

Andreas Klug

Andreas is an English and German qualified lawyer and heads up the German Practice Group at UK and international law firm Beachcroft LLP. Having worked in the City of London for more than 10 years he has extensive experience in IT/Telecoms and Technology matters and particularly in international outsourcing transactions.

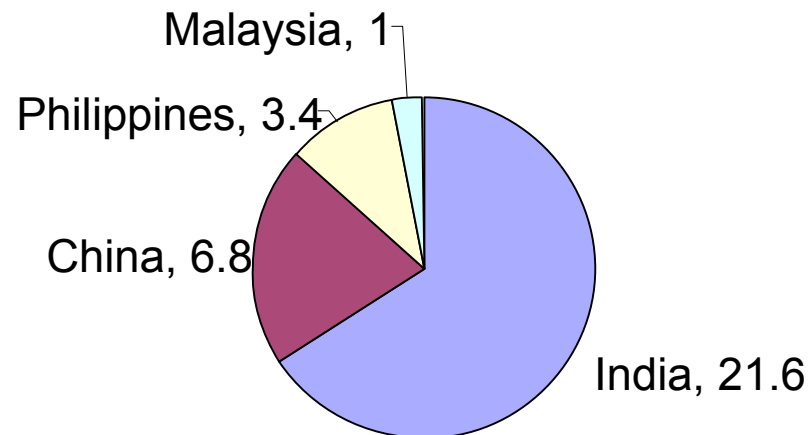
The main focus of his practice is on international projects for large national and multinational IT/Telecoms companies and institutions based in EMEA, US or AsiaPac. As such he has, for example, advised on complex commercial arrangements for international consortia, global data protection compliance programmes, multi-jurisdictional telecoms licensing matters or employment issues. Andreas' experience includes commercial, regulatory, corporate and project management aspects of such projects and deals.

Session Number & Title

901 Outsourcing Legal Services to Foreign Countries – Do's & Don'ts Off-Shore Outsourcing

Outsourcing

IT and BPO Offshore Business 2006 (\$US billions)



Why India?

- Language
- Labour Force
- Infrastructure
- Stable Economy
- Common Law-based Legal System

Offshore Considerations

- DO consider the type of deal
 - Third Party Supplier
 - Captive Entity
 - Joint Venture

Offshore Outsourcing

- DO also consider
 - Geographical Issues
 - Employment Issues
 - Regulatory Implications back Home
(e.g. data protection, financial services)

Offshore Outsourcing

- DON'T forget
 - Trade Unions/Internal Opinions
 - Local Law

Andreas Klug
Rechtsanwalt & Solicitor
International Commercial Services

Jyoti Pakrasi is a Senior Corporate Counsel with Cisco Systems. He acts as General Counsel EMEA for Linksys, Cisco Systems' consumer division. With Sales being his key internal client Mr. Pakrasi also supports HR, Finance, Marketing and Manufacturing in all legal matters. Prior to this he was providing legal services for Cisco Systems' sales organization in Germany as well as Eastern Europe, Middle East and Africa, respectively.

Prior to joining Cisco Systems in 2000 Mr. Pakrasi worked as in-house counsel for IBM Global Services, reviewing and negotiating major system integration and outsourcing contracts. He also served as the focal point for leading edge legal issues related to IBM's e-business, internet and multimedia solutions. From 1994 to 1998 he worked for Motorola as Legal Counsel for its mobile service provider business. While based in Switzerland Mr. Pakrasi has previous work experience in the US, Belgium and Germany.

He is a member of the German bar and represents Cisco Systems in various national and international industry working groups, including BITKOM, DGRI and the IT Law Forum.

Mr. Pakrasi has graduated from the University of Bayreuth, Germany. He has continued his studies at the Postgraduate School of Administrative Sciences in Speyer, Germany.

