

Legal IT and the Cloud

inPlace Solutions/InfoTrack
2017 Survey Report



Contents

Introduction	3
Demographics	4
The Survey	4
Overview	5
The Cloud	6
Client Collaboration	10
Client Extranet	12
Mobility	13
ILTA Issues	15
Top 10 Priorities	16

Introduction

We are already in the Cloud – it is only a matter as to the degree. If we assume that the respondents to our survey can be taken as a reasonable representation of larger law firms (at least those firms above 100 users) then the majority recognise the same and are planning accordingly. And if you don't believe that a transition to the Cloud is inevitable then we would suggest it may be a case of head in the sand, because the stars are surely aligned against you.

However, the transition to the Cloud is not necessarily easy, it will take time and careful planning. Yet the advantages seem compelling – consumption model, realignment of IT staff, easier collaboration, secure document exchange, mobility, better security, scalability and enhanced Business Continuity. And some steps can be non-disruptive, such as improved email management, archiving and security through products such as Mimecast or through migrating your Microsoft Exchange email system to Microsoft's Cloud. Some steps can be disruptive, such as the implementation of a true Cloud-based DMS, although if performed well the benefits make it worthwhile. And for the consumption of some services the only option is Cloud – the only challenge might be choosing the appropriate and best provider.

If there is any doubt about the inevitability of Cloud then look at where vendors are investing their money – if they don't already have a Cloud offering then they will be working on it, because they recognise their future will be short lived if they don't.

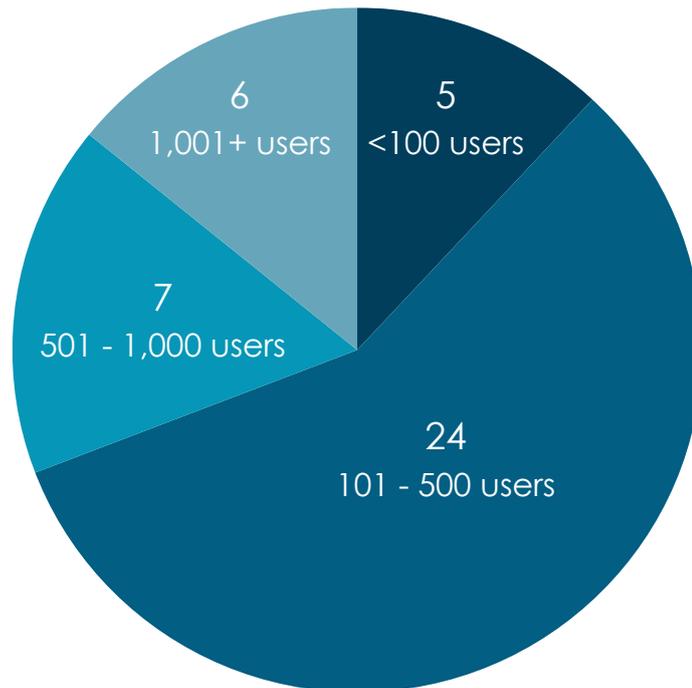
Legal firms recognise the need to be smarter in the way in which they service their clients, and the Cloud can provide the means to do this.

This report surveyed forty-two legal firms with two aims in mind. To compare against last year's survey in relation to Cloud Strategy, Implementation and Information Technology priorities and to elicit any new insights such as those concerning information governance and online collaboration. While some of the results are predictable, some are also quite striking and indicative of a trend towards Cloud that is becoming more sophisticated in its aims and reflecting our own anecdotal conversations with each of these firms. From this we can already see some of the 'overheard' surprises for 2017 emerging within the responses.

Demographics

The survey was sent to the same group as 2016, and the sample size was similar. Forty-two firms responded and 58% have between 101-500 users. All but two of the respondents were legal firms.

While the majority of firms located their primary office in either Melbourne or Sydney the sample also includes a number of firms from Brisbane, Adelaide, Perth and NZ.

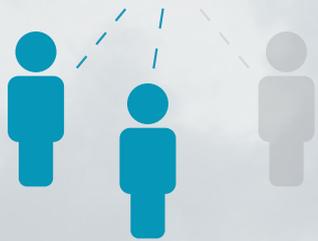


The Survey

The 2017 survey had less questions than 2016, and although several of the questions were in both surveys it wasn't designed to provide a direct comparison. The focus of the 2017 survey is on the Cloud and Collaboration. As was the case in 2016 we have included the top 10 issues from the latest ILTA Survey and asked our respondents to rank them. We have also included a top 10 priorities, one that has been updated slightly from 2016 so that it reflects changing IT demands.

Overview

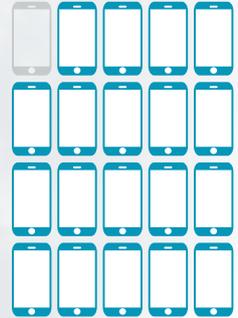
97% of firms are considering key platforms or solutions that are Cloud-based or that are fully hosted via SaaS arrangements.



