Information Management Outsourcing: Safety First

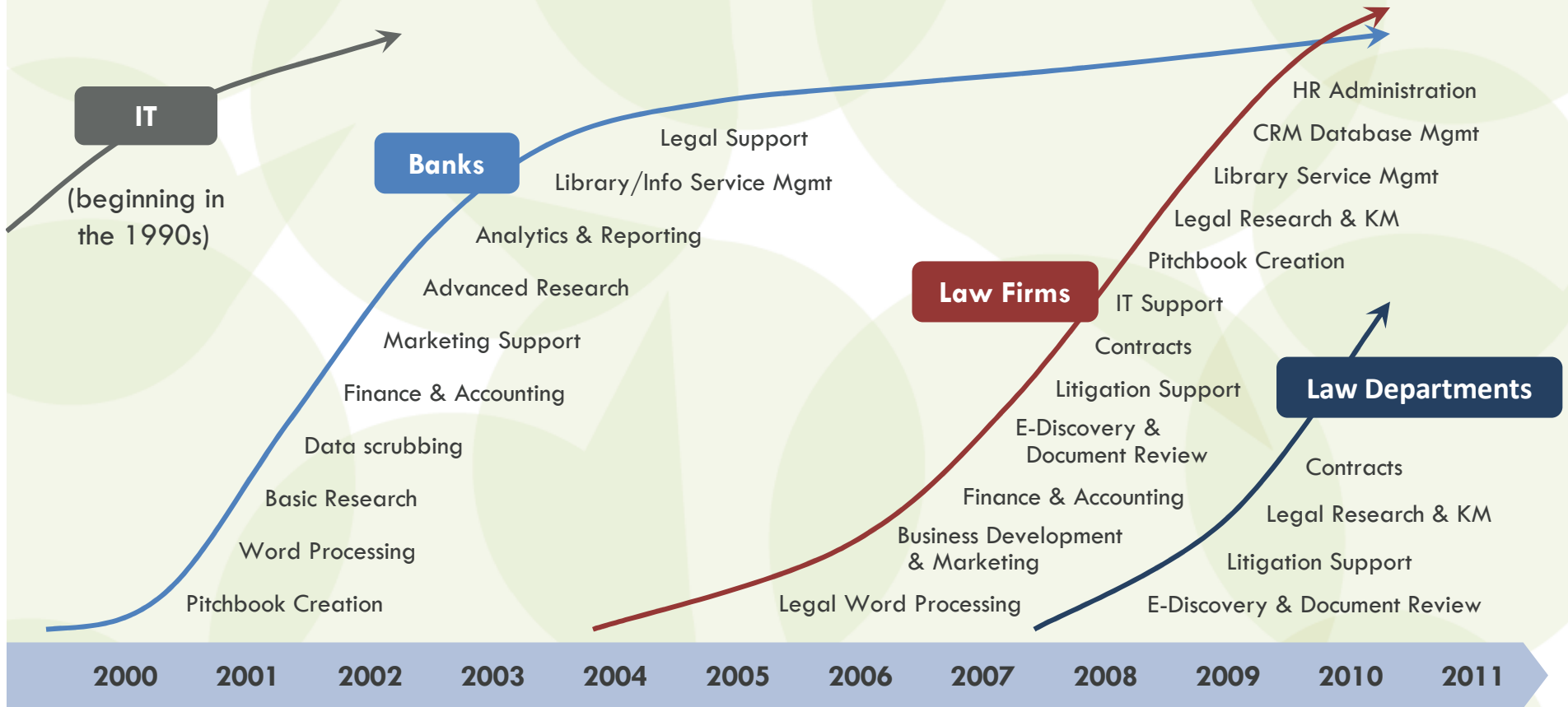Tuesday, 08/24/2010

1:30pm – 2:30pm

Presenters

- David L. Stanton
  - Partner, Pillsbury

- Nathan Hayes
  - VP, Technology & Infrastructure Services, Integreon

Agenda

- What Law Firms Can Outsource

- Outsourcing Issues and Risks

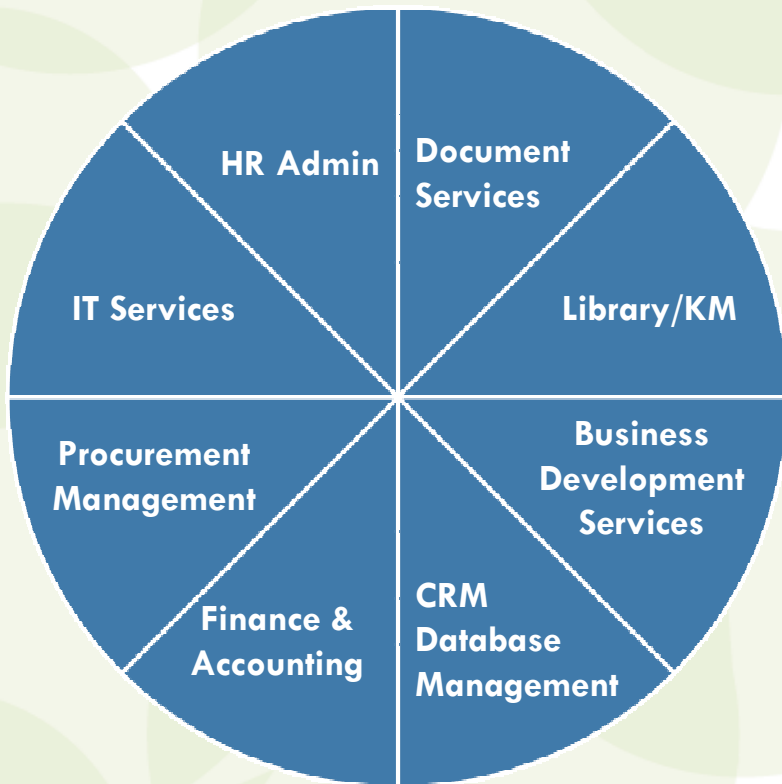- Outsourcing Alternatives

- Safe Outsourcing

- Conclusions

What Law Firms Can Outsource

Legal Can Learn from Other Demanding Markets

IT

(beginning in the 1990s)

Banks

Legal Support

Library/Info Service Mgmt

Analytics & Reporting

Advanced Research

Marketing Support

Finance & Accounting

Data scrubbing

Basic Research

Word Processing

Pitchbook Creation

Law Firms

HR Administration

CRM Database Mgmt

Library Service Mgmt

Legal Research & KM

Pitchbook Creation

IT Support

Contracts

Litigation Support

E-Discovery & Document Review

Finance & Accounting

Business Development & Marketing

Legal Word Processing

Law Departments

Contracts

Legal Research & KM

Litigation Support

E-Discovery & Document Review

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011

What Can Law Firms Outsource?

Middle Office

- HR Admin
- Document Services
- IT Services
- Library/KM
- Procurement Management
- Business Development Services
- Finance & Accounting
- CRM Database Management

Legal Support

- Research
- Document Review
- Diligence
- Contracts

Outsourcing Example #1

CRM Database Management

- Systems development

- User support

- CRM reporting and analysis

- User account management

- Training and coaching

- Data cleansing

  - Email bounce-backs

  - Duplicate management

  - Data change management

 - New contact management

  - Data protection compliance

Outsourcing Example #2

IT Services

- Consulting and planning   *(e.g., IT strategy)*

- Business management
  and governance   *(e.g., biz continuity, info sec, vendor management)*

- Programs and projects   *(e.g., project development and delivery)*

- Help desk   *(e.g., 1st and 2nd line support offsite)*

- Support and administration   *(e.g., 3rd line on- and offsite network and apps support)*