901 Outsourcing Services to Foreign Countries

Beyond Outsourcing Cisco's Globalization Initiative

Jyoti Pakrasi

Agenda

- Why go Beyond Outsourcing ?
- Best Practices Considerations
 - Legal
 - Finance
 - Commercial
 - Political
- India Case Study

Beyond Outsourcing

Oct 06

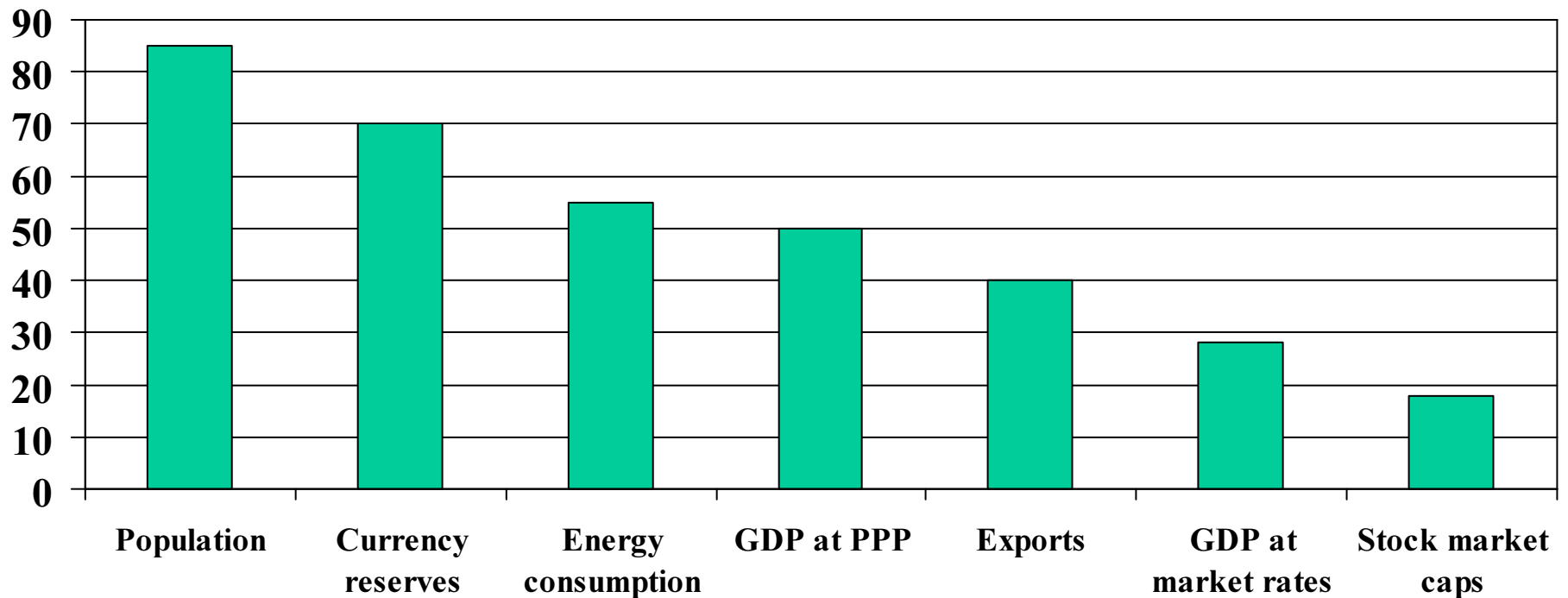
IBM established Chief Procurement Office(r) in
Shenzhen, China

