



**CCE Whitepaper**  
**Evaluating the outsourcing model; an IT Directors perspective**  
**May 2007**

*This whitepaper was produced following a facilitated roundtable discussion that asked a group of IT Directors, representing a number of leading UK law firms, to evaluate Outsourcing and Co-sourcing as a potential component of a firm's IT strategy.*

One of the perennial headaches facing law firm senior partners is how to manage and allocate resources. And as the UK legal market moves increasingly towards more commoditised methods of service provision, in part driven by the deregulation of the market expected after the implementation of the Legal Services Act, the role of a law firm's IT Director is likely to become increasingly high profile. Furthermore, the relationship between the partnership and the IT department is set to become far more symbiotic.

A growing number of UK law firms have, over the past few years, begun to mirror many of their largest corporate clients by outsourcing key back office support functions, notably including parts of IT. Now there is a new twist to this market. The co-sourcing market in the UK may still be small, but it is growing. Currently, around 90% of organisations who outsource have stated they plan to expand their involvement between 2007 through 2010, emphasising the growing confidence in outsourcing/ co-sourcing. Out of the top 100 law firms around 50% of the top 10 plan to increase or embark on Outsourcing / Co-sourcing of business support functions such as IT, Facilities, Finance, Catering and Security, with 25% of 11-25, 40% 26-50 and 16% 51-100 firms also looking to invest.

As a leading specialist in outsourcing, CCE is currently responding to the increasing demand for co-sourcing and managed services, supplying a number of leading UK firms such as Osborne Clarke, Charles Russell and White and Case LLP. The company's head of enterprise services, Derek Kindercliff-Jones, was recently quoted in a legal magazine highlighting the fact that firms were proactively searching for alternative methods of increasing the productivity and service delivered by IT to the business. "Co-sourcing, which covers all aspects of IT, from hardware, software and staff, is just one increasingly popular option," he added.

So Co-sourcing is growing in popularity in the UK and elsewhere. But what exactly does it mean for a firm that decides to go down the co-sourcing path? And is it really the best option?

Co-sourcing remains a relatively new concept for most law firms. The often highly sensitive nature of the world in which firms operate makes it easy to understand resistance on the part of senior partners to allowing any outside third party into areas of strict confidence.

Yet an increasing number of larger firms have already done just that, either via a Co-sourcing or Outsourcing arrangement. Most famously, the world's largest law firm Clifford Chance already Outsources a variety of back office functions and has revealed plans to escalate its offshoring activities, with the aim of transferring routine legal tasks, such as litigation support and due diligence, to cheaper jurisdictions including India. The aim, according to the firm's managing partner David Childs, is primarily to grow its average profit per partner but also to allow for more lawyer mobility around the global network. In other words, to raise profits and increase the firm's flexibility.

Strangely enough, some research shows that firms are increasingly taking a global view of sourcing – separating processes out and deciding whether each one would be best based offshore, nearshore or onshore. For example, many are considering bringing certain elements of their services back onshore in the next five years as part of a global sourcing strategy. If ever there was a sign that the outsourcing market was moving to the next level, this was it.

It is clear that the profile of outsourcing and Co-sourcing deals aimed at law firms is rising rapidly. And it is equally clear that in an increasingly fluid, fast-moving and mobile business world, there is benefit to be gained by any organisation if as many of its component parts as possible reflect that flexibility. That is what outsourcing brings. Arguably, Co-sourcing does it too, only more so.

Recently a group of some of the UK's leading law firms attended a roundtable dinner during which their IT Directors discussed the pros and cons of firms potentially going down the Outsourcing or Co-sourcing route. The discussion was based around a number of core questions, each designed to gauge the attitude of some of the market's leading lawyers towards Co-sourcing. This article summarises the key points made by the group.

A successful firm, whether in the legal market or not, is one that communicates well. High up the list of priorities for the group was whether or not a decision to go down the Co-sourcing or Outsourcing route would lead to poorer communications.

'What we really need to do is to readdress the balance, ensuring the IT team comprises increasing numbers of individuals who can add value to the business,' said one IT Director.

Matching technology to the needs of the management should be core to any successful co-sourcing project, the group pointed out, and significantly flagged up the need for increased use of business analysts as oppose to simply IT specialists.