58% of firms recognise the Cloud as being a game-changer.

95%

recognise the importance of providing a mobile/flexible work environment.



BUT

2 in 5 have clear and adequate policies to support a mobile and flexible work environment.



2 in 3 firms have business-approved Cloud strategies



Top issues firms are facing



Top priority for firms in 2017

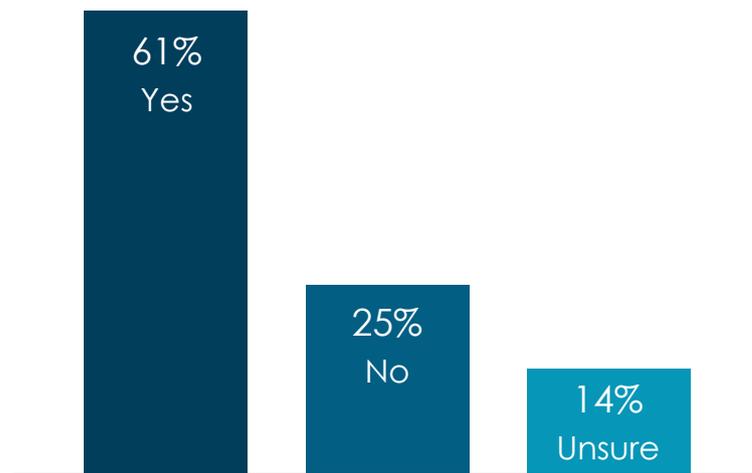
Helping lawyers become more productive.



The Cloud

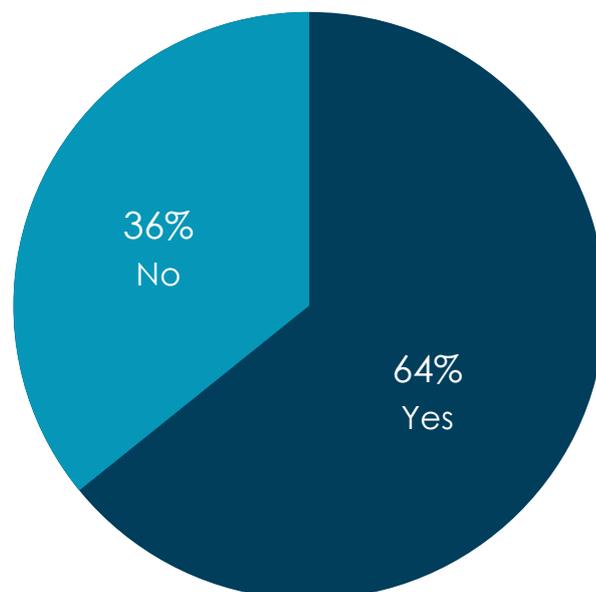
Question: Does your firm consider the Cloud to be a game changer?

This is a new question and 61% of respondents answered Yes, a result that is not particularly surprising. Anecdotally our own conversations with legal firms see an increasing investment in moving services to the Cloud, supported by numerous start-up firms based on Cloud delivery.



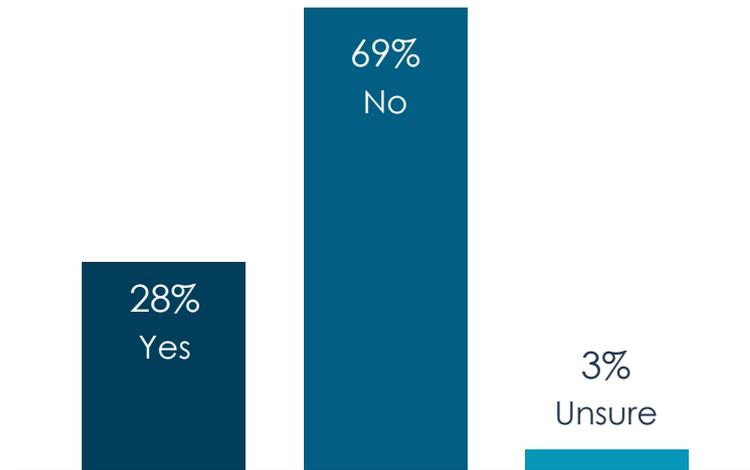
Question: Do you have a business approved Cloud Strategy?

An impressive percentage (64%) of firms now have business approved Cloud Strategies, an increase of 7% from 2016. Unfortunately, we are unable to comment on the sophistication of those strategies and acknowledge that some may lack important detail such as a roadmap and costings.



