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■ OUTSOURCING

Shared Service Centers

By J. Mark Santiago

With the advent of new computer technology, ever-increasing costs of administrative support personnel (compensation, benefits, occupancy, etc.) and the desire to run law firms “like a business,” more firms are outsourcing core administrative functions, such as I.T., research, word processing and accounting.

The reasoning: None of the skills required to provide and manage these very important services are skills critical to being a good attorney. Indeed, some might argue that the skills required to excel in those services and particularly management are antithetical to being a good attorney, so why not use companies that specialize?

But there is an alternative to a wholesale outsourcing of these tasks. It’s called “Shared Service Centers,” i.e., keeping these services within the walls of the firm, but relocating them to more economically desirable geographic locations. This is now viable, because of the significant advances in technology. These functions no longer must be provided in the same location as your firm’s practicing attorneys. This combination of technology, geography and economy helps outsourcers offer significant savings to firms willing to move support functions. For many firms outsourcing is a viable strategy to providing equal (or better) service, at reduced cost.

For example, in 2002, San Francisco-based Orrick, Herrington & Sutcliffe moved its I.T., finance and benefits operations to Wheeling, West Virginia.

But how do you explain to your managing partner, executive committee or fellow partner that your I.T. help desk is going to

be outsourced to Nevada, your word processing function to India, and your accounting department to who knows where? How do you address the very real concerns for client confidentiality? For data security? For the disruption to the firm’s culture and the loss of the institutional knowledge that is resident in your employees who currently perform those jobs?

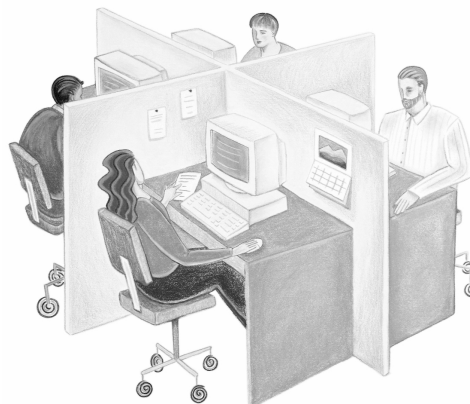
Implementing an SSC is a three-phase effort. In Phase I, the firm develops a detailed transition plan to move the selected administrative functions to the new SSC. It evaluates and chooses alternative location(s). (Often, there are numerous economic advantages — job training, tax credits, etc. — available from the local and state governments.)

In Phase II — where it thoroughly documents procedures and develops a relocation plan for individuals currently performing the function. Obviously, many of the current employees will not move to the new city and an incentive package to either find them new

jobs or keep them at the firm until the move date should be developed.

Phase III is the longest, hardest and in the end, most rewarding. Selected functions are transitioned to the new site and, gradually, after a period of parallel testing the new site goes live.

SSCs are a viable alternative to outsourcing where a firm can achieve all of the benefits and avoid many of the problems associated with turning core functions over to strangers. It is not a panacea, it requires management vision, detailed planning, hard work, and some luck. But in the end, it can be very rewarding to the firm that undertakes the effort. **LFI**



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