- Training   *(e.g., development and delivery)*

Outsourcing Example #3

Document Review (sample workflow)
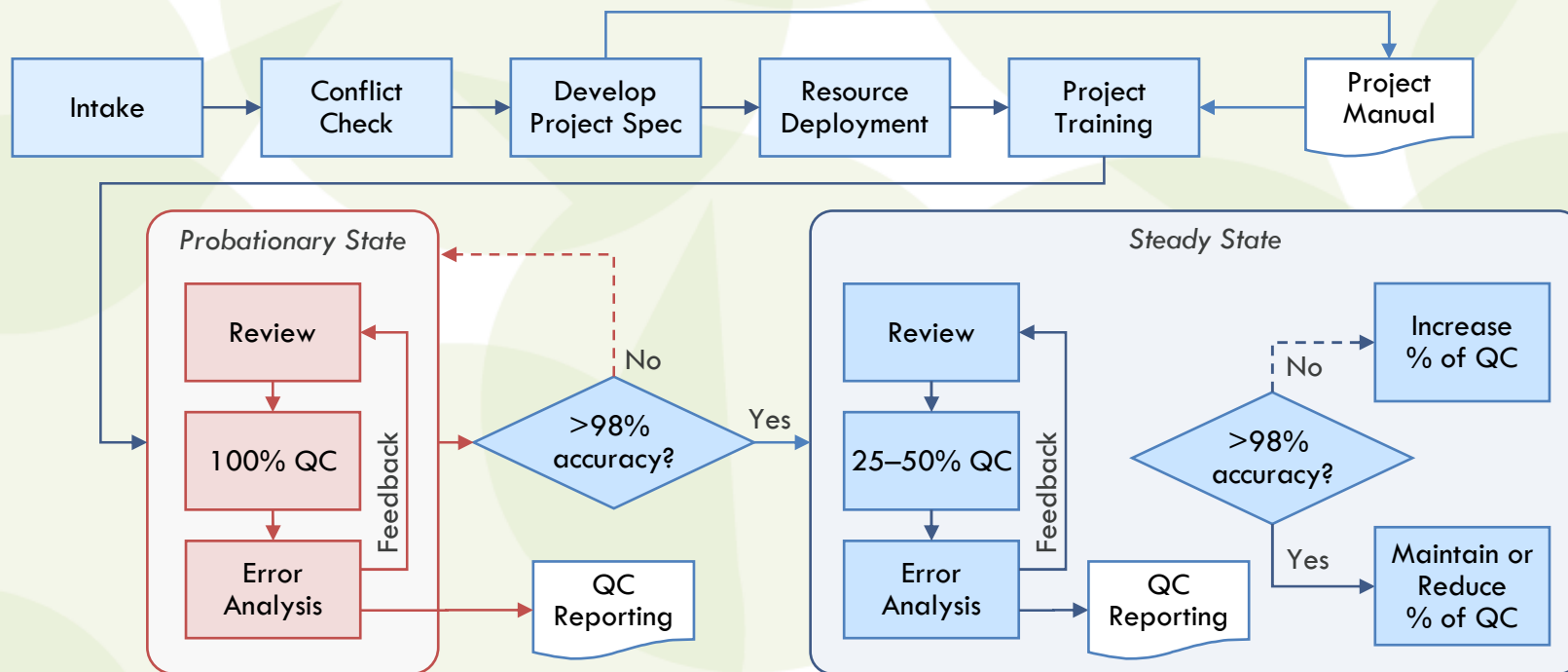
Outsourcing Issues and Risks

Outsourcing as Delegation

- Firms have long delegated work
  - Administrative *(e.g., secretaries)*
  - Substantive
    (e.g., partners to associates or lawyers to paralegals)
- Outsourcing extends delegation
  - Delegation outside the firm is not so different than in the firm
  - Only the ownership of resources changes
  - Both require process, control, and QC

Issues

- What kind of support do lawyers need?
- What oversight must lawyers provide?
- Which functions (if any) are strategically core?
- How should firms support their lawyers?
  - In-house v. outsourced (owned v. 3rd party)
  - Centralized v. de-centralized
  - Onsite v. offsite
- What is the best way to serve the client?

General Outsourcing Risks

- Strategic

  (e.g., loss of control, knowledge, provider stability)

- Operational

  (e.g., transition or performance problems, information transfer)

- Transactional

  (e.g., liability or disputes, project scope)

- Financial

  (e.g., cost, currency fluctuation)

- Security & Compliance

  (e.g., data protection, candor and care, confidentiality)

Additional Considerations

- Location (onsite, onshore, offshore, multi-shore)
- Shared or dedicated delivery
- Vendor selection
- Service level agreements (SLA)
- Metrics and reporting
- Testing and validation
- Ramp-up time
- Instructions and authority
- Business continuity
- Regulatory compliance

Outsourcing Alternatives

Reality Check

- Do you measure performance now?

- How often do errors occur?

- Are lawyers satisfied with the service?

- Are costs reasonable?

- Does management focus on strategy or 'keeping the trains running on time'?

