



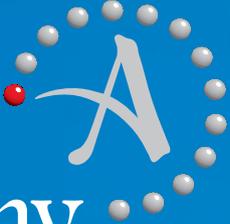
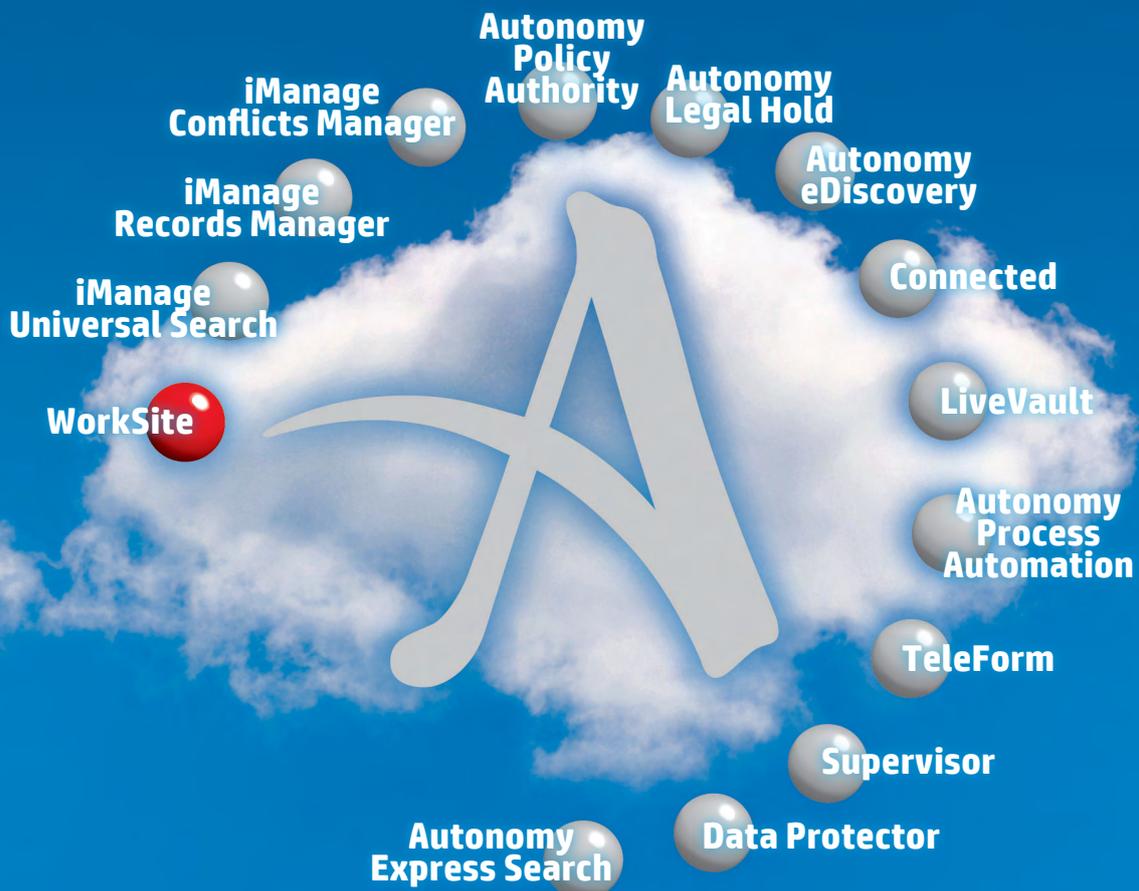
**LEGAL IT**  
PROFESSIONALS

**“ THE TIDE HAS  
TURNED AND THE  
CLOUD IS HERE ”**



**Legal IT Professionals 2012**  
Global Cloud Survey Report

# Comprehensive Legal Information Management in the Cloud



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# Introduction

By Nicole Black

There's no doubt about it -- the use of cloud computing by the legal profession is a hot topic. There's a lot of hype about it -- and a lot of debate. Some believe that cloud computing will usher in a new era of computing, one where lawyers are increasingly mobile and less dependent on costly in-house IT infrastructures. Others contend that the shift toward cloud computing is a grave mistake and has the potential to result in disastrous data losses and security breaches. Even those who favour cloud computing have difficulty agreeing on its most basic concepts, such as how to correctly define it or whether businesses should use public or private clouds.

Despite the disagreement and contention over the use of cloud computing by lawyers, it is nevertheless an increasingly viable and appealing alternative for law firms, both large and small. That said, adoption of cloud computing in the legal sector is relatively new and difficult to measure. For that reason, not many have attempted to do so.

Fortunately, into that void comes the Legal IT Professional's 2012 Cloud Computing Survey, which was designed to assess the legal field's use of, and attitudes about, cloud computing.

The survey was conducted in September 2012 and was completed by 438 respondents holding varying roles in the legal services industry: 36% held law firm IT management roles including CIO, CTO, and IT Managers; 18% played a role other than law firm IT management; 24% were legal IT consultants; and 22% were lawyers and paralegals.

Respondents hailed from across the globe, with 47% from the United States and Canada, 44% from Europe and 9% from the AustralAsia region.

Many different sized firms were represented, with 26% reporting in from firms of less than 20 lawyers; 26% from firms with 21-100 lawyers; 13% with 101-250 lawyers; 10% with 251-500 lawyers; 13% with 501-1,000 lawyers and 12% with more than 1,000 lawyers.

Overall, the survey results confirmed the undeniable fact that the legal field is no more immune from the effects of cloud computing than other businesses -- and consumers. And, as you'll soon learn, the reason cloud computing is so appealing to lawyers and consumers alike is that it offers many benefits over traditional, server or desktop-based computing. However, with those benefits come corresponding risks, which should not be overlooked.

But, before we get ahead of ourselves, let's first agree upon a basic definition of cloud computing. Simply put, cloud computing allows the end user to access data stored on someone else's servers via an Internet connection, rather than those located onsite. It uses shared resources, including software and servers, to deliver information and services to the end user.

It is these shared computer resources that provide one of the most important benefits of cloud computing: its inherent efficiency. Virtualization is the process that delivers this, making it possible for a single machine to handle multiple applications and users. So, instead of wasting precious and costly computing power, an inherent drawback of the current client server model, cloud computing allows for a more efficient and affordable use of computing resources.

