

# Outsourcing Information Management – Why, Where and How...

**Abstract:** Jack Diggie from Prince OMC provides an overview of the world of outsourcing legal services. He explains the various methods of outsourcing and provides a glossary of the terms involved. He tells us what is happening in the UK in terms of outsourcing legal information work and explains how the concept of outsourcing began.

**Keywords:** outsourcing; legal information

## Introduction

Outsourcing is one of the buzzwords of the moment in the legal industry. In this era of price pressures, economic uncertainty and demands for efficiency, routes for cost cutting are being investigated rigorously and off shoring is a word on everyone's lips. To date the impact of outsourcing on legal information management has been relatively minimal – but that is not to say it will continue to be unimportant going forward. There are huge opportunities for efficiency and service enhancement through onshore and offshore outsourcing routes, opportunities that are increasingly mainstream and proven.

## Where does it come from?

Outsourcing, and particularly off shoring, in a professional services environment was really kicked off by the banking world. Long a cut-throat arena where the clear link between cost-savings and bonuses has led to a particularly lean approach, the banks have led the way into low-cost overseas markets. Territories such as India, the Philippines and Eastern Europe all have relatively well educated, low cost workforces and these have proven to be ripe hunting grounds for the cost cutting banker planning to outsource back office functions such as IT, billing and administration. Stephen Cupper, head of Business Information Services at ABN AMRO concurs "Off shoring of business information services is increasingly widespread in investment banking, with a large number of

firms building out knowledge management functions as part of their captive offshore operations."

Where bankers lead, it sometimes seems, the legal industry is never far to follow and such has been the case in the off shoring space. Moves into off shoring by the largest players have been gathering pace in recent years. The initial focus for off shoring has been on support services, primarily IT. However, as in banking, the moves are increasingly towards deeper and deeper integration of off shoring into the heart of the business. According to recent research undertaken by princeOMC, 53% of firms are expecting to offshore aspects of actual legal work within the next five years – a huge number when you consider that just 25% of firms are currently off shoring any aspect of their business.

## What are law firms doing?

In terms of practical examples, the two flagship case studies of legal off shoring have been Clifford Chance and Baker McKenzie, who have set up their own off shore 'captive' outsourcing centres in India and the Philippines respectively. Large numbers of smaller firms like CMS Cameron McKenna have also gone down the offshoring route (for their IT function) but mostly through engagements with existing, third party outsourced providers—perhaps the more traditional route for this sort of business process.

To date, however, these projects have primarily focused on the more administrative, commoditised functions and often IT, with the higher level processes such as information management remaining in-house. However, if the logic of off shoring development continues as it is, then it can't be long before its purview spreads to the IM world.

## Information management and off shoring

One of the difficulties of discussing the off shoring of information and knowledge management is to define what is meant by these words. The information management function in the legal industry varies in scale and scope from firm to firm – in some it is simply a function of managing on- and offline knowledge libraries and disseminating this information to lawyers through discovery tools, taxonomies and the like. In others, however, information management is a much more pro-active function, including business research, the 'push' of information to clients, 'Know Your Client' (KYC) functions, marketing support and more. Clearly this implies a massive variance in scale of information management functions within firms, but even within these scope differentials, there can be a huge difference in the ratio of fee-earner to KM professional from firm to firm.

## How can I outsource?

We can see then that there is a scope for outsourcing in information management, even if that scope varies from firm to firm. What then are the practical options for the firm looking to outsource parts of the IM function?

The first option is perhaps the most obvious – bringing on board specialist, onshore providers to take over some aspects of IM practice. Companies such as Prenax, who specialise in subscription management, have experience in the legal sector and the economies of scale that can deliver significant savings to the cost-cutting law firm. The immediate attraction of this route is in the relatively low perceived risk – fee earners will generally feel more comfortable in the knowledge that their information processes are remaining on the same landmass. The downside, however, is in the cost; because these companies are generally relying on relatively high-cost onshore staffing, then the cost savings can never match those of a pure-play offshore provider.

The second route into outsourced savings would be to look at existing, third party offshore providers. Companies like Evalueserve, whose research capabilities include legal coverage, can deliver high-quality product from well educated overseas staff. The risks here are primarily in perceptions of lower quality product. However, our experience shows that, with careful selection of providers, one can easily match, and sometimes exceed, the quality levels attainable onshore.

