an opportunity to add profits to the organisation.

Another significance of this analysis is that it gives vital inputs to legal departments while authoring agreements with key clients/vendors. It lets them know how they have treated a particular clause in the past and how business has been impacted by deciding to adopt a particular stance. Now they can consider slight deviations or alterations of that clause which will suit their business more.

While market research may help organisation identify market opportunities, contract analytics can only supplement that effort. Levers of mining additional business from existing customers are a latent and patent opportunity to increase revenues. Contract analytics and contract intelligence platforms provide these levers.

Past experiences, if they can be analysed, can become the stepping stones to achieve future goals. A business is a summary of its contracts and the science of contract analytics will have a considerable bearing on the business.

Information from contracts	Questions	Possible decision arrived at using contract analytics
Client details	How many clients have become inactive?	Changes in marketing methodologies; approach old clients with new offerings
	Where are clients located?	Some regions yet to be explored using concentrated marketing efforts from an expansion point of view
	Where are new clients located?	Invest to sustain momentum. Review the regions with below-average sales conversions
Product and pricing	What is the current discount structure?	Consider offering more discounts or limiting it only if an order is in bulk
	Has change in pricing led to more contracts being signed?	Plan pricing elasticity based on actual revenues booked through new contracts
	Which product is more popular?	Consider upgrading it with more features and build on the demand
	Have most favoured customers offset the privilege pricing with increased volumes?	Consider the price volume matrix to re-designate customer as most favoured or otherwise
Term and termination	How many contracts expired in the last quarter?	Sales and marketing to approach them for renewals with fresh offers and try to retain the clients
	What is the financial revenue impact of non-renewed contracts?	Plan a balance between recurring and non-recurring revenue models
	How many contracts expire in the next quarter?	Consider amending and renewing the contracts
Renewals and auto-renewals	Can someone alert me on contract expiry dates well before they are due?	Proactive contract renewals and no redundant chasing if the contract has auto-renewal provisions
Business unit-wise new revenue break-up	Which division is delivering its revenue targets in terms of signed contracts?	Facilitating quicker turnaround on contracts for the divisions that are signing larger number of revenue opportunities
Product/service-wise sales analysis	What is selling? High margin offerings or lower margin ones?	Balance cumulative revenue growth with growth in profitability to decide sales push

Decision making to stakeholders

Business intelligence is all about actionable insights. By analysing contracts, several stakeholders of the organisation are empowered towards actionable insights. Let's view the benefits of contract analytics reaching to various stakeholders.

Legal department

The legal team is responsible for regulatory compliance, risk management and contract amendments once the contracts are signed and also for facilitating, drafting and negotiation of new contracts. A robust contract analytics platform enables the legal team to:

- Track audit trails from signature to amendments, to expiry
- Track and amend contracts to comply with industry-specific regulations
- Track risks being accepted by organisation, along with mitigation planning
- Ensure that stakeholders are updated on changes in client business (company name change, M&A transactions, de-rostering of vendors)

- Leverage best practices from contracts/analyze and compare existing clauses to suit present scenario while drafting contracts
- Build scenario and context-based contracts intelligence for future authoring
- Receive alerts before contract expiry and renewal due dates

Commercial department

The commercial department seeks to enforce its pricing tables, models and benchmarks on all contracts that are signed by the organisation. Using a contract analytics platform, it can:

- Monitor business terms being accepted by the organisation in areas of pricing models, rates, rebates, shipping terms and payment terms
- Track application of penalties for performance deviation
- Track margins based on products/services transacted
- Receive alerts when change in pricing terms for any contract

Procurement department

The procurement department manages all vendor-side relationship and tries to maximise the payoff of trading between centralised purchasing and disparate business units-based purchasing. Using the contracts analytics platform, the procurement team can:

- Have a single view of vendors across all procurement contracts. It also helps in better pricing negotiation
- Track and plug revenue leakage instances. This can happen by consolidating the number of vendors who deliver similar products/services, and increasing order size per vendor
- Optimise the distribution of what the central procurement team should obtain, and what should be left to the discretion of the business units
- Gain one view of the pricing range for each product and service procured