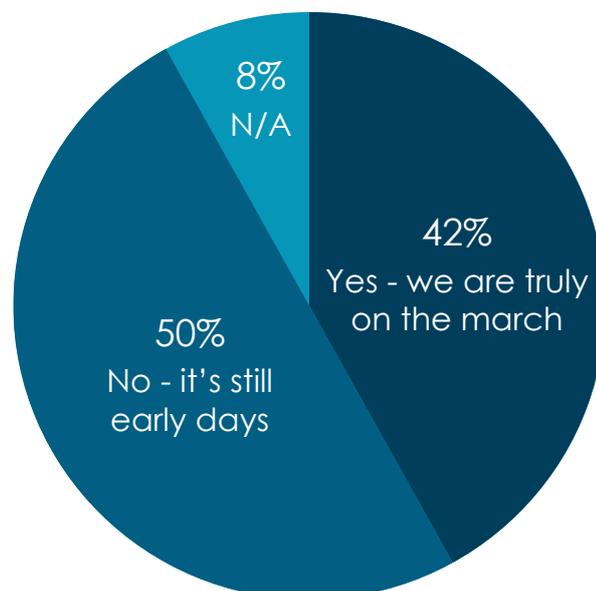
Question – Do you have a timetable for full implementation?

In 2016, 46% of respondents claimed that they had a timetable for full implementation, but in 2017 the percentage is only 24%. This appears curious as we naturally expected the percentage to rise, not decrease. In speaking in some detail to a couple of firms, our conclusion is that in 2016 firms were simply optimistic and that in 2017, with a better understanding of the challenges of transition, firms have reassessed the timeframe for achieving their goals, and have also adopted a more formal approach to implementation with changes in personnel to reflect this and hard budgets to achieve this. Therefore, we expect an upward trend in relation to implementation timetables in 2018.



Question - Have you already made significant progress in implementing your strategy?

This question has been slightly rephrased from 2016, with the addition of 'significant'. In 2017 only 42% of respondents consider that they have made 'significant' progress, whereas in 2016 70% believe that they had made progress. The 2017 result reflects our understanding of the market, and why 50% of firms consider it 'is still early days'.



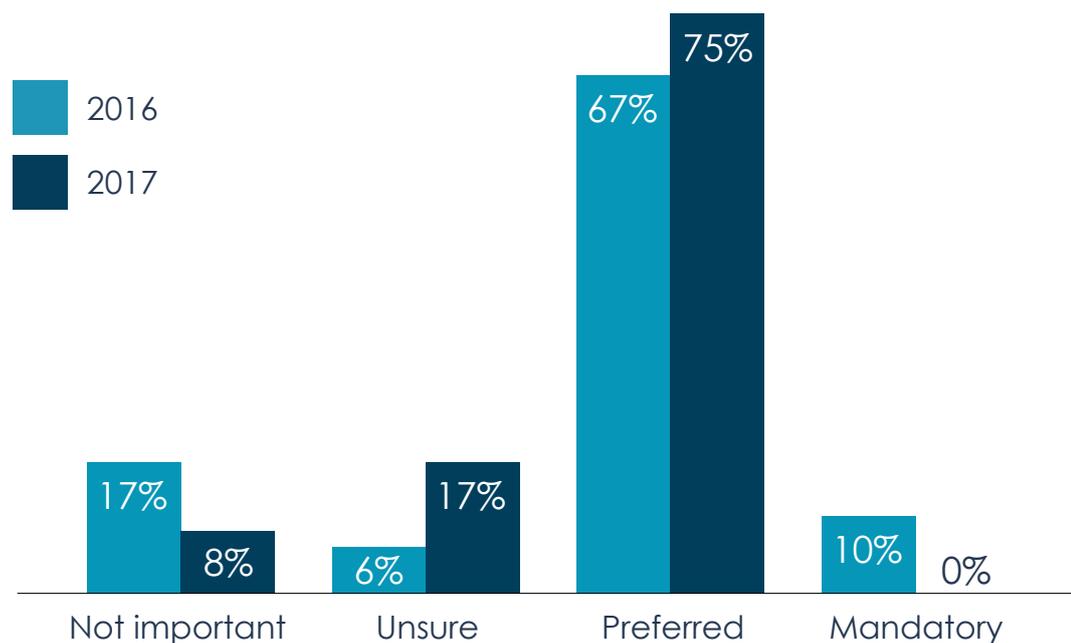
Question - Are you are considering key platforms or solutions that are Cloud based or that are fully hosted via Software as a Service arrangements?

This is a new question and 94% of respondents have answered in the affirmative, a response that reflects the growing preference for Cloud solutions, as illustrated in the following question. This response reflects an understanding of the distinction of SaaS models compared to pure Cloud and also suggests that the speed of transition by firms to a pure Cloud model is as much dependent on the success of suppliers as the willingness of buyers.

Some of the more common examples of SaaS based Cloud Services from the survey include: DMS, CRM, Email Management and Expense Management.

Question – When you are considering key platforms or solutions how important is it that it is Cloud based?

