

Outsourcing Basics for Law Practices

The fundamental wisdom of outsourcing lies in the principle - Do what you do best and let others do what they do best; most efficiently and at least cost to both parties.

Law Practices are accustomed to hiring a “temp” when they need additional secretarial help to tide them over a busy period. Outsourcing builds on this concept and takes it further. When a function is outsourced, the outsourced professional has total responsibility for delivery of the end-product, without the need for day-to-day supervision or direction from the hirer.

Smaller practices today may hire external professionals for support functions such as bookkeeping and IT support services.

For those of us who consult with Law Firms everyday, outsourcing is a familiar term and offers an effective way to cut the cost of delivering professional services while maintaining, if not improving, the quality of those services.

We see the outsourcing of non-core competencies in law practices as a trend that will continue to grow for these reasons –

1. Focus on Core Competencies

That no organization has the requisite skills and resources to do EVERYTHING well is a key business concept that has been taken to heart even by large business organizations. To remain competitive, it has become imperative for businesses to focus their capital and human resources on their core competencies. It is no different for a law practice. Although back office processes are critical functions, you really want to free your time from collections and administrative matters to focus on client development, management and other strategic activities that may include developing competitive differentiating initiatives and diversification of your practice to mitigate the risk of slowdown in some areas.

2. Access to Professional Expertise

Small law practices are limited in its ability to attract and retain highly skilled and experienced back-office personnel. Specialist support personnel with career aspirations will seek jobs with a learning environment and a favorable growth path for their professional development; neither of which a law practice can adequately provide. Increasingly, we find the “lone office administrator” frustrated with not being able to manage all areas well, particularly in the technology arena, which has become an increasingly important part of delivering client services.

3. Leverage on Outsource Provider’s Strengths

An outsourcing provider’s core competency is in the support services he supplies. To provide a high degree of client satisfaction in an increasingly competitive business environment, he will have an investment in resources and expertise in the provision of those support services he specializes in; including –

- (a) Technology Investment which includes a robust IT infrastructure and specialized software;
- (b) Skilled and experienced personnel;
- (c) Continuing skills development and professional training for his Team;
- (d) Adoption of industry best practices; and
- (e) Development of change management / business re-engineering expertise.

4. Reduce Hiring Cost and Risk

Any Law Practice manager will tell you that the cost of hiring is rising, taking into account the employer's CPF contributions, mandatory maternity leave packages and other employee benefits. Apart from inherent hiring risk, the prevalence of employee mobility ensures that lawyers spend considerable amount of time in a "hiring cycle" - advertising, interviewing, hiring and training. In addition, a new employee generally takes between four to five months of induction / training to be fully functional in any business organization.

5. Assistance when Required

Outsourcing need not be an all or nothing proposition, as the delegation of one-off management projects to an outsourced provider could relieve a lone administrator from a time-intensive project that might divert her attention from other on-going responsibilities.

Where access to professional management expertise is required only on a one-off (example, at the "start up" phase) or periodic basis (eg, an annual risk review), outsourcing to an external specialist is ideal. Such one-off assignments may include – office start-up or relocation assistance, implementation and training in the use of a new software application, risk management or PRIMELAW review, or designing your website.

Now that we have convinced you of the wisdom of outsourcing non-core competencies to professional services companies, we take a look at some of the objections and issues arising in an outsourcing arrangement.

Issue 1

Should I hire an Outsourced Services Provider?

There is no magical formula to determine if outsourcing any management function is right for your practice. There are many different levels and types of outsourcing arrangements available in the market; it only requires realistic self examination of your practice resources and limitations to discover where an outsourced provider will deliver the greatest benefit to your practice.

If your answer is "no" or "I don't know" to these questions, then you may be neglecting some of these management functions. Perhaps it is time that you considered hiring an outsourced service provider to help you operate a tighter, more progressive practice.

Accounts & Collections

- *Are you receiving monthly detailed financial reports, including cash flow and budget comparisons?*
- *Are you conducting monthly bank account reconciliations of the Client Account?*
- *Are regularly "chasing" up unpaid bills?*
- *Is your average debt cycle longer than 45 days?*

Technology Support & Maintenance

- *Do you have a proper data back-up policy that is enforced across the practice?*
- *Do you have an IT Use Policy for your staff?*
- *Is your anti-virus software in force and its virus definitions up to date?*
- *Do you hold valid licenses for all the software running in your workstations?*

Marketing & CRM

- *Prospective clients may want to know more about you – will they find your practice information on the internet?*
- *Is your law firm website up to date? How often do you update it?*
- *Do you have a marketing plan and budget?*
- *Do you inform your clients and prospects of your expertise and accomplishments?*

Issue 2

What about client confidentiality and privacy of my financial data?

While confidentiality of information (both client and practice data) is clearly critical to a law practice, this issue is not insurmountable and should not be an obstacle to a mutually beneficial outsourcing arrangement.

Here are some measures we recommend that law practices should take to protect their data –

1. Ensure that confidentiality clauses are built into the service contracts with your Outsourced Provider.
2. Pay an on-site visit to the Service Provider's premises (or where the operations will be conducted) to see if his business operations are run in an orderly and efficient way. An onsite visit will reveal a great deal about the Service Provider and the degree of risk you undertake by appointing him.
3. Examine your Service Provider's employment contracts for confidentiality and non-disclosure agreements. Ask questions about their hiring processes. A Service Provider that screens its prospective employees thoroughly and conducts background checks into their employment and credit history may be essential safeguard for your practice outsourcing needs.

Issue 3

Will I lose control over the outsourced management function?

Like any other successful business partnership, your aim is to establish a relationship built on trust and mutually benefiting collaboration.

While a key success factor is the provider's ownership of the process so that the provider is held accountable for the quality of its performance according to service level specifications, you can maintain control over the desired business outcome and management goals.

As outsourcing relationships tend to be long term, they hold the potential for a variety of complex issues arising over time. Your service contract should be structured for flexibility in responding to your practice's changing business requirements over the long term. The contract should spell out the procedures for addressing such issues and managing the relationship to optimal value.

Issue 4

What should I look out for in a Service Contract?

Discussing the scope of responsibilities to be undertaken by the Service Provider before commencement of the service will go a long way in preventing disappointment later in the relationship.

We recommend that you take time to define expectations in relation to –

1. Type and frequency of Deliverables, including Reports and Logs;
2. Safekeeping of Source Documents belonging to the Practice;
3. Service Warranties from the Provider, including data confidentiality and data backup; and
4. Termination Obligations – for example, ownership and transfer of digital data and source documents belonging to the Practice

So far I have only written about the outsourcing of management and legal support functions in a law practice; however no article on Outsourcing will be complete without reference to **Legal Outsourcing & Off-Shoring**. Large global law practices took the lead in the early 2000s by outsourcing low value legal work, primarily in litigation support, transcription services, document coding and database management to low cost legal outsourcing centers in India and the Philippines.

The outsourcing phenomenon has been fueled by advances in telecommunications technology and corresponding lowered cost of transmission of large amounts of documentation via secure digital networks across the globe. When big companies like GE and Citicorp started to outsource their legal drafting and research to Indian lawyers, the legal industry sat up and took notice. In an era of globalization, adding value to the client relationship has become the greatest challenge for law practices everywhere.

On a more modest scale, we are likely to see the spill-over of this legal outsourcing trend in Singapore in the form of a greater use of contract lawyers and locums by corporations and law practices.

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