

# LEGAL MANAGEMENT

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## Can Managed Services Help Your Firm's Revenue Stream?

By Stephen Cole

Firms are increasingly making the move to a managed services environment for e-discovery.

According to a 2015 Mattern & Associates Managed E-Discovery and Litigation Support [Survey](#), 28 percent of respondents indicated that their firm had entered into some form of managed services arrangement concerning their litigation support offering. Furthermore, 46 percent of respondents indicated that their firm is considering the use of managed services for litigation support moving forward.



This shift will only gain momentum. Several core benefits of the managed services model cannot be matched by in-house e-discovery. Law firms should be aware of these benefits — not the least of which is an improved revenue stream through improved cost recovery realizations.

### SECURITY

Increasingly, firms are looking to get out of the business of hosting client data. There have been a number of front-page news articles highlighting incidents of data breach. If firms keep their e-discovery services in-house, obtaining the proper certifications that stand up to client scrutiny and audits can be difficult. Instead, firms are relying on the certified data centers of third-party providers that offer multifactor security that few firms can afford internally.

### DISASTER RECOVERY

Managed services providers are also obligated to provide detailed disaster recovery plans to their clients. These plans shift the burden of data security — and of creating documentation — to the provider, thereby providing clients with clear and demonstrable security measures.

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### **GUARANTEED SERVICE LEVELS**

Outsourcing allows for contracted service level agreements (SLAs). Guaranteed uptimes and a defined disaster recovery fail-over period provide the business continuity and a comfort level that most firms cannot match with internal resources. Contracts can also be constructed in a way where there are financial penalties for missed SLAs, giving the firm the necessary “teeth” to ensure compliance.

### **AVOIDING TECHNOLOGY OBSOLESCENCE**

Managed services allow firms to avoid the technology obsolescence of going it alone. While it is attractive for firms to tout their in-house expertise and capabilities, it is difficult for a firm to stay current with new technology. Instead a firm can still tout its in-house expertise while leveraging a partner's infrastructure. The outsourced party is in the business of being an expert market leader in their offering — the onus shifts to the provider to keep up with the investment in the latest and greatest.

### **STAFFING EXPERTISE**

Firms look to drive efficiency throughout their back- and middle-office service offerings. One common question is whether it makes sense to staff departments for peak periods when a partnership with a third party can alleviate bottlenecks, provide cross-functional synergies, and allow firms the staffing flexibility they need. This “people layer”— when combined with Infrastructure-as-a-Service (IaaS) and Software-as-a-Service (SaaS) layers, rounds out a complete managed services offering.

### **GREATER FLEXIBILITY**

Law firms have the option to flex up or down in the structure of their managed services provider's offering. This flexibility is not easily accomplished in a firm-owned brick-and-mortar operation. Firms are also able to choose between many forms of e-discovery. Some firms with expertise on staff might only procure the infrastructure, or the infrastructure with software. Others might procure an entire end-to-end litigation support department (including the human capital) as an easy way to level the playing field. Should their needs change, it is possible to change the level of their investment.

### **LOWER COST**

Purchasing a tier of processing, storage and users allows for a predictable monthly spend. Firms can pay for what they are actually consuming, with temporary bursting rates for those months where they surpass their allocations. Many firms prefer this over a traditional sunk capital expenditure. The commitment of time and spend by the firm has also resulted in pricing that is significantly cheaper than transactional e-discovery models.

### **COST RECOVERY**

Finally, there is the potential of managed services to create a new revenue stream through cost recovery. Coupled with charge-back models, firms are able to shift from a sunk capital expenditure to more of an operational expense. Firms have struggled with the ability to bill back for internal applications and data storage in the past. The shift to managed services has presented an opportunity to recoup this cost, while passing along savings that their clients could not have otherwise received in a transactional model.

In the past, the soft-cost model of billing for internal firm infrastructure has been met with resistance. Clients are much more willing to pay for the hard costs of a third-party vendor. In the survey we cited earlier, 80 percent of respondents indicated the ability to recover for third-party expenses related to litigation support and e-discovery.

The benefits to law firms are clear. As these models become more widely known and embraced, we should expect them to become a more prevalent fixture in the litigation support and e-discovery landscape.

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