

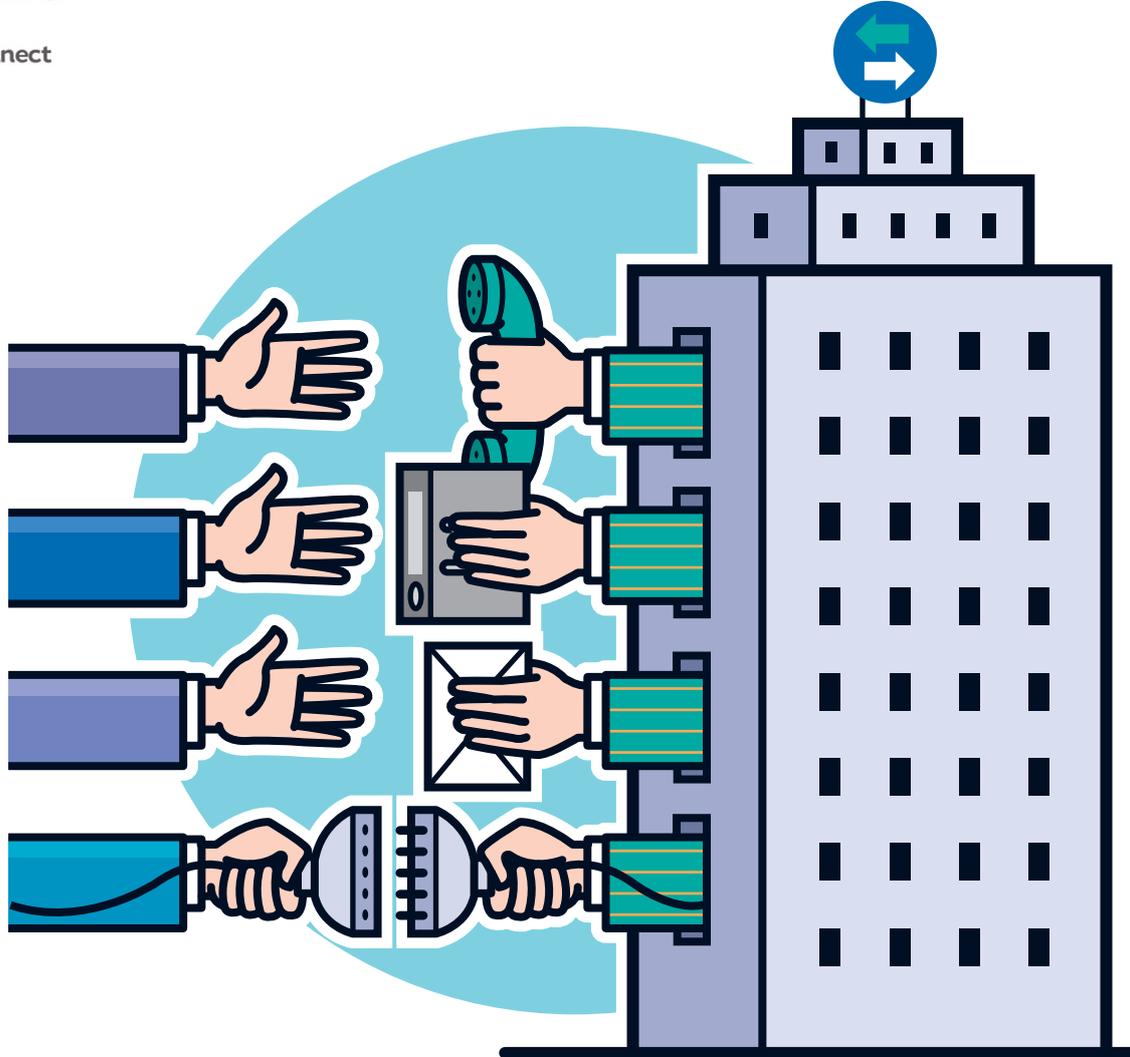
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# LPM

LEGAL PRACTICE MANAGEMENT



# OUTSOURCE AND PROSPER

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# EXTRA HOT OUTSOURCE

*Outsourcing is the delicious condiment that helps make law firms the best they can be – but it can leave a nasty taste in the mouth if not used right*

**S**ME firms can make enormous gains by outsourcing operations – but there are businesses that have had bad experiences of as-a-service. So, why does it go right for some businesses and wrong for others?

