The Case For Outsourcing

A Perspective for Law Firms

Law firms today are challenged to deliver service to their clients faster and more cost-effectively than ever before. The task is complicated by constantly changing technology, scarcity of skilled labor and an increasingly demanding and astute client base that are forcing many firms to reassess the level of infrastructure they can support to conduct their businesses.

Across back-office functions, in both technical and non-technical support areas, outsourcing is becoming an increasingly popular way to meet the challenge. Through outsourcing, law firms can leverage current technology and expert resources to their greatest advantage, enabling them to offer lower-cost solutions and best practices to clients who are quick to challenge fees and quality of service.
Outsourcing offers law firms a host of advantages and benefits that have direct impact on business efficiency and profitability.

- **Hire expertise.** Outsourcing organizations offer highly trained, expert workers and manage that labor pool on the law firm’s behalf. The firm benefits from the talent and experience of skilled staff while the vendor assumes the tasks of sourcing, training and changing workers. At the same time, these non-legal personnel gain a broader career path and a benefit and support structure suited to their needs.

- **Focus on core business.** Law firms can concentrate on client service and revenue-generating initiatives, because outsourcing removes the need to support infrastructure and manage a labor pool outside of the legal profession.

- **Improve quality without increasing costs.** Good outsourcing vendors offer the best practices and quality programs that drive efficiency into the back office. The result is that quality increases while costs decline, helping to meet client expectations for greater cost efficiencies.

- **Use the latest technology.** Leading-edge technology may drive efficient, high-quality services, but the cost of finding, acquiring and maintaining that technology is prohibitive to many firms. Transferring this responsibility to an outsourcing vendor enables firms to offer innovative services to clients and to update those services cost-effectively as technology evolves.

- **Leverage vendor’s infrastructure and capital resources.** Transferring management of non-legal functions to an outsourcing organization presents a host of opportunities for the law firm to take advantage of the vendor’s breadth of resources. Once the relationship is established, law firms can explore additional services, such as on-site and off-site support, that meet its business requirements.

- **Transfer enterprise risk.** One of the greatest advantages of outsourcing is that it ensures business continuity. Outsourcing vendors offer disaster recovery options that mitigate risk and keep business moving in the face of natural or man-made disasters.

**Why Doesn’t Everyone Outsource?**

Despite these compelling advantages, firms may reject the idea of outsourcing for a number of reasons. Some believe they can do the job better and more cost effectively themselves, or hesitate to change a business process that is in place and working, albeit with inherent challenges. Others may have a historical aversion to the concept of outsourcing and may resist any changes to the way they have traditionally done business. For these firms, a commitment to a long-serving non-legal labor pool contributes to their reluctance. And, most important, some firms fear that relinquishing power to an outside organization will lead to the loss of control over key functions.

For these firms, it is important to remember that established outsourcing vendors can design business plans that respond to a firm’s very specific requirements. In many cases, in-depth exploration of an outsourcing relationship can go a long way toward overcoming roadblocks and showing how the benefits outweigh the objections.

**Doing Business in a Challenging Environment**

Constantly changing technology and increased complexity of finding, training and retaining a suitable non-legal workforce creates a very challenging environment across the legal industry. To ensure that appropriate personnel are in place on-site, law firms must address fundamental issues that tax their infrastructure, efficiency and cost structure.

For general labor support such as mailroom personnel, copy/image operators and other workers, it is now common to do national background checks, drug screening and other due-diligence on all new hires, including low-paid laborers. Because of the unique confidentiality requirements of the legal environment, law firms often struggle to find qualified individuals who present a proper image and conduct themselves appropriately in a very demanding environment. Once these workers are hired, training on constantly changing technology
and complex benefits management are key requirements to successful support and development of general labor personnel.

In the case of technical labor in areas such as litigation support, word processing, information technology and accounting, most firms must hire technical resources to support the infrastructure that enables lawyers and firms to represent their clients. The key issues again are sourcing and supporting talent. For these specialties, the ability to manage changing technology becomes even more important, and the need to find the right skill mix complicates the ability to source non-legal expertise.

