

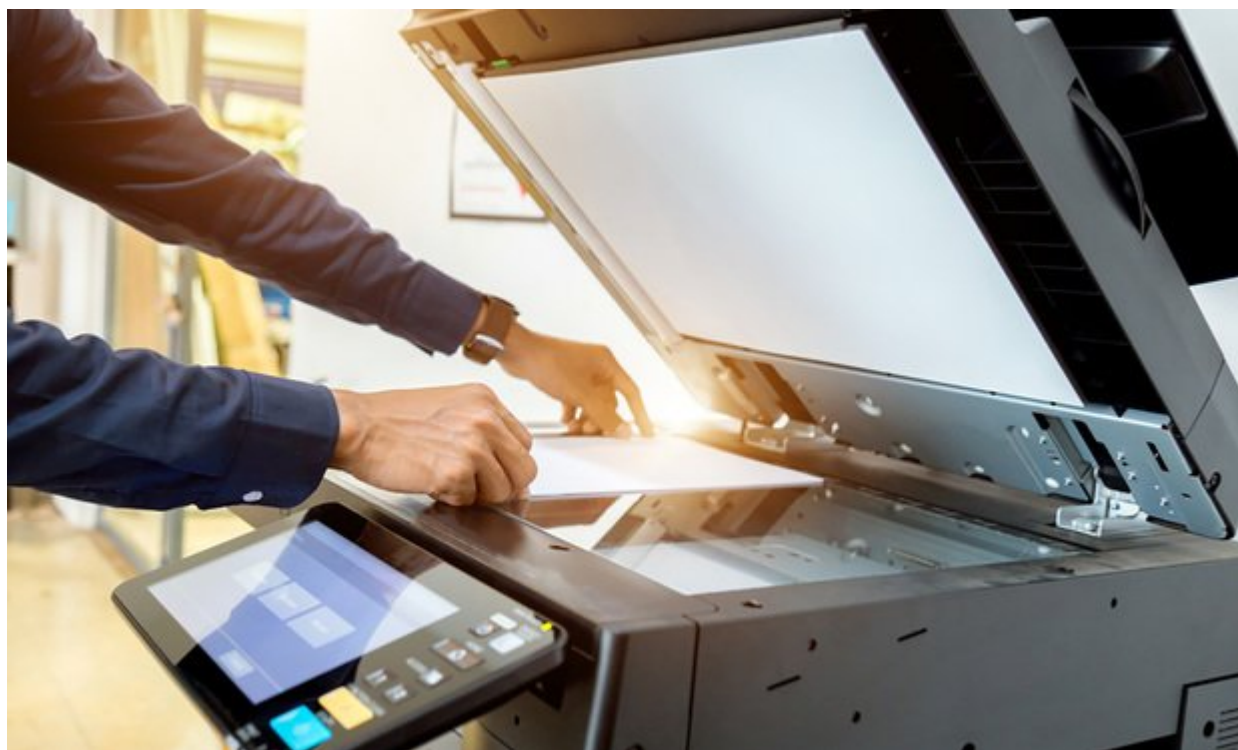
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Texas Firms Are Outsourcing More, But Keep High-Level Support In-House

Texas firms commonly turn to outside providers for basic back-office tasks, but haven't embraced outsourcing for higher-level functions.

By Brenda Sapino Jeffreys | February 18, 2020



(Photo: Shutterstock.com)

Phil Appenzeller, the longtime chief executive officer of Munsch Hardt Kopf & Harr (<https://www.law.com/law-firm-profile/?id=3557&name=Munsch-Hardt-Kopf>), said his firm increasingly outsources office services such as hospitality, mail room work and copying. But when it comes to higher-level functions such as accounting and information technology, he has never considered taking the work to outside companies.

"My [chief financial officer] and I have this debate all the time. I'm kind of old school. I want them to be our employees," he said.

Appenzeller's view may be commonly held in Texas, where firms are just tiptoeing into outsourcing, according to interviews with managing partners. They remain tentative about fully moving back-office functions outside the firm, even as some large U.S. firms boast big cost-savings from making such moves.

