

ALIGNING RECORDS WITH LAW FIRM REAL ESTATE COST MANAGEMENT

WHITE PAPER

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INTRODUCTION

Behind compensation, real estate is often the second-largest expense for law firms. Many AM Law 100 firms operating in expensive urban centers are looking for ways to lower their real estate costs while freeing up valuable workspace and increasing productive activity. Assessing the costs – for real estate, staff, and onsite records storage – can help a firm uncover ways to deliver greater profits per partner.

Many firms see office moves, remodels, and lease renewals as opportunities to reduce their records footprint and lower real estate costs. However, records are often susceptible to scrutiny during this process. When trying to optimize real estate space at law firms, focusing on ways to limit or cut back on the space used for storing records can be a real game changer.

Even though it is common practice to send records offsite, many law firm Records and Information Management (RIM) professionals are unaware of the operational value offsite management can deliver to their firm. With the proper offsite management, law firms can:

- » **Help attorneys fulfill their professional responsibilities.** Lawyers and staff need secure access to critical information as they drive litigation, answer discovery requests, document transactions, and respond to client audits.
- » **Mitigate risk.** An established offsite records storage program can help firms adhere to defensible policies that meet (or exceed) regulatory, privacy, and security requirements. It also allows them to track their potential malpractice exposure; that's a valuable reputation protector.
- » **Contain and reduce costs.** Well-implemented offsite storage cuts real estate, storage, technology, and insurance overhead. And since it's easier to stay in compliance with help from a RIM partner, a firm stands to avoid the discovery and litigation costs of legal and regulatory violations.
- » **Reduce the risk of breach and preserve confidentiality.** Thanks to tight access control and other security measures, vulnerable physical records remain secure.

Most law firms tend to think in terms of real estate and of the savings gained by using their onsite facilities for more productive purposes other than storing paper records. By moving records from onsite storage to an offsite facility managed by records management professionals, not only does the law firm free up valuable office space, it also delivers a range of cost savings, improves productivity, and reduces overall risks for the law firm.

INFORMATION IS...
YOUR ADVANTAGE

CURRENT LAW FIRM RECORDS MANAGEMENT CHALLENGES

» **Client audits are on the rise and are becoming more exhaustive.** Clients should feel confident that their sensitive data is safe and that they're getting the most efficient service for their money. When paper records are tucked away at a secure location, firms can offer clients the assurance they need.

» **Excess capacity from downsizing.** Many firms have too much expensive real estate in their leases and are looking for ways to reduce their footprint. But in order to stay competitive, they must control their real estate expenses along with other related capital expenses. However, firms continue to lease office space in expensive urban areas. Offsite records storage can help reduce those costs.

» **Reclaim billable hour space, make room for employees.** With the trend towards conference centers, firms are cutting back on spacious partner offices to host client meetings or store records. This valuable real estate can now be used for other activities, including billable hour space.

» **Firms seeking better security, retrieval, and defensible destruction.** Law firms need assurance about the security of sending their records offsite, ease of retrieval and access, and being able to defensibly destroy records they may no longer need.

» **Lateral hires and M&A's are fueling growth.** According to the AM Law 2014 Lateral Report, there were 2,522 moves in and out of AM Law 200 firms in 2013. All of this personnel movement also affects records movement. Client and personnel files acquired through new attorney hires and M&A activity present formidable challenges to records management, including issues of confidentiality and conflict of interest. What's more, RIM professionals must ensure that the added records follow their firm's retention and destruction schedules.

BUSINESS DRIVER

Many law firms are eager to move more records offsite to lower lease costs or repurpose square footage for billable-hour activities.

LATERAL HIRES

According to the AM Law 2014 Lateral Report, there were 2,522 moves in and out of AM Law 200 firms in 2013.

HIDDEN VALUE

There are hidden benefits aside from the significant operational cost savings when a firm moves paper records to offsite storage. Firms can gain value from these additional objectives:

» **Control the proliferation of unnecessary information.** It's easy to drown in physical records – moving records offsite can lower the “paper noise” and also help firms filter information for [records retention](#).