Feb 07

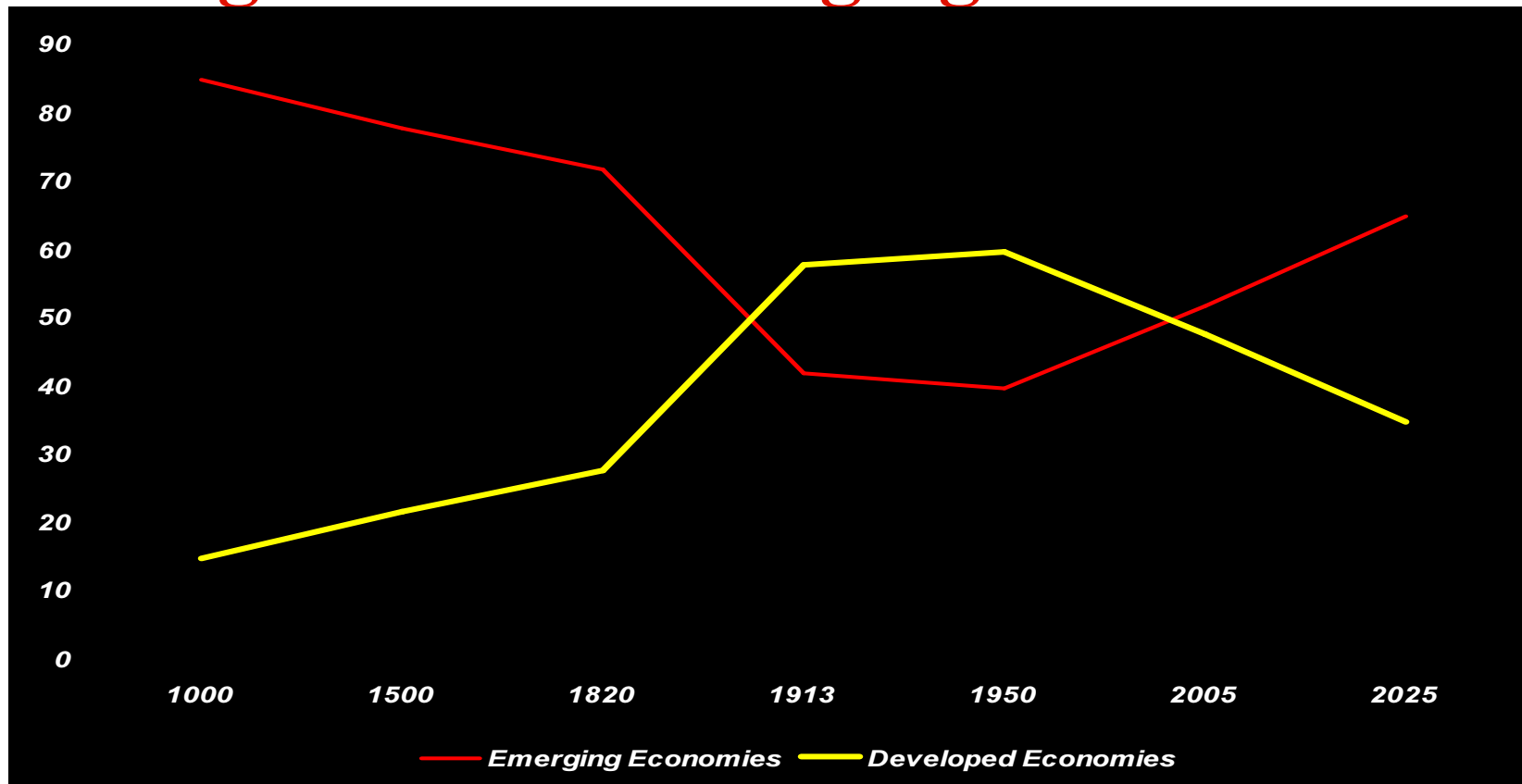
Halliburton moved corporate HQ to Dubai, UAE
Cisco opened its Globalization Centre East in
Bangalore, India

Why go Beyond Outsourcing ?

