

# Law Firm Inc.

IDEAS & INNOVATIONS FOR FIRM MANAGEMENT AUGUST/SEPTEMBER 2004 VOL. 2 NO. 2

## OUTSOURCING |

# Let Someone Else Do IT

Herrick, Feinstein hires Union Square Technology Group to manage technology.

By George Wolf, Jr.

**H**errick, Feinstein is a mid-sized firm, with 130 lawyers and 135 support staff (including 17 paralegals). We operate in three offices — New York City, Newark and Princeton, N.J. — and we use more than 20 different software programs.

Three years ago, we were at a technology management crossroads. Although we were keeping up, we knew we would be challenged to continually improve in a constantly changing technology environment. We knew we could not risk our competitive position or the ability to respond quickly to business demands. It was time to consider outsourcing our technology operations.

Our most significant outsourcing challenges were:

**Maintaining a high level of technical skill.** A firm of our size is limited in its ability to attract and retain experienced IT people. Larger firms have room for more specialists and managers and can provide better growth paths for junior staff. This limitation was aggravated by the difficulty of



PHOTO BY RICHARD PECK

From left: George Wolf, Jr., Sam Collier and Evette Pastoriza.

Outsourcing has given us  
sizable savings without greatly  
increasing our budgets.

evaluating the technical skill level of IT candidates. Too often we would hire people with inadequate skills — or invest in talented staff, only to lose them to firms with more challenging environments.

**Increasingly reactive and not proactive.**

We lacked the time and expertise to keep our systems fully upgraded and to use all features.

**Maintaining standards and practices.**

We had no consistent IT standards and practices, and our systems were improperly documented, which increased the time to make changes and fix problems. We needed to monitor performance, predict the outcome of upgrades, and justify expenditures. We sought the aid of a consultant who introduced appropriate standards, but maintaining them over time would be difficult.

Our efforts were diluted by time spent on nuts and bolts. For example, revamping our remote access capabilities and adding new litigation support programs took a backseat to increasing network capacity and supporting a new office. The security risk posed by outdated systems was another concern.

In sum, we felt we could get more value for our technology budget. One option was using consultants, but that's expensive — we could easily have spent more than \$250,000 annually.

We decided to explore outsourcing, with the idea that we would use our staff to manage basic processes, such as setting up and moving users, help desk calls and off-site tape backups. We could continue to hire managers to ensure process and policy, contract

compliance, cost management and planning, instead of trying to build a technical services organization.

**W**e had experience with outsourcing routine services. For 10 years, we had used Pitney Bowes to manage our mailroom, faxes and copy center. Union Square Technology Group, which we had previously hired in 1997 for a system upgrade, approached us about a new off-site service, Aspire.net Managed Systems. It provides customized technology services built for law firms and managed centrally from its facilities. The services would help us gain “economies of skill” because Union Square, based in New York, had a group of engineers already managing the same kind of systems we needed.

In effect, we would be able to realize the benefits of specialized technical skills and systems management capabilities that were already in place for other law firms on a “fractional” basis — backed by a service level guarantee.

While these particular benefits are not unique to Aspire.net, other technology outsourcers were either too large to pay enough attention to us, did not have services broad enough to meet our needs, or they lacked meaningful law firm experience.

**Duplicate Systems**

Another advantage would be eliminating duplicate systems at each office. By consolidating our users onto servers located in one data center, we would recover the support time and office space we were using by having

equipment in different places. For example, we had more than 10 main servers distributed among our offices in New Jersey and Manhattan. Now we require only four. Additionally, these four systems were themselves redundant so that in the event of a failure, a standby system would take over within a few minutes.

Fewer higher quality systems provided a level of service heretofore unavailable. During the power blackout of 2003, the data center was fully operational while our offices (and previous computer center) were dark.

Consolidation also enhanced collaboration, because access to the system was identical from every location. It would not be advisable to consolidate without round-the-clock service and a disaster recovery capability, both of which are built into our new service.