We wanted to find out how firms can make a success of outsourcing, and reap the full benefits of handing over functions to businesses that have the resources to do a better job of it than them.

To outsource successfully firms need to know what they're getting into. A good manager wouldn't dream of hiring someone who didn't know what they were doing or didn't fit into the business, and would expect to work closely with that employee. The attitude to a third-party provider should be no different – and if firms get to grips with that, providers can become an integral part of the business and help deliver competitive advantage. **LPM**

Patrick Wingrove, supplement editor  
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# SUCCESS AS-A-SERVICE

Can SME firms reap the benefits of outsourcing? Patrick Wingrove speaks to legal management leaders to find out how firms can make a success of the as-a-service way

Outsourcing is popular with UK businesses – according to a report from technology research firm ISG, EMEA combined sourcing and as-a-service market insights, the value of UK outsourcing contracts in 2017's first quarter was a record £1.1bn. This figure is perhaps unsurprising since as-a-service can be enormously beneficial to businesses – particularly SME firms that couldn't otherwise afford high-quality products or services. But outsourcing doesn't always work out – City firm Bevan Brittan ended its six-year outsourcing agreement in May 2017 because it wanted to manage the quality of services

in-house. So, how do SME firms ensure an outsourcing adventure is successful?

Joanna Kingston-Davies, COO at Liverpool-based Jackson Canter Group, says firms can reap enormous benefits from outsourcing – especially as the industry has become so flexible that a firm can choose to outsource part or all of a function.

“But firms shouldn't go outsourcing mad. The decision to hand over processes should be based on the business's strategies, objectives and priorities. They need to ensure the endeavour is worth their time by working out if they could achieve a better result more cheaply in-house.”

It's also important for firms to conduct due



diligence on any provider that they might consider working with to ensure reliability, quality of service and compatibility. Robert Morley, COO at new-model firm Excello Law, says it's important for firms to be sure a provider has a compatible culture so they can be an effective business partner and not just a service provider.

"It's obviously important to ensure third-party providers have a strong technical ability to mitigate risk. But the key to making outsourcing work is compatibility – if the businesses work together well and have shared values, both can reap benefits from the relationship."

But risk doesn't end once the contracts are signed and the service has started – firms also need to manage their relationship with a third-party provider to ensure they're not putting the firm in jeopardy, they understand the changing needs of the business and continue to provide a high-quality service. Samantha Furley, marketing manager at Bristol firm Barcan+Kirby, says the amount of time spent managing providers will depend on the function outsourced – but in any case it's important to maintain the relationship.

#### OUTSOURCE WHAT?

There are numerous benefits to outsourcing processes, including cost savings, agility, access to better knowledge or products and improved efficiency. Jane Pritchard, systems and business development manager at London firm TV Edwards, says what and how much a firm

outsources should depend on the firm and what it wants to achieve.

"Outsourcing, when done right, can deliver significant competitive advantage to firms – particularly SME practices that perhaps otherwise couldn't afford such high-quality products or services. But firms need to work out exactly what it is they want from something-as-a-service – whether that be driving efficiencies in finance or improving cybersecurity and business continuity plans."

Furley at Barcan+Kirby agrees with Pritchard, and adds that her firm outsourced part of its marketing function to improve brand development and recognition – something it couldn't have achieved without external help.

"It wouldn't make sense for us to outsource the whole marketing function as it can be done cheaper and maintained in-house. We outsource operations that we don't have the time or skill-set within the firm to do, such as SEO or PR. We've launched two very successful PR campaigns as a result."

She adds that a key benefit of outsourcing this function is that the firm has the flexibility to upscale resources for big marketing projects and descale when they're completed. Kingston-Davies at Jackson Canter adds that outsourcing other functions, such as IT, also provides a level of flexibility that couldn't be achieved in-house.