- Sacred cows v. professional management

Third Party v. Captive

Third Party

- **Single Service**
  - DLA Piper
  - Sonnenschein
  - Morrison & Foerster
  - Allen & Overy
  - Simmons & Simmons
- **Multiple Services**
  - Pillsbury
  - CMS Cameron McKenna
  - Osborne Clarke

Captive

- **Onshore**
  - Orrick
  - Reed Smith
  - WilmerHale
- **Offshore**
  - Clifford Chance
  - Baker & McKenzie
  - White & Case

Startup Phase: Key Areas of Focus

High Control and Management Involvement ← → **Less Control and Management Involvement**

	Company Captive	Build, Operate Transfer	Outsourced Model
Pros	• Perceived as the lowest cost (initially) • Most control • IP protection	• Rapid expansion capabilities • Leverage existing provider • Option to transition in-house • More control	• Transfer of operating and financial risk • Maximum variable cost • Speed to market
Cons	• Management focus • Capital investment • Time to market • Operating and financial risk	• Price premium • Transition risk • Operating and financial risk	• Perceived as most expensive • New management model • Relationship strains

Alternatives – Additional Issues

- Outsource ≠ Offshore

- Centralized v. de-centralized service

- Internal expectations v. provider SLA

- Ability to scale up or down

- Investment costs

- Economies of scale and repetition

- "Highest and Best Use"
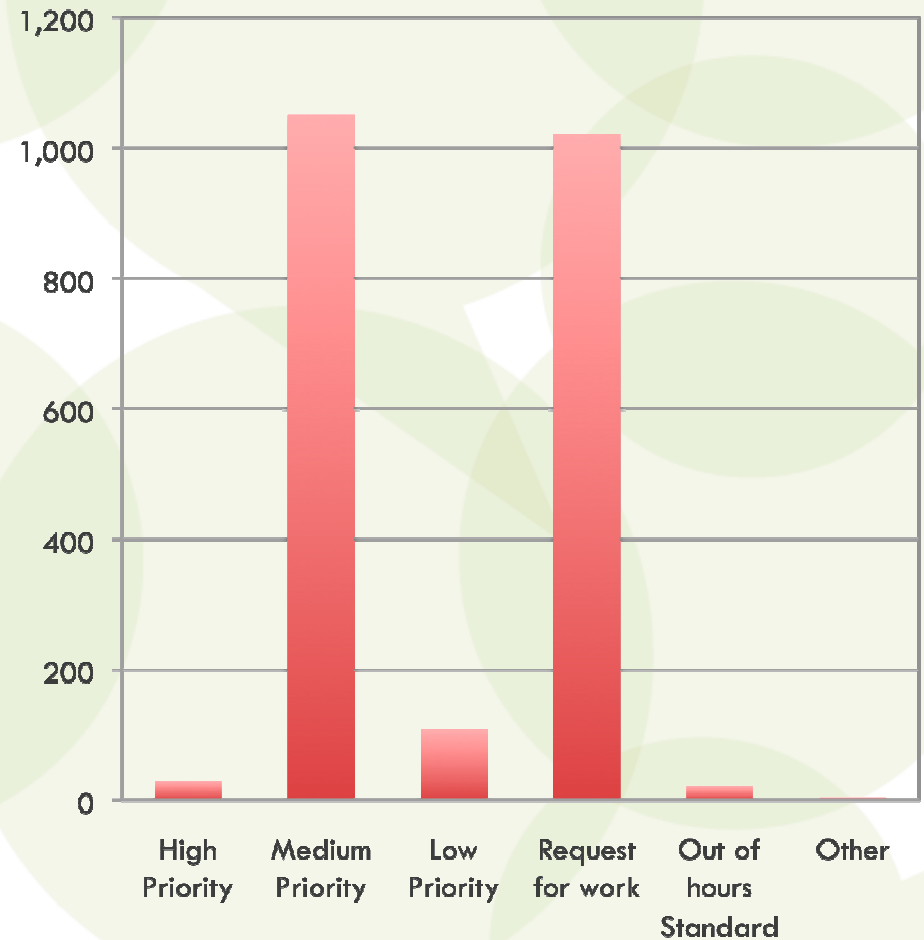
Safe Outsourcing