Equally a major concern of the partners was whether a decision to Outsource, or Co-source, elements of their IT infrastructure would create barriers to communications between management

and the IT teams. And if so, how could these barriers be overcome? In this respect, Co-sourcing was generally seen as a “safer arrangement”, in the words of one IT Director, than Outsourcing as it should allow the management of a firm to manage their people more efficiently. “Co-sourcing allows you to blur the edges and get a wider service from your IT professionals,” is how one of the group summarised the issue.

‘Blurring the edges’ in this context pinpoints one of the chief benefits of Co-sourcing, which is HR issues. There is often an inherent lack of flexibility in relation to managing support staff in law firms. Unlike with an Outsourcing approach, the Co-sourcing technique allows a law firm’s management to benefit from the leading-edge level of skills available from a services supplier such as CCE, while retaining overall managerial control of its IT team.

Law firms are risk adverse organisations by definition, but using a third party reduces exposure. Equally an outsourcing deal should also allow the firm’s own IT staff, who may transfer to the technology company, to benefit from working for an IT company. It is quite likely they would feel more part of a company that is rooted in the IT environment than in a law firm. However, it was noted by one of the IT Directors that there is no catch-all template for this kind of arrangement. “Some people value being part of an IT organisation, but others see kudos in working for a law firm,” he pointed out.

This conflict could be a result of the geographic locations of the firm and could be an issue for the Co-sourcing company in being able to relocate people that actually want to be in certain geographies.

By way of an example the group discussed how a deal might work using a hypothetical firm with a team of 10 IT professionals. Working with CCE on a co-sourcing basis would allow the firm to fill any skills gaps it may have with CCE staff. The provision of this human resource would be the responsibility of CCE, which means that it would be available permanently, with no worries for the law firm about time off for holidays or illness.

Equally if, for whatever, reason the IT professional was not a good fit for the firm, it would be CCE’s responsibility to replace them. “HR is a huge problem and makes management difficult,” said one of the IT Directors, “but turning it into someone else’s problem is great. Having the ability to move staff about in a third-party organisation means when it comes down to it, it’s their problem and not the firm’s.”

In essence this comment points to the need to move from an IT department staffed by techies who are, at the end of the day, a readily available resource, to one staffed by business analysts, plugged in to the various business units in your organisation. “In this way, you can have people

who are able to apply IT to the business problems encountered in your organisation, and these individuals provide a bridge between the technology and the business,” says one IT Director.

Any IT Director considering putting forward an argument for going down the Co-sourcing path might also point to the fact that the needs of most businesses have changed over the last few years; a 9 to 5 service is no longer appropriate. As another leading IT Director puts it, “You need people at the end of a phone who are able to empathise with the presented problem and provide solutions to these problems.” And they need to do that fast.

What else should any prospective law firm IT Director consider in the context of a Co-sourcing arrangement? High up the list of concerns of the group was the impact an Outsourcing or Co-sourcing relationship might have on the users, the IT staff and overall business dynamic at their firms.

But to reiterate, Co-sourcing can be an excellent support opportunity, simply by strengthening teams. It can offer cover for holidays or sickness, and can also develop the skill set of individuals within the organisation. This latter point is a particularly hot topic in law firms, and not just for its lawyers. In mid-sized firms especially, progression tends to be only when people leave, making motivation a difficulty.

Co-sourcing can help incentivise staff by, for example, offering them exposure to the latest techniques and training so that they are constantly developing their skill set. Very few law firms of any size can offer that, as well as providing essential support, Co-sourcing can also mitigate the people the firm already has on board.

Businesses are on the constant search for more predictability of deliverables and the perception among the group was that this was also far more likely to come via a third party than through SLAs and the like. A successful Co-sourcing arrangement should introduce the idea of predictability. “It helps to show what your cost base is, helping you be able to demonstrate how you can scale up or down,” said one Director partner.

By entering into a Co-sourcing agreement, an IT Director should have more certainty in committing to SLAs as the delivery of those services rests with the Co-sourcing company.

UK Co-sourcing arrangements allow organisations to ‘pick-and-choose’ the processes they want to retain in-house and those they wish to Co-source. Many companies are looking for upfront cost savings which is not always feasible without economies of scale, what they are really looking for is continuously declining costs. This can’t be done using the existing in-house processes and

services undefined by the organisation without Service Level Agreements. They need to look beyond cost towards process improvement for efficiency gains.

