InfoTrack/IPS

Legal IT technology Report

2016

Technology issues within the legal industry

In February 2016, InfoTrack collaborated with Inplace Solutions to perform a poll of participants from small to large sized law firms, exploring technology issues within the industry.

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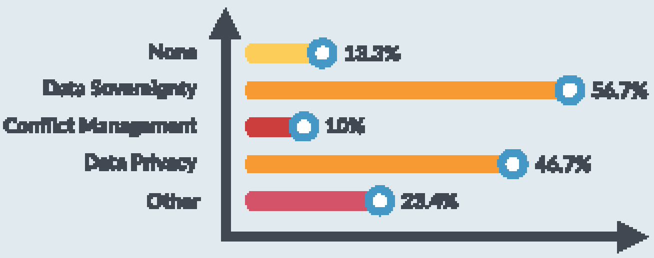
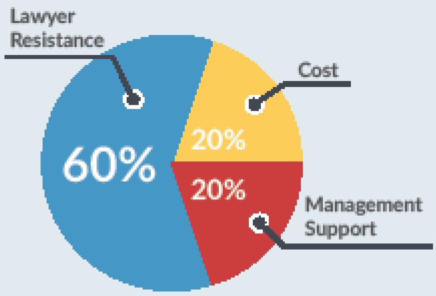
What are the primary concerns in your firm with Cloud Services?



97% are experiencing a greater demand for mobile working

93% believe that clients will increasingly expect 'real time' integration of data and analytics relating to their matter

What's the biggest hurdle to overcome with productivity tools?



90% of these respondents are prepared to make a greater investment in technology

90% of respondents are currently looking at productivity tools for lawyers

87% of knowledge managers are involved in the decision making process

30% of respondents say that their firm's current technology platform is NOT capable of meeting growing demand

The top priority for the year to come from the majority of respondents is **efficiency** – implementing tools that will help lawyers become more productive

Top 4 Issues – as compared to the 2015 ILTA survey

1. Workload/managing project loads
2. Users' acceptance of change
3. Security/risk management
4. Change: managing expectations

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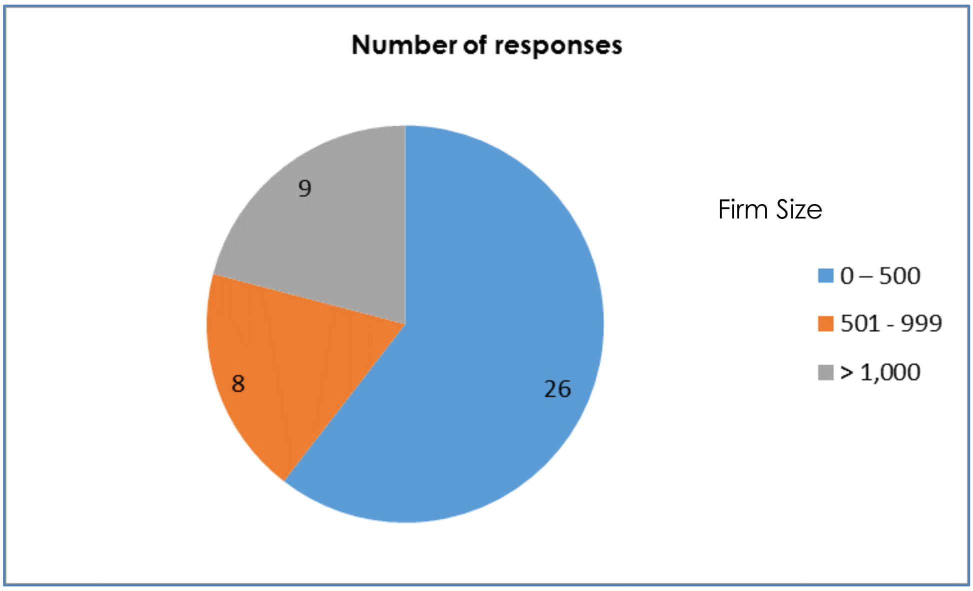
1 Introduction

On behalf of InfoTrack IPS has conducted a Legal IT Survey of 40 law firms and has prepared the following report based on the survey and a number of interviews. We surveyed 50 firms, including many that are now part of International firms, and had 43 responses. We asked 41 questions covering a number of aspects in Legal IT, with an emphasis on Productivity tools, Mobility and Cloud. Although the survey was anonymous many respondents did provide their names.

2 Demographics

All capital cities are represented in the survey and the size of the firms are as follows:



Not surprisingly the majority of firms are sub 500 users, and the survey represents a good cross section of firms with some being sub 50 users, a number between 50 and 200 users, and the majority being 200 to 500 users.

There were a modest number of responses from firms in the 501 – 999 category, partially reflecting the growth of some firms that were previously in this category so that they are now > 1,000. Also some firms that were previously >500 have decreased to just under this number. A number of firms in the survey are now close to having 500 users and we expect the demographics of any future survey to show that some of these firms have experienced further growth and have become >500.

What is evident both from the survey and from our understanding of the legal sector is that all of the larger firms have reduced in size since the GFC and that many midsize firms have experienced considerable growth.

3 Executive Summary

We asked the Australian firms to rate the top ten ILTA issues from 2015. The top issue for ILTA respondents was *Security and Risk Management*. This has ranked as the top issue for the past three years and in fact continues to grow as an issue. For Australian firms *Security and Risk Management* was ranked third. While still considered to be a serious issue the rankings are not entirely surprising considering the greater regulatory and business requirements in the USA.

The top ranked issue for Australian firms was *Workload/managing project load*. In the ILTA survey it was ranked seventh as an issue. This suggests that Australian law firms might be trying to do too much with inadequate resources. It doesn't mean that Australian law firms are behind US law firms in respect of implementing technology and are playing catch-up because we know, primarily because of the local presence of international law firms, that in general we tend to be more advanced than both US and UK law firms. It could also reflect that fact that US (and UK) law firms spend a higher percentage of revenue (approximately 5% on average) on technology.

What is of particular interest is that among the top 10 ILTA issues we find *Change – managing expectations (management and users), Change – user's acceptance of change* and *Training – meeting needs and getting participation*. Australian firms rank these three issues 2nd, 4th and 6th respectively, but they also rank *Efficiency – implementing tools that will help make lawyers more efficient* as their top priority for FY 16. The contradiction of course is obvious – overcoming these issues to achieve the major priority has long been a challenge and it seems it will continue to be so. That said law firms are looking at technology as a way of delivering greater efficiencies and reducing risk, with the broader reach of workflow solutions being a particular priority.

One of the specific questions asked was whether firms would be looking at productivity tools for lawyers and the yes response was an overwhelming 90%. But when asked what the biggest hurdle to overcome with productivity tools a significant 60% agreed that it was lawyer resistance. It unfortunate that lawyers themselves are seen as the biggest obstacle to successfully introducing tools that will not only help them become more productive but also reduce risk.

There is a clear focus on Cloud and the impact it has on all industries, including legal. The majority of firms have business endorsed Cloud Strategies and are already making considerable progress in their implementation. When considering new software there is a significant preference for Cloud based (SaaS) solutions. However we believe SaaS for all legal software is still some way off as a productivity suite built on a Microsoft platform presents a challenge because of the large number of integration points. For smaller firms Office 365 is certainly worth considering.

4 Top 10 Legal IT Issues 2015/16

We took the top 10 issues from the 2015 ILTA report and asked our Australian firms to rate them. Although all member firms of ILTA are invited to participate the majority of them are of course US based and therefore the rankings reflect the US market, which is a somewhat different environment to the Australian one. For example, by a significant margin the top issue in the ILTA survey was *Security and Risk Management*; Security and Risk has been rated number one by US firms for the past three years and has grown as an issue every year of the survey. This may reflect the greater demands of US clients, in particular those of financial institutions, as well as complex regulatory requirements. However we are now starting to see similar demands in Australia.

For Australian firms the number one issue is *Workload/managing project load.* Historically Australian firms (top 40) are spending on average 4% of revenue on IT. In the US the average tends to be higher, approximately 5%. It is possible that the higher level of IT funding allows American firms to allocate greater resource to their projects. It is also possible that Australian firms are generally more progressive than their US (and UK) counterparts and as a consequence have more ambitious workloads.

It won't be any surprise to see that *Change – managing expectations (management and users)* and *Change – user's acceptance of change*, are ranked so highly in both surveys. Nor that *Training – meeting needs and getting participation* is also in the top 10. Every law firm will be able to cite examples of user based projects that have either failed or been less than successful because of these three issues.

Email management as an issue still rates quite highly in the US. We feel that email management is becoming less of an issue in Australia due largely to the high rate of adoption of Mimecast, the hosted email management and continuity platform, which has replaced . In the UK legal community Mimecast dominates in this space. Mimecast entered the US after Australia and while adoption is high its penetration is still relatively low in what is such a large market.

While still making the top 10 issues *Costs - high software maintenance costs*, and *Costs - general high cost of technology* are rated less highly by US firms than by Australian firms, again perhaps due partially to larger IT budgets, but also because of the lower cost of technology in the US.

In both surveys *Keeping up with storage needs* is ranked number 10. New providers, such as Nimble and Pure, have lowered the cost of on premise storage while there is now a plethora of Cloud storage options available at reasonable cost. We would be surprised if Storage remains a top ten issue in future ILTA surveys.