Corporate planning department

The corporate planning group tracks several business metrics, analyses past performance and models future performance based on internal and external dependencies. This group can benefit immensely using the contract analytics platform. It can:

- Generate operational reports and track current business performance
- Define and enable key performance indicators (KPIs) tracking for new contracts signed
- View non-compliance risks and model them for future financial impact
- Use base contractual data to model future 'what if?' scenarios

CFO

Key result areas for any CFO will cover revenue growth, margin improvement, enhancement of controls and cashflow improvement. Using the contract analytics platform will enable a CFO to answer

several questions and build better visibility into these areas on click. A CFO can:

- Check whether the new business added is a high-margin offerings or lower margin
- Verify whether new revenues coming in are a result of new client addition or mining of existing clients
- Ensure whether margins per customer are improving or otherwise
- Verify whether buy-side spend is under control
- Check which business unit is contributing best to increase of revenues and margins, and which units are the laggards

Single view of relationship

The sales team often asks a simple question, 'Have we done business with this firm?' Most firms struggle to answer this authoritatively. A contract analytics platform gives you an ability to pull this answer in less than 10 seconds. You can generate a single view of customer report for your sales team. You can generate a single view of vendor relationship for your procurement team. This saves considerable time and feeds intelligence before you set out negotiating terms of engagement with any client or vendor, thus enhancing productivity.

Plug maverick spend

Ad-hoc buying of products and services from outside the list of an organisation's preferred vendors can be easily exposed by contract analytics. For any given product or services, contract analytics can bring forth all not preferred vendors and the quantum of spend on such vendors. It can even highlight the rate differential between the best vendor price for that item and a rate applied under a given contract. Centralising purchasing of certain items, or putting in place an approval systems for those items, can be considered to plug non-standard purchases.

Conclusion

The point to highlight is not whether there is a critical business necessity of contract analytics or who can benefit from the same. Those are patent. Contract analytics is inherently tied to producing better business results. What has changed in the past three years is that contract analytics is today available, as a ready solution from specialist LPOs like Manthan Legal, and is affordable. Leveraging technology and offshore contract analytics specialists, LPOs offering contract analytics solutions see their customers recover the ROI well within year one.

Firms see results almost immediately when they start plugging maverick spends and mining existing customers for new revenues. They cut down delays in contract renewals and optimise pricing strategies. They can track contractual risks better and provide best practice guidelines to legal teams for drafting future contracts. All this, once they embark on the journey of contract analytics.

Implementing a contracts intelligence lifecycle management (CILM) solution

By Sushmita Das,
VP business development, Manthan Legal

The problem

Manthan Legal was asked to help a company needing a technology platform to manage a large number of client and vendor contracts every year. This company, a US headquartered global corporation with a turnover of more than a billion dollars, offered solutions for the healthcare, pharmaceutical, financial services and telecoms industry. It had operations in 20 offices and 10 countries spanning four continents, as well as a projected top-line growth of over 30 per cent year-on-year for the next four years. It wanted its legal department operations to be geared for the future.

Key challenges for the company

The company was dealing with over 1,500 client and vendor contracts each year, which were projected to exceed 3,000 a year in the next three years. These included master services agreements, license agreements, confidentiality agreements, vendor agreements and third-party agreements. The business projected that a range of other areas would also increase, including legal research, compliance and template management.

Expanding the legal team in the US was not feasible for a variety of reasons, with cost and flexibility at the top of the list. The current legal team was exceptionally talented, but it took almost three years before new members gained proficiency into the nuances of contracts management at the firm.

The client wanted to change the model where the capacity adapted rapidly to the increasing business volumes. Hence a pure US -centric team expansion was ruled out because of a lack of flexibility with this model. Furthermore, from a cost point of view, the client wanted to adopt futuristic-oriented legal technology platforms as part of the change.

The quest

To deliver these needs, the company looked for a reliable solutions partner to deliver contract management to implement a turnkey integrated mandate of technology platform as well as contracts, research and compliance services.

After evaluating leading LPO firms and legal technology firms, the company chose Manthan Legal as its solutions partner. One of the key deciding factors was that Manthan was a well-established LPO services provider with its own best breed technology solutions for contract drafting and contracts intelligence management.