This leads us to another important benefit: cost savings. With cloud computing, the end user is no longer burdened with the expense of maintaining and updating servers, data centres and software. Instead, the cloud computing provider assumes these IT costs, while businesses simply pay a low monthly subscription fee.

For many law firms, this tremendous cost-savings is one of the most appealing benefits of cloud computing. No longer are law firms required to pay expensive annual licensing fees for access to software updates. Likewise, with cloud computing, there is no corresponding obligation to update and install software patches, where the failure to do so in a timely way could result in dangerous security loopholes. Therefore, software conflicts become a thing of the past, and costs are further reduced by eradicating the need to bring in IT consultants to troubleshoot and resolve software incompatibility issues.

Interestingly, neither of the above benefits, efficiency and affordability, were listed by respondents to the survey as one of the leading benefits of using cloud computing applications in a law firm. Instead, the top three cloud computing advantages as reported by survey respondents were business continuity, flexibility and agility, and mobility.

This is probably because the vast majority of respondents were from firms with over 100 lawyers, and the immediate benefits of efficiency and cost-savings are most easily recognized by solo and small firm practitioners. So, it was not surprising – because larger firms are less likely to immediately realize some of the primary benefits offered by cloud computing – the larger firms who responded to this survey were less likely to embrace the idea of moving key applications to the cloud.

Large firms are less agile and have complex legacy systems in place. For those firms, transitioning to a solely cloud-based IT system would be a massive -- and costly --undertaking. Smaller firms are more nimble and thus more easily able to move to the cloud and take advantage of its many cost-saving benefits.

That being said, it is the last two factors, agility and mobility, that make cloud computing so appealing to large and small firms alike in our increasingly mobile world. The

move from server-based applications to cloud computing is the key to providing businesses and consumers with the much-needed benefits of flexibility, agility, and convenience. With cloud computing, data stored in the cloud can be accessed from virtually anywhere with an internet connection. With server-based computing, this is often a much more difficult proposition.

Of course, for many lawyers, the idea of giving up control of the hardware that houses a law firm's data and outsourcing confidential client data to a third party is an unsettling concept, at best. For that reason alone, some lawyers remain unconvinced that the benefits of cloud computing outweigh the risks.

In fact, security and privacy are two of the biggest reservations expressed by law firms considering a move to the cloud. This is because security risks are of paramount concern, since legal professionals are duty bound by the ethical obligation to maintain client confidentiality.

This was borne out by the survey results, with respondents reporting that their top three cloud computing concerns were security and client confidentiality issues, compliance and regulatory issues, and concerns regarding the location of data stored in the cloud.

Of course, it's important to acknowledge that no type of data storage system is risk free and for that reason, absolute security is impossible. The truth is, any time a law firm entrusts its data to a third party, it incurs risk. This applies equally to any type of outsourcing, whether it is the outsourcing of administrative tasks or the outsourcing of the management of physical or digital data. The key is to ensure that the same steps are taken to protect confidential client information regardless of who can access the data or what form the data takes.

Even so, cloud computing is still met with scepticism by many in the legal field, and thus the survey respondents' mixed feelings about moving key applications to the cloud was not surprising, with 44.5% in favour of the idea, 46.3% opposed and 9.1% with no opinion. Interestingly, 60.2% of respondents cited potential client angst as an area of concern, while 39.8% reported that clients would not likely be concerned if their data were housed in the cloud.

Of course, even though some respondents expressed concerns about the use of cloud computing in the legal field, there were indications of an acceptance and inevitability regarding the mass adoption of cloud computing tools and their use in the legal services industry. In fact, 51.8% of those surveyed reported that their opinion about cloud computing had improved over the last year, with only 9.6% reporting that their opinion had declined, and 38.6% reporting no change.

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Most importantly, nearly all respondents acknowledged that cloud computing would ultimately overtake on-premise computing in the legal industry, with only 16.2% claiming that this would never occur. And of those who made this assertion, 49.2% consisted of those with a vested interest in maintaining the status quo of on-premise computing: CIOs and CTOs. In comparison, only 13.8% of those who believed that cloud computing would never overtake on-premise computing were external IT consultants.

Interestingly, the majority of respondents – 56.9% – predicted that cloud computing would prevail in five years, with 18.5% of that group believing that it would occur in just three years. I believe that the majority's prediction is accurate. Based on my observations and experience, I contend that in approximately three years' time, the legal sector's interest in cloud computing will peak and then remain stable, followed by a rapid stage of transition and then grand-scale adoption by most law firms within five years. The smallest firms will take the lead, with the largest firms bringing in the tail end of the transition to the cloud.

That the majority of respondents believe that there is a sense of inevitability regarding the adoption of cloud computing by the legal services industry is important. It is

compelling evidence of the prevalence of cloud computing and its long-term effect on the legal profession.

Because cloud computing is quickly overtaking on-premise computing as the business and consumer computing solution of choice, it is encouraging to see that those who responded to this survey acknowledge this reality and, in many cases, appear to embrace it. It's a step in the right direction and proves that despite the legal profession's collective reverence for precedent and the past, it is nevertheless willing to move forward and take advantage of the great potential and many benefits offered by 21st century computing.

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# Getting ahead in the cloud? – LITP's Cloud Survey

By Joanna Goodman MBA

Cloud computing has been a hot topic for discussion in legal IT for several years. It features prominently at major events and in publications. Everyone has something to say. As cloud services have matured and become more reliable and affordable, big providers such as Google and Amazon have refined their public cloud offerings to make them fit businesses – and some law firms – clients and legal specific suppliers have honed their services to the sector. We at Legal IT Professionals wanted to find out from our readership what was really happening at grass roots level and build an accurate and current picture of cloud computing in the legal sector globally. If you brush away the hype – the bold first movers and the case study sales pitches – to what extent are law firms prepared to commit to cloud based technology? Which services are generally accepted as being suitable for the cloud and which, if any, are being solidly retained in-house?

In September 2012, Legal IT Professionals created and distributed a short online survey to our global readership and we received 438 responses – a statistically valid sample. Responses were predominantly from US and UK/CE readers in law firms ranging from small boutiques to large global players, although we did get some responses from firms in the APAC region. 78% of respondents were working directly in legal IT, either within a firm (54%) or as external consultants (24%). Lawyers and paralegals represented 22% of respondents.