■ Emerging Economies as % of world total, 2005



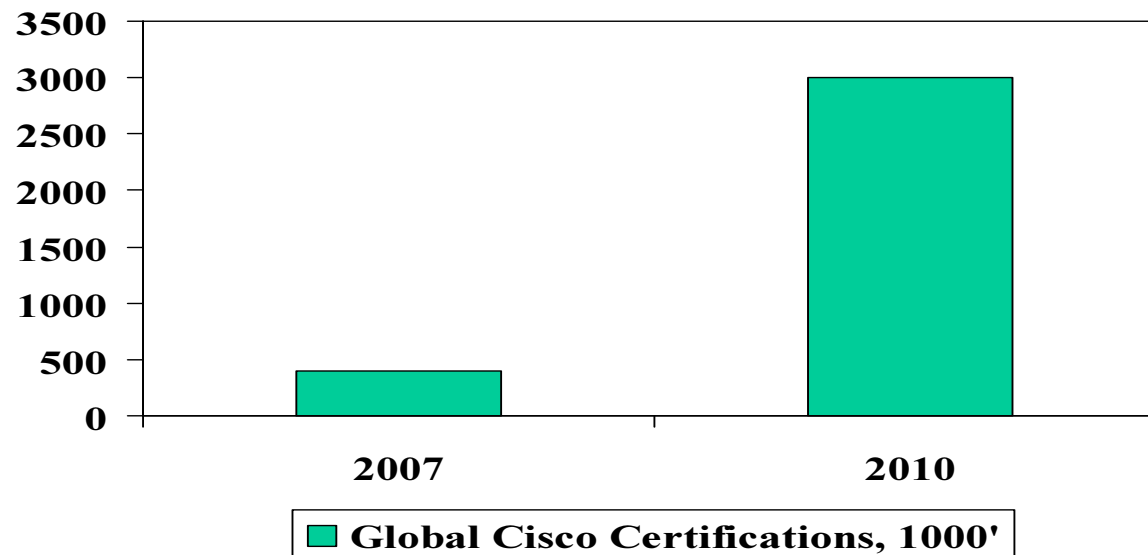
GDP growth in Emerging Economies



GDP share (at Purchasing Power Parity), Source: Economist, Sep 2006: The New Titans

Why go Beyond Outsourcing ?

- GDP growth in Emerging Economies
- Emerging Economies as Mass Market
- Emerging Economies as Talent Pool



Best Practices – Legal Issues

- Judicial System
 - Reliability
 - Process
 - International Recognition of Rulings
- Intellectual Property Rights
 - IP Ownership
 - Brand Protection

Best Practices - Legal Issues

● Labor Laws

- Termination rules; ARD, TUPE equivalents ?
- Union's rights
- Employee inventions

● Regulatory Issues

- Export laws
- Data protection
- Sector-specific restrictions: Finance, Healthcare

Best Practices – Financial Issues

- Accounting Rules
- Tax System
- Free Movement of Capital
- Stock Options
- Local (Minority) Investment Rules
 - e.g. South Africa

Best Practices – Commercial Issues

- Customer base
- Skill set
 - Available
 - Development
- Environmental Standards
- Labor Practice
 - Work conditions
 - Development of salaries

Best Practices – Political Environment

- Stability
- Democracy vs. Autocratic Regimes
- Corporate Social Responsibility
- Integrity
- Impact at Home

India Overview

- Land area— **1/3 of United States**
- Population— **1 billion**
- **6 cities over 3M** (only 2 in US);
5 over 4M (only 1 in US)
- 13 official languages;
English-speaking professionals



India is Changing the World



Top 5 reasons

1. Growing Up — 8%; \$800B
2. Consuming Conspicuously — 50M pax
3. Exporting Talent — 2M in US; Highest Income
4. Peopling the Planet — 1B
5. Challenging China — democratic; faster growing population



Innovative Customers



Skilled Partners with Global Capabilities



Culture of Tolerance and Diversity and Partnership



Large, Skilled English-speaking Talent



Economic Growth—
Top 5 Economy by 2025



The World's Largest Free Market



Leadership Focused on Economic Development



Fastest Growing Young Population

India's Strengths

- The World's Largest Free Market
Democracy
- Large, **Skilled English-speaking** Talent
- History of Political, Economic Stability
- Educational System; Diversity
- **Judicial Infrastructure—**
Reasonable IP Protection
- India Top 5 Economy by 2025
- Middle Class of Over 160 Million

India's Challenges

- The World's Largest Free Market
Bureaucracy
- Poor Infrastructure—Power and H2O Shortages, Extremely Weak Transportation
- High Tariff and Tax Structure
- **Restrictive Labor Laws**
- **Corruption** Pervasive
- Large Growing Population
- **Immense Poverty**, Large Class Gaps

Early Entrants



Labor Arbitrage and
Domestic Market
Penetration

- 43,000 FTE
- 19 offices, labs, data centers
- Domestic growth: 60+% 2006; 50+% 2005
- \$6B additional investment



Skills and
IP Harvesting

- Largest software center
- Research collaboration
- Community involvement



Business Process
Outsourcing

- Second largest R&D investment
- Hosts global teams—Finance, Services, ASP, eSales
- Operates in all major Indian languages
- 6,400 customers; 200 partners
- 300,000 member developer community