Contracting

- Master service agreement

- Metrics

- Service Level Agreement (SLA). IT example:
  - Average speed to answer
  - Wait time in queue
  - Total call abandoned
  - Average talk time
  - Average handling time
  - After call work
  - First call resolution
  - Resolution time in relation to defined incidents
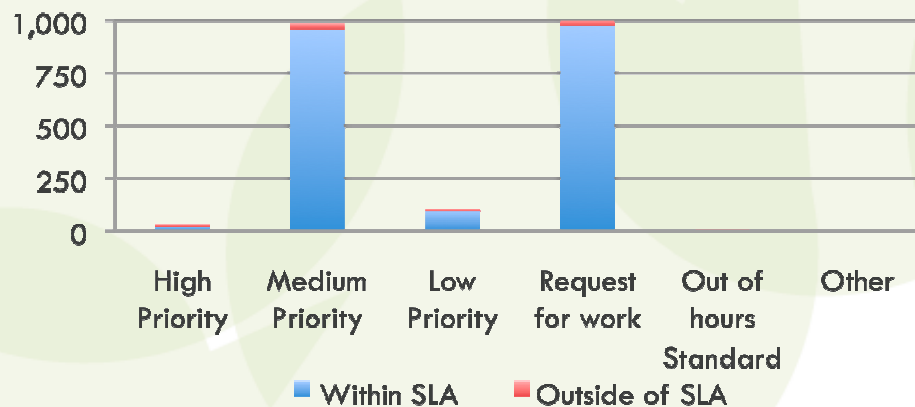 - Customer satisfaction reviews

Reporting
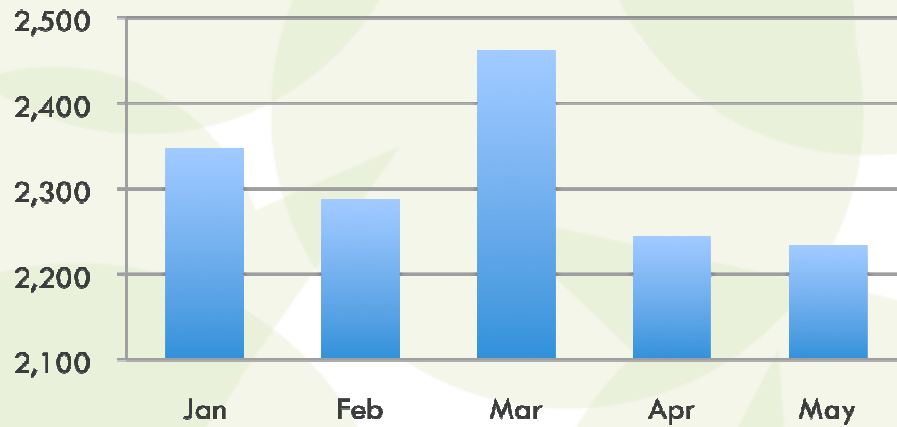
Insurance

- Coverage
  e.g., malpractice, E&O

- Are additional riders necessary?

