

The benefits of outsourcing IT

BY MICHAEL RICHMOND, CISSP

Outsourcing, or employing an outside company to handle functions normally performed in-house, is a familiar concept to many firms. Functions such as payroll, bookkeeping and logistics are commonly outsourced to cut costs and increase efficiency. Specifically, outsourcing your firm's IT functions has become increasingly popular over the last decade as many firms have started to realize the benefits.

Your firm's IT systems are similar to using electricity: when you need to turn on a light, you expect your electricity to be functioning properly, without even thinking about it. Your information systems are similar: you don't think about it when you need to access your customer database or accounting system, but if it's down or not working properly, you notice and your firm suffers. Like any other integral item in your business, your information systems need IT administration and maintenance to function properly and help you perform your daily tasks.

One option for firms with limited resources is to outsource the responsibility of IT management or have a third party host critical applications rather than having them in-house (or a combination of the two). But relying on an external company to manage your firm's critical IT processes and information can seem scary and many firms may be hesitant to embrace the idea. Your information systems are crucial to your firm's operations, and it can be hard to trust an outsider to handle your IT needs with the same care. Putting any of your firm's critical functions—especially your IT processes—in the hands of someone else can seem risky, but there are several benefits to outsourcing your IT function and ways to mitigate the risks.

Control capital costs

Cost-cutting is the most common reason why many firms choose to outsource. Outsourcing providers can cut your capital costs by reducing the amount of internal equipment (such as servers, software costs, desktops, etc.) required to keep your information systems running smoothly or needed to roll out new IT solutions.

Increase efficiency

IT administration is probably not your core competency and, therefore, not your most efficient use of time. But it should be the core focus of your IT outsourcing provider, whose cost structure and economy of scale can give your firm an important competitive advantage. An outsourcing

partner will generally be able to provide a whole staff of proficient IT professionals with varied areas of technical expertise for the cost of a single in-house employee.

Reduce labor costs

It can cost your firm unnecessary time and money to find, hire and train an entire in-house IT staff. IT service providers are responsible for staffing the right people and keeping them trained on the latest technology. Professional IT companies invest a significant amount of time and money to make sure their technical knowledge is thorough and up-to-date.

Start new projects quickly

Starting new IT projects can take weeks or months to handle internally, between hiring and training your people and determining hardware or software needs and procuring all the necessary resources. IT service providers have the knowledge, experience, and resources to start new projects immediately. By utilizing a hosted application model, new software projects can be rolled out more quickly with minimal capital expenditures. For example, a particular line of business application could be tested in a hosted model with minimal up front costs and with reduced exposure to the risk of a solution that doesn't work. If the application is a fit and solves the business needs, it could be brought in-house or rolled out company-wide after it has been proven successful.

Focus on your core business

In terms of time and personnel, your firm has limited resources. These resources are most likely better spent focusing on your core competencies that generate revenue. Outsourcing your IT function can help your firm concentrate on more important activities, like serving clients, and help the firm's mission remain the focus.

Level the playing field

Larger firms have a considerable advantage when it comes to resources, and sometimes it can be difficult for smaller firms to match the in-house support and IT infrastructure of these larger firms. Outsourcing the IT function means small firms can have the same level of efficiency, expertise and dependability that large firms benefit from. Application outsourcing also provides the ability to access your core information from almost any

computer that is connected to the Internet. This type of ubiquitous access helps smaller firms project a much larger presence, by allowing everyone to be more efficient and responsive to client needs.

Reduce risk

Today's technology can change quickly. Unless technology is your area of expertise, outsourcing providers are more qualified and equipped to adapt to these rapid changes and can assume and manage the risk that comes with them. Outsourced IT providers have the infrastructure and service level agreements that allow smaller firms to realize the uptimes and system resiliency that larger firms enjoy.

Outsourcing IT administration may not be for everyone, but if your firm decides outsourcing is the way to go, here are a few tips to help:

1. Make sure your outsourcing provider understands exactly what you want — This probably seems obvious, but making sure that your provider knows the scope and timeline for your IT project and functions is critical to project success. Be clear about your expectations and business requirements.

2. Take your decision seriously — The firm you hire to provide outsourced services should be evaluated in the same manner as any in-house employee. The provider will be a part of your team and will have a significant impact on your firm's operations and success, so take the time to select the right one for your firm.

3. Consider type of experience — When it comes to functions that are critical to your business, make sure you select an outsourcing provider that has specific experience with not only the type of work you'd be outsourcing, but also experience with other law firms.

4. Consider factors other than cost — Although cost-cutting is a major reason many firms choose to outsource their IT function, it should not be the only reason. Outsourcing may solve other issues that exist within the firm or mitigate other risk factors not directly related to cost.

When selected wisely, IT outsourcing solutions can provide a number of benefits to your firm. Whether you want to free up your IT staff to work on more important projects or want to reduce in-house IT resources, outsourcing your IT function has plenty of advantages. ■

Experience you can recognize.

Our experienced professionals offer a full range of services for attorneys, including:

BUSINESS VALUATIONS

Marital Dissolutions · Estate and Gift Matters
Charitable Contributions · Spin-offs and Reorganization
Business Dissolutions · Buy-Sell Agreements
Sales, Mergers and Acquisitions · Bankruptcy and Reorganization

EXPERT TESTIMONY, CONSULTING AND LITIGATION SUPPORT

Economic Loss Analysis · Damages Computations
Marital Dissolutions · Due Diligence
Forensic Accounting Services · Income Tax Analysis
Trust Accounting · Disbursing Agent · Settlement Funds

P&N Postlethwaite & Netterville

Contact William C. Potter, CPA, JD
Ralph J. Stephens, CPA, JD, ABV, CFF
Jason MacMorran, CPA/ABV, CFF, CVA, MS
Brandon Lagarde, CPA, JD, LLM



Tel: 225.922.4600

www.PNCPA.com