

# New Jersey Law Journal

VOL. CLXXVIII – NO. 13 – INDEX 1199

DECEMBER 27, 2004

ESTABLISHED 1878

## MANAGEMENT

### Strategic Resourcing

Using the outsourcing model to enhance law firm billing

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Although “outsourcing” has recently become a political buzzword connoting the offshore shipment of valuable jobs, law firms and many other businesses have successfully used the concept for years right here at home. Law firms were among the first businesses to embrace outsourcing as an efficient and cost effective vehicle for getting specialized functions performed.

Interestingly, law firm billing was one of the first specialized functions to be outsourced. In the 1970s, when the insurance industry, a burgeoning legal consumer, mandated itemization of time and costs to allow them to ascertain the “how and what” of their legal spending, law firms obliged and began the tedious process of securing or developing tools and systems to react to these new requirements.

In response, outside data processing companies began pitching their services (through outsourcing) to law firms selling their ability to turn written time entry slips into key punch cards and thus automating the ordering, formatting and printing of law firm invoices. As affordable in-office

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technology improved, the billing function returned in-house with even greater efficiency and cost effectiveness.

Since then, billing has remained largely an in-house function. Form and format remained a recitation of time entries and disbursements ordered logically and in a format that the client could comprehend; however, the client remained subordinate in most billing issues. Today, however, changes are being thrust upon law firms and clients are subordinate no longer.

Many large corporations, and the insurance industry in particular, are imposing their own set of requirements on firms they retain. Firms must respond by providing electronic invoices and budgets with extensive detail and formatting requirements or lose the opportunity for representation. Adequate software aside, the question of internal human capability has become an issue. As a result, law firms are increasingly receptive to updated and modernized outsourcing support plans for their billing operations.

Administration is not generally viewed as a core competence of most lawyers; most lawyers want to practice law, not its administration. Billing is a critical component in the firm’s financial life-line and doing it right is paramount. Outsourcing has evolved and gained momentum with this realization.

An outsourcing support plan must

demonstrate the wherewithal to bring to the billing process the requisite staffing needed to meet crunch demand for pre-established timetables. No longer should this lament be heard: “I rush to review and edit my drafts only to have them sit for a week or more because the billing clerk is unable to get to them.” Final invoice production should be measured in hours, not days.

Increasingly, firms are confronted with divergent client requests for divergent billing practices. “Can we” questions are posed to a billing clerk, or worse, to the managing partner who must, by necessity, become the resident expert in the billing program — a true waste of valuable resources. A good outsourcing support plan should fill this void.

A well conceived support plan must have a “management orientation.” Insights from having “been there — done that” is very important. Outsourcing firms with former practicing lawyers, legal administrators or claims adjusters can be immensely valuable through their unique perspectives and insight.

Lawyers do not work a 9 to 5 day and changes in communications technology have had the effect of accelerating this trend. An outsourcing program should allow attorneys to get information from the billing program when needed, not when the billing clerk returns from lunch, a sick day or vacation. Even evenings and weekends are fair game if that is when attorneys work and need support.

A properly conceived outsourcing plan should be based on a flat fee, task billing or combination thereof — never by

a per hour charge. Providers with proven track records know their costs, can assess a law firm's situation, peculiarities and needs and turn that knowledge into a reflective flat monthly fee. Gone is the expense for staff overtime, sick and vacation pay, payroll taxes, benefit expense, office space and the general office disruption when billing is not happening timely.

Often firms rely on the expertise of their outside accountants to coordinate the gathering of internal production information for financial statements and management reports. Accountants acting as bookkeepers or MIS staffers can be a huge expense that can be substantially reduced. Other direct and indirect costs can be eliminated, such as office space and other amenities required for staff positions.

Off-site service providers assist in keeping sensitive information away from curious eyes and office gossip. Control is enhanced as program management is under the control of experts who can more readily identify and react to potential system problems. Today's programs require high maintenance — system management left to a clerk-level employee can expose the firm to immense risk.

Assuming all of these positives are an enticement, an in-depth analysis or risk assessment is needed. Here are some questions to ask:

- Why would we consider this alternative? Considering outsourcing because the firm next door did it successfully is certainly valid. Making the decision to outsource on this point alone is not valid.
- Will the outsourcing plan meet all of

the unique demands for each practice area? Will the most difficult or demanding lawyers and staff embrace the concept or be resistant to change? Is the need for change real and defensible or viewed as "management's folly"? An assessment of your internal environment is key to the success of any outsourcing arrangement.

- Does the outsourcing company know the legal marketplace? Look for focus on the legal profession. Billing for law firms is unique and proficiency in billing for other professional groups is no guarantee of proficiency in billing for lawyers. A company providing billing support to the medical or accounting professions is not necessarily conversant in the specific needs of the legal profession.

- Have we done our due diligence? Look for a proven track record measured by longevity in providing support through outsourcing. Taking a flier with a start up may work out well (all companies start somewhere) but does warrant extra care. Get a complete customer list and call the firms of similar size for references.

- What are our special needs? Identify your special needs and bring them to the table. Exception processing can sink the best of plans — recognition before engaging a plan will avoid costly investments by both parties. Secure written guarantees that special needs can be handled at the cost quoted. While some procedural conformity is required in any outsourcing support plan, the plan must be tailored to meet a firm's specific needs. Inflexible cookie cutter solutions force rigidity and should be avoided.

- Can we commit to making outsourc-

ing work for our firm? Assess the state of the economy, both for the firm and the community in which it operates. Outsourcing plans involve a commitment in both time and resources. Do the required commitments make sense in light of the financial realities and short- and long-term objectives of the firm?

- Do we have it in writing? Require a contract and carefully review it as to form and substance. Do not begin a support arrangement without one. Require inclusion of all important provisions to the firm. One size does not fit all and inflexibility with contract provisions should raise a flag. Attempt to secure an "escape clause" as a safeguard.

- Will the service provider be here tomorrow? A difficult assessment for sure, but an essential one to make. Ending a failed outsourcing support plan can result in significant disruption and considerable costs. Every service provider has "former" customers where the service was not successful. Ask about "former" customers and be wary of glibness in the response.

Outsourcing of the billing function is a business solution providing immediate relief to internal deficiencies or enhanced capability leaving the firm better off than before. Support plans are based on solid business principles that can clearly assist firms in realizing financial and operational goals and objectives. It will improve process and provide economies of scale.

Outsourcing support plans should be considered as a solution to chronic problems and as an avenue to securing many business benefits. ■