Big Law firms such as Sullivan & Cromwell (<https://www.law.com/law-firm-profile/?id=297&name=Sullivan-%26-Cromwell-LLP>) are outsourcing not only back-office functions, but technology and infrastructure. And as The American Lawyer reported (<https://www.law.com/americanlawyer/2020/01/06/elite-law-firms-are-quietly-outsourcing-high-value-functions-how-far-will-they-go/>) in January, a group of Am Law 100 firms is currently working to develop a shared back-office center in a low-cost location to handle functions such as accounting, payroll, IT and data security, research and human resources.

William Cobb, a firm consultant in Houston, said many Texas firms outsource tasks such as document storage and mail, but in such areas as accounting or IT or human resources it's much less prevalent.

Outsourcing is "just one tool in the bag," said consultant Robert Mattern, president of Mattern & Associates, based in Chadds Ford, Pennsylvania, who helps law firms determine whether it makes sense to seek outside service providers or keep business functions in-house.

"You could be as cost-effective as any outsourcing provider if you want to put the time and effort into it, pay your people market rate, invest in technology and manage the area," he said.

Mattern, who has advised some Texas firms, said probably 70% of law firms outsource back-office work. The percentage dwindles for middle-office functions that are higher-end, such as records management, litigation support and IT help desk, he said.

Firms such as Sullivan & Cromwell that outsource broader IT functions are on the "bleeding edge," he said. But over time it will be tougher for the legal industry to ignore the possibilities outsourcing can offer.

"The economy is forcing them to look at it," he said.

So far, Texas firms don't seem to be feeling that immediate pressure.

About eight years ago, Bracewell (<https://www.law.com/law-firm-profile/?id=38&name=Bracewell-LLP>) began using outside services for back-office work, such as copying, binding and printing, said Greg Bopp, the firm's managing partner.

"It's been quite successful, and we would certainly consider other outsourcing," he said. But he added that most of the proposals he's seen have come from companies that don't focus on providing service to law firms.

Haynes and Boone (<https://www.law.com/law-firm-profile/?id=136&name=Haynes-Boone>) has outsourced some functions, managing partner Tim Powers said, including some training and file storage, but the firm is mostly in the research stage when it comes to extending that list. The question is whether it might be cost-effective and efficient, he said.

"We are in the business of law, so we need to cede to those experts the things that we don't need to build on our own. We are certainly looking at all of that, but nothing definitive," he said.

He said project management is one area where outsourcing could be valuable for Haynes and Boone.

Powers noted that the firm's North Dallas office in Richardson is home to a number of lawyers serving high-tech clients, including intellectual property lawyers, and support staff in that office are matched with the work.

Midsized Houston-based firm Chamberlain Hrdlicka White Williams & Aughtry (<https://www.law.com/law-firm-profile/?id=6108&name=Chamberlain,-Hrdlicka,-White,-Williams-%26-Aughtry>) has generally not outsourced administrative or support work, said Wayne Risoli, chairman emeritus of the firm who was its managing shareholder until recently.

"We do it all internally. We have a really crackerjack IT director who has saved us a lot of money without it being outsourced," Risoli said.

He said the firm contracts with an outside company for cloud storage, but all IT and administration functions are done in-house.

Locke Lord (<https://www.law.com/law-firm-profile/?id=187&name=Locke-Lord-LLP>) is another firm that is "always looking to be more efficient," chairman David Taylor said.

The Dallas-based firm uses an outside provider for IT help desk support, and for back-office work, including the mail room and copying, but it has not outsourced other business operations, he said.

The firm continues to look at outsourcing in areas such as IT, but there are many factors to consider, such as the location and size of the firm's offices, he said.

As the legal industry evolves, he said, it's a matter of "finding the right way for your firm."

Douglas Dodds, managing partner of McGinnis Lochridge (<http://mcginnislaw.com/>), expressed a similar sentiment. While his midsized Austin-based firm uses a third-party vendor for some IT issues, it's keeping outsourced functions limited for now. Though it has considered some other opportunities, he said.

"You do have to continue to reevaluate how you do things," he said. "Somebody will discover a better way."

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