"Lees Solicitors was acquired by Jackson Canter last year and the transition was made

## AGREEABLE OUTSOURCE

There are many considerations law firms must make when choosing a third-party provider to take over a function of the business, including:

- 1 Regulatory compliance:** ensure your contract covers current and future legal regulation and the provider knows your obligations.
- 2 Regular reviews:** build regular meetings into the contract so you can effectively manage your relationship with the third-party provider.
- 3 Cultural fit:** it's important that the provider has the same values as your business. If they don't, the relationship may fall apart quickly.
- 4 Know what you want:** firms should know what they want to achieve before they sign anything – whether that's access to tech or reducing costs.
- 5 Prepare for change:** make sure you have an exit strategy – just in case an outsourcing arrangement no longer delivers a competitive edge.



**“It may sound obvious, but always ask more than one vendor to tender. The difference in cost and service offering can be vast from one provider to another.”**

Joanna Kingston-Davies, COO,  
Jackson Canter Group

much easier because the former had an outsourced, cloud-based infrastructure that could be reversed into the latter.” She adds that outsourced IT would be beneficial to other firms looking to scale like this.

But expanding IT isn't the only factor firms must consider when scaling – during a period of rapid organic growth, back-office functions may also become strained. Gemma Garen, head of quality and compliance at Essex firm Ellisons Solicitors, says her firm began outsourcing payroll to support the accounts department during a growth spurt.

“We were taking on twice the amount of work in a short space of time but didn't want to bring on more staff to deal with just payroll, which is a relatively simple process. Instead, we gave payroll to a third-party provider – which freed up our accounts team's time to do more valuable work such as salary reviews, which are enormously helpful for retention.”

She adds that another key outcome of outsourcing payroll was it became more efficient and reliable because their provider had the expertise and time to deliver a high-quality service. Better knowledge of products or services is a key benefit of outsourcing – which is why Morley at Excello says firms should consider outsourcing any function that isn't core function and doesn't deliver competitive advantage.

“I think firms should consider outsourcing anything that doesn't directly contribute to the delivery of legal services. A law firm's business objective isn't to provide the best HR services, for example, so why not find a business whose entire raison d'être is that and make them a

business partner?”

### PICKING PROVIDERS

Once a firm has decided on its outsourcing strategy, it needs to find the right partner.

Kingston-Davies at Jackson Canter says that the adventure should start with a tendering process. “It may sound obvious, but always ask more than one vendor to tender. The difference in cost and service offering can be vast from one provider to another – and it gives the firm leverage to negotiate a more competitive deal.” She adds that once a firm has created a shortlist of partners, it needs to weigh each one carefully.

“Businesses must do their due diligence. You don't want to find out that your chosen company to outsource IT, for example, has cashflow problems and won't be able to sustain your infrastructure very long.” She adds that due diligence is complicated and firms may want to consider bringing on a specialist adviser to help identify providers that will add value to the business – outsourced help for outsourcing.

Perhaps the most important issue to cover in the due diligence process is compliance. The SRA says it's a firm's choice whether they outsource, but they must maintain high professional standards and assess and manage associated risks of outsourcing. Pritchard at TV Edwards says: “You may think that because a provider has a good reputation for legal outsourcing that they will be compliant, but you can't make assumptions. The firm's compliance manager should carry out due diligence to ensure processes and contractual arrangements are in line with regulators' requirements.” She adds that there are many other considerations for outsourcing, including length of contract and whether there's a 'get-out' clause in case circumstances change, which is why due diligence is so important.

But due diligence may be as much about scrutiny internally as externally. Garen at Ellisons says it may be the firm's management that causes an outsourcing agreement to encounter problems.

“We did a great deal of due diligence on the provider but missed a few problems within the firm. Our provider has state-of-the-art tech, but it