	ILTA	IPS
Security & Risk Management	1	3
Change - Managing expectations (management and users)	2	4
Change - User's acceptance of change	3	2
Email Management	4	=7
Change - keeping up with new versions of software	5	9
Training - meeting needs and or getting participation	6	6
Workload / managing project loads	7	1
Costs - high software maintenance costs	8	5
Costs - general high cost of technology	9	=7
Storage - keeping up with storage needs	10	10

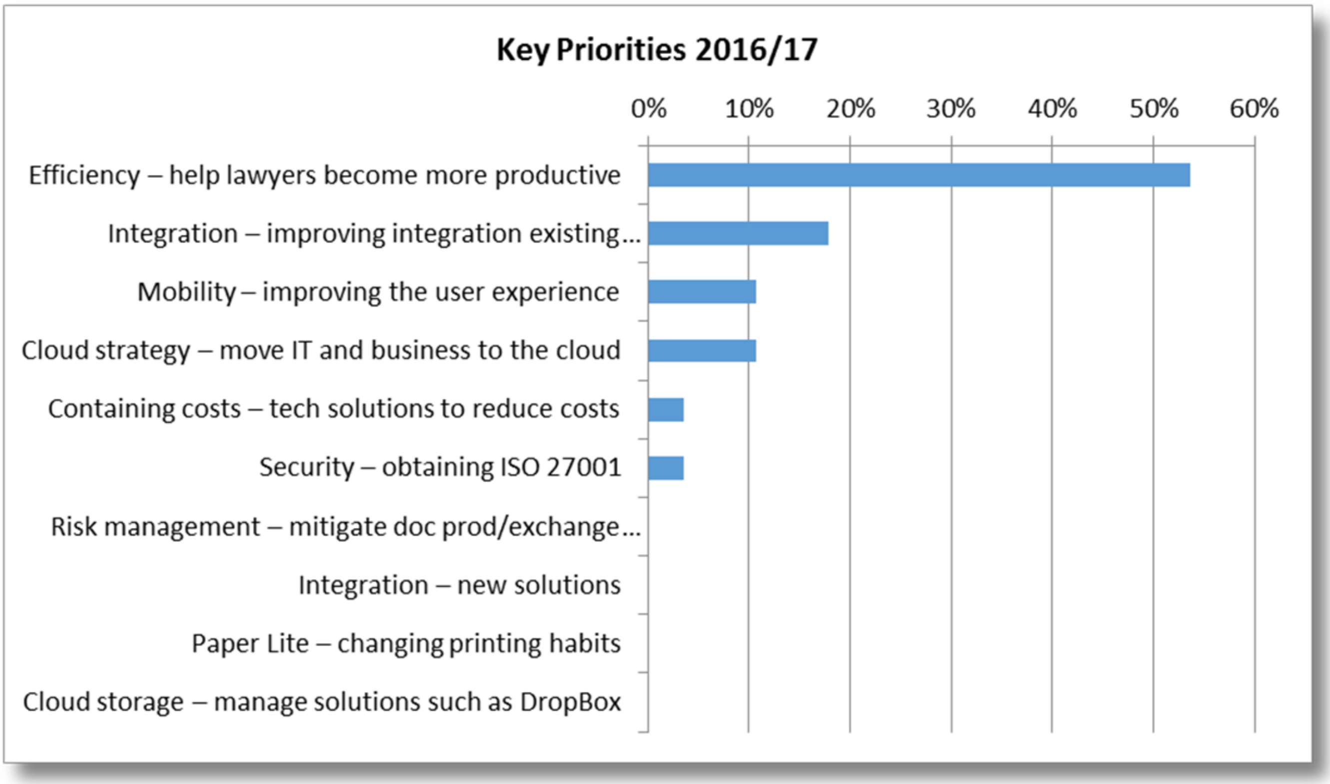
5 Key Priorities for 2016/2017

Respondents were asked to rank ten options in order of priority for the following financial year. By a significant margin the top priority was *Efficiency – implementing tools that will help make lawyers more efficient*. However the key issues identified in both of the previous surveys (*Change – user's acceptance of change; Change, meeting management and user expectations; and Training – meeting needs and or getting participation)* highlight the challenge of these projects ever being successful.

The second ranked priority was *Integration – improving the level of integration between existing systems.*

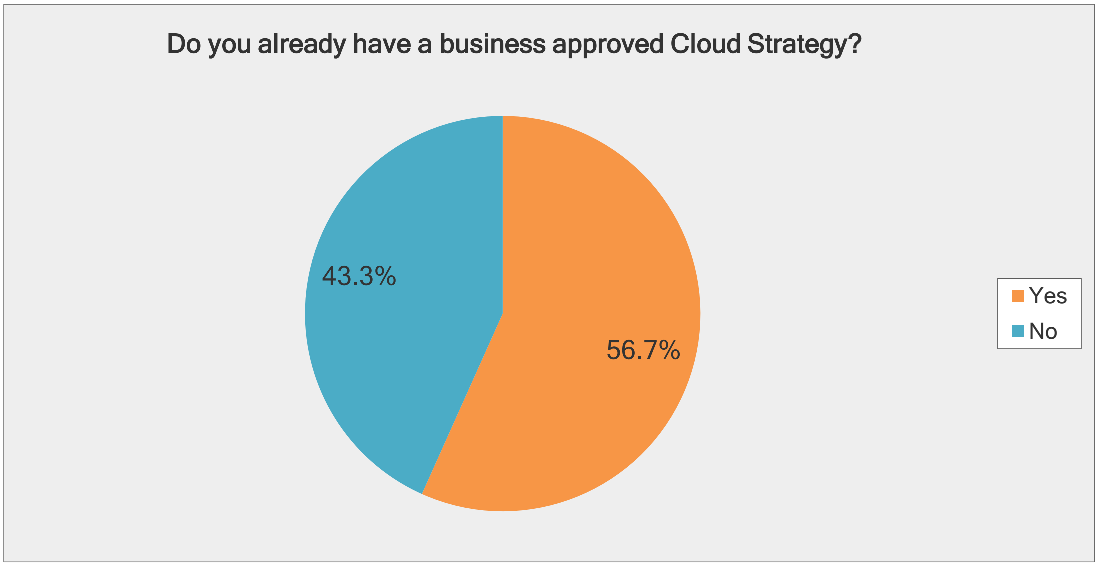
Mobility – improving the user experience was ranked equal third. We know that lawyers want greater flexibility and the ability to work from anywhere at any time. Mobility can also be a key component of a firm's BCP.

Cloud strategy – developing a strategy to progressively move IT and business services into the cloud, was ranked equal third. As we see in the section specifically on Cloud, the majority of firms in the survey have already made considerable progress in developing their Cloud Strategies, and many are well advanced in their implementation.

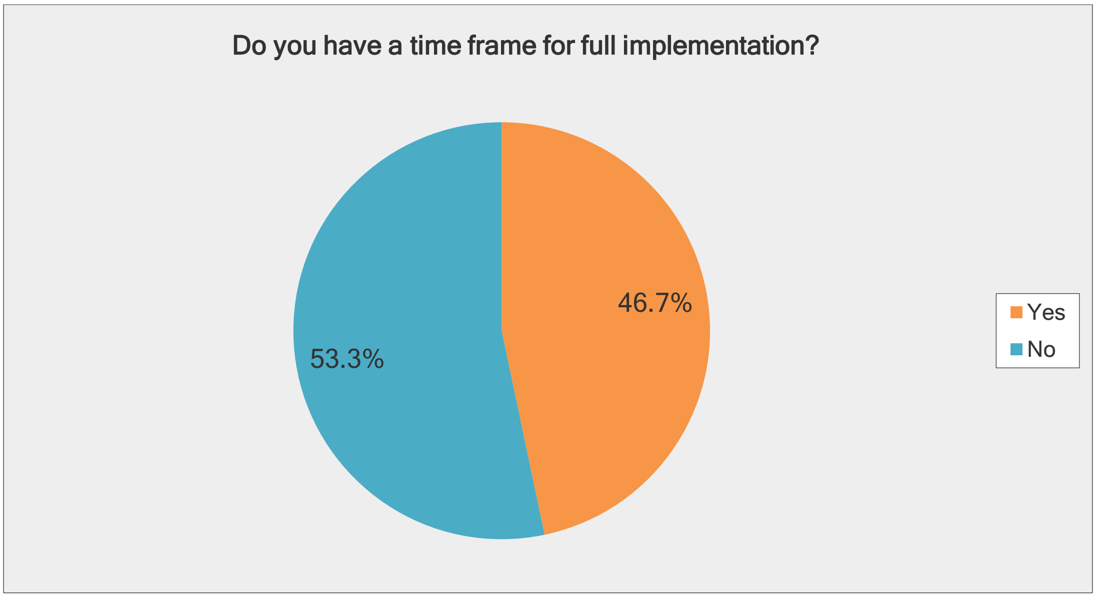


6 Cloud Strategy

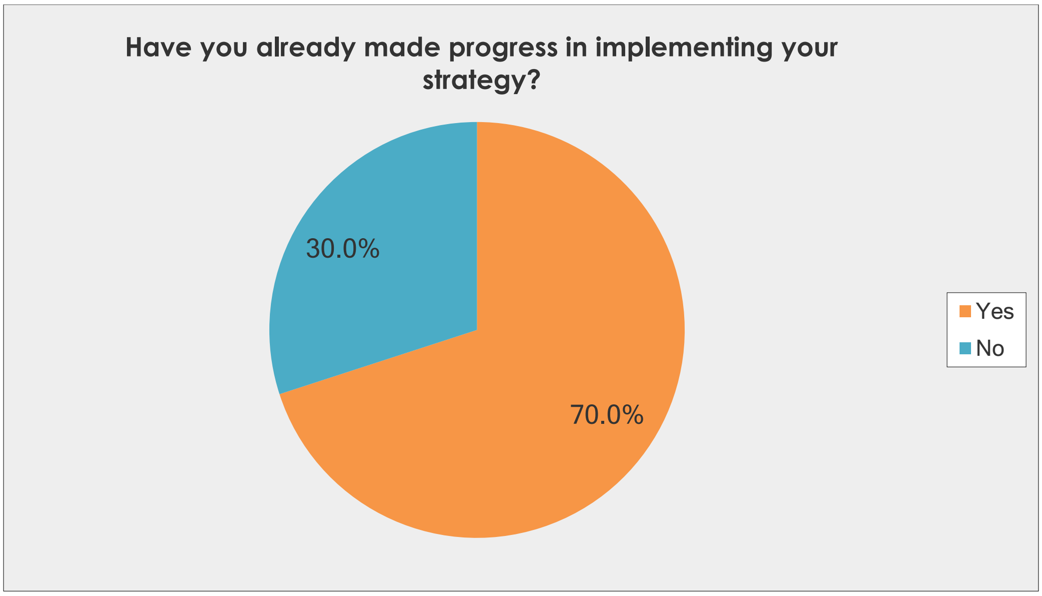
Q5: The majority of firms, 57%, have recognised the inevitability of Cloud and have an approved Cloud Strategy.