Implementation mandate

The mandate given to Manthan Legal included: drafting and marking-up 1,500+ contracts annually to include the following: master services agreements and statement of works, confidentiality agreements, vendor agreements, product license agreements and third-party agreements.

It also wanted implementation of precedent intelligence-based drafting software, entelligence and implementation of post signature contracts business intelligence portal – Encobi. Managing legal research, compliance, template management on a turnkey basis was also part of the brief.

The Manthan solution

Manthan Legal provided its full Contract Intelligence Lifecycle Management (CILM) solution to the client. This included Entelligence and Encobi as

technology platforms. It also comprised contract drafting, mark-up, legal research, compliance and template management as services. On top of the specified mandate, Manthan's CILM implementation also included the following to add value for the company.

- Building on playbooks for key contract types
- Building of master knowledge trees for each contract type
- Automating form-based contracts
- Integrating technology platforms with existing Sharepoint and Workflow solutions

The contracts drafting and services support team had a dual-shore staffing comprising of US lawyers and India-based contract specialists working together to provide the best possible service.

End-to-end delivery solutions

The implementation of Entelligence, a precedent intelligence-based contracts authoring solution, was part of the offering. The implementation of Entelligence was divided into a number of stages and included the following.

- Mapping precedent contracts for clause variations and their context.
- Building of key contracts knowledge trees.
- Review of metadata by client team.
- Formalising Playbook for contracts negotiation within Entelligence.
- Building and testing of wizards form.
- Training resources for domain, process, client, product, applications, etc.
- Deliver test project to client.

When the project went live, the Manthan Legal team was available constantly to provide technical and training support as needed.

Contract intelligence portal – Encobi

When implementing Entelligence, the team ensured that data models specific for each customer within the client were built.

The inside customers included the procurement team, the legal team, the compliance team and the CFO office. Each wanted different intelligence extracted from contracts.

The project also involved migrating all contracts to a secure, cloud-hosted location and extracting and uploading key metadata from existing contracts. Metadata had to be quality checked and metadata reviewed by the client team. The project also involved training customer principals, business users, sales and legal team on the full potential of Encobi.

As with Entelligence, we also had to provide ongoing technical and training support when the implementation went live.

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All issues were tiered as normal while those designated high priority had a pre-defined responding time

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Strong project management office

We provided key contact for onshore communication as well as offshore key contacts for the entire project.

Our implementation staff and the project management office (PMO) remained actively engaged after initial programme set-up and roll-out. At the end of the initial set-up the PMO was operational with the procedures for execution including communication, reporting, Service Level Agreements (SLAs), training, billing, timesheet reporting etc.

As a result, this ensured a well-defined, structured and fully executed ongoing process. The client legal team had direct access to its legal services support team for 20 hours a day and access to the project management team 24 hours each day.

Manthan also provided a strong technology service center to address and resolve issues at different levels.

- Level 1 - basic user support
- Level 2 – technical support
- Level 3 – engineering support
- Level 4 – strategic technology consulting

High-level quality assurance

As part of our value proposition, we offered a two-step quality assurance process to the client at no extra cost. India-based quality assurance lawyers undertook the first-level quality assurance review with US-based professionals doing the second level review based on the contract type.

The portal designed and deployed for the client had an inbuilt mechanism to raise flags and receive responses to them. Consequently it had the ability to produce reporting on issue occurrence and resolutions.

All issues were tiered as normal while those designated high priority had a pre-defined responding time. The time allocated was either in the 12 to 24 hours timeframe or four to six hours when designated a priority.