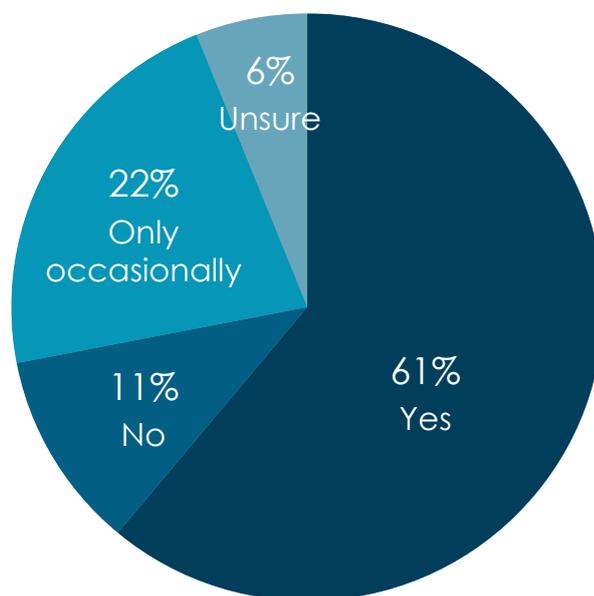
A significant 75% of respondents indicate a preference for a Cloud based solution, an increase of 9% from 2016. In our introduction we mentioned some of the reasons as to why the Cloud should be a preference, but we should also add integration and choice. Traditional on-premise solutions are being rebuilt so that they can be offered as a SaaS model, and new solutions are being built as SaaS only. Therefore, the Cloud choices will be greater, and these solutions will provide APIs so that integration with other solutions is available.



Question - Generally speaking, do you consider that the information governance, i.e. client confidentiality/privacy/security requirements, are adequately covered by current Cloud offerings?

Information governance has traditionally been a major concern when it comes to moving client information into the Cloud. Many of these concerns have been addressed by offshore Cloud providers who now have local (i.e. in Australia) instances of their platforms, good examples being Mimecast and NetDocuments - and soon Nikec Docstore, and the latter's security model is generally superior to that which can be achieved on premise. A significant percentage of respondents (61%) now consider that information governance is adequate.

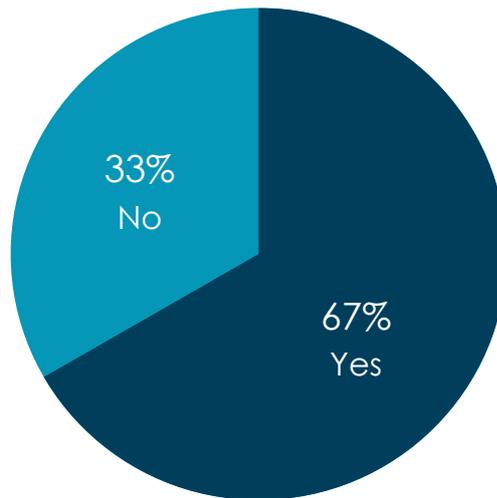
In our mind, the responses clearly imply that CIOs and IT Groups are in the main, comfortable with the response by Cloud providers to their information governance and we suggest that the main impediments to Cloud adoption probably lie elsewhere. Such as in change management challenges or addressing conversion of legacy systems.



Client Collaboration

Question - Does your firm offer an online client collaboration platform?

A significant number of firms, 67%, now offer a client collaboration platform. However, the perceived benefits of client collaboration platforms vary, with some firms believing that they add considerable value to the client relationship, whereas others believe it is something they need to offer because it is expected. There is hardly anything new in this.

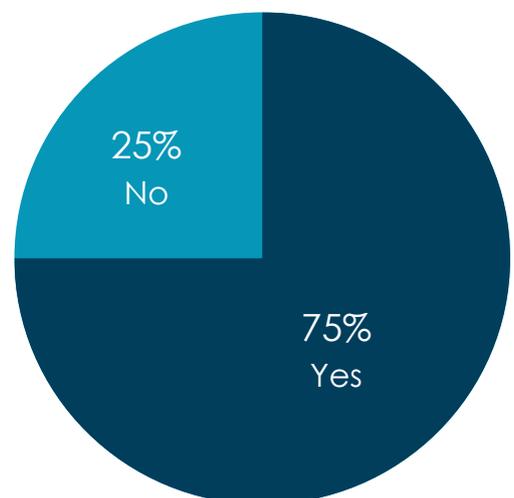
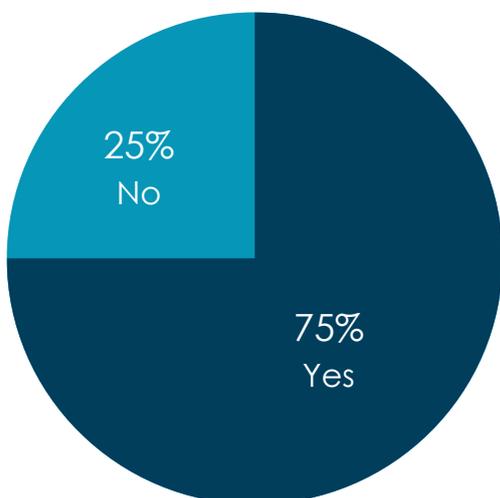


If yes, is it Cloud Hosted?