#### LPM FIRM FACTS

**Excello Law**

**Revenue: £7m**

**Corporate status:  
Limited company**

**85 fee earners,  
105 total staff**

**Offices: London, Liverpool,  
Leeds**

#### LPM FIRM FACTS

**Ellisons Solicitors**

**Revenue: £12m**

**Corporate status: LLP**

**89 fee earners,  
180 total staff**

**Offices: Colchester, Ipswich,  
Clacton, Dovercourt, Frinton**



**LPM FIRM FACTS**

**TV Edwards**

**Revenue: £7m**

**Corporate status: LLP**

**100 fee earners,  
130 total staff**

**Offices: London**

**LPM FIRM FACTS**

**Jackson Canter Group**

**Revenue: £12m**

**Corporate status: LLP**

**126 fee earners,  
260 total staff**

**Offices: Liverpool,  
Manchester**

**LPM FIRM FACTS**

**Barcan+Kirby**

**Revenue: £8m**

**Corporate status: LLP**

**75 fee earners,  
156 total staff**

**Offices: Bristol**

wasn't compatible with our legacy systems - with anything technology-based it's important to make sure you can support the provider as much as the other way around." She adds that firms may also need to consider the effect outsourcing functions might have on employees - who could become resentful of the new partnership or its processes.

"We found that employees had a problem with not receiving paper payslips anymore, which was something we had to acknowledge and explain to staff was better for the business. We learned a lot about human considerations during the process."

**CULTURAL HARMONY**

Outside practical risk- and finance-led considerations of outsourcing, the most important aspect of an outsourcing partnership to consider is compatibility. Third-party providers are business partners, and if a trusting relationship built on shared values isn't possible, the arrangement may be doomed to fail.

Morley at Excello says it's important to treat an outsourcing partner like an extension of the business - rather than just as a client-provider arrangement.

"Of course, firms must expect a certain standard of quality from an outsource provider - and they should be careful treat them like a partner if a mistake is made. You must treat their staff as if they're your staff and develop close executive-level relationships.

"I'm now at a stage with our provider that I can happily pick up the phone at 9.30pm and speak to their CEO about joint future strategies, just as I would an executive colleague."

Kingston-Davies at Jackson Canter agrees with Morley, and adds that if a provider is kept at a distance it may run parallel with the firm rather than provide a seamless integrated service.

"The provider must understand your business - warts and all - and get to grips with how people operate. If you outsource a client-facing function, such as the switchboard for example, it's important for them to understand the services you offer and your approach to customer care."

But, she adds, compatibility is also about shared values - because the provider's policies will reflect on the firm. "For example, we pay at least the living wage to our employees which is

quite a bit higher than minimum wage. I would expect any provider that we worked with to do that as well - even if they're more expensive than their competitors as a result."

**RELATIONSHIP ADVICE**

The process of mitigating risk doesn't stop after the provider has been thoroughly vetted. Though outsourcing offers enormous benefits to firms, it also opens up the firm to risk because processes are no longer directly controlled by the business.

Furley at Barcan+Kirby says it's important to develop trust with a provider but to work closely with them as well.

"I meet with our PR agency every month to discuss potential stories, angles we could work into the local press and where we are in terms of a campaign. A PR agency handles the firm's reputation, and we need to ensure that they're conveying the right message."

Garen at Ellisons agrees that regular meetings are important, but depending on what you're outsourcing there may be other ways to monitor third-party providers.

"We conduct regular audits and spot checks to ensure our provider is doing the payroll correctly. There's also an in-house administrator who can access the provider's files and make sure everything is in order." Firms also need to monitor the relationship from a quality-of-service perspective.

"You can't just outsource something lock, stock and barrel - you need to manage it and make sure the level of service you're receiving is consistently good." She adds that firms might also consider putting out a tender every few years to make sure they're getting the best service possible - even if they're already happy with their provider.

Outsourcing can help SME firms achieve enormous gains - but it can't just be a matter of handing over functions to a provider and hoping for the best. Legal leaders must identify where the business could benefit from outsourcing and choose a provider carefully. Perhaps the most important element of successful outsourcing from a commercial perspective is developing a good relationship with the provider - because there isn't much point in starting a new partnership if the firm isn't willing to work well with that partner. **LPM**

# BRIGHTER FUTURES



Nick Hayne, business development manager at Pulsant, on how outsourced IT helps firms attain competitive advantage and makes security easier

It wasn't too long ago that IT outsourcing was viewed with a heavy dose of scepticism – and perhaps rightly so. But after spending years perfecting its offering and overcoming some pretty bad press, it has proved to be a valuable service – bringing numerous benefits to SME businesses, such as greater flexibility, access to new technologies and improving productivity.