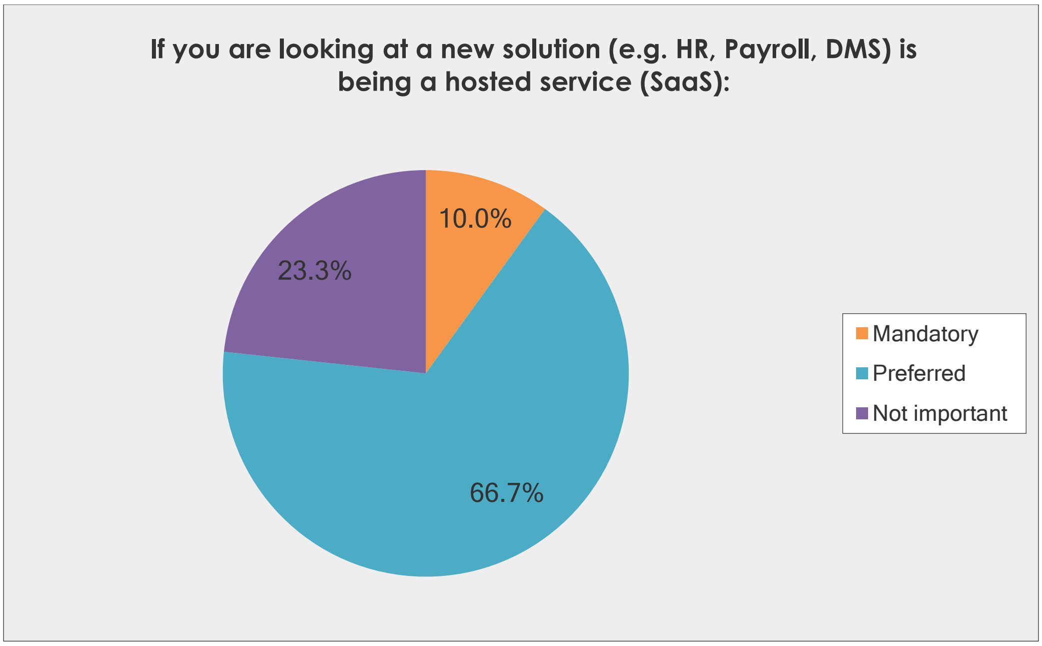
Q6: Not surprisingly less the 50% have developed a timeframe for full implementation, partly to do with cost and concerns about some aspect of Cloud offerings, but also because there are still uncertainties about the maturity and technical viability of some of the solutions.



Q7. However 70% of firms have made progress in implementing their strategies. For many firms the move to the Cloud is a more gradual one, taking opportunities that are commercially viable and contribute to key strategies such as enhancing mobility, flexibility and DR.



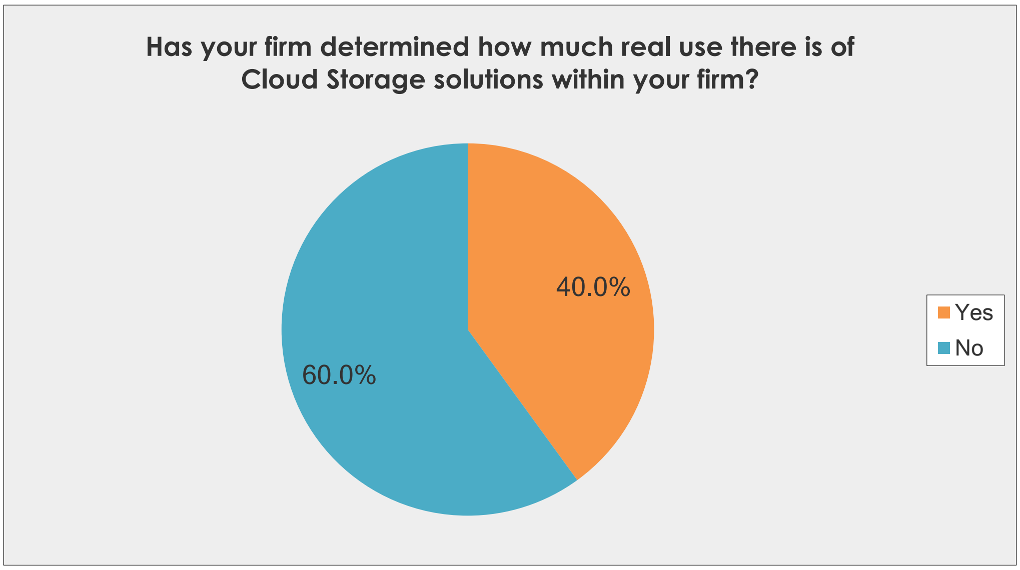
Q8. In response to the question about whether firms would prefer any new solution to be hosted a significant 70% said yes. Only ten percent of firms consider a hosted solution to be mandatory. The number and variety of software solutions that are being offered as SaaS continues to increase, with perhaps Mimecast being the most successful. Others that are generating considerable interest are NetDocuments, DocuSign and One Place (legal CRM built on Salesforce).



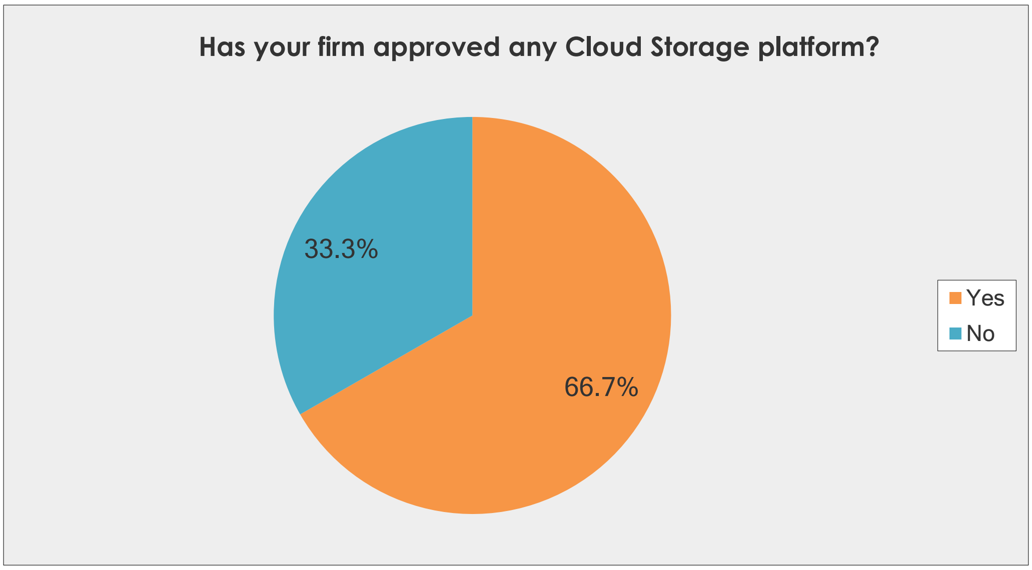
7 Cloud Storage

Q10: In the not too distant past we believed that having a DMS and appropriate policies meant that we had control over document production and storage. We had achieved Nirvana, otherwise known as Matter Centricity (a term coined by iManage). But just as email helped to destroy the paper file Cloud Storage is now undermining the DMS as the Matter Centric repository.

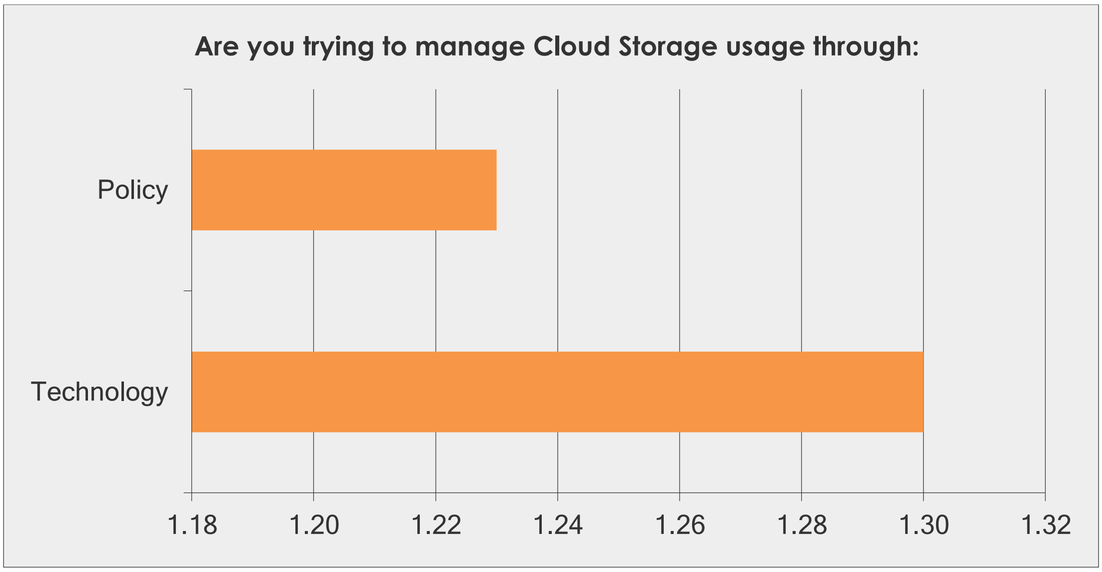
The graph shows that only 40% of firms believe that they understand their use of Cloud Storage. That means that 60% (we would suggest that this is actually much higher), acknowledge that they don't really know how much use there is of unsanctioned Cloud Storage, and while technology can certainly make it difficult to use the Cloud it doesn't make it impossible. And unsanctioned Cloud Storage is often driven by clients, either for convenience or simply because it is a client preference.