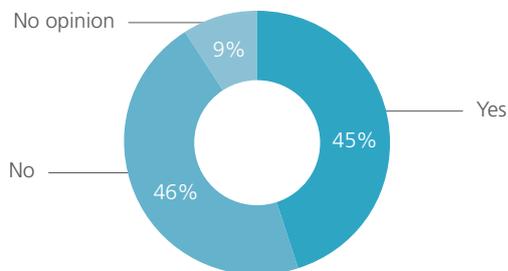
This range enables us to consider the views of IT departments and their internal clients. Although we had some anonymous comments as part of the survey response, we sought some longer quotes from a representative selection of respondents. Some of these were received after hurricane Sandy which devastated the US east coast in October 2012 causing outages in essential services and forcing people to work remotely. It turns out that, in the face of a disaster, cloud computing comes into its own.

# 1. Moving **key** applications to the cloud

**“ If your law firm’s management asked for your advice regarding moving key applications to the cloud, would you be in favour of this strategy?”**

Law firms are notoriously risk averse and tend to be what one lawyer described as ‘proud second movers’ when it comes to technology. Responses to this question would suggest a shift in the legal sector’s approach to cloud computing, from overwhelming scepticism to an even split with 45% in favour and 46% against moving key applications to the cloud. This demonstrates that moving key applications to the cloud represents a major decision for any organisation as it involves outsourcing business-critical resources. As far as this representative cross-section of the legal sector is concerned, the jury is out when it comes to cloud computing.

**If your law firm's management asked for your advice regarding moving key applications to the cloud, would you be in favor of this strategy?**



## Who is keen on cloud computing?

Smaller firms were keenest and support declined in inverse proportion to firm size, with 57% of respondents from firms with over 1,000 fee earners against the proposal. This is not surprising as it makes business sense for a large firm to invest significantly in IT infrastructure. The capital outlay involved is tax deductible and the number of users justifies employing in-house technologists. For small and medium-sized firms – particularly start-ups – cloud services level the playing field, giving them the ability to access to the resources that previously were available only to their larger, well-established counterparts. Smaller firms and start-ups are less able to afford to invest in IT infrastructure and managed services via the cloud offer easy scalability and flexible payment options. It means they do not need an IT department, although they will still need to arrange on-site support. This is reflected in the fact that over 50% of firms with fewer than 100 fee earners were in favour.

There was a clear difference of opinion according to role type, with only 39% of CIO/CTO respondents in favour, compared with 57% of external consultants. Even fewer of those with general IT roles were in favour (32%), perhaps in a self-interested way – outsourcing key applications allows firms to reduce the size of their IT department. IT managers are also aware that different skills are required to manage outsourcing contracts and relationships than to deliver in-house services and resources. Outsourcing services to the cloud does not mean dispensing with on-site support and depends on powerful and reliable internet connectivity. Furthermore, transition to an entirely different system can be challenging in various ways and IT departments are on the front line dealing with user and back-end issues.

**“ The time is not right for us to embrace the cloud for anything material (we already use cloud services for peripheral type services). The jumping off point is cost of ownership. For reasons such as compliance and client concerns we are not going to embrace true cloud yet (true cloud being a service delivered via a multi-tenanted infrastructure spread over the globe and charged on a subscription basis). This leads to private cloud which in essence is just managed services delivered via a commoditised solution – and so far the pricing has been prohibitive.”**  
– Gareth Ash, CIO, Allen & Overy LLP

**“ Our partners see that outsourcing of IT applications, computing and storage is increasing. They also see that almost all of our new business or client supporting applications acquired in the past three to four years are, by some definition, ‘cloud’ services. This said, when client information is involved, professional responsibilities, various regulations and terms in client agreements come home to roost. These are not always easy to address in cloud offerings (not only in practical information security terms, but in commercial terms addressing information security service levels, indemnification and recourse in the case of breach).”**  
– Patrick Tisdale, Chief Information Officer, McKenna, Long & Aldridge LLP



Users, on the other hand, were relatively enthusiastic, with 47% of lawyers in favour and 40% against. These findings are an indication of the conflict from the user point of view of convenient mobile and remote access from any device connected to the internet and a generally conservative user group's understandable concern over perceived and actual security and other risks. Context is important in any statistical analysis and it might also be worth considering, however, that lawyers responding to a Legal IT Professionals survey on cloud computing are likely to be more tech savvy than average users in many law firms.

**“** Lawyers are quickly embracing the cloud for key applications as this is enabling them to meet their own needs as well as the demands of their clients for efficient, flexible and agile working. IT Directors have a holistic view of the solutions and services they provide and need to ensure that essential requirements such as compliance, security and scalability are met, this is resulting in their acceptance of the cloud running at a slightly slower pace.” – James Davies (Technical Director EMEA, NetDocuments)

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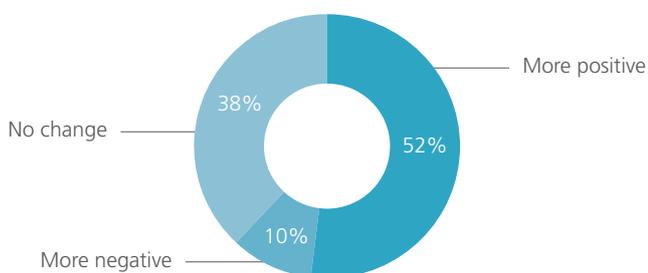
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## 2. Are people **changing** their minds about **cloud computing**?

**“ In general, has your opinion on cloud computing changed in the last year?”**

We were looking to discover and understand whether and how perceptions of cloud computing may have shifted during the past 12 months. We found a positive trend across the board with only a small minority of respondents feeling more negative about cloud computing. Overall, 52% of respondents are more positive, while only 10% are more negative. The latter may be due to having or hearing about a bad experience of cloud computing. One would anticipate this finding, given the growth in the supplier market and the progress that has been made towards more reliable and affordable cloud services.

**In general, has your opinion on cloud computing changed in the last year?**



Market conditions, including the global downturn and the liberalisation of the UK legal services market, are putting pressure on fees, so firms are looking to preserve their profit margins. Business agility is a critical success factor and cloud computing supports this. Flexible payment models and scalability are particularly valuable in an unpredictable market. The popularity of BYOD (bring your own device) strategies and the widespread use of tablets, which rely on connectivity, may also be a significant factor as users access the internet from multiple devices and platforms.