The end result

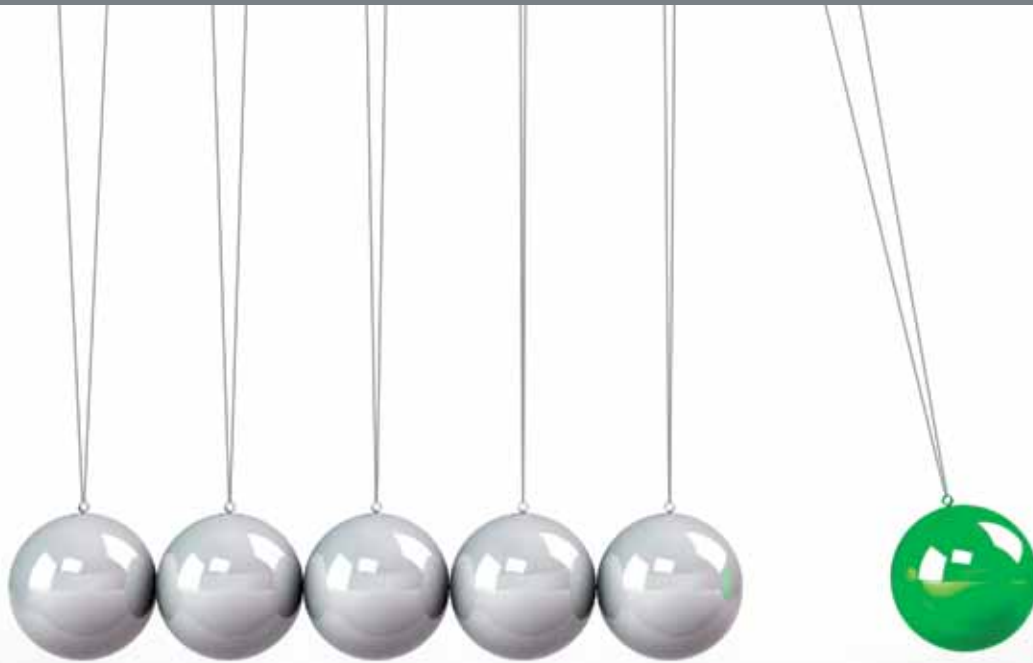
All in all, the project was successful and the client had a full CILM implementation backed by Entelligence and Encobi that covered end-to-end aspects of contract intelligence lifecycle with platform and services.

The tangible outcomes were many. Firstly, productivity rose, with the legal team delivering 30 per cent more contracts to business users.

Business users were able to obtain several answers on tap using Encobi, which previously had been directed to the legal team to answer. Entelligence increased the capacity of the legal team, saving drafting time by well over 35 per cent.

The cumulative cost per contract reduced by 23 per cent in the first year, with a further reduction of 10 per cent projected in the second year.

The Manthan Legal differentiator



Futuristic legal technology. Comprehensive LPO Solutions.

Manthan Legal has been the pioneer of Legal Process Outsourcing (LPO) since 2003 offering contract management and litigation support services. But we were disappointed with the legal technology products that we encountered while working with our clients, especially in the areas of contract authoring and management. Hence Manthan Legal built legal technology platforms for contracts management with a fundamentally different design philosophy, where the focus was on mining precedent intelligence.

Manthan Legal offers

- Solution design that is future-proof and can adapt to changing business models
- Turnkey solutions - product implementation, knowledge building, migration and maintenance
- Contracts Intelligence platforms – Entergence and Encobi, on enterprise server, cloud and iPad
- Ongoing contract drafting, contracts intelligence and contracts maintenance services
- Fixed fee pricing for both technology and LPO solutions
- On-demand access to 300 lawyers and technical support team

Get in touch with us to know more about the Manthan Legal way.

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Intelligence

Get a single view of customers. Plug revenue leakages. Mine contracts for intelligence.

With Encobi. From Manthan Legal.

Encobi stands for Enterprise Contracts Business Intelligence portal. It is a contracts intelligence mining platform for the business users in the organization. Users can access insights from contracts on tap. Encobi is designed to provide instant answers to queries from all entities of the organization that can use contracts intelligence, like the legal team, finance team, procurement team, sales team and more so, the CFO.

With the powerful reporting engine of Encobi you can:

generate
customized contract
reports and
share them

view contracts by
business units,
products and
services

automated
alerts
and
reminders

manage risks,
obligations and
streamline
compliance

view all contracts
for specific
customers in a
single window

Encobi is supported by Manthan Legal's services team of 200 contract specialists. Just so that, if you want to start plugging maverick spending within your organization, you know how.

Call us and get a demo of Encobi today.

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