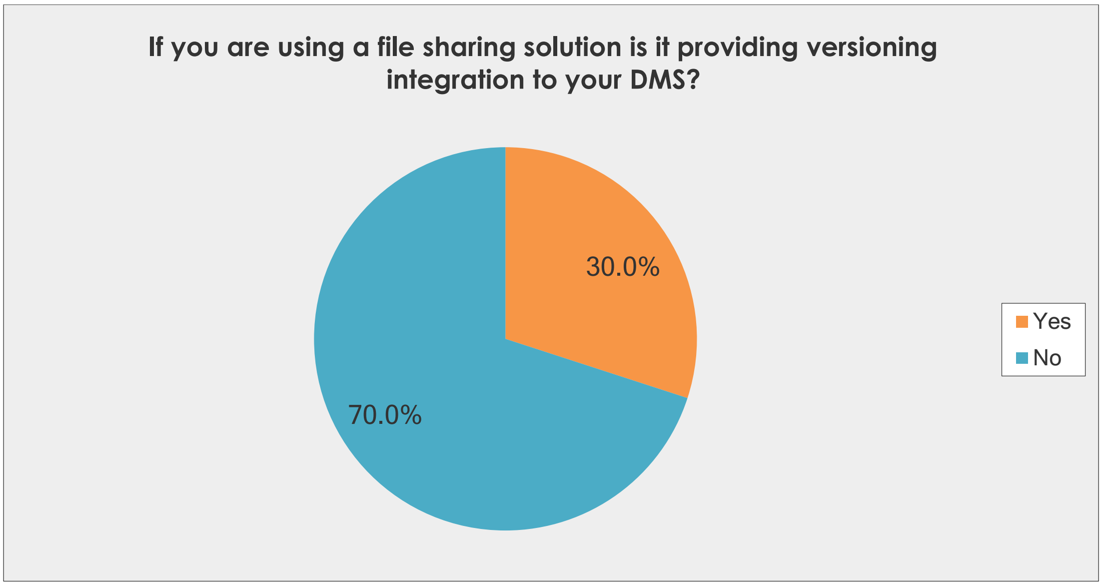
Q11: With two thirds affirmative, this appears to be a significant shift.



Q12: It is obvious that policy alone isn't going to effectively manage the use of unsanctioned Cloud Storage. And technology solutions can certainly be restrictive but they won't stop usage. An ideal technology solution is one that provides flexibility but also an acceptable level of control, and fortunately such a solution now exists.

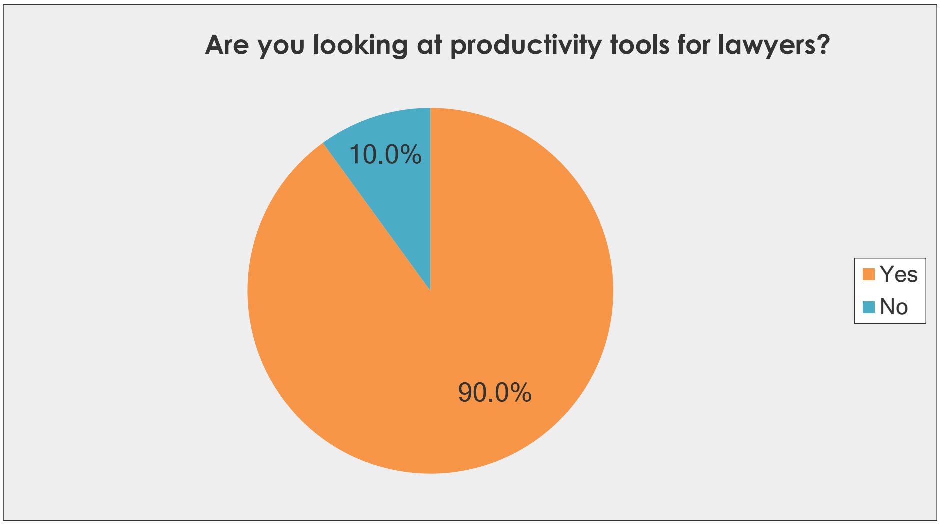


Q13: Quite a high percentage of file sharing solutions are providing versioning integration to the firm's DMS, but 97% of firms consider versioning to be important.

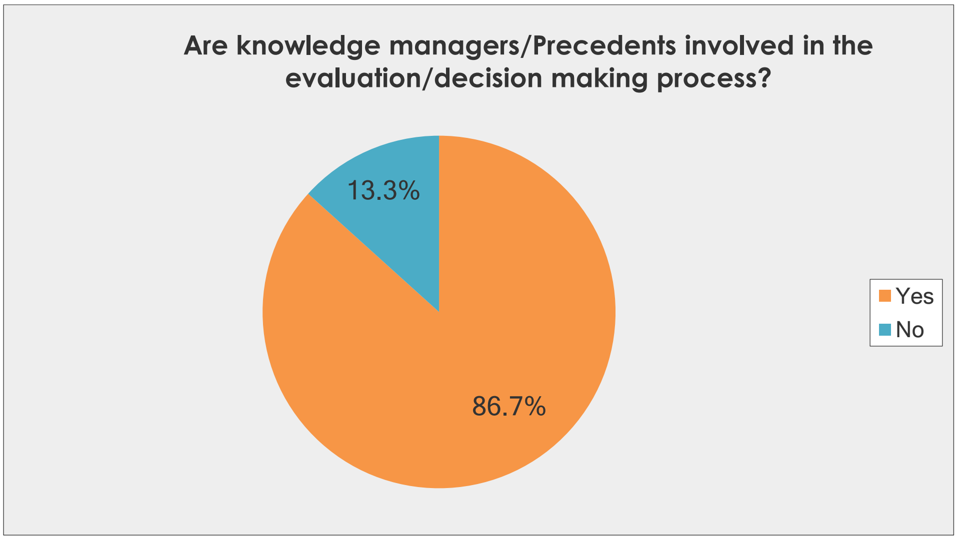


8 Technology Usage

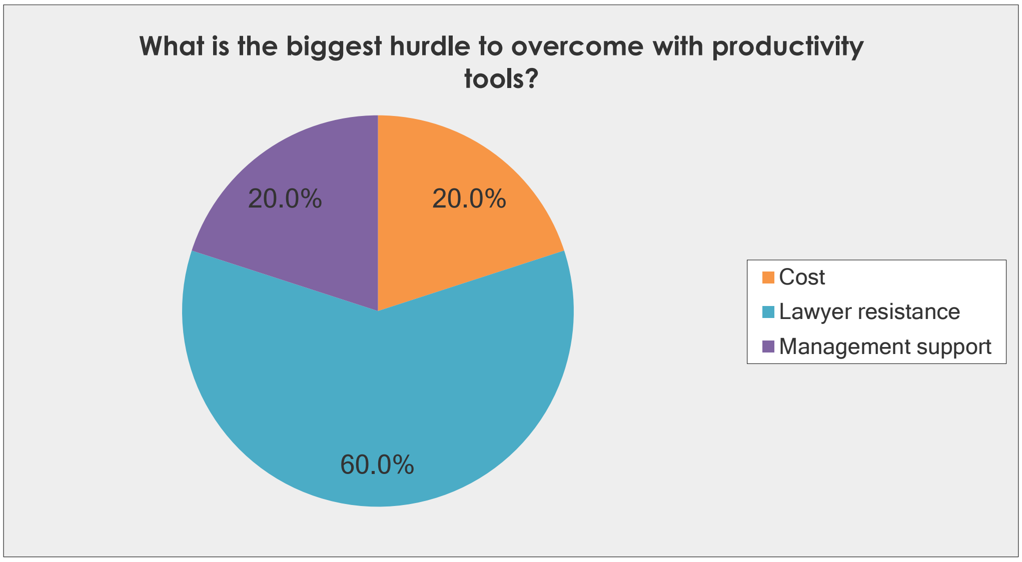
Q15: Hardly surprising that 90% of respondents are looking at productivity tools for lawyers, with investment in workflow being one of the most significant. There is broad recognition that efficiencies, especially in respect to repetitive transactional work, are essential. Clients expect it and may also expect the technology aspect of an engagement to be demonstrated. And it is important to consider that corporate lawyers have access to the same productivity tools that legal firms have, and in fact software vendors have recognised the potential of the growing number of inhouse counsel.



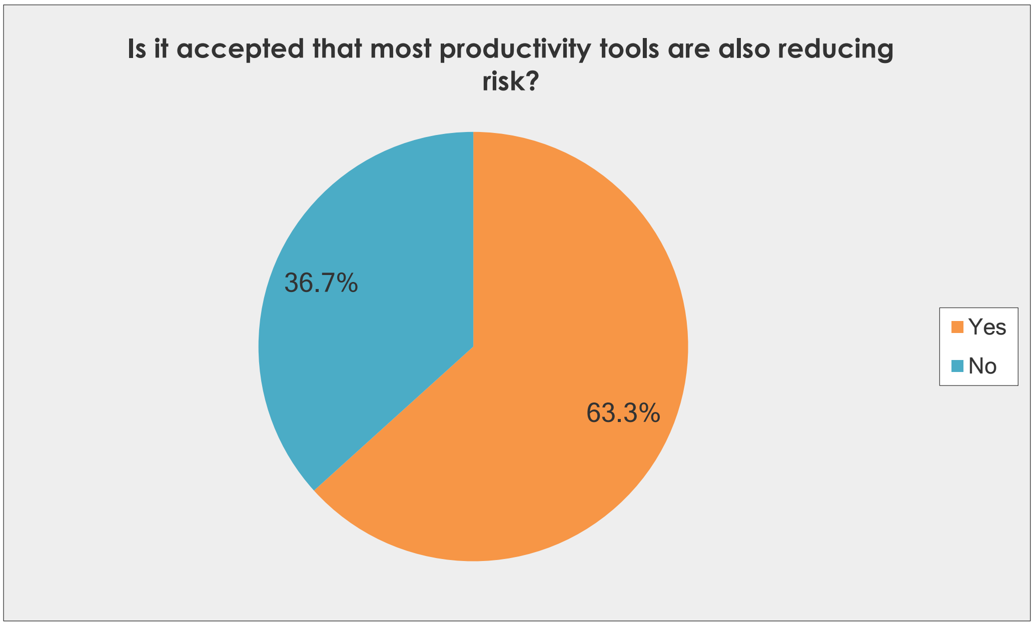
Q16: Encouraging to receive confirmation that in the majority of firms KM/Precedents are involved in the evaluation decision making process for productivity tools. For vendors IT has traditionally been the primary gateway into a firm and frankly IT Managers have not always the best of gatekeepers. And as KM/Precedents people have often been practising lawyers they bring a different view to tools that are being considered.