It is common knowledge that well over 90% of internal business support function teams do not publish or promote a Service Level Agreement (SLA) to the firm. Over 80% of internal teams do not operate an Operational Level Agreement (OLA) the only real agreement that they have, to any degree, is an underpinned agreement with third party service providers (securing liability). CCE's Co-Sourced Service model provides an accountable SLA which can form the foundation of an internal SLA and an OLA. This is impossible to do with an In-sourced model.

The evident attraction of a Co-sourcing arrangement for law firms needs to be set against the context in which the lawyers in these highly demanding organisations work. One of the IT Directors in the group raised the pertinent question of availability, citing as an example a partner at his firm who had a contract to get out to a client at 6am when the document management system was down.

"For me, I knew the value of the transaction the document related to and was therefore able to get the partner concerned up and running with a makeshift solution in a very short timescale," he said.

How quickly would the co-sourcing company be able to react out of hours, he wondered?

It is a legitimate concern. The demands of law firm partners are exceptionally high, and attempting to translate those demands into a cohesive service delivery to individual partners is extremely difficult.

But a key point that a law firm IT Director could make is that it is the Co-sourcing company that offers the SLA and it should make no difference whatever the point in a document life cycle. However, how the Co-sourcing partner responds to this requirement is indeed a legitimate concern.

As the discussion moved to a conclusion a novel twist on the Co-sourcing model was suggested by one of the partners. Is there strength in numbers, that is by several law firms grouping together to share the services of a Co-sourcing organisation, and could a consolidated approach provide a greater efficiency, availability of resources and leverage gain? The stumbling blocks towards this kind of model were numerous, with one partner immediately flagging up the difficulty of which firm gets precedence on the service? Equally another partner raised the issue of the sensitivity of each firm's work, while another thought sharing a service may be difficult to achieve if firms were in conflicting situations commercially.

However, the question was vigorously debated and touched on the core issue of whether having a consortium of firms could take power away from the vendors, who would then have to be more reactive to the demands and needs of the firms.

There was certain inevitability in the fact that the group's discussion also turned to geography, in terms of whether a successful co-sourcing arrangement is only an option for firms based in major metropolitan centres such as London.

Was there a particular demographic or geographic more suited to benefiting from an Out/Co-sourcing arrangement, the group wondered?

Although not all of the IT Directors present represented London-based firms by any means, the consensus was that ultimately geography could be an issue. It would be hard to see how a rurally based firm, or even one in a relatively small town, could benefit from a co-sourcing arrangement that would, for example, provide staff on a temporary or occasional basis (the Directors did point out, only half joking, that at least lawyers working outside the capital and other major cities benefited from more of a work/life balance). So it was agreed that deals of this sort are probably more suited to larger firms, or at least those in the upper small (say 15 partners) to mid-sized region.

But the debate about geography did lead the group back to the novel idea of a shared service approach. Would it be viable for a group of law firms to band together in order to take advantage of a Co-sourcing deal, they wondered once more?

In essence the argument was described by one IT Director as being like making pizza. "We all make the best pizza but all that differs is the topping," he said. "We are all spending too much time reinventing the wheel. In other words, we're solving problems without the recourse to realise that other firms might have already done it. We should share resources and information more. Potentially Co sourcing could be part of this."

The thought of the group of IT Directors all tucking into an Americano Extra Hot is a diverting image, but it might just be the future.

## **Conclusion**

The purpose of the paper was to explore how a managed services relationship can add benefit to a law firm's IT strategy. Law firms are perpetually looking at streamlining operations to deliver legal services more efficiently without increasing the operating costs. Law firms are turning to Legal Process Outsourcing (LPO) as a way of doing this so why not apply this strategy to other areas of the operational budget. For firm's currently evaluating this route, the paper should provoke some ideas and provide some assistance as to the considerations that must be made.

1. Look at your existing structure and identify where you could introduce Outsourced or Co-sourced services

2. Look at areas of the IT department that could be commoditised through the economise of scale and differentiate those from the areas that add real value back to the user and the firm.
3. Understand your partnerships view on Outsourcing and the steps that you may need to take to gain their buy in. Focus on the current Outsourcing agreements the partnership have already approved and deploy for example; Catering, Printing, some HR and Finance and some Legal Process Outsourcing.
4. Meet with Outsourcing / Co-sourcing companies to understand the services they can offer and understand how they could integrate their services with yours. Allow them to demonstrate how their process can incorporate the idiosyncrasies and cultural challenges of your firm..

**For more information please visit [www.cce.co.uk](http://www.cce.co.uk)**

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