These issues force law firms to answer this key question: Can we better represent our clients and drive more business to the firm if we focus our efforts on client matters, leverage outside experts to handle non-legal requirements and reduce the level of resources devoted to managing support-related services? If the answer is yes, then outsourcing is the essential next step.

Best-Practice Criteria for Selecting an Outsourcing Vendor

Once a firm determines that outsourcing is the best business decision, selecting the right vendor becomes the primary objective. The following list provides some questions and suggestions that support this critical business decision.

- Ask potential outsourcing vendors about their vision. Where are they going to take your firm over the long term? Do not settle for status quo. Technology is changing constantly, and the vendor must be able to provide leading-edge technical support and resources. Ask the vendor to show you sites where they have installed the latest technology or innovative applications.

- Make sure the vendor has the financial ability and stability to stand behind its solution and contractual commitment. Outsourcing companies with a long-standing reputation for excellence and strong financial performance over time are worth the cost in the long run.

- Understand your vendor’s cost structure and profit requirements. Don’t expect an outsourcer to manage and assume risk for your business-critical non-legal functions at cost. If you do, you will likely pay for it in reduced quality and other problems later on.

- Be careful about decoupling bids such as separating equipment from labor or electronic discovery from a litigation support management engagement. While this type of arrangement might work in some cases, in the case of equipment it can lock you into an equipment vendor and hurt the ability of your operator to manage change and drive a vision.

- Understand the outsourcer’s policy and history regarding employee management and training. One of the greatest advantages of outsourcing is the ability to more easily source and support expert resources. Vendors that provide a desirable work environment will have the greatest success in finding the talent to support your firm.

- Choose vendors who are committed to the needs of the legal industry. Make sure outsourcers have made significant investments in technologies that support law firms’ specific requirements.

- Discuss with a potential vendor any resistance to change that may exist in your organizational culture, as this may impede both the vendor’s and the firm’s ability to manage through the process. Don’t hesitate to discuss this issue up-front and ask the vendor how they will address it.

Most important, be clear about your exact requirements and expectations. The success of the outsourcing relationship, and the ability to gain the greatest benefits for the firm and its clients, depends on open and precise communication. A good outsourcing vendor will have processes in place to ensure regular exchange of information both during the decision-making process and once the relationship has been established.
Using Outside Cost and Management Consultants

Some firms are following the relatively new practice of using outside cost and management consultants to help them choose an outsourcing vendor. While these groups can be useful when evaluating a vendor change, conducting a periodic review or questioning vendor performance, clear communications are critical to reaching decisions that match the firm’s business goals.

A successful cost consulting engagement hinges to the law firm’s ability to position the importance of quality and staff continuity versus cost reduction. For example, suppose a law firm is deciding between an incumbent and a new outsourcing provider. If staff continuity and quality are important, price will in most cases be less flexible for the incumbent, who will be paying for resources that are already experienced in working with the law firm’s processes and technology. A new entrant might be able to source new people at reduced cost, but experience, continuity and even quality could be sacrificed in the process. To make sure the consultant reaches an appropriate and accurate conclusion, law firms should emphasize the importance of a true “apples to apples” comparison of potential vendors.

For law firms that are looking to make a significant investment and build a long-term vendor relationship, the choice of an outsourcing vendor probably won’t be made on the basis of a single consultant presentation and an RFP response. Regular dialog between the consultant, prospective vendors and the client are key to reaching the right decision and achieving a long-term outsourcing relationship.

Outsourcing Drives Value and Business

The trend toward outsourcing in the legal industry is driven by value. Entrusting business-critical non-legal functions to an experienced outsourcer enables law firms to improve efficiency and quality while reducing infrastructure support requirements and their associated costs. At the same time, a renewed focus on client services increases billable hours and drives more business to the firm. As many law firms are discovering, an outsourcing organization that shares your firm’s culture and vision can become an indispensable long-term partner in business success.