The biggest change in attitude is in the mid-market with 75% of respondents from firms of 500 to 1,000 fee earners feeling more positive. This reflects the fact that smaller firms have tended to be early adopters and now that legal specific and other cloud suppliers have overcome initial teething problems, the mid-markets are becoming more interested in cloud computing as a viable alternative to point solutions. This does not mean that they are immediately shifting their entire infrastructure to the cloud; it may be that they are realising that some externally facing services, notably email and client extranets are accessed online in any case, so transferring them to the cloud does not increase the risk to the organisation.

A breakdown of the figures would suggest that consultants – 65% of whom are significantly more positive about cloud computing – are advocating change and gradually convincing their law firm clients, with flexibility and cost savings as the main incentives driving a change of attitude.

**“ I have always been a big supporter of purchasing as much of a ‘service model’ as I can from my vendors. This way I can focus mine and my team’s energy on understanding our business and helping address real business and client problems.” – Stuart Walters, IT Director, Taylor Wessing**

**“ As we move forward, our customers are becoming more comfortable with cloud in general. However, due to security and risk concerns they are still leaning towards private cloud as the preferred option. Right now, Open Text offers an extensive portfolio of private cloud solutions including eDOCS and other legal solutions.” – Iain Jones, Director eDOCS & Legal Solutions EMEA**

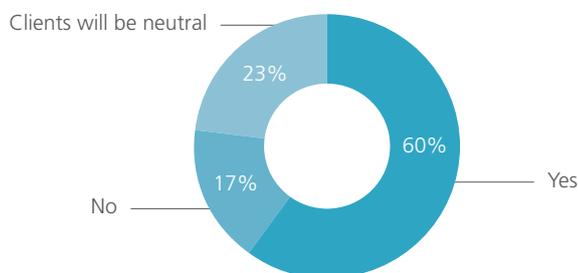


### 3. Are clients worried about legal IT in the cloud?

#### // Are clients worried about key applications/services being hosted in the cloud?"

Here we were looking for indications of client opinion. Although their corporate and commercial clients could well utilise cloud services and applications themselves, a two-thirds majority of respondents are concerned that their firm's use of cloud computing could worry their clients. The biggest concerns about this are among CIO/CTOs (67%) and general IT staff (68%), who are perhaps the most risk aware groups surveyed and have to deal directly with any security breach or outage.

#### Do you think that clients of your firm might be concerned if key applications/services were hosted in the cloud?



Breaking down the results by firm size, firms with more than 1,000 lawyers were the most concerned with 80% of responding that clients would be worried. This was unsurprising as they have the most data and therefore the greatest potential loss. Feedback from these firms suggests that clients have actually raised this issue with them. Firms with fewer than 100 lawyers were significantly less concerned. This may reflect the industry sectors and instructions they deal with and the fact that firms in this group are more likely than bigger firms to outsource their entire IT infrastructure to the cloud.

Many of the magic circle and global firms that would fall into this category have sufficient scale and global footprint to make it worthwhile to invest in their own IT infrastructure and thereby avoid the actual and perceived risks of hosted cloud services. Interestingly, the second most risk adverse group were firms with between 101 and 250 lawyers, perhaps representing the more traditional mid-market, full service firms that are late adopters of technology. There is no significant variation by region, so this is a technical rather than cultural concern and rightly reflects law firms' sharp focus on client confidentiality and trust.

Another important consideration when examining the findings of our survey is that all respondents are working for and within law firms. We have not asked the clients,

who clearly feel comfortable using client-facing extranets and document assembly software and other resources delivered via the cloud. Some clients are likely to be from industries that – unlike the legal services sector – are early adopters of the latest technology. Like other commercial organisations, law firms are comfortable with externally facing cloud services such as telephony and email. Storage is a slightly different consideration as it supports business continuity, but there are issues around the choice of vendor and location of data.

// *Our clients hold the firm professionally and commercially responsible for the custody of their information, whether it is held or processed internally by the firm or externally by third parties. Their standards are no different. Their recourse is through the firm; it is difficult if not impossible to transfer such commercial risk or recourse to the cloud service provider. The information security protocols or audits clients require the firm to adhere to and confirm compliance with often make no distinction as to where the information may reside – the standards and recourse for non-compliance with standards are not different. Therein comes the complexity: the challenge for the law firm to verify and continuously validate that third-party solutions meet or exceed client expectations placed on the firm.” – Patrick Tisdale, Chief Information Officer, McKenna, Long & Aldridge LLP*

// *In our firm, it is a matter of successful integration with key legal vendors that are just now allowing their services to fully integrate with evolving cloud and collaboration models.” – Eric Hunter, Director of Knowledge Strategy, Bradford & Barthel, LLP*

// *Clients are rightly concerned about whether their data is held in the cloud or on-premise. Clients should note that the Data Protection Act does not prevent transfer of data outside the EU, nor does the FBI have easy access to data under the USA Patriot Act.” – Frank Jennings, Partner, DMH Stallard LLP*

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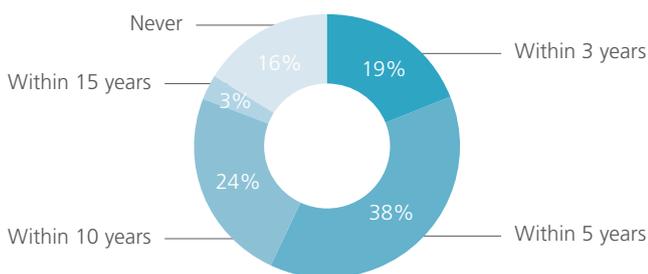
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## 4. Cloud on the horizon

### “ Will cloud computing overtake on-premise computing in legal services?”

Is cloud computing the inevitable future of legal IT? According to our respondents it is, with 57% predicting that it will overtake on-premise computing within five years and 81% within ten years. Only 16% feel that it will never happen.

#### When do you think cloud computing will overtake on-premise computing in the legal services industry?



The results are evenly spread across roles and firms of different sizes. Geographically, APAC is slightly less cautious in its forecast than the USA/Canada, but generally speaking there is no significant variation between groups and areas. CIOs are slightly more cynical than other groups, perhaps because they are more aware of the transition costs and potential risks of switching to cloud computing, while two thirds (67%) of external consultants believe cloud computing will overtake point solutions within five years. Law firm CIOs and IT managers are also aware that cloud depends on the firm having robust and powerful internet connectivity and that outsourcing key applications to the cloud may require upgrading your internet connection.

