

Trends In Restructuring Law Firm Business Functions To Increase Profitability

I've often wondered why so many law firms insist on keeping business functions run inhouse by lawyers, when they'd be much better off delegating or outsourcing (levering) these functions to someone who knows more about business management than they do. This behavior can range from the Managing Partner who insists on doing the financial statements himself to the numerous lawyer-run Committees you see operating in many firms. Many firms would get much better and faster results by having an experienced Executive Director or Administrator perform these functions for them.

Some will say that lawyers won't listen to someone who isn't a lawyer regarding management issues. However, many lawyers are now realizing that they need to streamline their operations further as clients push them on the rates side and squeeze their profit margins further. I would suggest that more lawyers need to become aware of the option to outsource these functions as well, given the increasing demands from clients to keep costs down and provide better and faster service. It also recognizes the need for law firms to focus on their core competency of providing legal services.

One of the main reasons to consider leveraging business functions is to increase profitability. This requires that you focus on how leverage of business functions can operate in your firm to release your fee earners from administrative tasks. Your opportunity costs can be great if you have several partners involved in management and administration functions, when they could instead be doing more productive things with their time. Things such as getting new, highly profitable work, working on high-end files or performing high level R & D to add value to the firm's knowledge banks and improve firm profitability. At \$400 to \$1,000 per hour opportunity cost, you'd be far better off leveraging those admin tasks to an experienced COO or Executive Director who could do the job more effectively and efficiently. Your "real" bottom line will grow substantially after allowing for these recovered opportunity costs .

In a recent survey I conducted with COO's and Executive Directors of midsize and large US and Canadian law firms, I found that more firms are also looking seriously at outsourcing facilities management, document production, systems, human resources and marketing functions. Whole administrative departments are not only being outsourced, but are also being shared with other midsize firms. This tactic allows midsize firms to compete for much larger files than they'd normally have a chance at and both firms can benefit from the arrangement. It's just another way for firms to extend their reach to be competitive without having to merge or add extra offices, and avoid all the costs and potential heartaches that an ill-thought out merger can entail.

[Orrick](#) is an example of a firm that successfully "outsourced" all of their administrative support functions such as HR, marketing, systems, facilities management and document production to a single support center office in West Virginia. Their global network of offices can access the admin services they need from this Global Operations Center on a 24/7/365 basis. Through this change, Orrick has reduced administrative costs while improving the quality of these support services.

[CMS Cameron McKenna](#) in the UK is the first major law firm to [outsource its entire business support function](#) to an outside party, including IT, HR, finance, business development, communications, knowledge management, facilities management and administration services. This is a major development/experiment and is being watched with great interest by many other firms.

Another administrative service to consider for outsourcing is the search function, such as due diligence, title search, etc. Why firms have their paralegals do these functions is curious to me. Paralegals should be focused on higher end legal file functions, and searches should ideally be delegated to clerical staff or outsourced to a dedicated search firm.

Another option for small and midsize firms is to outsource all of their administrative functions to companies like [MCG Management Counsel Group](#) in Toronto or [Cameron Management Services Group](#) in Calgary (no relation). These companies can handle all of your administrative and business functions so you can focus on practising law. I've heard this option works very well for some small and midsize firms.

Outsourcing can be done at many levels in law firms and is being experimented with in different ways by forward-thinking firms. You can theoretically outsource any business function. One partner I knew once jokingly suggested that he'd like to see his firm's entire Management Committee outsourced. Okay, that's pushing the outsourcing concept a bit, but considering the minutiae that many Management Committees get involved with, perhaps it's not such a farfetched idea!

Colin I. Cameron, CA

President | Profits for Partners, Management Consulting Inc.

Ph | [604.512.8104](tel:604.512.8104)

colin@profitsforpartners.com

Website www.profitsforpartners.com

Blog www.lawprofitability.com