Indeed, there are many drivers for outsourcing IT functions – but perhaps the key one is cost savings. Looking at hosting as an example, firms wouldn't need to buy, maintain and manage servers onsite if they outsourced this to a cloud or managed hosting provider. And with no initial investment in hardware, firms could pay for cloud services from their operating budget.

That isn't to say, however, that outsourcing is without challenges – particularly in highly regulated industries such as the legal sector. Security has historically been a major barrier to outsourcing, particularly when it comes to cloud adoption or managed hosting. But those barriers are largely a thing of the past. Today, outsourcing IT can actually help SME legal practices to manage their security and compliance needs – and ultimately help them attain competitive advantage over larger rivals, which they previously couldn't have hoped to achieve.

While cost is a key driver to outsourcing IT, it isn't

the only one. A lack of skills, compliance issues, and even security are making cloud adoption a more attractive option. Firms, just like businesses in other sectors, operate in a highly competitive market – but SME firms have tight budgets and, like all other firms, are expected to make provision for IT security and compliance. But technology should enable firms rather than hold them back – and by having their IT managed, they can reap the full benefits of the latest information security technology and a team of cybersecurity experts that will spend their days making a firm's infrastructure more secure.

Cloud providers also typically invest more money, resources and expertise in security than SME legal businesses could. They also have the right risk-management frameworks in place and accreditations such as ISO27001, CSA Star for cloud security and Cyber Essentials.

Indeed, IT providers have a level of skill in-house that SME firms couldn't necessarily afford – but the benefits of that don't end at cybersecurity. If firms outsource their IT they could benefit from round-the-clock software maintenance – giving firms access to a state-of-the-art infrastructure at a fraction of what it would cost them to bring that facility in-house.

And part of creating a state-of-the-art infrastructure is giving SME firms access to technology they might otherwise have never used.



According to our recent report, published in association with LPM, 32% of firms surveyed were able to choose systems or services they otherwise couldn't have by moving over to cloud or managed IT services.

But perhaps the most important benefit of outsourced IT is that it empowers firms to concentrate on what they're best at. Firms that don't need to worry about IT, because it's in the hands of capable experts, can spend more time developing their business strategy and ensuring that they provide the best possible service to clients.

And the cloud isn't as set in stone as it once was. The cloud has evolved rapidly and adoption is at an all-time high - with hybrid models fast becoming the norm. This rise has happened partly because firms are coming around to the idea that the cloud can make them more agile - allowing them to scale up their provision when needed and enabling fee earners to work remotely, easily.

Firms can also choose between different cloud models, including private, public or hybrid. Hybrid is ideal for legal businesses because it provides the best of both worlds - allowing them to decide what should be hosted, and where, to meet compliance and cost requirements.

Hybrid cloud also offers organisations certain assurances when it comes to security. Cloud service providers, be they the large public cloud operators or mid-market providers and datacentre operators, have the

expertise and technology to make sure data is protected both physically, via 24/7 security and access control, and virtually, through encryption, resilience and availability. Firms can therefore leverage those greater levels of security.

The same applies to skillsets. Most law firms employ IT generalists responsible for maintaining all aspects of IT infrastructure, including hosted solutions that are in-house. They don't have the expertise to advise on cloud migration, integration, management or security.

As a result, limited resources, and not having the relevant skills, could lead to significant gaps in security and an inability to keep the technology fully up to date. According to a Rightscale report, lack of skills replaced security as the top concern among businesses in 2016.

Firms also don't have the time or resources to stay on top of industry changes, innovations and new technologies. But this is exactly what service providers do - because it's their business. It is their job to keep firms' data or applications safe and make sure they are always available.

There is little doubt that outsourcing can bring tremendous value to business. When it comes to a technology like cloud, outsourcing hosting to a third-party provider makes sense. Providers have the skills, resources and infrastructure to deliver on your requirements and can help you to use technology as an enabler. [LPM](#)

#### ABOUT THE SPONSOR

**Pulsant** is a leading provider of hybrid IT solutions, including managed cloud, professional services, datacentre and infrastructure services.

