

Conscientious Cost-Cutting Building a Strategy to Reduce Expenses Across the Firm

by Rob Mattern

In the past year, law firms have focused more than ever before on substantial cost-cutting initiatives, with every element of the business scrutinized. Many decisions, however, were made based solely on cost, with other factors being ignored. What does a firm do when that isn't enough – after requests for proposals (RFPs), short lists, vendor switches and tough contract negotiations still have not had a big enough impact on the bottom line? This is when a firm needs to unveil “The Strategy” – a fundamental, 180-degree shift in how the organization approaches, structures and manages its support services operations. Why are the firm's copy, mail, records, cost recovery and printer operations – which are usually a firm's fourth- or fifth-highest expense area – so ripe for a change in direction? Many factors are involved, including the explosion of new technologies dedicated to this area, the plethora of excellent vendors and the upside of recovering your firm's costs.

OUTSOURCE VERSUS IN-HOUSE TARGET SAVINGS: 25% TO 35%

Approximately 70 percent of firms outsource their support services, and now may be an opportune time for your firm to revisit exactly how and why the firm outsources or maintains certain services in-house. If the firm is *not* outsourcing, now may be the time to restructure its operations. Some alternatives:

- Consider moving the firm's centralized operation offsite to a less expensive location. With the advancement of electronic job submissions and other technologies, it is entirely feasible to separate centralized support from the end users and to maintain satisfactory service levels while reducing the operating costs.
- Consider eliminating the firm's on-site centralized operation altogether and utilizing the outsourcing vendor's dedicated offsite facility as your centralized operation. Issues to consider with this option include confidentiality, capacity and scheduling, but the cost reductions can be significant.

VENDOR CONSOLIDATION TARGET SAVINGS: 15% TO 23%

When I meet with prospective clients, I sometimes hear that they would never consider consolidating off-site records storage, outsourcing or equipment vendors. Their concerns usually center on vendor performance in non-core cities and a desire to let individual cities remain independent in their decision making processing. One area that *has* seen such consolidation has been office supplies, with firms enjoying savings of 15 percent to 23 percent when one supplier services all of their locations. The lack of dedicated on-site labor has been one reason for the success of this movement. Despite some valid concerns about vendor consolidation, doubts can easily be overcome via a well-structured RFP that articulates the performance standards and requirements for each city. Support for non-core cities must be addressed in detail by RFP respondents and should be a key focus of their presentations. All supplier promises and commitments must be formalized in the contract, with appropriate

penalties if service and staffing levels are not maintained. The concept of deleting on-site centralized services as discussed previously will only make this less of an issue because on-site labor will no longer be a factor. If the labor component is still present, vendors have been successful in addressing these concerns by overstaffing the sites and utilizing alternate resources for support. Vendor consolidation efforts often yield substantial savings and may be worth a closer look. The key is to structure the RFP to establish precisely how the services are going to be provided and noting them in the contract.

OFF-SITE RECORDS STORAGE TARGET SAVINGS: 12%- 22%

Off-site records storage – the storage of documents at an offsite location whereby firms are charged for storage, retrieval and destruction – is an area ripe for a change in strategy. The basic concept of storing paper is antiquated, as are the pricing structures utilized by many storage companies. One way to reduce prices is through the RFP process and vendor negotiations, but the real key is to create a strategy that reduces the amount of paper being sent off site, while at the same time minimizing the volume that is already being stored off site. In addition, your next contract must be structured correctly. Current agreements that upset firm administrators are often the result of poorly outlined contracts that allow vendors to demand such charges. Contract points to consider:

- **Permanent withdrawal and termination fees.** There is no valid reason to agree to pay these charges for any *new* boxes that are being sent off site. The archaic reason behind such charges is that the building where documents are stored was built to house these documents, and that the offsite storage company would suffer harm if firms withdrew the documents, leaving the company with an empty building. For existing boxes, concentrate on these charges in any RFP process and contract negotiation. Ask for a certain amount of “free” permanent withdrawals in every contract negotiation and view these charges as just as important as the cubic foot storage charge. Another way around these charges is to reuse boxes that are stored offsite already and never permanently withdraw them. Just bring them back, destroy the unwanted contents, re-file them with new contents and update your records management software. A good annual goal for this area is to have no new net boxes stored off site.
- **Reduce documents stored off site.** With the explosion of scanning capabilities and the fact that most documents are already in electronic formats, there is little reason for new boxes to be sent off site. Create a firm-wide program to scan any documents that are not already in digital formats.
- **Reduce documents already stored.** Many firms are waiting to create document retention policies prior to the destruction of any documents already stored off site. Other firms have destroyed older records – including human resources, accounting and miscellaneous correspondence – without such policies in place. Some firms without retention policies are also comfortable with destroying older records: for example, anything created 30 or more years ago.

SECRETARY-TO-ATTORNEY HEADCOUNT RATIO TARGET SAVINGS: 16%

Virtually every firm is trying to reduce the number of secretaries needed to provide service to its attorneys. There are numerous ways to implement this strategy, but one excellent method is to strengthen the support services operation so that the secretaries can delegate some of their routine duties (such as copying and scanning) to service providers. Industry studies reveal that these “routine” duties account for 60 to 90 minutes per day of a secretary’s time. A well-managed support services operation can be a tremendous asset to secretarial staff. For example, with a one-hour- per-day addition of time to each secretary, it would be possible to increase the firm’s secretary-to-attorney ratio by 16 percent.

OUTPUT MANAGEMENT TARGET SAVINGS: 50%

With the placements of multifunctional devices that are capable of printing and scanning in addition to copying, firms now have ideal avenues to decrease overall output costs. If contracts are structured correctly, black-and-white output from multifunctional devices will cost up to 50 percent less than the same output from laser printers. The same can be said of color output. Also, if the physical layout of your office is set-up in a “pod” arrangement (or your office layout allows it), then the correct placement of multifunctional devices can also help you to avoid printer redundancy.

THE BOTTOM LINE

As outlined, the support services arena offers a tremendous opportunity to reduce costs beyond routine RFPs and contract negotiations. To achieve significant savings, the development and implementation of a comprehensive strategy is necessary – and the process positions the firm administrator as a valued strategic asset in the organization.

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