

Managed Services: The New Era of e-Discovery

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Context – The e-Discovery industry today

You may remember the days when ERP (Enterprise Resource Planning) systems first became available. Companies bought software from providers like SAP in hopes of realizing great efficiencies. Following the purchase, most asked themselves, “What do I do now?” They typically did not have the processes, expertise, experience, or technical infrastructure to drive the efficiencies they were after.

Companies like Accenture, EDS & Perot Systems were created to implement and manage ERP systems efficiently for corporations. They evolved to provide entire managed service offerings for a multitude of business functions.

The e-Discovery industry today looks very similar to the early days of ERP. Gartner estimates that the e-Discovery software market is close to a one-billion dollar industry. There is market-leading software, such as Clearwell and Relativity, freely available to be licensed. However, integrated software-service companies have generally not kept pace with the development curve of software “pure-plays,” and in many cases have fallen out of favor. A number of law firms and corporations are already licensing market-leading software; a much larger number are still “on the fence” figuring out what to do.

The opportunity

Law firms and corporations alike have rightly identified that software can be leveraged to drive efficiency. With the right processes, people and infrastructure, there are significant opportunities to both drive down cost and mitigate risk. The cost efficiencies typically come from two places: a reduction in the volume of data for human review, and an increase in the speed of that human review. The risk mitigation comes primarily from having tightly defined and well documented processes.

The obstacles

The issue that law firms and corporations face is that, as in the early ERP days, they typically do not have the business function (process, people or infrastructure) in place to drive value from software. Nor are they typically well placed to build the right business function. They almost universally underestimate the “cost of ownership” of software, both direct and support costs. Their core businesses are rarely data management, at least certainly not in the case of law firms, and in almost every case there is a much higher ROI on outsourcing the function compared with building it.

Top 10 Reasons Law Firms and Corporations Achieve Higher ROI Outsourcing the Function

	Law Firms	Corporations
1. Too costly to employ enough industry experts	✓	✓
2. Impractical to build true end-to-end capability	✓	✓
3. Ramp period to build from standing start is costly	✓	✓
4. Lack of skills to build effective, repeated process	✓	✓
5. Tough to recruit, train and manage talent	✓	✓
6. Lack of expertise in creating optimal infrastructure	✓	✓
7. Wrong choice of technology and high switching costs	✓	✓
8. Investment “cap” from sponsor(s) and / or lack of ownership	✓	✓
9. Services not priced or marketed effectively	✓	
10. Inability to drive firm-wide adoption	✓	

Here are some live examples of these issues from conversations we have had with law firm and corporate clients in recent months:

- A corporation that had neither the budget nor the infrastructure to build the function internally, but wanted to realize the benefit of an efficient process (Fortune 100 corporation)
- A senior attorney on a high-profile matter complained of the extreme inefficiency of using software his law firm had purchased, primarily because there was little to no support infrastructure (AmLaw 100 firm)
- A corporation that made a high six-figure investment in e-discovery software not using the tool because there was no investment in people, process and infrastructure (Fortune 500 corporation)
- Law firms that built out in-house data hosting and storage offerings with no mechanism for billing clients, thereby creating an ever increasing internal cost burden (multiple AmLaw 250 firms)

Options and Case for Managed Services

When deciding how to handle e-Discovery, law firms and corporations have essentially three options for outsourcing, plus the “build it” option. We have scored each below on the key criteria for consideration: the organizational commitment required, total spend on services, and resulting cost efficiency and risk mitigation.

Overall, the managed service offering is the most compelling. In comparison, the build option typically requires too much organizational commitment and spend, and is too heavily dependent on uncertain execution. The case-by-case option is too inefficient. The preferred provider option does not create enough repeatability to drive significant efficiencies.

Managed services is also the best mechanism for quickly creating highly repeatable, effective processes that can drive cost efficiency and risk mitigation. As one committed SFL Data client recently said to me, “I don’t know why the whole of corporate America doesn’t use a managed services e-Discovery model”.

	<i>OUTSOURCE</i>			<i>BUILD</i>
	<i>Option 1: “Case by case”</i>	<i>Option 2: “Preferred providers”</i>	<i>Option 3: “Managed Services”</i>	<i>Option 4: “Build it”</i>
Description	Contract with a different provider to manage each case	Set up one or more “preferred provider” relationships	Contract with a managed services provider	Build the function internally
Organizational commitment required	LOW	LOW-MEDIUM	MEDIUM	HIGH
Total spend on delivering services	HIGH	MEDIUM	LOW	HIGH
Resulting cost efficiency and risk mitigation	LOW	MEDIUM	HIGH	MEDIUM (execution dependent)

Founded in 1998, **SF Data** [www.sfldata.com] is one of the leading and fastest-growing providers of electronic discovery solutions to both law firms and corporations nationwide. The company provides an end-to-end suite of electronic discovery services – from data preservation and collection, through analysis and review, to production and trial. With a highly consultative approach and advanced technologies, SFL Data enables its clients to achieve significant cost and process efficiencies. More information is available at 415-392-2900.