

Outsourcing Your Law Firm's Information Technology

by

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Law firm technology is often a royal pain in the ass. There are many reasons for this. In my years of consulting with firms and departments of all sizes I've learned that lawyers want to practice law—they don't want to be computer nerds. Sure, there are a few lawyer technologists around, but only a few. Lawyers didn't go to law school to learn computers, though these days law schools are beginning to do more with computer technology. Lawyers want to practice law, work with clients on solving problems, and continue to be challenged with legal issues, not technical issues.

I'm often asked how many computer people should be employed in a law firm—that's always a moving target. For years most legal technology consultants indicated that there should be one full-time computer person for every 35 end users. The International Legal Technology Association (ILTA), formerly known as LawNet, indicates that their member firms quote a ratio of 1:20, that is one full-time computer person for every 20 end users. Of course, by default, firms that are ILTA members are more likely using a lot of technology. So the current range should be one full-time computer person for every 20 - 35 end users. The more technology your firm uses, the lower the ratio.

Technology is constantly changing and it's costing more, there's no doubt about that. Sure, you can drop by Circuit City or Office Max and pick up a home computer for less than \$500, but it's a totally different world when you involve large database applications such as financial management, case management, document management and knowledge management systems. And with remote access communications operating over Citrix, it becomes even more complex. Everything now integrates together and firms need a lot more techno glue to hold it together.

Technology salaries have also increased over the past few years as law firms use more specialized hardware and software. Database administrators, Citrix specialists, practice support managers, and trainers are becoming more commonplace in the legal profession.

IT Functions Commonly Outsourced

Rarely does a law firm handle 100% of their own technology 100% of the time. For example, copy machines are typically leased and maintained by outside vendors. Telephone systems are another example of technology that is outsourced.

There are, however, several technologies that are often outsourced, depending upon the firm and the circumstances. Here is a short list of commonly outsourced functions:

Computer and printer repair. Many firms purchase name-brand systems from manufacturers such as Dell, Gateway, or HP with extended warranties. When a system needs to be repaired, the firm either ships it off to the manufacturer or they are repaired on site by a service technician.

Substantive software systems. Law firms that utilize financial management, document management, or case management systems typically have annual support and maintenance contracts that entitle them to updates and technical support. The law firm usually handles 1st tier support, but beyond user assistance, technical support comes from the developer.

Web design & development. Web sites are becoming more complex with database designs, flash, and JAVA-based scripting. Law firms may choose to outsource their Web design, development and maintenance.

Data backup & storage. Law firms recognize that while computer systems can be replaced, the intellectual property and information stored on the systems cannot be. There are alternatives to backing up your own system in house. Companies such as eVault, LiveVault, and West provide backup services.

Email service & storage. For a time, email was truly a delight to use for business and personal correspondence. Now, with computer viruses, spam, spyware, and adware, it's becoming more of a burden to law firms. Companies like Postini offer email management and protection services.

Training. I've always said, "the number one reason for successful technology implementations is training; the number one reason for failed technology implementations is lack of training." While larger firms often have in-house trainers, the mid-size and smaller firms typically don't. Training resources such as Payne Consulting Group and Perfect Access Speer provide a variety of training in core competencies for law firms. There are also a multitude of local trainers that provide training specialities.

To Outsource IT or Not

The LawNet (ILTA) 2004 Technology Survey reports, "Outsourcing is not 'in.' The use of outsourcing for performing IT functions is wide but not very deep. 64% of respondents say they plan to outsource some IT function next year (mostly printer maintenance, scanning or consulting on specific projects), but 75% of those who do outsource do so with 10% or less of their work. Less than 2% of our respondents outsourced as much as half of their IT work."

David Briscoe, my friend and fellow consultant, recommends that firms handle the day to day maintenance of the system and basic user support, but little more. Firms should supplement these basic services with outside consultants or integrators who specialize in a particular

expertise. This type of strategy is often coined “as needed” or “project oriented” basis. For example, if the firm is implementing a document management system (DMS), it would be wise to let the DMS integrator implement the system and when complete, transfer the knowledge to the firm’s IT department. User problems would be handled internally and technical or integration issues would be handled by the integrator.

In my experience, this is the model most used by law firms. Steve Sebastian, director of information systems at Bradley Arant, a 200+ lawyer firm headquartered in Birmingham, Alabama, outsources major projects to specialized integrators. “We handle all of our core competencies and technologies in house,” says Sebastian. “For specialized applications and projects, such as our phone systems and telecommunications, we rely on our integrator. They have the expertise and knowledge, there’s no reason we need to tackle this ourselves. We have enough challenges internally with our day-to-day operations.”

On the other hand, there are firms who completely outsource all IT functions. Manko Gold Katcher & Fox LLP, headquartered in Bala Cynwyd, Pennsylvania, outsources their entire IT department. John Kirk, director of Administration for the sixty member law firm stated, “We used to have a full-time network manager. But as we grew, we needed more IT staff. We’re a mid-size firm and really needed three full-time people in order to embrace our technology: one for the network, one for software, and one support. When we looked at alternatives, we decided it would be less expensive to outsource our technology.”