However, this is also where BYOD (bring your own device) and consumer technology influences legal IT. As connectivity – particularly mobile connectivity – becomes ubiquitous, and lawyers, like everyone else, become culturally accustomed to accessing everything online, cloud computing is likely to become the de facto delivery model for information and applications.

Cloud computing transcends geographical boundaries and storage limitations. It supports business continuity and disaster recovery. But it does depend on reliable and robust connectivity and effective security measures.

“ In years to come people will look back and wonder how we coped before Cloud in the same way that we look back and wonder how people did before the National Grid.” – Mike Ames, Business Development Specialist, Flair

“ Eventually all our apps will be cloud based. Lewis Silkin have a private cloud inasmuch as we have outsourced our data centre. We - as do a huge percentage of law firms - have had our email hosted in the cloud for several years with Mimecast.” – Jan Durant, Director of IT and Operations, Lewis Silkin

“ Cloud computing is not just a passing phenomenon but the future IT delivery model. It alters the rules with regard to flexibility, mobility and continuity at competitive pricing. Cloud computing has matured and it is now ready to be introduced to professional services firms.” – Stefan Winquist, IT-chef, Bech-Bruun

“ Business model integration through the cloud will become an eventuality for the majority of firms. There are regional implications and ethical wall realities that global intellectual property firms still must consider today.” – Eric Hunter, Director of Knowledge Strategy, Bradford & Barthel, LLP

“ HighQ believes the shift to the cloud is already well underway and is an inevitable conclusion of the continual pressure to reduce IT expenditure, increase flexibility, reduce implementation time and provide improved services to staff and clients.” – Ajay Patel (Founder, HighQ Solutions)

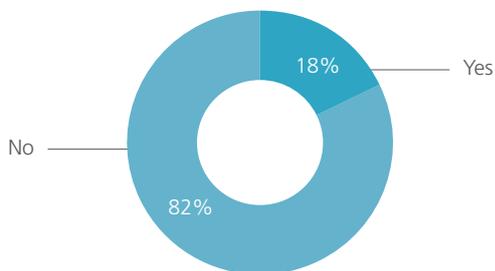


## 5. BYOD and the public cloud

### “ Are people in legal IT using public cloud services without their firm’s approval or knowledge?”

This questions stems from the increasing popularity of BYOD – bring your own device – policies in law firms. Public cloud services are easily accessible via smartphones and tablets and support remote working. However, using these services for professional purposes without the approval or knowledge of your firm increases the risk presented by a “known unknown”. Firms are most likely aware that some people are probably doing this, but they cannot easily find out who is involved and what proportion of the overall firm this represents.

Are you using public cloud services (like GMail, HotMail, DropBox, etc) for professional purposes without the approval or knowledge of your firm?



It was quite surprising that a significant 18% overall freely admitted to doing this. In terms of context, it is also possible that less tech-savvy, iPad-owning users are using applications such as Dropbox without acknowledging that this is in fact the public cloud.

More than a quarter (26%) of external IT consultants admitted using the public cloud ‘unofficially’ for professional purposes. This is not surprising as consultants are more likely to be mobile and remote workers. They are also likely to utilise their own devices for working for more than one client and may need to access their data from a client site. All these factors mean that Google, Dropbox and similar public cloud applications are valuable on-the-move resources.

More concerning, 19% of lawyers surveyed or just under one fifth of respondents from the general user community admitted using public cloud services without the knowledge or approval of their firm and this represents a significant risk that is unquantifiable from the firm’s point of view as it is without the firm’s knowledge or permission. It could also be the tip of the iceberg – i.e. if a significant percentage of users are prepared to admit to this practice, albeit in an anonymous third-party survey, there are likely to be more who might occasionally or only in certain circumstances use public cloud resources for professional purposes.

The incidence is slightly higher in UK/EU firms than in other locations. This may be a function of BYOD or remote or mobile working where lawyers may unexpectedly require a document or other information and access it via whatever means possible. The greater privacy afforded by EU rules and regulations could affect working practices and responses to this question.

Another interesting finding is that this practice is most prevalent in firms with between 251 and 500 lawyers with 29% of respondents from firms of that size using public cloud services without authorisation. This practice is least likely to occur in the largest firms – perhaps because they are likely to have an on-site IT infrastructure and powerful security systems and firewalls which might make it more difficult to access public cloud services and Citrix and other externally facing resources that enable them to access the firm’s systems remotely without resorting to the public cloud. Feedback is that this practice cannot easily be measured or avoided, so it is a key aspect of IT strategy and firm user policies.





Control is an important consideration. “My basic premise at the moment is if you rely on something totally you need total control so the cloud is not suitable,” commented one respondent, voicing perhaps a key limitation to cloud adoption in the legal services sector.

“We block access to Dropbox etc as use of these sites could breach the Data Protection Act, preferring to offer our clients access to our secure extranet.”

– Jan Durant, Director of IT and Operations, Lewis Silkin

“I am sure this is happening in all firms, it is almost impossible to try and stop. Anyone with a credit card and an internet connection can buy numerous cloud services. Once you block one site or service something else appears. Also some clients insist on using these services. We use all the relevant security products and firewalls to help mitigate the risk, but the best approach is to educate your lawyers and do it in a way that they understand.”

– Stuart Walters, IT director, Taylor Wessing

“Our strategy is to capitalize on the competing services these public services offer from the social and collaboration standpoint, by choosing enterprise level application and integration for the firm. Public cloud isn’t so much a focus on cloud; it’s a focus on how efficient the consumer user becomes with searching for what they want, when they want based off their tracked preferences and behavior by vendors offering these services. These same driving analytics are key to the future of law firm integration with their clients.”

– Eric Hunter, Director of Knowledge Strategy, Bradford & Barthel, LLP

## 6. Which applications/services are suitable for the public cloud?

Many firms choose to purchase one or more applications from cloud providers while retaining their on-site infrastructure. Here we explore which services and applications the legal services industry considers suitable for public cloud service delivery. Below are some applications that our respondents considered suitable for the public cloud ranked in the order of popularity.