Of those firms that have a client collaboration platform 75% have it Cloud hosted. While we did not ask about the specific platform deployed by each firm, we know from other surveys that HighQ is the most widely used and though highly regarded, considered expensive and time consuming. Interestingly, we now see similar products emerging such as Nikec Hub and Safelink, and these are priced to be suitable for smaller firms with lower economies of scale.

If No, is your firm considering a client collaboration platform?

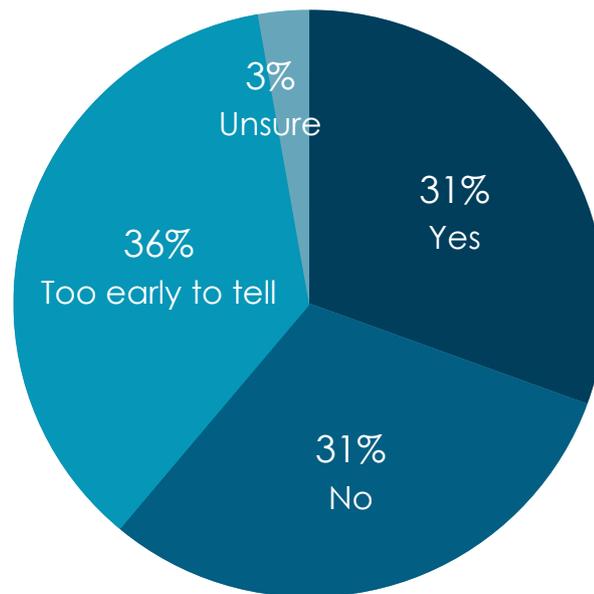
Of the 33% of firms that currently don't have a collaboration platform 75% are considering providing such a service. If so, it is worthwhile considering the responses to the next question.



Question - Do you believe that an online client collaboration platform is a differentiator?

Interestingly, there is a considerable level of uncertainty about the true value of a collaboration platform, with only 31% believing it is a differentiator, while an equal number believe it makes no difference. The highest number of respondents, 36%, feel that it is still too early to tell.

It is hardly surprising that the views on client collaboration are ambivalent. Although most firms believe it is important, and in many instances it has been of proven value, the real value of collaboration over the long term has long been questionable.



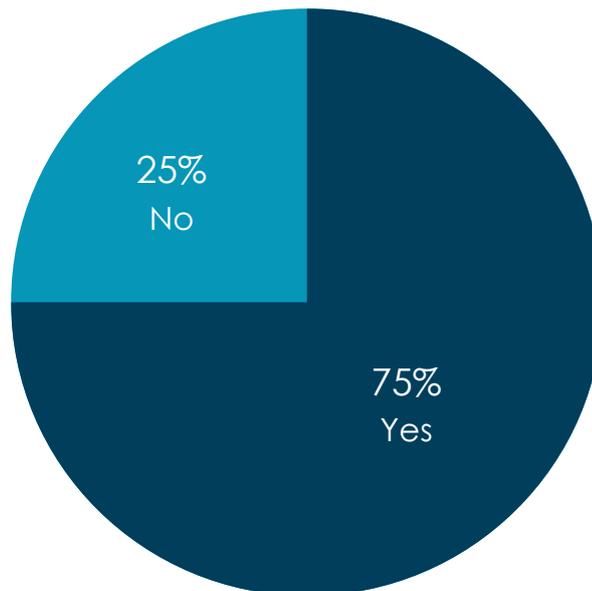
For what it's worth, our view has always been that collaboration platforms are integral to modern practices. In fact, we believe that they will be essential to the future viability of many firms, particularly those that conduct high volume, repetitive transactions. If so, this response suggests that there are already winners and losers appearing in this arena.

Client Extranet

Question - Does your firm have a client facing extranet?

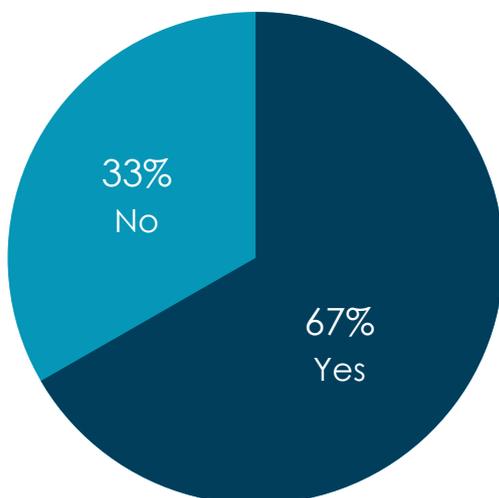
We acknowledge that there can be considerable overlap between extranets, collaboration platforms and DMS functionality.

