FM21: Outsourcing Marketplace: Trends, Challenges and Opportunities

Agenda

- Mattern overview
- Outsourcing defined
- State of the outsourcing Industry
- Should your Firm Outsource?
- How do outsourcing companies make money?
- Managing the Relationship
- Optimizing Pricing
- Recovery of Costs
- Summary and Key Points
Mattern assists law firms in developing **unbiased strategies** for their back and middle office operations while improving the cost-effectiveness, efficiency and expense recovery.

Kevin Cash, Chief Financial Officer at Orrick, Herrington & Sutcliffe

"Mattern’s benchmarking and analysis of our outsourcing contract was invaluable. Mattern’s work armed us with the necessary market information to be able to drive a much more competitive renewal and feel comfortable that the negotiations with our current vendor led to a good competitive outcome without needing to take this out to a full competitive bid process."

Firms use Mattern because:
- Outstanding results
- Unbiased expertise
- Time management and delegation
- Subject matter experts
- Market knowledge and benchmarking data
- Vendor leverage
- $0 out of pocket

Processes:
- Current State Assessment
- Benchmarking
- Recommendations
- Cost Recovery
- RFP Process
- Contract Negotiations
- Implementation Oversight
- On-going Contractual Monitoring & Maintenance

Areas of Expertise:

**BACK OFFICE SERVICES**
- Reprographics
- Mail/Messenger
- Facsimile
- Office Supplies
- Overnight Services
- Off-site Records Storage
- Printer Management / Maintenance
- Multifunction Devices/Printers

**MIDDLE OFFICE SERVICES**
- On-Site Records Management
- Information Governance
- Litigation Support/ eDiscovery
- Document (Word) Processing
- Accounts Payable
- Help Desk/Call Center
- Secretarial Pool

**ADDITIONAL SERVICES**
- Reception
- Hospitality
- Cost Recovery
Outsourcing Defined

“Business Process Outsourcing” – non-billable-hour activities in the back and middle office

- Traditional FM Administrative Support
- Financial activities such as AP
- Back office ~ 70% of firms outsource
- Low Cost Service Centers
  - 21% of Firms 250+ 6% of Firms <250

State of the Outsourcing Industry

- Services are becoming “stickier”
- Contracts are “too big to fail” – Firms accepting mediocrity
- Difficult to make a change (Service providers know it)
- Costs are going down for equipment and technology
- Less labor intensive
- Change in approach - Do it once and do it right
  - Create competitive situation
  - Look 5 to 10 years ahead on services
  - Strong win-win contract with Detailed Performance Standards

Back Office:
- Copy/Print/Scan
- Mail/Messenger
- Hospitality
- Records Management

Middle Office:
- Litigation Support
- Document Processing
- Library Services
- Accounts Payable
- Administrative Support
Should your Firm Outsource?

That depends on a number of “ifs”

➢ If you do not have the resources to manage it
➢ If the positions lack a career path
➢ If you don’t have the resources for ongoing training
➢ If you don’t have the subject matter experts
➢ If it can be done less expensively by an outside service provider
➢ If it fits with your culture

How do Outsourcing Companies Make Money?

▪ Mark-up on labor & equipment
▪ Also increase their bottom line by the following:
  ➢ Overstaffing
  ➢ Over-equipped
  ➢ No backfill when employees are out sick or on vacation
  ➢ Replacing higher paid employees with lower paid and not reducing price
  ➢ Not paying benefits
  ➢ Overtime
Managing The Relationship – The key is setting it up correctly.

Optimizing Pricing and Terms

You need to create a competitive situation
- In-house competes against outsourcing
- Closed RFP process
- Open RFP process
- In-house management of the RFP vs. outsourcing the RFP process
How Should the RFP and Contract be Structured?

Master Service Agreement Terms
- Non-solicitation
- Severance
- Cancellation for Convenience
- Avoid “cure” language
- Detail on assumption of equipment
- If agree, must be defined in detail

Schedules for Onsite Services
- Detailed performance standards and Service Level Agreements (What, how, frequency, how performance is measured)
- Scorecard with financial penalties
- Termination of services
- Detailed reporting
- Define “backfill”
How Should the RFP and Contract be Structured?

Schedules for Offsite Services

- Depends on type of services - Productivity vs. Available/Consumption vs. Fixed
  - Productivity – define productivity
  - How is backfill handled? Is there backfill? Should there be backfill?
  - Watch for inclusion of “overhead” charges and when do they end?

Recovery of Costs

Outsourcing does offer the opportunity to recover hard costs:
- All costs are encapsulated under the same umbrella
- Allows the Firm to recover hard costs which are paid at a much higher rate then soft costs
- Contract structure is different
After the Contract is in Place

You still have to manage it

➢ Reporting
➢ Scorecard
➢ Monitoring invoices
➢ Status meetings
➢ If you do it right, your costs should be decreasing year-over-year

Summary & Key Points

➢ Gartner on Outsourcing Projects – 70% “fail”, 90% do not meet financial objectives
➢ Create competitive situations
➢ It is not totally an expense discussion, it is also a cost recovery discussion
➢ Outside expertise – leveraging your Firm resources
Final Thoughts

➢ Your opinion matters!
➢ Please take a moment now to evaluate this session.
➢ Thank You!