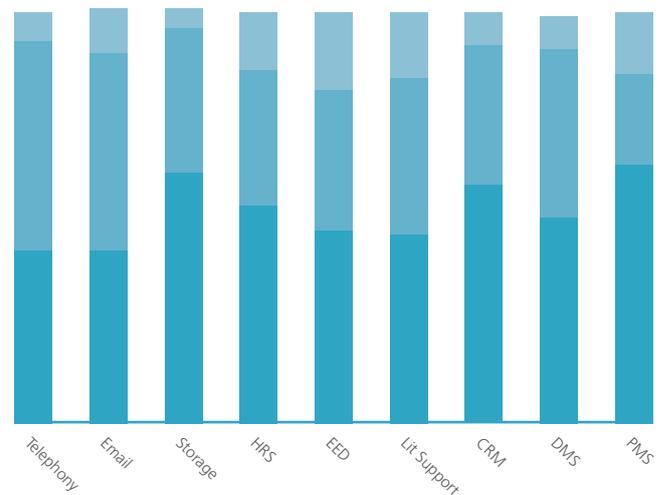
	Suitable	Not suitable	No opinion
Telephony	63%	51%	7%
Email	61%	48%	11%
Storage	58%	35%	5%
HRS	50%	33%	14%
EDD	47%	34%	19%
Lit Support	46%	38%	16%
CRM	43%	34%	8%
DMS	42%	41%	8%
PMS	42%	22%	15%

Telephony and email, the two services considered most suitable for cloud delivery, are external facing. Email in particular is delivered effectively via the cloud with popular providers including Symantec and Mimecast. Storage in the cloud presents several advantages around risk management: supporting back up, business continuity and disaster recovery without losing sight of document retention policies.

Another six applications were supported by between 40% and 50% of respondents, suggesting that technologists in the legal sector are considering them for delivery via the cloud. The 47% support for EDD in the cloud reflects the divided nature of this element of legal IT – outsourcing to the experts vs. the trend for bringing discovery back in-house – and is interesting in the light of this observation:

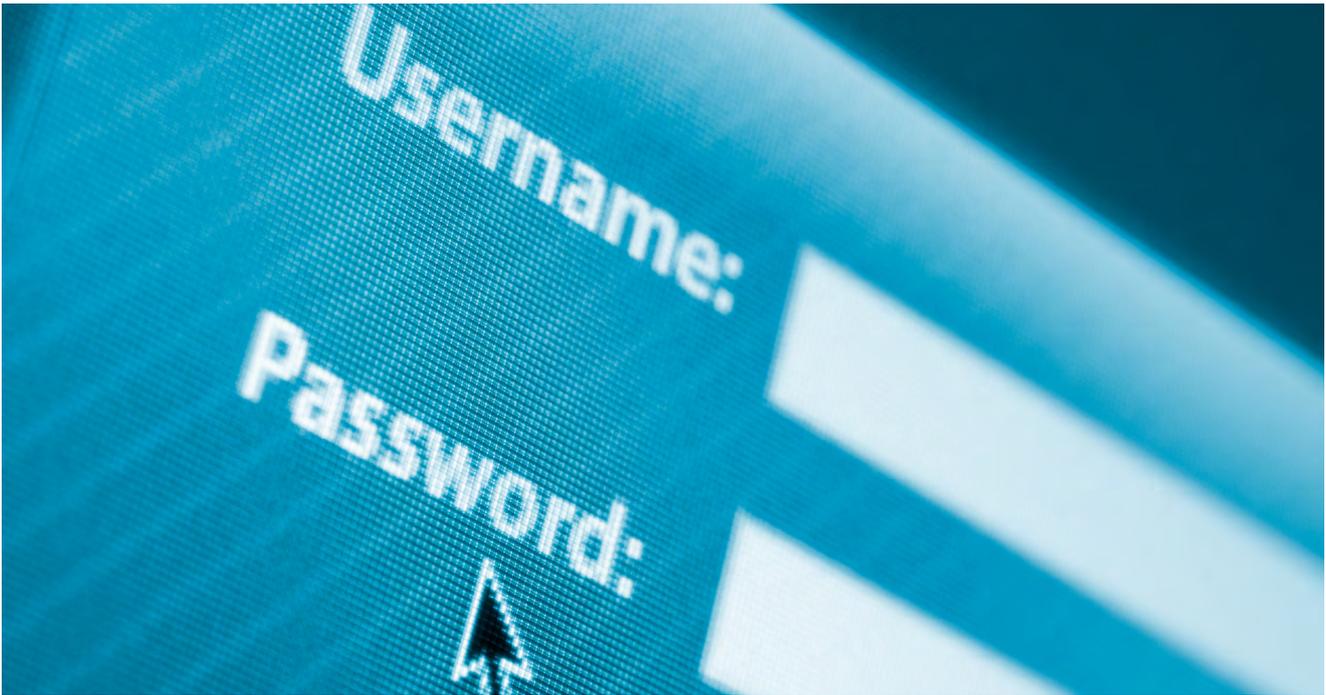
**“**EDD is a priority; how else do you accommodate wide and sudden swings in storage and computing scale? The preference is to ‘rent’ EDD software rather than spend a lot of money to ‘own’ quickly changing IT tools – plus ironically, US clients will generally pay for third party ‘actual costs of IT’, where the same costs generated by law firms are refused payment due to the fact they are ‘firm IT costs’ (hence the overall economics of outsourcing are massively improved at the bottom line by going to the cloud.”  
– Patrick Tisdale, Chief Information Officer, McKenna, Long & Aldridge LLP

Which of the following applications/services would you consider suitable for the public cloud?



When we break down the results by role, there is a clear variation between the views of those managing and running firms’ internal IT systems and other respondents. CIO/CTO views reflect the majority above; others working in IT rank storage above email. A higher percentage of consultants considered most applications suitable for the public cloud, ranking email, CRM and telephony highest. General IT staff were the least in favour of cloud services, perhaps because they are the people who have to deal with suppliers and users when problems arise.

We asked respondents to suggest other resources and applications which they considered suitable for delivery via the cloud – or which rely on cloud delivery. Suggestions included document assembly, which involves an online ‘interview’ whereby the responses to questions are used to form a draft document which is then tailored to the client’s circumstances. Client extranets are another useful resource. For example, online deal rooms enable lawyers to share information with clients, who can access



all documentation pertaining to their case in real time via a secure internet connection. Practical applications considered suitable included mobile device management and billing, video conferencing, digital dictation and word processing, which could often involve sensitive or confidential information – and are indeed available via the cloud. This suggests that people involved in legal IT do not consider the perceived security issues that produce doubts about cloud computing to be insurmountable, although they currently represent a significant barrier to adoption.