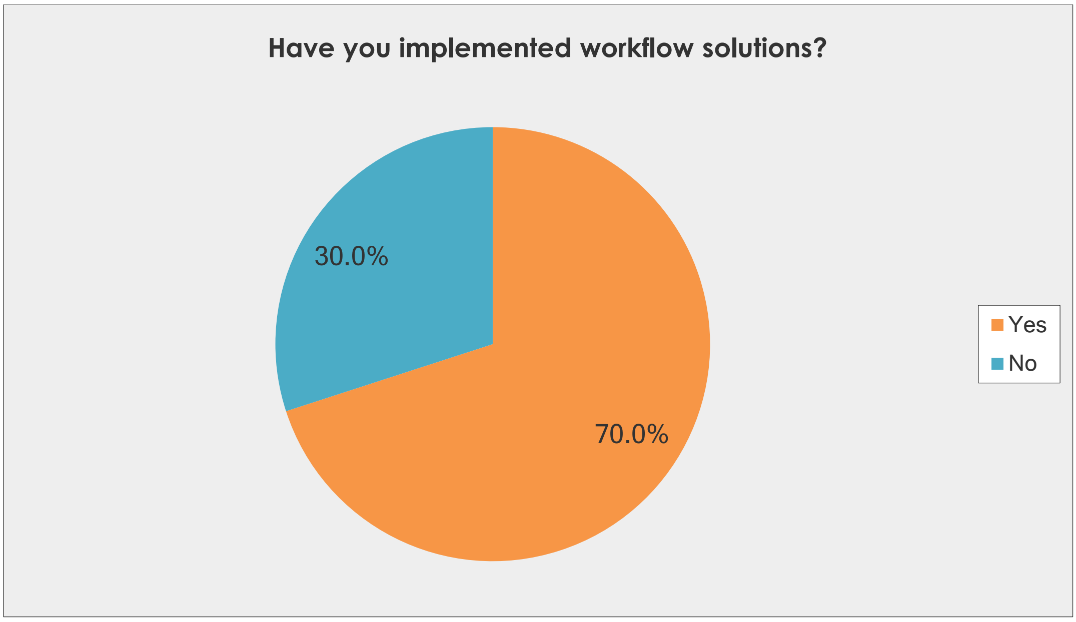
Q17: As identified in the two survey of top 10 issues lawyer resistance is considered to be the biggest hurdle to overcome when introducing productivity tools. Almost certainly every firm will have experienced a less than successful deployment of a productivity tool because lawyers have ultimately declined to use it, despite what might be seen as its obvious benefits. Successful technology adoption is invariably dependent on support from the firm's senior management and from partners insisting that tools are used.



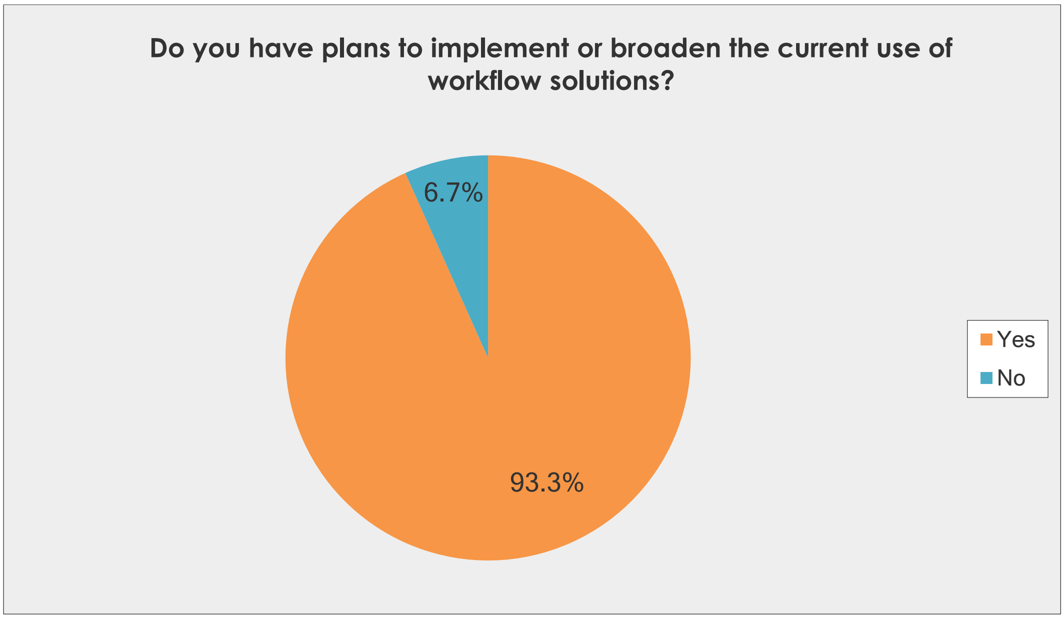
Q18: Almost every productivity tool is also reducing risk, which is a fundamental reason why they should have management support. Why would a firm risk its reputation and possible litigation if it has the tools to avoid it? And there is always the possibility that your competitors, and your corporate clients, are using these tools. *Security and Risk Management* was the primary issue in the ILTA survey and it is inevitable that client concerns will drive the adoption of risk management tools in Australia. Having the Risk Team involved in the evaluation and decision making process should be mandatory.



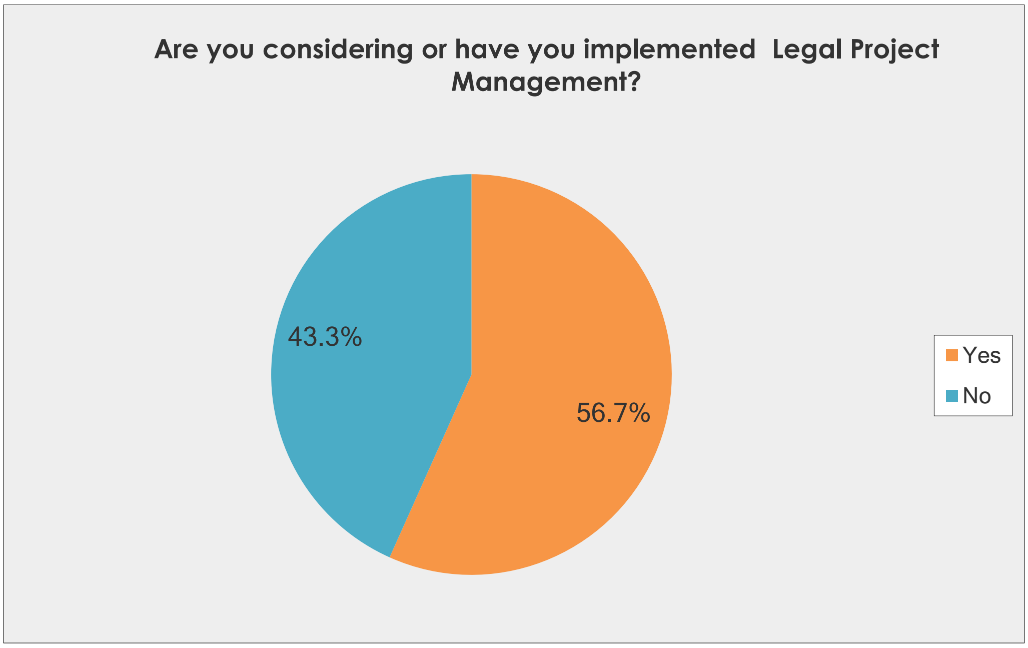
Q19: The majority of firms have implemented workflow solutions, with MatterSphere being the one gaining most market share. However the experience of every firm we have spoken to in respect of their implementation is one of cost, because products such as MatterSphere are only platforms and delivering working solutions can be very expensive.



Q20: Not surprisingly virtually every firm that has implemented a workflow solution plans to broaden its current use.

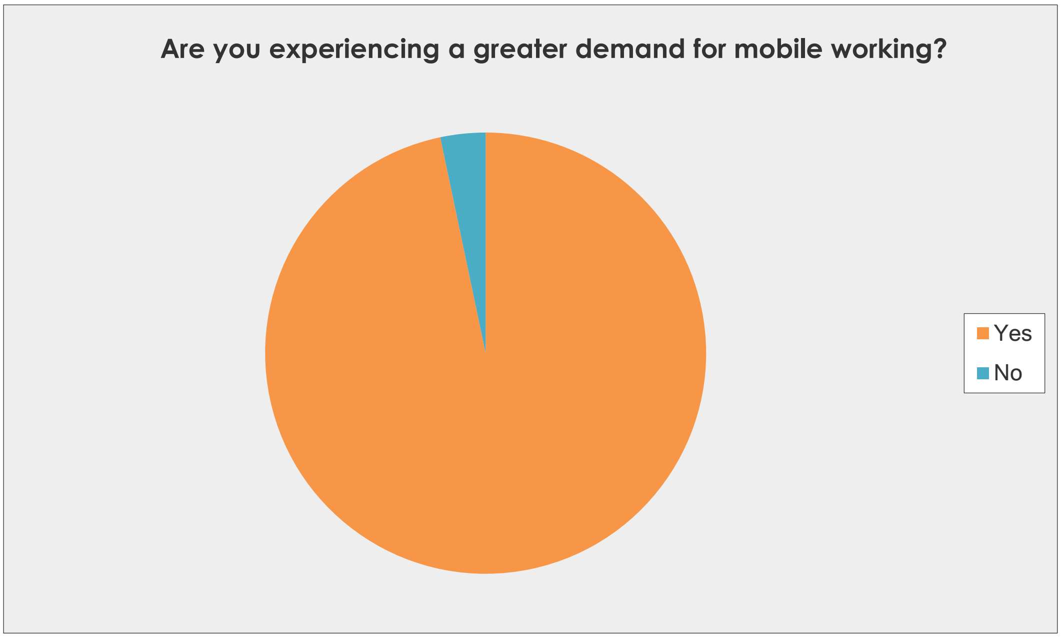


Q21: It is encouraging that the majority of firms are considering or have implemented LPM, although the question is how broadly is it being used and is it being used effectively? Our own research suggests that while there is an expectation from clients that law firm will adopt a more structured approach, as practiced more strongly by Professional Services Firms, both legal firms and clients struggle to articulate exactly what this may entail.