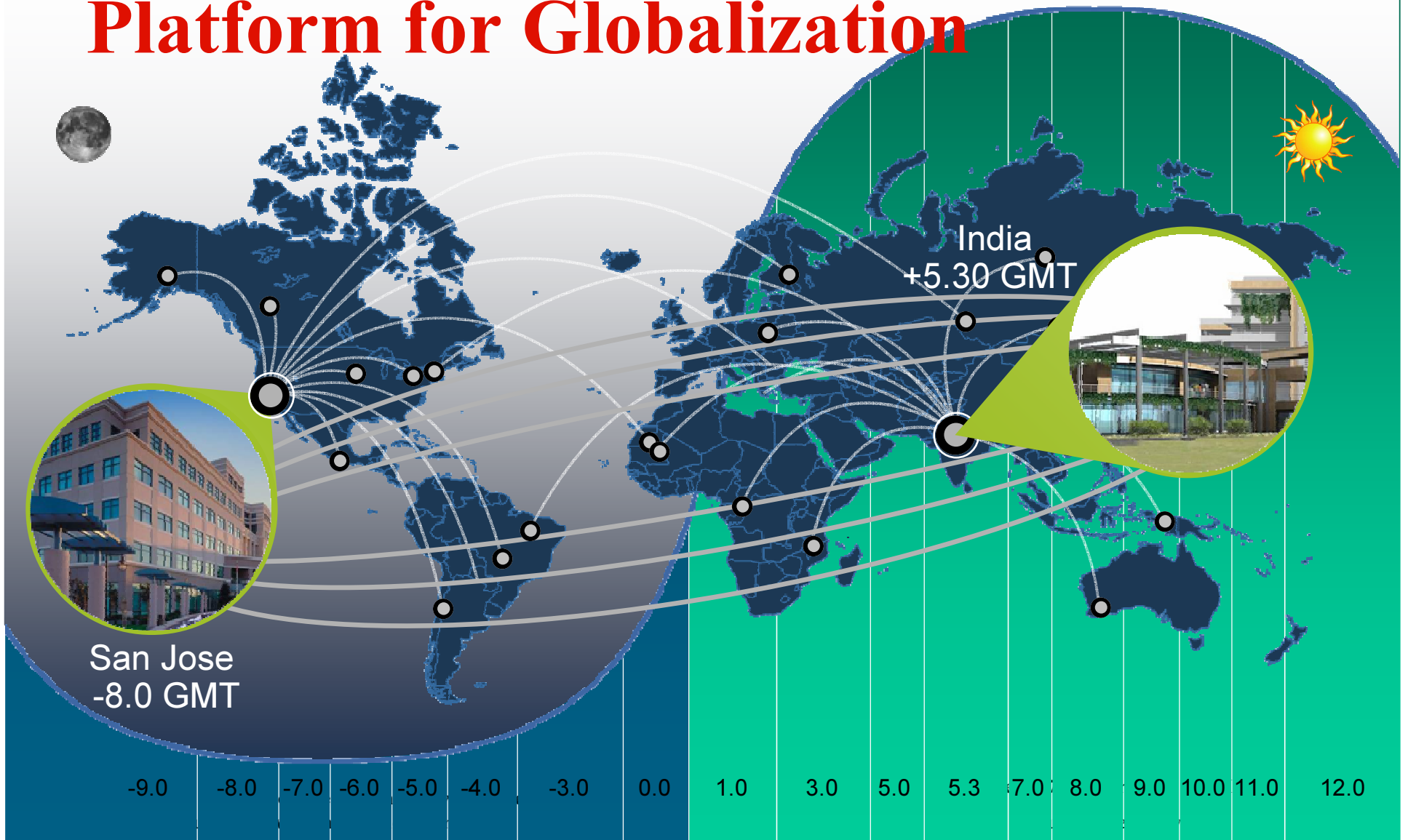
Cisco India



- 1994 Cisco established India presence
- 6800+ FTE today

- New HQ
- Sales Offices
- R&D Centers

Platform for Globalization



Cisco's investments in India

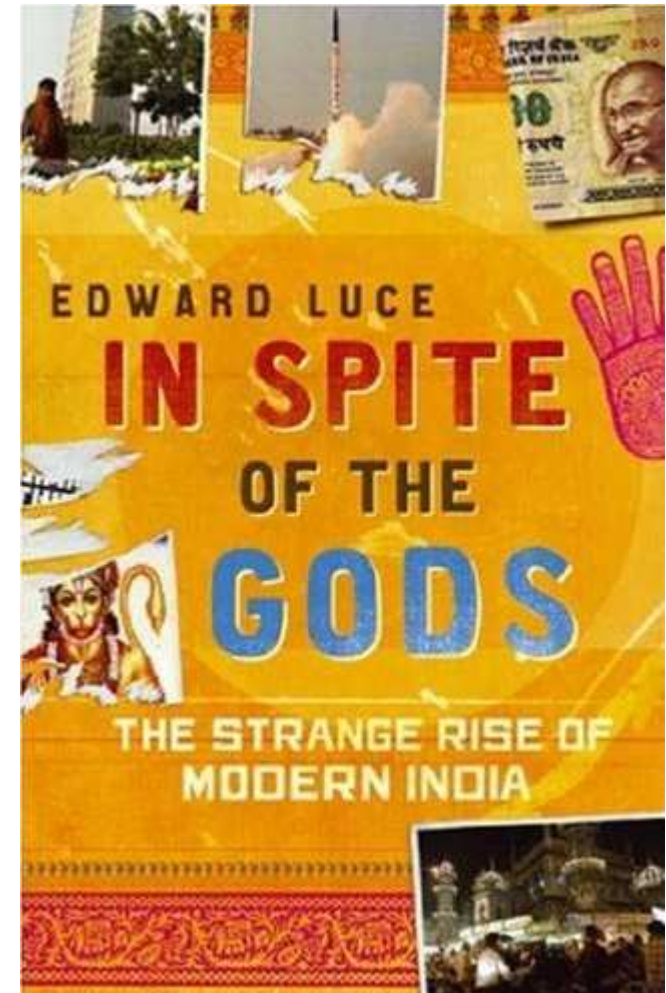
- Working with local partners since late 90s
 - SW development
- **\$1.1 Billion** Cisco India Commitment
 - announced October 2005
- **\$60 Million** Bangalore Campus
 - Phase 1 opened April 2007
- Various venture-capital investments

Best Practices for Globalization

- Focus on Globalization in **one** team
- Full-scale Management Team in place
 - CGO, Sales, HR, Finance, Legal,...
- Profile of Management Team, Positioning within Company
 - International work experience in multiple cultures essential
- Reduce Workforce Churn

“India is not on
autopilot to greatness.
But it would take an
incompetent pilot to
crash the plane.”

Edward Luce, August 2006



THANK YOU

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901 Outsourcing Legal Services to Foreign Countries

**The Basics,
DuPont and Beyond**

W. Andrew Ziarno, Esq.

ACC Europe 2007 Annual Conference: The Growing Role of In-house Counsel:
Lawyers as Business Partners

3-5 June 2007 Bayerischer Hof Hotel,
Munich, Germany



Why “Outsource” Legal Services?

- Do “push” down tasks to lower cost providers
 - Cost savings: no different activity than R&D or Finance
 - DO NOT think there are plug and play solutions
- Do consider currency differentials
 - Euro vs. dollar (30-40 %), vs. SEA currencies, vs. new EU member country currencies
 - DO NOT expect long term certainty here
- Do follow your businesses to BRIC countries
 - Expanding activity will require BRIC legal support
 - Platform to meet these needs already in place