[www.pulsant.com](http://www.pulsant.com)





James Gilding, managing director at Mitie Connect, analyses the challenges of document processing – and how outsourcing document management could give SME firms a competitive edge

Managing physical documents, keeping track of that one version of the truth and getting hold of data when it's needed can be an enormous challenge for any business. In a world where there are more ways of capturing data than ever before, organisations are seemingly drowning in information – and on those occasions businesses come up for air, it can be hard to see the direction in which to swim.

With all the advantages technology can offer, it's no surprise that most are en route to a digital workplace in some shape or another – but this means many different things to different organisations. For some businesses, it's about embracing new technology to connect processes by automating simple tasks, while for others it's a simple matter of being able to scan documents and put hard copies in storage – so they don't have to pay for too much shelf space.

Phrases like 'big data' and 'data lake' can leave firms floundering as they try to navigate their way

through compliance with new data rules, such as the EU's upcoming GDPR, as well as information governance, while staying on course with day-to-day operations.

Perhaps the best way to remove the burden of document processing is by passing it on to someone else – a third party that you can trust and that has the expertise to do a better job of it than the firm could by itself.

The potential risk that outsourcing document processing could bring to a firm's information security could make them understandably nervous about handing it over to a third party. But just as a firm may employ specialists to take care of non-core activities such as accounting or cleaning, outsourcing document management should be on your outsourcing to-do list.

Document management specialists can help legal businesses manage the flow of documents and enable them to see the value of data they already own. Firms have case files, key information and a

wealth of research information, which could be in electronic or paper formats, with little scope to gain a robust search result.

Bringing together strands of existing document management processes will give firms the ability to drill down into the facts faster and more accurately.

An outsourcing approach can also provide a more holistic model to document management, allowing businesses to gain real insight into their operations through the data already held.

How firms manage, control, manipulate and interpret data is critical to their success, and document outsourcing could hold the key to releasing its full potential. Getting outsourcing right is a matter of aligning it to strategic priorities. Once the two have been aligned, an outsourced model can feed innovation and growth for the firm's core service offering.

Think about the journey a document takes in a firm – it might look a bit like this: create document, distribute document, receive document, save/destroy document, retrieve document for information, create new document and the cycle continues.

Each of those actions has several additional manual touchpoints which firms often take for granted – but all of them form part of an effective document management process. Touchpoints such as mailroom, printing, couriers, processing invoices, scanning, records management and archiving are key to the process.

Linking all of these processes together makes sense – not just to release people from the burden of document processing so they can focus on high-value activities by automating non-core tasks, but to give employees better insight into the business than before. This is known as document process outsourcing (DPO).

For example, if a legal business wants to know how to increase client retention, cross-

sell services, become thought leaders or understand how to improve profits and cashflow, they need to know more about how they arrived where they are – it's certainly not by luck. And if firms can analyse 'the five Ws' (who, what, when, where and why) and throw in a how, they've got a solid support system for decisions.

And then there is the cost attached to a poor document management process – paying full price for sending mail, to store

paper records and get hold of the paper records, for example. Then you add a layer of risk, compliance with GDPR, the potential for a data breach, and the inability to demonstrate an audit trail to show the chain of custody of business-critical information. It's not long before firms will

see that they can throw considerable resources into sorting fallout from this, while shelling out hard-earned cash to store paper they don't need.

Outsourcing document management will undoubtedly increase efficiency, save money and simplify the whole process – meaning staff will benefit from saving huge amounts of time and supporting the on-demand nature of business. As a result, firms become more informed, and can give greater insight to clients because they can access data to help understand them, identify trends and manage spend.

DPO enables firms to develop service solutions that best suit the business and its stakeholders – addressing unique business challenges along the way. Taking a collaborative rather than prescriptive approach also means firms can develop a document management relationship over time and have the service model built on trust and success.

Recognising that DPO needs to be applied in different ways based on market sectors and existing business set-ups is key to ensuring a successful outsourcing outcome – which can be a data life raft. **LPM**

**“Bringing together strands of existing document management processes will give firms the ability to drill down into the facts faster and more accurately.”**

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**Mitie Connect** is an experienced provider of document and data management, which provides secure document management services to law firms.

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