Unsurprisingly 75% of respondents have a client facing extranet, however our survey does not elicit the value of this investment from clients or providers.



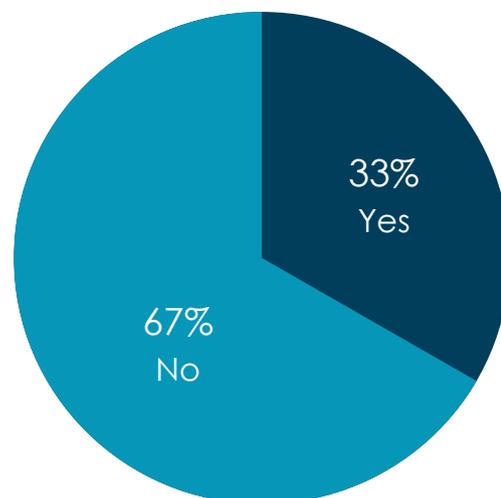
If yes, is it Cloud Hosted?

The majority of firms have client facing extranets hosted in the Cloud, with only 33% of respondents still having their extranets on premise.



If No, is this something is your firm is considering?

Of the firm's that have on-premise extranets not surprisingly a reasonable percentage, 33% are considering moving them to the Cloud.



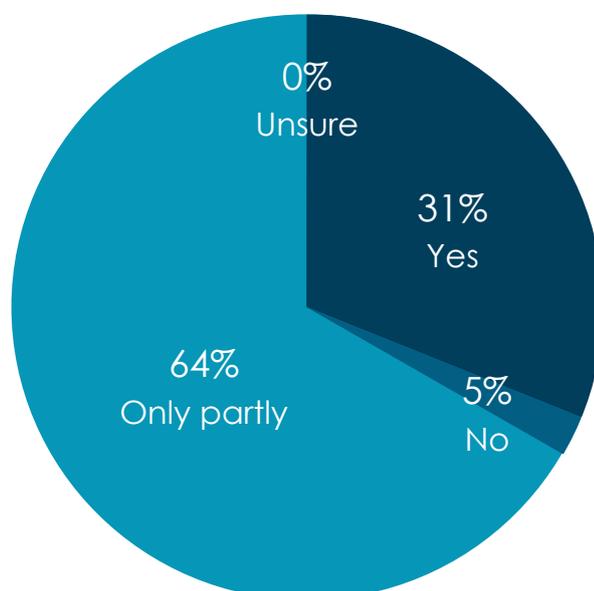
Mobility

Question - Is the provision of a mobile/flexible work environment important to your firm?

Hardly surprising that an overwhelming percentage of respondents, 95%, agree that it is important. Firms are experiencing a growing demand to provide work flexibility and mobility, and for many firms this puts pressure on IT to provision, manage and ensure security for client data on mobile devices. Mobility also makes a centralised platform for the provisioning of IT services, through Citrix for example, difficult to maintain and IT teams are seeking better ways to balance flexibility and enhanced user experience with firm policies and information governance.

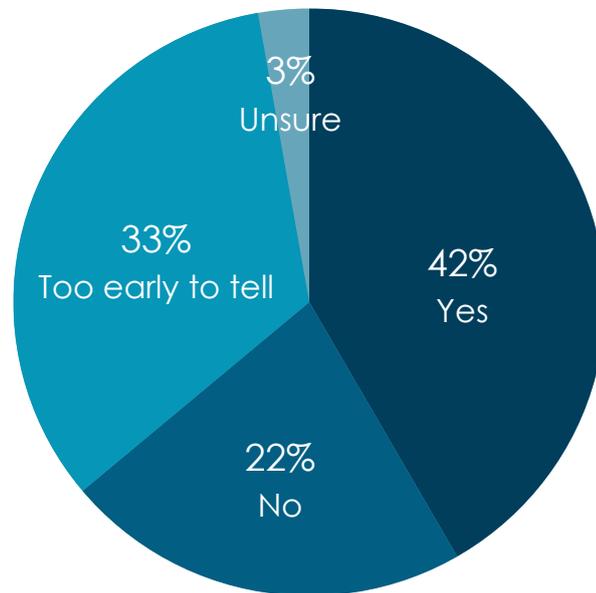
Question - Are your firm's mobility requirements adequately addressed?

With the increasing demand from professional staff for a more mobile/flexible work environment it is perhaps surprising that only 31% believe that this is being adequately addressed, whereas 64% consider it has only been partly addressed. One reason is that many firms have built their IT delivery based on products such as Citrix, and the transition from a central, controlled platform to one that properly addresses a mobile workforce can be a challenge. Simultaneously, the sleek advance of Microsoft Office 365 and related Cloud tools, such as Microsoft OneNote and OneDrive for Business, are challenging the utility of terminal based solutions such as Citrix.