Where to “Outsource” Legal Services?

- Do consider SEA/EE BUT
 - Consider time differential/plus or minus
 - Cultural fit with your law firms or law department
 - Language needs (European languages) may dictate other lower cost locations in new EU countries
 - Factor in management time/travel/cost/focus
- Do not expect
 - A perfect fit (expect long ramp up time)
 - No learning curve (both sides will have it)

Models

- Do consider a “hybrid model”
 - A team: Western law firm/in-house lawyers plus outsourced team
 - A team educated and trained in the West, but practicing in the East plus “local” talent
- Do not consider throwing work “over the fence”
 - Talent/experience base only starting to develop

Common Problems

- Overheating economies (India and China)
 - Employee turn over
 - New hires are recruited but simply do not show up
 - Even minimally experienced employees offered better paying positions move after training
 - Work ethic differences
 - May be better or worse than in home countries
 - Differences in work product expectations

DuPont

- Lower level commodity tasks (US litigation related)
 - Electronic document conversion
 - document coding
 - basic document review
- Upside
 - Relatively commodity type tasks being performed by well educated labor force
 - Some Western educated labor being utilized

Beyond DuPont

- The Future: what to expect
 - Global market pricing for commodity legal services
 - Prices driven down in the West “to compete”/driven up in the East to market median pricing
 - Global talent pools and centers of expertise
 - New “law firm” business models more aligned with client business models

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Director of Intellectual Property
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