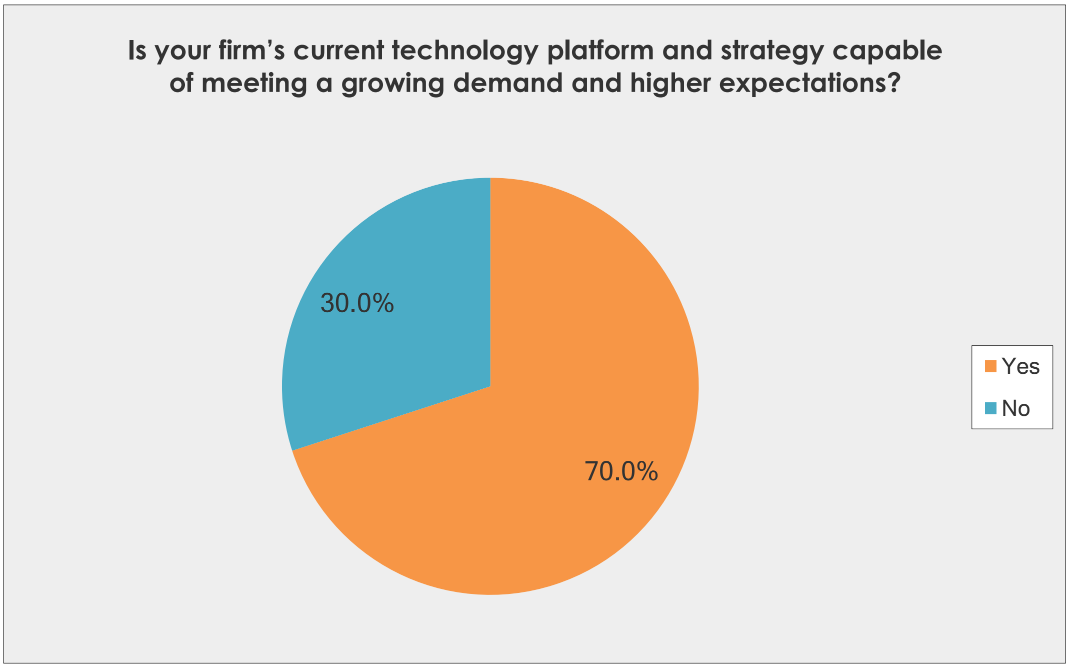


9 Mobile Computing

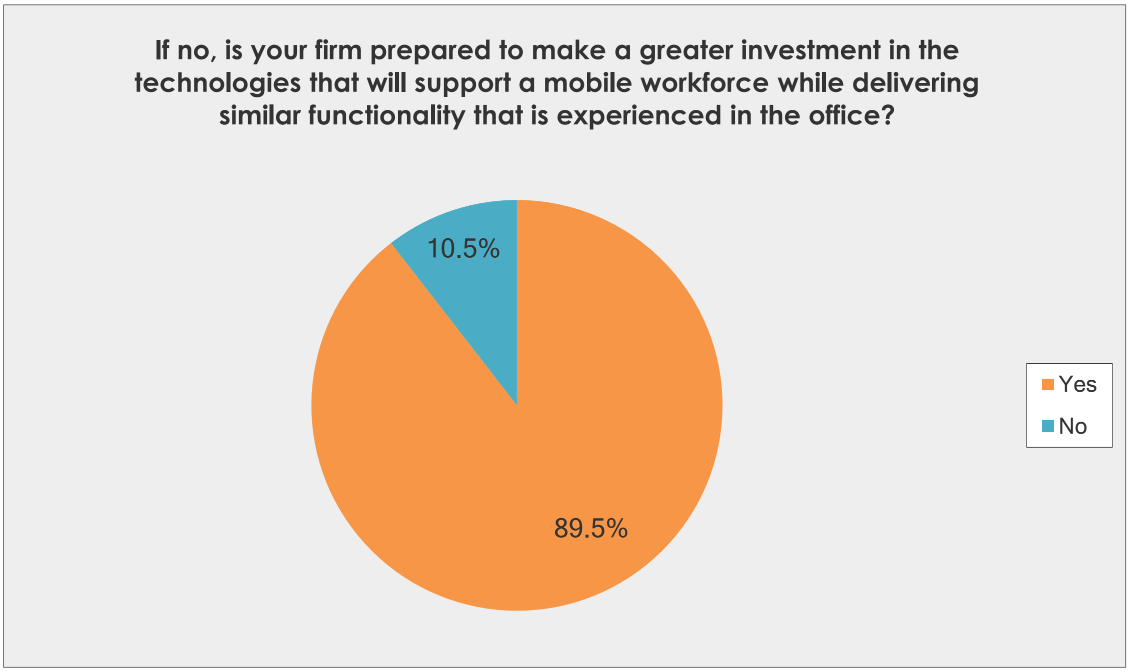
Q22: The response to this question was predictably affirmative. Mobile computing provides flexibility and helps with productivity so the deployment of more mobile devices - be they smartphones, tablets of laptops - to lawyers is sensible and inevitable. The benefits outweigh the greater risk and mobile devices can be a practical part of the firm's BCP. One device that is generating considerable interest is the Surface Pro (or equivalent).



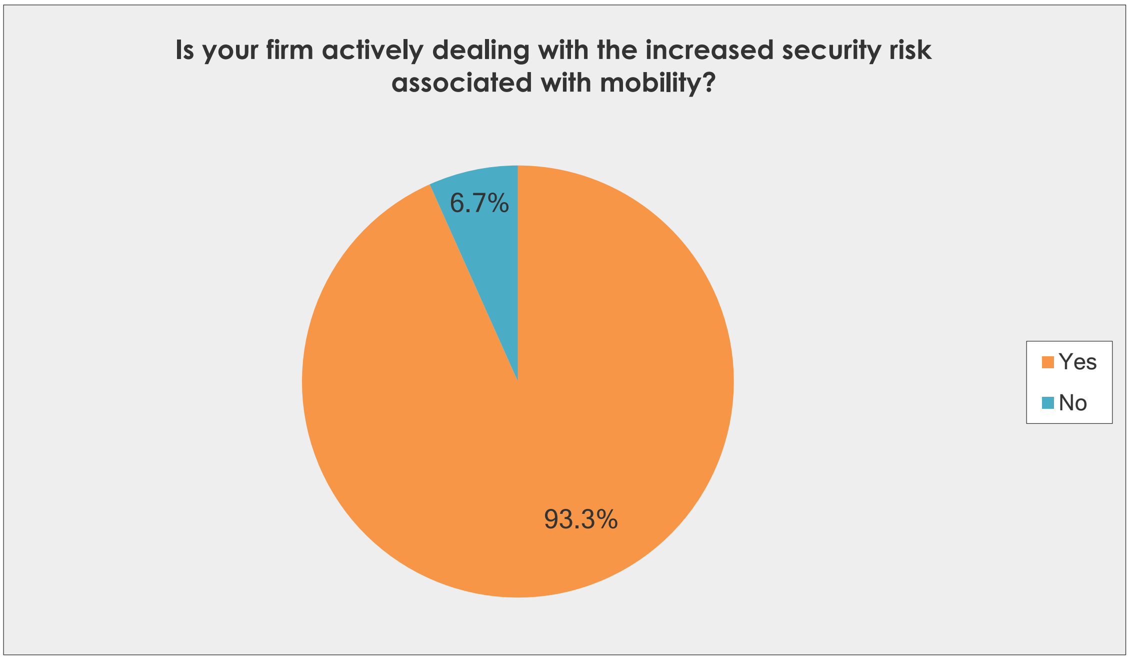
Q23: The majority (70%) of firms believe they have already invested sufficiently in their technology platform to support current and future growth of mobile use.



Q24: Of the 30% of firms that answered no to Question 23 90% plan to invest more to support their mobile workforce.

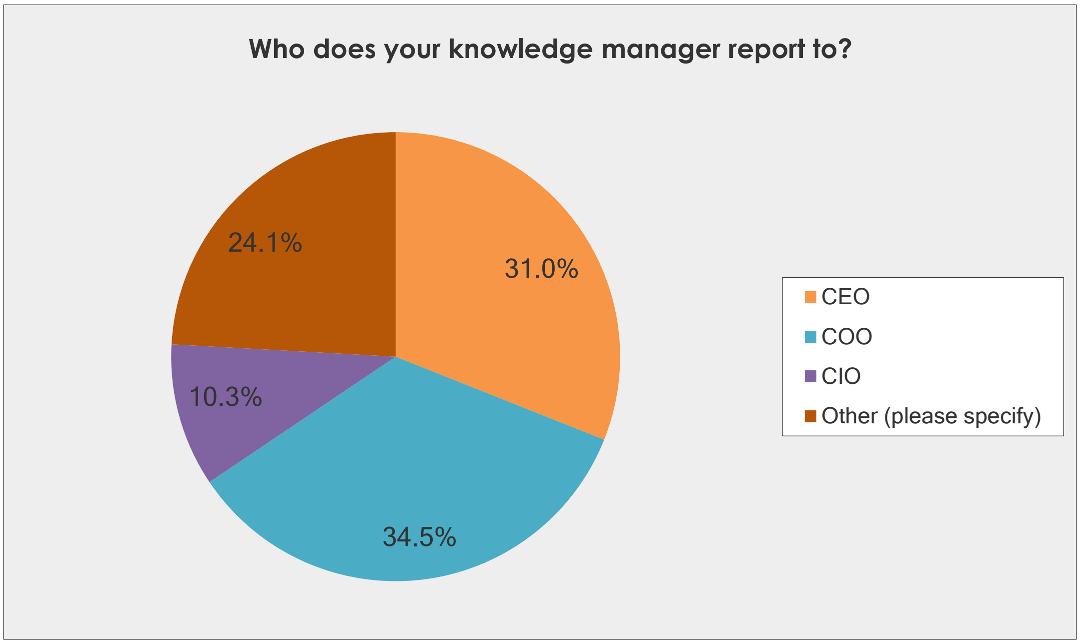


Q25: Mobility does introduce a greater security risk and more than 90 percent of firms are taking steps to actively deal with this.