We also received numerous comments on which applications were not considered suitable for the cloud. These tended to deal with more sensitive information, with significant numbers feeling that billing and accounting was not suitable for the cloud, which is ironic given the prevalence of electronic billing and its popularity with clients, who are also increasingly expecting their service providers, including law firms, to submit electronic bills, including a breakdown of the services received, to their own systems.

Other applications currently considered less than suitable for cloud computing are private client files and in some cases document management. Several commentators made it clear that they did not consider any infrastructure services or resources that were not already connected to the internet suitable for cloud delivery, while others highlighted the importance of considering the infrastructure and security of the cloud provider and the importance of continuity. To reiterate Nicole Black's introduction to our survey, this is interesting given the rising popularity of cloud based practice management systems among small and mid-sized firms.

**“** Upgrading Microsoft Exchange platforms can nearly break the back of the engineering department and the bank of the firm. The conversion process from the one version to the next can take well over a calendar year to accomplish, stopping other more interesting initiatives in their tracks for lack of IT engineering bandwidth. I believe that if the third party interfaces law firms employ with mail systems (document management, meta data scrubbing, contact management etc.) could be solved by Microsoft or by cloud providers, and if they could offer the ginormous 15Gb plus mail box sizes and long term retention options many attorneys require, then the moving the mail platforms of most law firms would occur legal industry wide before the next Microsoft platform version change.” - Patrick Tisdale, Chief Information Officer, McKenna, Long & Aldridge LLP

**“** Many law firms are put off from investing in a leading-edge CRM product because of the cost. We've found taking a few cloud licenses to prove the benefits to be gained is sometimes the only way to persuade the board to invest.” – Mike Ames, Business Development Specialist, Flair.

**“** There is a school of thought that it is the highly commoditized applications that have been most readily moved to the public cloud, and there is no question that email in its basic form falls into that category. However, in the legal community it's not so much email that has been moved to the cloud as the data that resides within email, and there is nothing commoditized about that. Law firms were actually very early to recognise that the cloud is a safer, more resilient and generally more useful place to put their critical corporate data.” – Eliza Hedegaard (Account Director Legal & Accounting, Mimecast)

## 7. What issues still need to be addressed?

We asked respondents to rank what they considered the three biggest challenges that they had to address before transferring any of their firm's IT resources to the cloud. Here are the results, ranked in order of popularity:

Security / (client) confidentiality	81%
Location of data	43%
Compliance / Regulatory issues	42%
Performance	33%
Compatibility / integration with other software	31%
Vendor lock-in	27%
Governance	21%
(Transition) costs	15%

There was overwhelming agreement (81%) that security and client confidentiality is the main worry, with between 73% and 90% of respondents across all roles, firms and locations ranking it as their top concern.

Next, with significantly less agreement comes location of data (43%) and regulatory and compliance issues (42%), which are closely linked as the location of the data determines which regulations govern it and who can access it. This is a particular worry for APAC firms, perhaps because they tend to have geographically separated offices in diverse jurisdictions. However, as the trend for global mergers continues, these concerns are likely to move up the list of priorities. For small and mid-size firms located in one jurisdiction, the solution is straightforward: choose a cloud provider with data centres located in your own jurisdiction.

Performance represents a significant concern for 33% of respondents.

**“ If you rely on something totally, you need total control so the cloud is not suitable.”**

Provided you choose a reliable cloud provider, performance often depends on the strength of your firm's internet connection. It is important to ensure you have sufficient available bandwidth and more than one internet connection. ADSL lines are not good enough and many firms find it is worth checking and potentially upgrading this before committing to infrastructure or any business-critical services in the cloud. Again this is a particular concern in the APAC region (46%) – perhaps because firms are more likely to have offices in remote regions where connectivity could present problems.

**“** Compliance, regulatory and client concerns are certainly important factors. However, these will be overcome as we see a drive by the EU to embrace cloud (as does the US) and the law catching up in order to provide a legal framework in which customers and suppliers can operate. These factors are the same for everyone and so concern me the least. My biggest challenge is the uncoupling of tightly integrated systems so that some services could be migrated to the cloud. This is the biggest headache and the one we are thinking about now for when the time is right.”  
– Gareth Ash, CIO, Allen & Overy LLP

**“** For firms (and clients) with an EU presence, the regulatory requirements for cloud computing are increasing. The EU is in the middle of revising its data protection regime and EU data protection regulators (the Article 29 Working Party) have put out very specific cloud computing guidance and requirements that data controllers must follow in cloud contracts. The European Commission has announced that it intends to create standard cloud computing contract terms by the end of 2013. For international clients and law firms, these developments are significant, and must be closely watched in the coming year for anyone entering the cloud space.” – Daniel A. Masur, Partner, Mayer Brown

However there is relatively little concern about costs. Transition costs represent a temporary hurdle rather than a long-term concern and switching between systems and services, whatever their means of delivery necessarily incurs costs which can be offset against later savings.



In the same way as security is a perceived barrier, but not insurmountable – given that respondents consider that cloud will be the de facto software delivery method within five years – cloud computing is perceived as saving money, although it is not necessarily cheaper in the medium to long term, depending on the size of the firm, the number of users, the choice of supplier and the service level agreement.

However, small to mid-sized firms will clearly benefit from the switch from up-front capital investment in infrastructure, updates and other resources to a flexible, scalable per user, per month pricing model although terms and conditions can be a deal breaker.