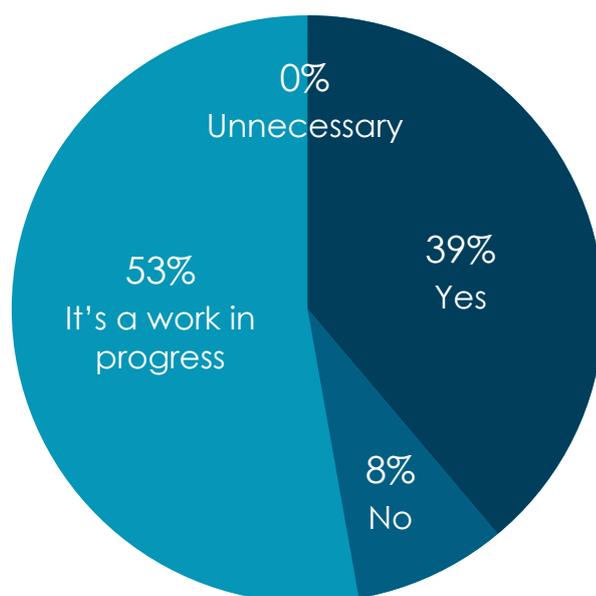
Question - Is your firm experiencing significant workplace change due to greater workforce mobility?

42% of respondents agree that they are experiencing workplace change while 33% feel it is too early to tell.



Question - Does your firm have clear and adequate policies in place to support a mobile and flexible working environment?

For 53% of respondents this remains a work in progress, while 39% are comfortable with the policies they already have in place. In an environment where security risks are cited as the number one concern for IT Groups, this response reflects an uncomfortable reality.



ILTA Issues

The International Legal Technology Association's (ILTA) top 10 issues for 2016 ranked by local firms.

We took the top 10 ranked issues from ILTA's 2016 survey and asked ANZ firms to rank them. The number one ranked issue for ILTA respondents has consistently been Security Compliance and Risk Management, although in the latest survey the percentage ranking as number one declined slightly. This year our ANZ respondents have also ranked this as their number one issue. In 2016 the number one ranked issue was Workload/managing project loads.

The table below shows the top 10 issues as ranked by ILTA in 2015 and 2016 alongside the ANZ rankings for both years.

There are two new entries in the ILTA top 10 – Information Governance (which could explain the slight decline in Security and Risk Management) and Spyware/Malware/Viruses.

Last year ANZ respondents ranked Workload/managing project loads as their number one issue. This year it is only ranked six, and while this would suggest firms are managing better, the majority of firms we talk to acknowledge that IT teams are faced with increasing business expectations, increasing project lists and constrained resources

	ILTA 2015	ILTA 2016	IPS/IT 2016	IPS/IT 2017
Security and Risk Management	1	1	3	1
Change - user's acceptance of change	3	2	2	4
Change - Managing expectations (management and users)	2	3	4	3
Email Management	4	4	=7	10
Change - keeping up with new versions of software	5	5	9	9
Workload/managing project load	7	6	1	6
Information Governance		7		2
Training - meeting needs and/or getting participation	6	8	6	8
Spyware/malware/viruses	9	9		7
Costs - the general cost of technology		10	=7	5

This year the top issue for Australian firms is the same as the ILTA survey - Security and Risk Management. It is our view that this is largely driven by financial institutions, especially banks. Gone are the days when a less than honest response to the questions asked by banks was acceptable – the questions being asked have not only raised the bar, there is serious scrutiny by bank auditors. So firms are now expected to comply with these increasing security requirements if they hope to remain on panels, and for smaller firms the costs involved can prove to be a deterrent.

Information governance was ranked the second issue. This is new to the ILTA top 10, and again reflects the expectations of clients and the way they would like to conduct information transactions, which is why we have included collaboration platforms in this year's survey.

Besides an increased concern about security the big two remain Change – user's acceptance, and Change – managing expectations.