- Risk management issues

- Policy limits

- Tender and notification
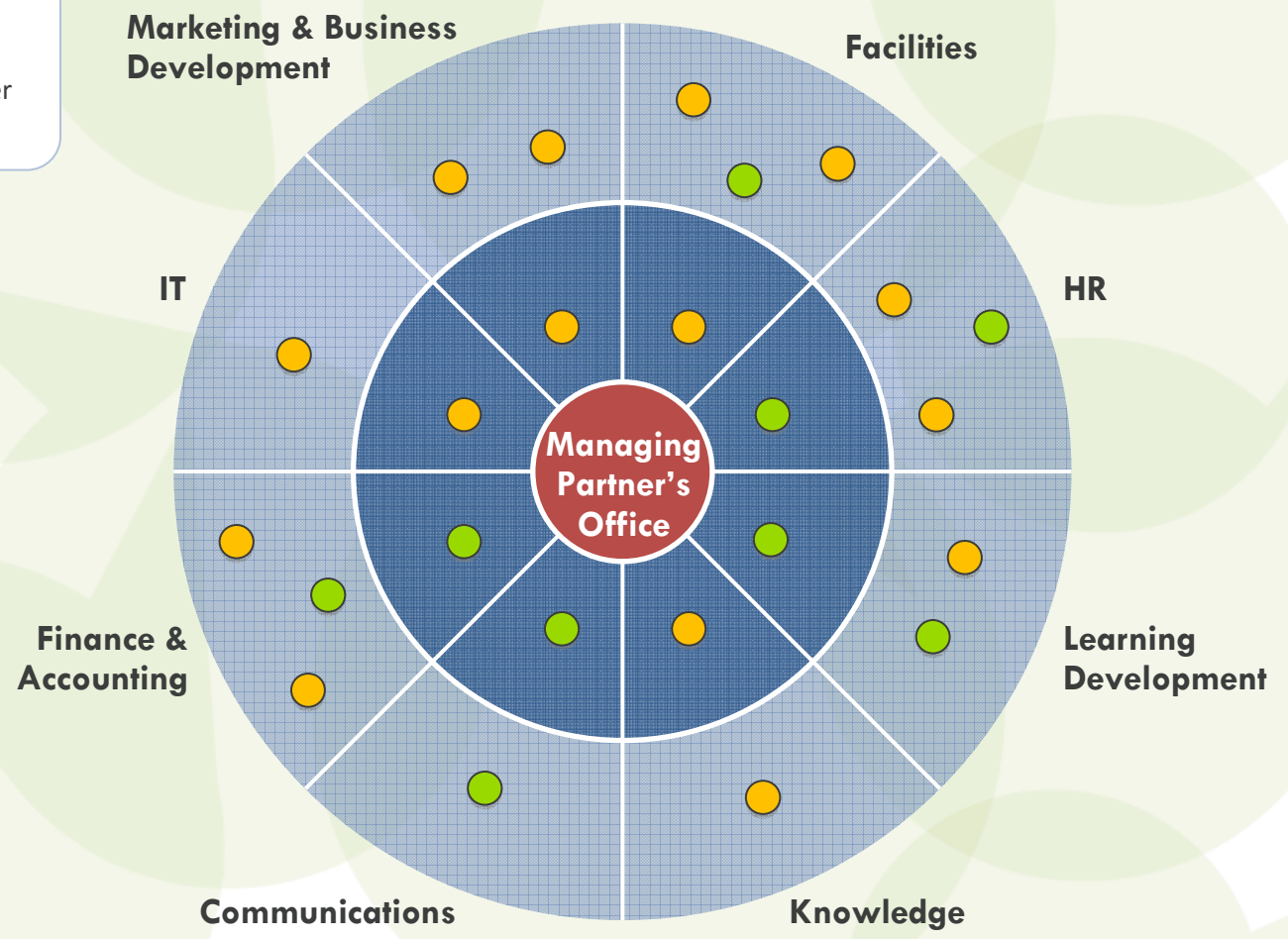
Protecting Client Information

- Are existing systems robust?
  - Security technology
  - Data encryption
  - Physical access and proximity
  - Perimeter security and asset protection
  - Policies and controls
  - Social engineering
  - Testing and certification

Governance – High Level View

Functional Heads
Functional Managers
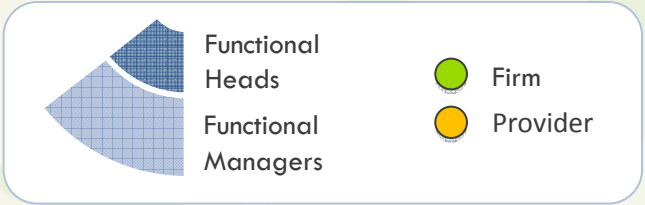
● Firm
● Provider

For each function:

- Does the Firm need to retain detailed strategic planning responsibilities?

- Does the Firm need to stay involved in the complexities of day to day management?

- Can Firm transfer selected management to Provider?

Marketing & Business Development

Facilities

IT

HR

Managing Partner's Office

Finance & Accounting

Learning Development

Communications

Knowledge

Conclusions

Embrace or Resist?

- Goal assessment
  What are your goals?

- Compassionate governance
  How do we address issue re jobs?

Proceed with Care

Be prepared for the process, which includes:

- Reality checks and concrete metrics

- Deciding which functions to outsource

- ROI analysis

- Location decision

- SLAs

- Managing conflicts

- Developing a sound contract

- Complying with ethics (see, e.g., Ethics of Legal Outsourcing White Paper, LLRX.com, Feb 2010)