» **Repurpose space for higher-value activities.** Freed up real estate can be used to accommodate new lawyers from laterals or M&A, for additional client meeting space or as collaboration areas.

» **Develop a secure records destruction plan.** Inactive data doesn't just take up valuable space and cost money to store, it leaves firms vulnerable to review and be held liable to produce data during a discovery. Long-expired, stockpiled information that bogs down searches and boosts overhead should be earmarked for secure destruction.

» **Keep personally identifiable client and firm information private.** Strict security measures protect physical records with only authorized access that follows schedules for retention and destruction.

» **Comply with requests for subpoenas, audits and lawsuits.** Law firms must be able to quickly access records and produce all information on demand, confident that the chain of custody is secure.

DRIVING BUSINESS VALUE

Law firms that take a leadership approach in moving records offsite have been able to cut costs, increase control, reduce risks, repurpose valuable real estate, and establish a more secure environment for their records.

Here's how one company benefited by moving from onsite to offsite records management:

A law firm with more than 1,000 attorneys in nine U.S. and five international offices was moving its world headquarters in Boston. To optimize space in the new building, the firm decided to take a closer look at its RIM program. An audit of the historical activity of onsite files made it clear that many files did not need to be "down the hall." The attorneys had not requested them in several years and the firm could save on real estate costs by moving volumes of files offsite. Although the attorneys worried they wouldn't have fast access when they needed the files, they have been very satisfied with file deliveries from offsite storage.

Consequently, the firm chose to eliminate its entire central file room, move files offsite and consolidate its RIM program with Iron Mountain. As a result, the firm:

- Saved approximately \$180,000 per year on real estate costs in one office alone.
- Mitigated risks and improved record accessibility.
- Strengthened relationships between the attorneys and the records team.
- Enhanced program efficiency through consolidation.

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CONCLUSION

Large AM Law 100 firms continue to lease real estate space in expensive urban centers, signing leases for 10-15 years. However, firms are looking for ways to keep down real estate costs and maximize valuable office space. Storing all records onsite costs a firm an average \$50 - \$75 per square foot. As firms look for ways to reduce their records footprint, cut real estate costs, and make room for more billable hour activities, sending records offsite is an ideal opportunity to add value back to the business.

RECORDS REAL ESTATE ASSESSMENT CHECKLIST

Use the following key questions and their related concerns to assess what you are keeping onsite and why. Key stakeholders in these discussions can include your firm's records, risk management, and real estate departments.

1

WHAT ARE YOU SPENDING ON REAL ESTATE FOR RECORDS?

If the records were moved offsite, how many square feet would be freed up for other purposes? What if the space was used for associates billing hours to clients?

2

WHAT WOULD YOU FIND IF YOU AUDITED REQUESTS?

What would you find if you audited requests for all the files stored onsite over the last three years? What hasn't been accessed recently and could be destroyed or moved offsite?

3

WHICH OF YOUR PRACTICE GROUPS STORE THE MOST PHYSICAL RECORDS ONSITE?

Why are these records kept in-house? Is there an opportunity to send some of their documents offsite?

4

WHICH CHALLENGES ASSOCIATED WITH PHYSICAL RECORDS APPLY TO YOUR FIRM?

Space constraints? Regulatory or professional responsibility compliance? Security and privacy? Difficulties finding and accessing information?

5

WHAT LATERAL HIRES AND/OR MERGERS AND ACQUISITIONS IS YOUR FIRM PLANNING?

What are your real estate needs after these take place? How will these changes affect your ability to store records onsite? How well can you manage the influx of physical records brought about by those events? Do you need to free up space for new attorneys coming on board?



ABOUT IRON MOUNTAIN

Iron Mountain Incorporated (NYSE: IRM) provides information management services that help organizations lower the costs, risks and inefficiencies of managing their physical and digital data. Founded in 1951, Iron Mountain manages billions of information assets, including backup and archival data, electronic records, document imaging, business records, secure shredding, and more, for organizations around the world. Visit the company website at www.ironmountain.com for more information.

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