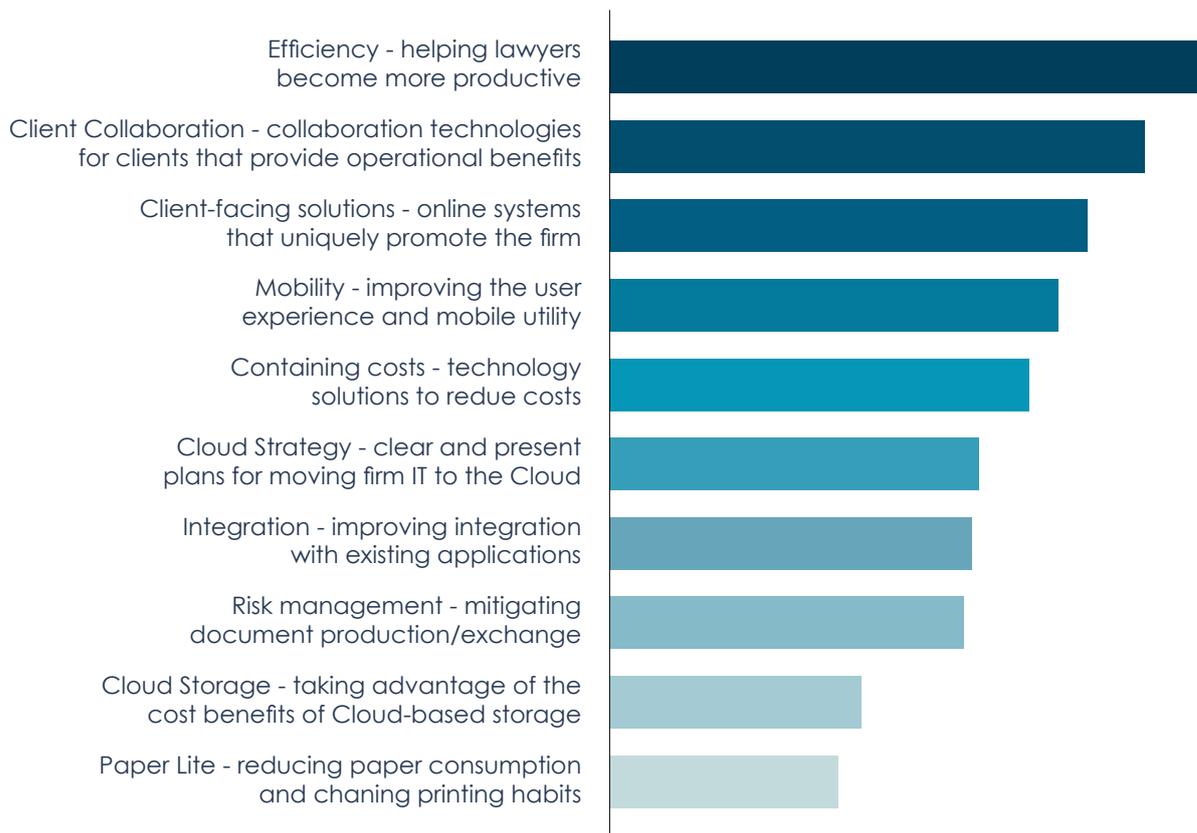
Email management is only ranked tenth by ANZ respondents, and we would suggest that, besides being better at managing email overall, the Mimecast Cloud solution and Microsoft's Exchange Online offering have made considerable difference.

Top 10 Priorities

Top 10 priorities for 2017/18.

Although the options for this year varied slightly from 2016, the top priority for 2017 was still Efficiency – helping lawyers become more productive. And when considered alongside the 3rd and 4th ranked issues from the previous question, it raised that recurring dilemma of how can you improve efficiency when faced with the reluctance of users to accept change?

The second ranked priority was 'Client Collaboration – collaboration technologies for clients that provide operational benefits', followed by 'Client facing solutions - online systems that uniquely promote the firm' and 'Mobility – improving the user experience and mobile utility'. Every firm wants to increase their stickiness with clients by providing better matter transparency and enabling closer and easier collaboration, either by collaboration platforms such as HighQ (or similar, such as Nikec HUB and Safelink), or through their extranets. While there is considerable uncertainty about long term benefits, as illustrated by the mix of responses to the question about Information Governance, it is inevitable that firms will continue to make the investment.



Other priorities that were mentioned included Workflow and Cyber Security Awareness. From our regular conversations with firms we know that Workflow, especially for high volume and repetitive transactional work, is being seen as essential, and can be considered as part of 'Containing costs – technology solutions to reduce costs'.

Interestingly, 'Paper-lite' - a legal firm euphemism for moving to a paperless environment - ranked low as a priority. Why would this be when the paperless mantra promulgated by the industry is so pronounced?

We suggest that this issue is considered 'structurally solved' – at least by IT Groups. That is, they believe that we have passed 'peak paper' and from here on in it's downhill for paper production. What we mean by this is that the production of paper is no longer tied directly to the growth of law firms and henceforth, paper consumption will reduce as firms grow. In fact this has probably already been occurring within Australia for the last twelve months or so.

How can we be so sure? The evidence is clear. Firms are deploying digital scanning, transmission workflow and eSigning solutions to replace paper contracts, tablets to replace file notes and accounts payable and expense management systems - such as ESP Solutions Group eSmart Paper - to replace paper-heavy processes. Courts support the submission of digital material and legal clients expect online platforms that allow them to receive information and pay bills electronically. We anticipate publishing accurate figures to support this in a future report.