The third, and perhaps most extreme, route of creating savings through outsourcing would be the offshore captive. This is essentially a subsidiary business established overseas to create a dedicated support function for the onshore core business. This route has been a proven success for the largest firms, not least the two mentioned above, and has the benefits of offering complete control over quality and security for the parent

firm. The problem for the information manager with this solution, however, lies in scale. Whilst it can make clear economic sense to create an offshore captive for the entire IT function, the sums will simply not add up for a specialist IM or KM department which is going to be, at most, 30 people even in the largest firm. Taking into account the costs of starting a new business overseas in terms of resourcing, staffing and the rest, it is simply not going to make sense for IM to adopt this route on its own.

That said, if the captive option looks attractive, there are less extreme routes to its adoption. It can be possible to create an onshore captive in a less costly region, a route taken by Orrick Herrington & Sutcliffe in their back office relocation to Virginia, or you could even relocate functions to the cheapest office in your own network.

## The risks?

The question that everyone asks when the topic of outsourcing, and in particular off shoring, is raised is what it will mean for quality. Exposure to the worst failings of Indian call-centres have, wrongly in our opinion, led to a general cynicism of the capabilities of the off shored provider. However, there are numerous third party providers and captive centres that would disprove this assumption. Anecdotally, in projects that we have worked on in banking, there has been a reverse quality problem where the offshore provider was outshining the onshore organisation. There are plenty of skilled workers in off shored locations, in India in particular, with experience of the UK legal system. Additionally, there are numerous organisations with experience of working in a professional services environment, thanks to the bank's earlier moves into this market.

What can cause problems in quality is not necessarily the provider, it is the way in which you build the relationship with your provider, whether third party or captive. Outsourcing will never be a 'plug and play' solution, you have to build a relationship between the two organisations, invest in the appropriate training and ensure that the ongoing interaction between the firms is properly managed. Unless you invest in the appropriate skills and proper structures, then the risk is that a failed relationship can cause a failed project.

## The future

The outsourcing of a huge range of functions in the legal industry is inevitable. The process has already started and, once the savings and benefits become apparent to all involved, the expansion of the programme has its own logic. By extension, the work of legal information management needs to address the outsourcing question. What is key is that it should be seen as an opportunity and not a threat. Outsourcing can make your processes more efficient and more effective. Outsourced providers can also remove the leg-work from your business and

free you up to focus on the more strategic aspects of your job. As long as you understand the opportunities, and look out for the risks, then the decision to outsource could potentially be a defining one in terms of the success of your practice.

## Glossary of terms

There are many new terms springing up almost daily in the burgeoning world of sourcing. Here are definitions of a few of the more common terms:

**Sourcing** – The management discipline of new sourcing of services within an organisation. All definitions below are the different forms of sourcing.

**Outsourcing** – Sourcing services from outside your current organisational structure. Usually implies to a third party organisation. Can be onshore or offshore.

**Off shoring** – Moving services to a (usually) cheaper location offshore. Can be in-house in an overseas office or outsourced to a third party.

**Captive** – When building your own office to a lower cost location overseas, often known as captive off shoring.

**LPO** 'Legal Process Outsourcing' – refers to the specific process being outsourced (also BPO, ITO, KPO – 'business process', 'IT' and 'knowledge' respectively).

*Legal Information Management*, 8 (2008), pp. 117–122

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doi:10.1017/S1472669608000273

# Library Management Systems: Finding the One for You

**Abstract:** This article by Sally Creissen offers a thorough guide to the processes involved in selecting a library management system, from the initial consideration of whether it is really necessary to the post-implementation stages.

**Keywords:** library management systems

## Introduction

Choosing to install a library management system (LMS) in order to automate paper processes, or upgrading an existing system to a more advanced one with enhanced and new features, is not a decision to be taken lightly. Only if you are sure you both need to change and are committed to making it happen should you go ahead.

This article is based on a presentation given at the BIALL Study Weekend in December 2007 and is intended as a guide to the project process, offering various hints and tips to help you run it smoothly.

## I want one of those! Or do I?

There are a number of reasons for taking that first step towards a new LMS but you should think before you act.

Consider why, how and when you are going to effect your changes.

## Why?

Having no effective system is certainly a good reason for taking the plunge into the murky world of LMS. The almost universal expectation of instant and shared access to electronic sources of information, with the facility to manipulate and record data of all types, is a significant driver for change. Having no effective system in place can detract from your professional image as the provider of electronic information resources and allow you to be seen as a technological dinosaur and there are likely to be obvious clear benefits in terms of efficiency and time-saving to be achieved by automating.

Having an outdated system in place is also a good reason to review the marketplace. You may need new