Another mid-size firm, Pietrantonio, Méndez and Alvarez, LLP, a law firm in Puerto Rico similar in size to Manko Gold also totally outsources its IT to a local integrator. Jaime Santos, managing partner of the firm said, “We looked at the cost of having our own IT staff versus the cost of outsourcing our IT. There was really no comparison and our integrator is right down the street from our office. Any problems we have, we call and either he or one of his staff are at our office within the hour.”

More likely than not, your law firm already outsources some IT function. The question is, should you look at outsourcing additional IT functions or, in varying cases, should you outsource your entire IT department? No one has an across the board answer to that question. Every law firm’s requirements are different.

Studies show that most solo practitioners and small firms outsource almost all of their IT, simply because they cannot afford to hire an IT person. Mid-size and larger law firms often have in-house IT and only outsource a portion of their technology.

As the cost of technology increases and the technology becomes more specialized, law firms will continue to evaluate alternatives. Hildebrandt International, a professional services consulting firm for the legal profession reports that law firms on the average budget about 4 - 5% of their gross revenue on technology. Where does your firm fit?

Thomson-West: An Outsourcing Venture

In January 2005 at LegalTech/New York, Thomson-West announced a new venture into the IT outsourcing market. Every lawyer knows Thomson-West as the company that hosts WestLaw, the traditional online legal research service. You cannot begin to imagine the technology and processes that Thomson-West employs in their data centers. It is truly a top-tier data fortress, a model that all data centers should strive for. Of course, with more than 500 terabytes of data housed within their walls, they must keep the system up and running around the clock with no downtime.

So what is Thomson-West up to now with IT outsourcing? “Technology is core to our business model and we do it well,” says Robb Gamm, senior director of application and hosting services for Thomson-West. “Our IT Management Services offering is not new—we’ve been providing these services to our sister companies since 1997. After looking at other business models in the industry, we decided with our technology infrastructure already in place, we can offer this model to the legal profession. We’ve got a history with the legal profession and feel we know how lawyers think and have a solid understanding of their technology needs.”

Thomson-West offers several different models of IT Outsourcing, including hosting single or multiple applications to their data center, co-location and synchronization of documents, or being the primary data center where the firm outsources their entire software applications. “We have a cafeteria menu selection of services,” continued Gamm. “We’ve also had law firms looking to us to outsource their help desk functions, something that initially surprised us.”

“While our target market is the large law firm with 200 or more attorneys, we are talking with many different types of firms of different sizes,” says Terry Dick, director Large Law Firm Marketing at Thomson. “Large law firm technology requirements are heightened, especially since 9/11. They are also in their technology life cycle where these size firms are looking at alternatives to cut the cost of in-house technology which continues to increase.”

Just how secure is data at Thomson-West? At their main facility in Eagan, MN there are two completely independent data centers, one of which is fondly known as “the bunker.” Thomson-West also has additional data centers on the east coast: three, twin locations, similar to the Eagan facilities. One of the issues that continues to surface with co-located facilities and disaster recovery sites is the geographical location. If a company has several facilities located in the same part of the country, there may be issues with power grids and weather conditions. That’s not a problem with Thomson-West’s multiple location facilities.

Security is paramount at West - that’s no secret. But, those prospective customers who go to West’s Eagan office to evaluate their facilities come away with much more confidence in West’s ability to manage data. They quickly decide they don’t want to try to replicate the resources at West. Thomson-West takes this very seriously down to minute details including how often fuel is filled in the diesel generators – West uses two different fuel companies to fill their tanks, in case one of the suppliers fuel becomes contaminated.

Case Study: Orrick, Herrington & Sutcliffe, LLP – Global Operations Center

Several years ago, Orrick reevaluated its IT infrastructure and determined it was time to revamp their technology services organization. With 700+ attorneys in 15 practice offices around the world, their IT costs seemed to be skyrocketing. Patrick Tisdale, CIO of Orrick, had previous experience in the outsourcing industry, so it's no surprise that Orrick was looking at outsourcing some of its technology to cut costs.

“Orrick was spending way too much in the headquarters cities in the office-centric model,” says Tisdale. “We needed to look at enterprise-wide models. We talked with several large IT outsourcing organizations, including those in the big five accounting firms and we looked at possible outsourcing to the middle east. The outcome of this internal study showed that business and technology services could be outsourced or moved from the practice offices to a centralized service delivery vehicle. We also found that we could better compete by creating our own internal enterprise-wide IT department, locate it in a low-cost region of the country, and provide 24x7x365 services to all of our offices around the world. We are saving about six million dollars annually.”

Located in Wheeling, West Virginia, Orrick's Global Operations Center (GOC) is the hub of the firm's day to day administrative operations. Among technology functions, the GOC is home to the firm's network operations center, the electronically accessed Help Desk, software applications support and e-mail administration. Key finance functions located here are accounts payable, accounts receivable, billings and collections, and payroll. The Human Resource team handles firm-wide benefits administration as well as recruiting and employee relations for the GOC staff.

Would Orrick become an outsourcing company for other law firms? “We're thinking about it,” continued Tisdale. “We're exploring ideas with potential business partners. We are a law firm, and with a business like this, we don't know how to market to other law firms. Orrick will also need a venture partner to provide these services at arm's length from the firm to avoid conflicts.”

This is obviously the right solution for Orrick. Tisdale, who frequently speaks at national conferences on technology and outsourcing, indicated he would not be surprised if other large law firms were looking to develop similar internal data centers.

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