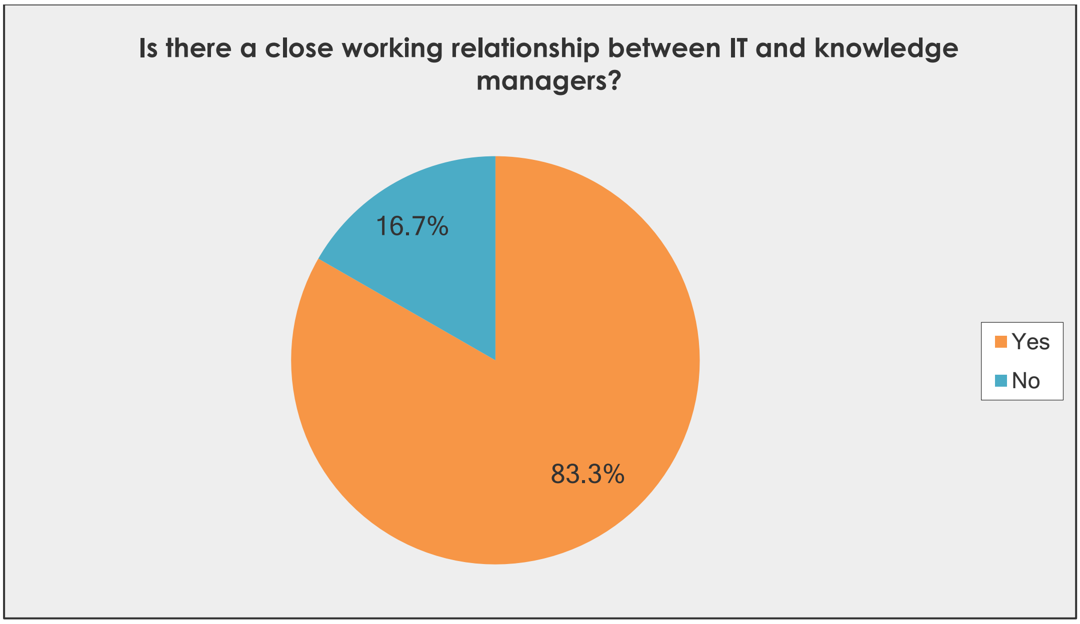


10 KM & Risk

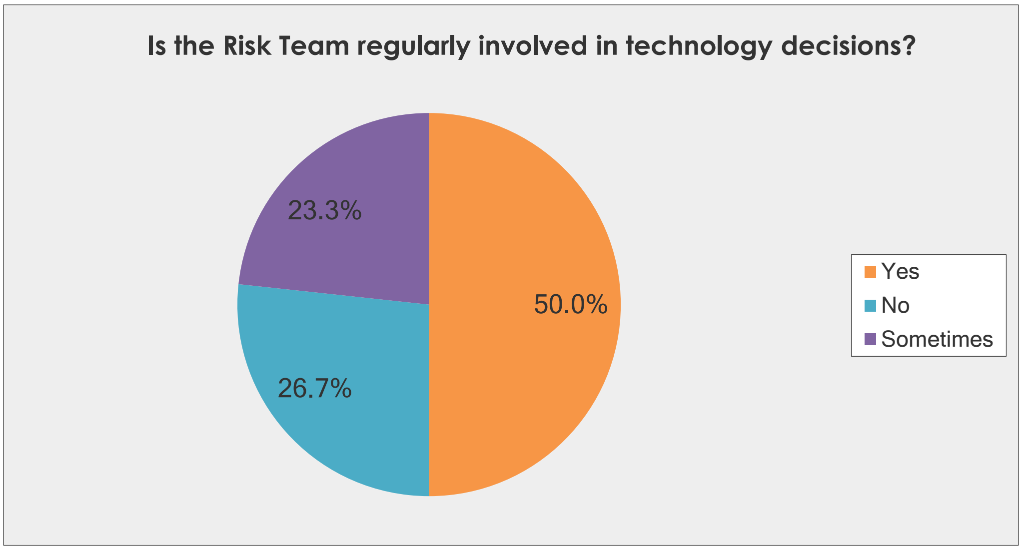
Q26: The reporting lines of KM are varied. Only a small percentage report into IT with a decent percentage (31%) enjoying a direct relationship with the CEO (which is possibly higher than CIOs). Of the 24% that don't report to any of the nominated positions the majority don't have a KM role. Fortunately no KM roles report to the CFO.



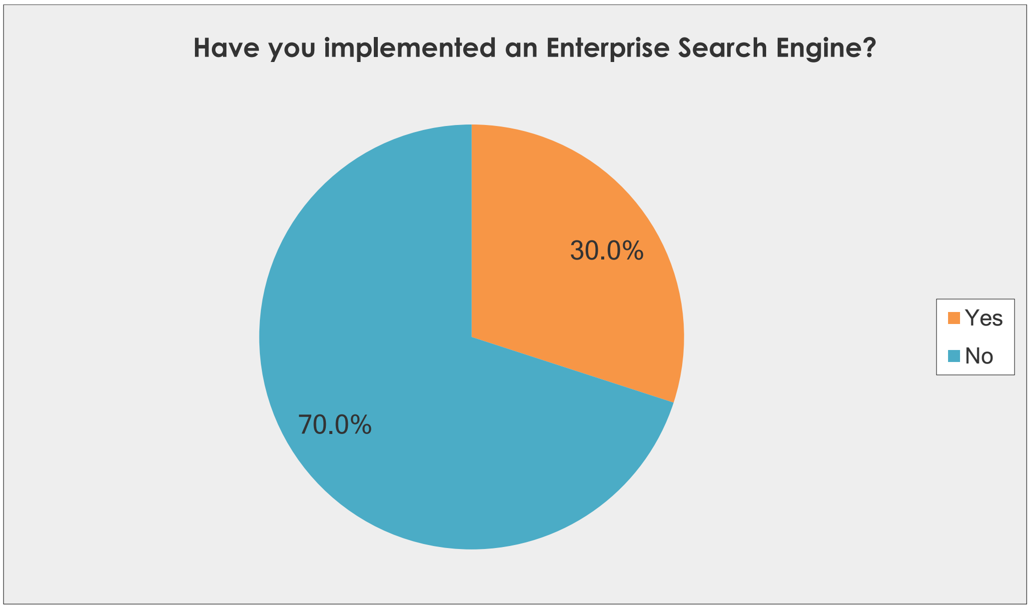
Q27: Encouragingly over 80% of respondents confirm close working relationships between KM and IT. This strongly suggests that the varying reporting lines are not having a serious impact on collaboration between IT and KM.



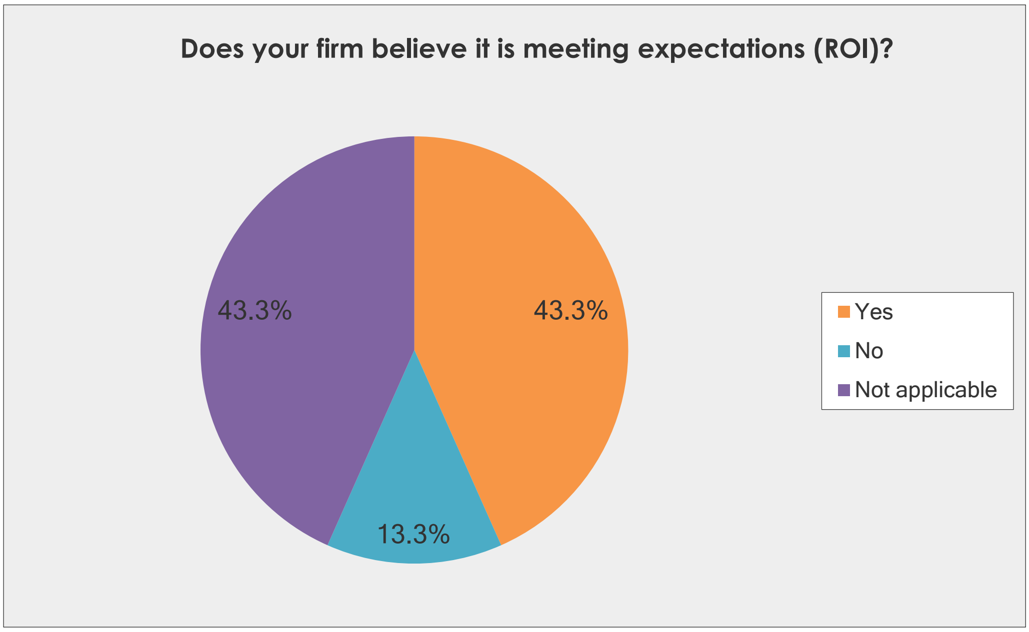
Q28: This question was open to interpretation and there would be many instances where Risk would have little obvious input into IT decisions. However there will be insurance premiums that could be reduced through IT investments that reduce the risk in respect of BCP or in respect of Liability. As previously stated nearly all productivity tools have the potential to reduce business risk, and moving solutions to the Cloud can usually be an effective and crucial part of a firm's BCP.



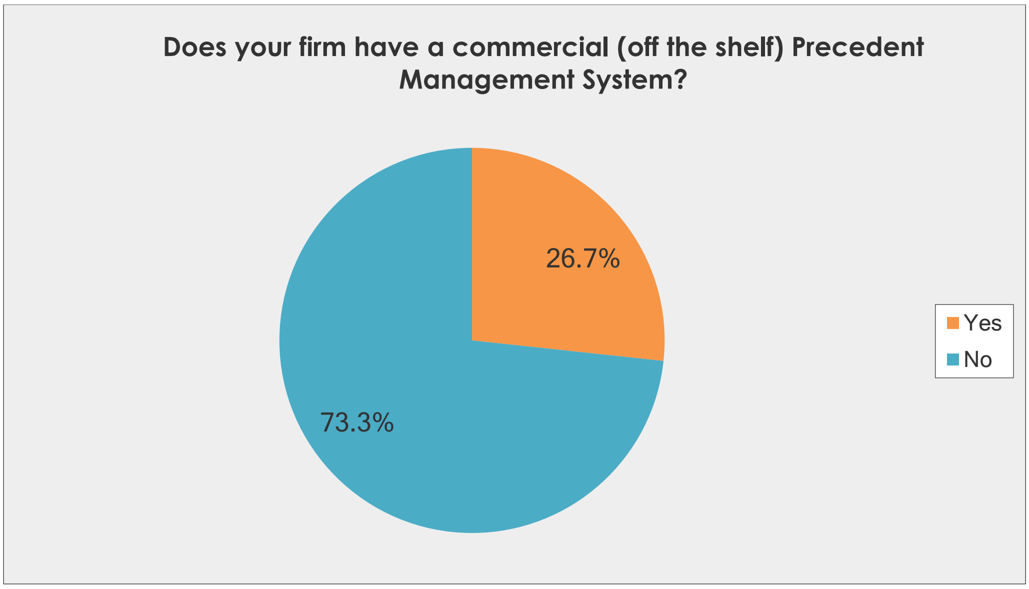
Q29: Not surprisingly, only 30% of firms have implemented Enterprise Search. It remains primarily an indulgence for larger firms. It also appears that the enthusiasm for Enterprise Search seems to have waned, illustrated by the fact that the once most popular vendor, Recommind, has closed up shop in Australia and in the US it is now focussing on electronic discovery.