We learned valuable lessons during the conversion process. Here are some tips if you are planning to outsource:

➤ Get a strong internal contact and project manager. We hired Evette Pastoriza, a proven manager with experience in IT project management, as our technology manager. While our previous IT manager focused on technical tasks, the mission now is to ensure that the firm receives cost-efficient services — whether by our own personnel, a service provider or a combination of both. We are no longer captive to the need to manage engineering resources, system maintenance and upgrades — time is spent on outcome, not process. Our manager now focuses on personalized user support and enhancing services.

For example, we recently added a direct dial network fax capability.

➤ A three to four year service term. The upgrade cycle for most IT systems and software programs is three to four years, so a contract term that uses this timeframe is practical. Establishing a deadline forces both parties to reassess business needs, expectations and performance, and prevents stagnation and being locked into a service that may no longer be suited to the firm's needs.

➤ Set a well-defined transition plan. Such a plan address issues, such as control of hardware and software, both at the start of the contract and at the end.

Our fundamental goals were to establish a stable, 24/7 IT environment, with up-to-date applications and disaster recovery capability, as well as predictable costs and performance.

Outsourcing has given us sizable savings, because we accomplished these goals without greatly increasing our budgets, both capital and expense. We would have incurred a 15 to 20 percent increase in our annual IT budget if we had tried to provide these services ourselves. Management is now in the enviable position of leaving the firm's technology to the experts. With the improvement in overall service quality due to the standardization, we spend less time on help desk calls and user support, and we devote more time enhancing features and responding to new business needs.

For example, we no longer have

## THE ECONOMICS

**P**ricing for outsourced technology services is usually based on some combination of capacity (the number of users/workstations), complexity and features, and service level.

Firms should compare the costs for outsourced services to the firm's total cost of ownership. In the case of Herrick, Feinstein, the firm did a "buy or build" analysis. This compared the costs between outsourcing (buy) and not outsourcing (build) over three years.

The costs for basic law firm workstation with integrated software programs and related IT services can range anywhere from \$100 to \$200 per month per computer. (Typically, under this option Aspire.net provides everything on a 24/7 basis except PC hardware and office cabling, printers, and certain software licenses.) Additional services, such as disaster recovery, litigation support tools and remote access, increase cost.

More limited services are less expensive, such as application management, which provides a firm's existing IT department with a managed set of software (e.g., Microsoft Office, document management and editing tools) that can be distributed to workstations on the existing network system.

Medium and larger-sized firms in major metropolitan areas such as New York and Los Angeles can expect to allocate, on average, 2 to 5 percent of revenues, to technology services, although that figure varies depending on the unique needs of each firm. For example, a 100-workstation multi-practice law firm in a major metropolitan area could budget anywhere from \$15,000 to \$30,000 per month for all of their IT services (including equipment depreciation) assuming basic feature and service level needs.

Using a buy or build comparison this amount should include capital depreciation and payroll costs for the IT staff, taking into account soft costs like expected turnover, training absences, how many people are needed to deliver the desired level of service etc. ➤ **SAM COLLIER** UNION SQUARE TECHNOLOGY GROUP

different system configurations based on each IT person's individual work habits. Our workstations and remote access system consistently provide the required services for each user no matter where they are located.

We have just extended our agreement with Aspire.net. Our technology committee and IT group now focus almost exclusively on adopting new features that can directly add value to client relationships and improve upon what we believe to be our competitive advantage. The bottom line: our

attorneys are in a far better position to succeed thanks to what was, at the time, a gutsy decision. **LFI**

**George Wolf, Jr.** is managing director of Herrick, Feinstein and a member of its executive committee. E-mail: gwolf@herrick.com.

This article is reprinted with permission from the August/September 2004 edition of LAW FIRM INC. © 2004 ALM Properties, Inc. All rights reserved. Further duplication without permission is prohibited. For information, contact American Lawyer Media, Reprint Department at 800-888-8300 x6111. #014-08-04-0003



aspire.net

[www.aspire.net](http://www.aspire.net)



UNION  
SQUARE  
Technology Group

[www.union-square.com](http://www.union-square.com)

**WASHINGTON, DC | NEW YORK | BOSTON**

**915 Broadway • Suite 1900 • New York, New York 10010**

**212-253-3500**