

Considering Outsourcing? Do You Really Know Why?

In the rush to jump on the outsourcing trend, law firms forget about basic business objectives.

By Chris Bull

There is no getting away from the swell of interest law firms and corporate legal departments are showing in using outsourcing as a business tool. The trend has been given a very strong helping hand by the depressed economic climate but it began building back before any bank failed. The legal world operates on a 'fast follower' model and the steady growth of outsourcing means Managing Partners and General Counsel now regularly get, "Hey, the competition is outsourcing - shouldn't we be doing that?"

I've been immersed in legal outsourcing from both sides of the fence for much of the last four years and believe it can offer a lot. But the first question I ask each business I work with is, "What are you trying to achieve?" I try to get them to cycle back, delete that word "outsourcing" for a moment.

At least 50% of the time, when I get the answers, I would not propose outsourcing as the first or best solution. That applies whether we're talking about legal process outsourcing (LPO) or support function / business process outsourcing (BPO).

Edge International's model for evaluating these issues has a few layers (we often assess 9 primary business drivers and then 18 criteria to determine the best location for outsourced or captive shared service operations). But right upfront there are five fundamental questions:

- 1. What are your financial targets?** - be specific about quantum and how quickly you want to achieve it. Be honest; if you don't mean

“our focus is quality not cost,” don't say it. Be realistic - if you want to take 15% off your cost and a provider wants to get (at least) a 15% margin that's a big drop in spending on the service: what gets lost?

2. **What is the quality the business needs?** - note “the business needs” not “each Partner / Lawyer wants”; you won't get much out of any outsourcing deal if you follow that route. Law firms, often with good reason, want to be sure quality is maintained, with potential for improvement down the line. But sometimes, maybe, you could go with a service a touch slower, a bit less frequent, less “gold-plated?”?
3. **Are you ready for jobs to be relocated and lost?** - refer to the first two questions: it is going to be tough to achieve any saving - or quality improvement - if the same folks work in the same place. There are lots of good strategies for getting the right result for your business though - focus your retention efforts on key personnel and jobs with maximum “face-time” with lawyers and clients.
4. **How do you actually think a provider will do this better than you?** - even if your motivation is all cost and labor rate arbitrage you've still got to be sure these outsourcing guys can do the job as well as your team. Agree to this answer before you start meeting potential providers; you know your operations and should decide what is going to change: process, innovation, customer service, economies of scale, technology, location...
5. **Have you considered the internal alternatives?** - I find too often management hasn't really sifted the whole range of other options to outsourcing. Always consider the alternatives, including investing in automation (“cloud computing” is throwing up some interesting options previously unavailable to many businesses), relocating to your own low-cost center or teaming up with other businesses in a consortium model.

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