**“** Most hosting companies are built around their service being a utility – and their contract terms are a one-size-fits all. Few are willing to modify their terms to truly satisfy firm (really client) expectations for rigorously adequate information security terms, with legal and economic recourse. My sense is most customers have decided to quietly take the best deal they can get and hope information breaches don't occur before those making the cloud sourcing decision retire.” – Patrick Tisdale, Chief Information Officer, McKenna, Long & Aldridge LLP

**“** Perception of lack of security of data in the cloud is consistently a key concern. High profile data outages and leakages are reminders that a cloud solution should be set up with security and reliability in mind from the start.” – Frank Jennings, Partner, DMH Stallard LLP

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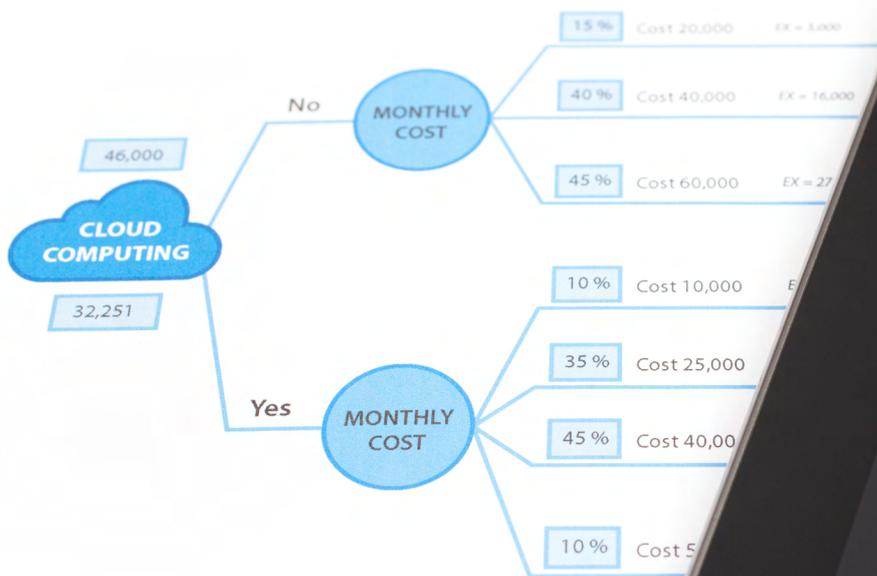
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## 8. Reaping the **benefits**

Finally, we asked respondents what they considered to be the main benefits of cloud computing. Here are the results across all firms and roles ranked in order of popularity.

Flexibility / Agility	55%
More mobility	54%
Business continuity	52%
Scalability	47%
Cost savings	40%
Ease of implementation	21%
Focus on core business	18%
Going green	13%

Although the biggest challenge was overwhelmingly security, a significant majority of respondents considered flexibility/agility as the top benefit with mobility and business continuity in close second and third place. These are all immediate benefits. Over two-thirds (67%) of firms with 500-1,000 fee earners considered flexibility/agility a top priority with small boutiques with 1-20 fee earners a close second with 60%. UK/CE firms were slightly more focused on this than US/APAC firms.

Mobility is a top priority among lawyers (67%), particularly in small-to-mid-size firms in the US. It is less important to those working in legal IT. This is likely to be because IT professionals tend to have facilities for mobile working, whereas lawyers might like to access more of the firm's resources from different devices and platforms. Lawyers in particular firms and practices may visit clients more than others. Business continuity is a critical priority for all except the very largest firms who are likely to have invested in sophisticated back-up systems.

Scalability and costs savings look to future strategy, although it is also important to consider switchover costs, including replacing legacy systems. There is a significant percentage gap between these and the last three potential benefits. Scalability is predictably more important for firms with over 250 fee earners, particularly firms with 68% of firms with 251-500 fee earners focusing on this. This finding could indicate that firm of this size have ambitions to expand, but it could also reflect the trend of international mergers and the need to facilitate opening, closing and combining offices and departments in response to changing client needs.

Ease of implementation is relatively low on the list of priorities, but this is unsurprising as implementation is a necessary hurdle rather than a strategic focus. Focus on core business indicates that firms see cloud computing as an important tool for business agility and this is surprisingly low on the list of priorities, although it is recognised by consultants and firms with over 1,000 fee-earners. Going green is clearly a 'nice to have' rather than a strategic priority in a challenging global business environment.

However, although business continuity is only the third priority overall, recent events in the US have demonstrated the value of cloud backup and storage in terms of business continuity. William Tanenbaum, technology practice head at Kaye Scholer LLP comments that it is not necessarily sufficient for a firm to back up its data at another office. Hurricane Sandy may be instrumental in raising business continuity to the top of the list in terms of benefits of cloud computing over point solutions.

*“Hurricane Sandy shows us that the same storm that destroyed your primary data center can also destroy your backup site located in another state hundreds of miles away. Cloud computing can mitigate the geographical risks of extreme weather.” – William Tanenbaum, Chair, Technology, Intellectual Property & Outsourcing Group and Chair, GreenTech and Sustainability, Kaye Scholer LLP*

*“Many arguments can be made to the fact that it may be problematic to send sensitive personal data on a virtual flight, which also crosses national borders, however, at a time when budgets are squeezed and competition is rapidly rising Cloud computing is one of the most important tools when it comes to enhancing competitiveness.” – Stefan Winqvist, IT-chef, Bech-Bruun*



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## Conclusion: the tide has turned and the cloud is here

The number of responses and comments we received show that the legal sector recognises cloud computing as an important tool to support business agility. The user community – the lawyers – are looking for mobility, flexibility and convenience, and they also want to use their own devices, but they and IT professionals at all levels in law firms remain highly risk-conscious. They are understandably concerned about security and confidentiality. While lawyers will utilise cloud computing to deliver the same work product and advice via a similar, more agile channel, CIOs and particularly IT managers' roles will be affected directly. Although firms using cloud services still require on-site support, delivering a service and managing a contract require different skills. An IT manager who is operationally excellent may not have the commercial skills to negotiate a contract and manage an outsourced arrangement.

However, the tide has turned, particularly in the mid-markets which are facing competition from market entrants, large firms that are driven by market forces to price their services more competitively and specialist boutiques that are utilising cloud computing to access resources and offer services that drive competitive advantage. The smaller, more agile firms are leading the way in outsourcing their entire IT infrastructure to an external cloud provider.

Our findings indicate that external consultants are steering firms towards the cloud, possibly encouraging them to follow the example of industries that use IT as a service to fuel the business rather than an internal resource. The issue here is that the strategic fit of cloud services depends heavily on the size and profile of the firm. UK market liberalisation may already be having some impact on IT strategy with more firms utilising cloud services for external-facing services such as email and telephony, and stand-alone client facing resources such as extranets and document assembly services.

Ultimately our snapshot of cloud computing in the legal sector indicates an uneasy alignment between two key requirements: business agility and information security along with an overwhelming recognition that cloud computing will become the de facto IT delivery model within five years.

As cloud services have become more sophisticated and reliable, improved internet connectivity has addressed most performance issues and lawyers have enthusiastically joined the mobile and connected world, cloud computing has become an integral part of legal IT, supporting core strategies and bringing new opportunities to the global legal services market.

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