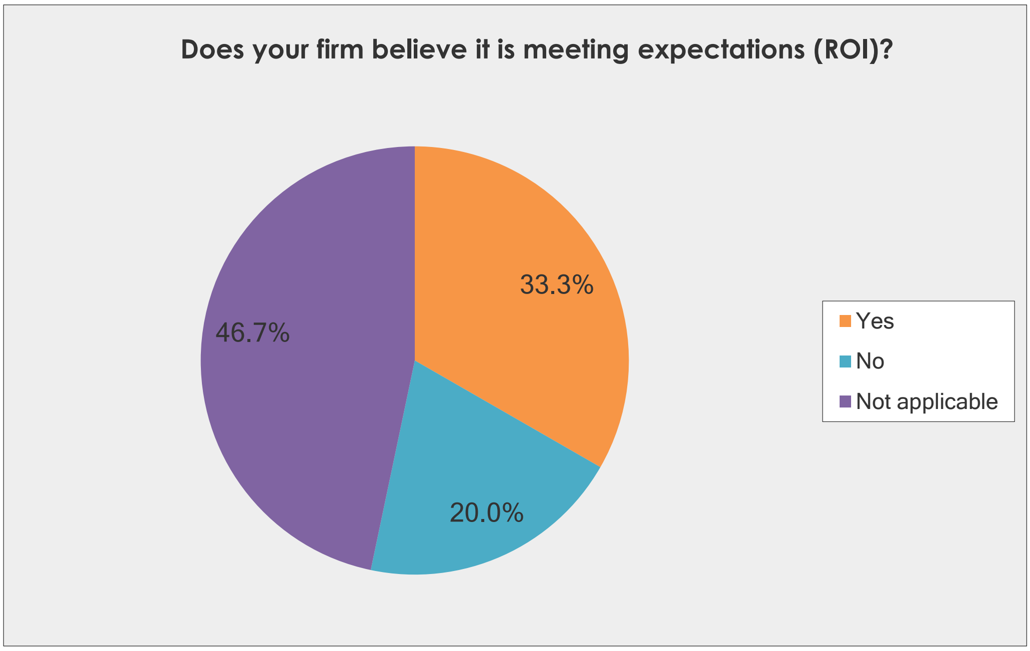
Q30: On a positive note 76% of those firms who have implemented Enterprise Search believe that it has met expectations.



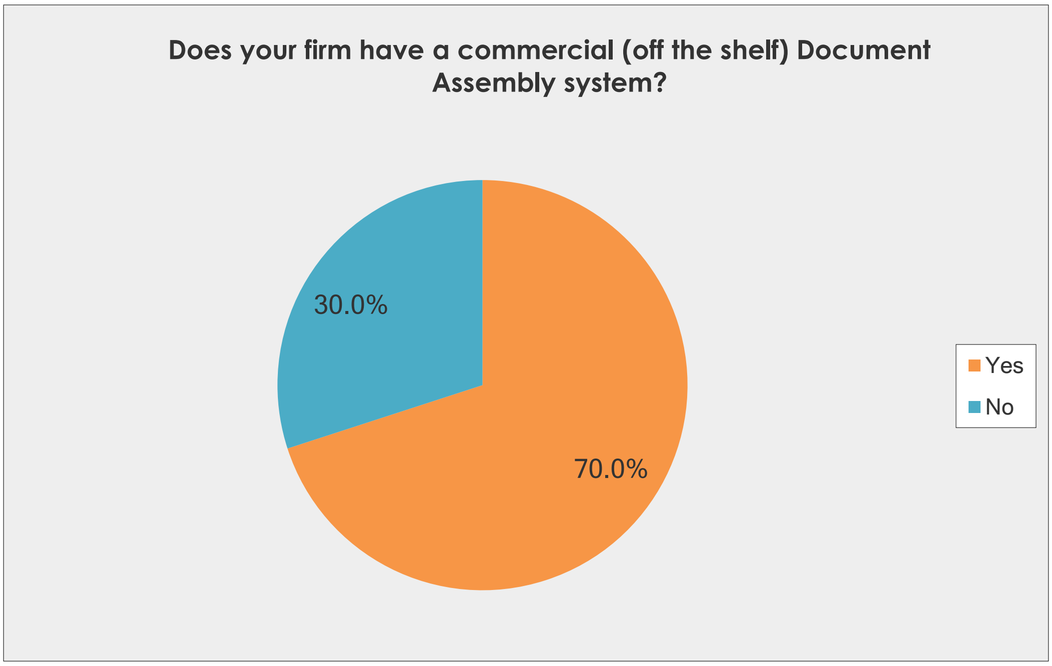
Q32: Only a modest percentage have an off the shelf Precedent Management System and we believe the reason is primarily that the majority of firms have historically developed solutions internally, and the cost of change might now be a deterrent.



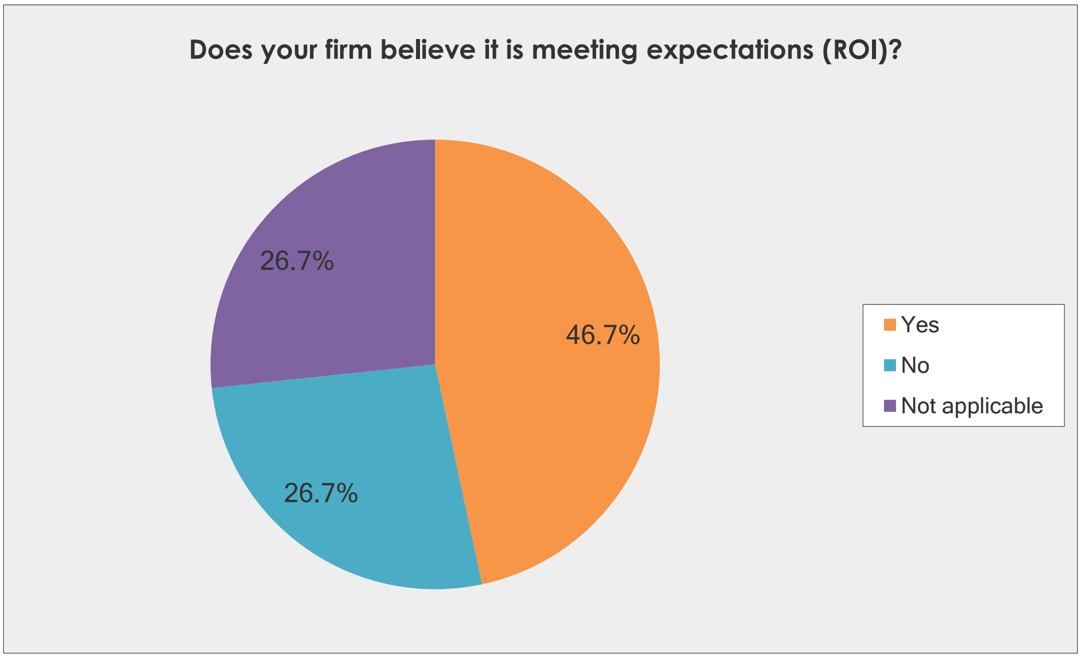
Q34: Of those firms that have invested in Precedent Management 62% believe it is meeting expectations.



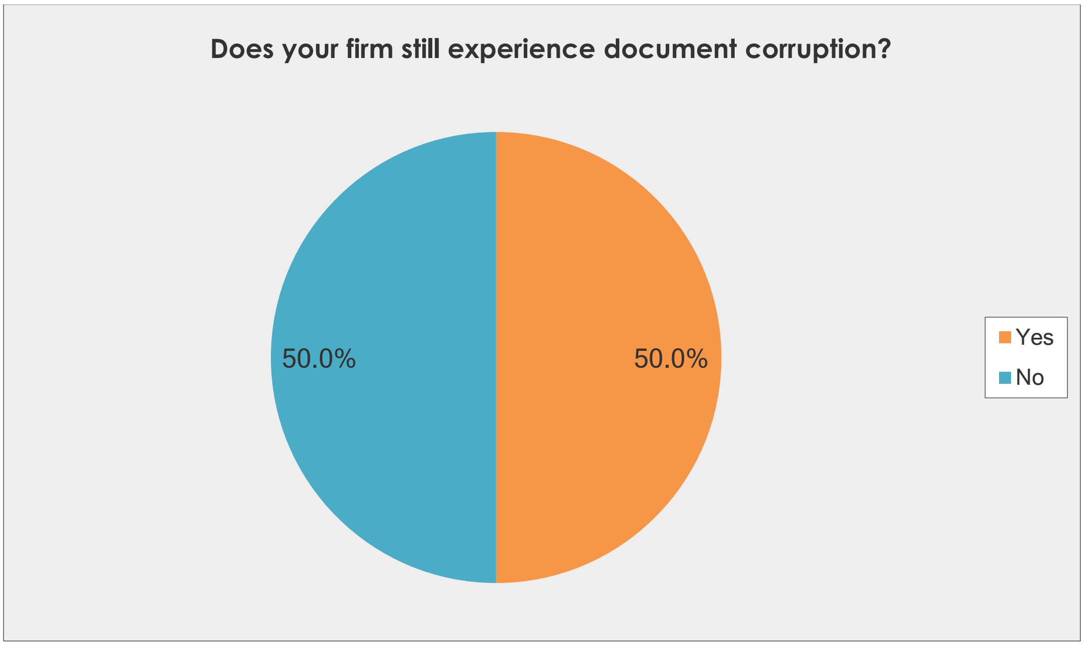
Q35: Document Assembly products are common, with HotDocs being the product most mentioned.



Q37: 62% of firms that have off the shelf Document Assembly tool believe that it is meeting expectations.



Q38: 50% of the surveyed firms are experiencing document corruptions and a subsequent loss of productivity.



11 Cloud Services

Q40: Not surprisingly Data sovereignty is the main concern about Cloud Services, although this is decreasing. The use of HighQ is an example of where firms have been persuaded that being outside Australia is acceptable. But there is no doubt that companies such as Mimecast and NetDocuments have benefited from having installed local infrastructure.

Q41: Not a surprise that there is an overwhelming belief there will be a growing demand by clients that firms provide them with `real time' integration of data and analytics. However experience suggests that clients often have high expectations but low utilisation of matter related information unless it is of a transactional nature and usage is mandatory.