The

LEGAL SECTOR

IS IT TIME FOR STRATEGIC CHANGE?

redcentric
business technology. managed.

Time

TO SPEND

& GROW

OUR FINDINGS TO INFORM & ASSIST FIRMS AROUND THEIR USE OF I.T.

We asked the views of over 150 decision makers from law firms within the UK. We wanted to provide users and the firms they work for with additional insight into the current state of the industry and their use of IT, looking at the views and behaviour of their peers. Their answers painted a picture of a sector on the brink of strategic and operational change.

The role of IT in the legal sector is currently changing. Instead of being a mere business tool, technology is now helping to shape the way organisations operate and look after their clients. Legal firms are under increasing pressure to adopt new market realities and this involves re-evaluating their IT strategy in order to gain competitive advantage.

So what are the priorities? With the economic recovery remaining shaky thanks to global financial uncertainties, there's still a need for businesses to keep their feet on the ground and ensure every investment counts. Yet our research showed that costs are not as uppermost in the mind as they once were. In fact, the intention to spend and grow was the overwhelming message.

74% PLAN TO INVEST IN NEW TECHNOLOGY TO ADDRESS BUSINESS AND IT CHALLENGES OVER THE NEXT TWO YEARS
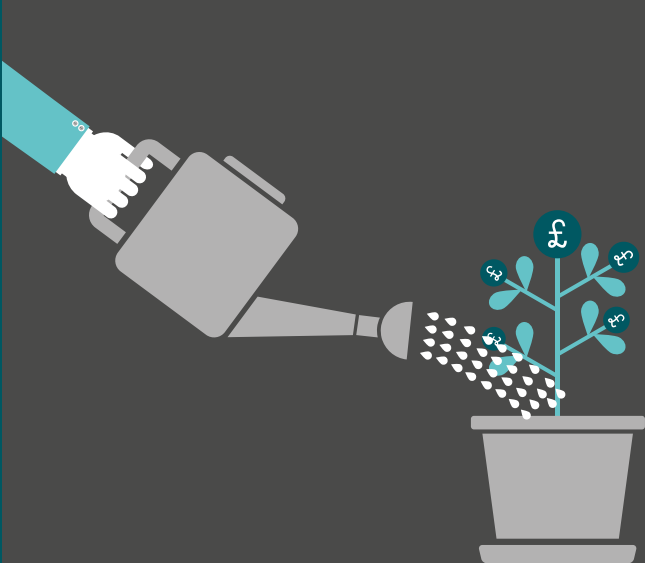
A

PROACTIVE
MOOD

One of the most surprising things that the research uncovered was that 48% of firms in the legal sector are planning for growth over the next year. This shows that the sector is bullish about the ever-growing threats to the UK's position as a hub of the global legal industry, particularly from emerging markets.

Although merger and acquisition activity probably peaked a few years ago, there were still 15% of respondents who had merged with, acquired or been acquired over the past 12 months. Overall, only 16% were remaining static, seeing themselves in a period of consolidation rather than growth.

It's not surprising then that the sector appears to be at a turning point and is beginning to flex its commercial muscle.

48% OF LAW FIRMS PLAN TO GROW OVER THE NEXT YEAR

The CUSTOMER COMES FIRST

A few years ago, it was thought that the main business challenges facing the legal sector were around minimising risk, security and undoubtedly regulatory compliance. However, it's a sign of the times that today the main concern is improving the client or customer experience.

The survey illustrates that over a third (35%) of the law firm respondents chose improving the client experience as a main challenge. It might appear surprising this features so highly but, in fact, it is a finding clearly in line with the new proactive and competitive spirit these organisations are adopting.

What is also interesting is that improving customer service was named as a main challenge – even more than cost cutting and meeting regulatory requirements.

In fact, 31% said cutting costs was a main challenge. The figure for regulatory compliance was way down – at 19%. Perhaps for the legal sector, regulations are a way of life rather than a challenge.

Even enhancing operational efficiencies appeared to be less of an issue; only 24% said this was a main challenge; likewise improving productivity (22%).

However, the new entrepreneurial spirit does have its limits – in total, less than a fifth (18%) named establishing new revenue streams as a challenge.

The 12% who believed their company did not have any current business challenges only served to show that 88% of those polled are dealing with business and IT challenges they feel could affect the success of their firm.

MAIN BUSINESS CHALLENGES

IMPROVING CUSTOMER EXPERIENCE	35%
REDUCING COSTS	31%
ENHANCING OPERATIONAL EFFICIENCIES	24%
IMPROVING PRODUCTIVITY	22%
MEETING REGULATORY COMPLIANCE	19%
ESTABLISHING NEW REVENUE STREAMS	18%

The

DATA
EXPLOSION

The answers surrounding IT challenges were not so clear cut and at first glance, no obvious stand-out issue emerged from the findings as a singular worry. However, there was one top concern, albeit gaining only a few more percentage points than some of the other challenges.

Law firms are known for their need to store large volumes of data for long periods of time – think of all those huge dusty files of old. Now that an increasing amount of data is digital, the problem is different, but still a major challenge.

So, understandably, the storage of growing volumes of data and its management was a top concern, gaining 29% of the 'main IT challenge' votes.

The security and resilience of data was also high on the agenda; a quarter of respondents (25%) said that this was a major IT challenge. It does appear that the growth of data volumes and the resultant management and security are a cause for anxiety in the sector.

It seems that even those firms that have been reluctant to work with third party providers in the past should consider investigating the advantages of working with a partner that can securely look after their data.

There was less concern about other IT challenges such as technology or infrastructure at end-of-life (19%), IT management and maintenance costs (19%) and also about network bandwidth and speed (15%), service outages (also 15%) and unpredictable IT costs (12%).

However, later when those surveyed were asked specifically about the Cloud, their concerns about security once again came to the fore (see our section *The Cloud is Now on the Horizon* on pg 18).

29% SAID THEIR MAIN CONCERN WAS DATA MANAGEMENT AND STORAGE. 25% SAW DATA SECURITY & RESILIENCE AS A MAJOR CHALLENGE.

DATA MANAGEMENT

DATA SECURITY

Tackling

THE LEGACY
PROBLEM

The problem of making legacy systems work for a business entering the digital age is being experienced across almost every industry — but especially those dominated by large, traditional corporations.

Often these systems have a complicated mix of poorly-integrated solutions or single vendor systems that are expensive to manage and cumbersome to change. Typically there's a lack of integration between front and back office, making it difficult for the business to be as flexible and responsive to clients as they would wish.

Even though these systems were no doubt highly expensive in the first place and have absorbed years of adaptation and maintenance since then, they do still represent a huge investment from their owners. Consequently, there's often a reluctance to turn away from these and commit to further capital expenditure.

Yet there is a growing sense that the status quo is not sustainable. More than half (51%) of the survey sample say that their growth is in some way hampered by technology.

21% in total say their 'legacy systems are not agile enough for today's demands'; 15% claim they are unable to 'quickly scale up as they would wish' and a further 15% argue that they are 'concerned about system failure if it is overloaded.'

There is an opportunity here for those organisations that do want to sharpen their competitive edge to work with IT specialists and managed service providers to allow them to upgrade their operations cost-effectively and enable them to work more effectively. One area of potential growth is in Cloud computing: just 17% of respondents today say they already have scalable Cloud systems in place.

This in itself is a big opportunity — and the fact that almost three-quarters of them said that their firm was planning to invest in new technology in general over the next two years (see our section *Business Buying Bonanza?* on page 12) suggests there is another side to this particular IT story.

17% FEEL THAT GROWTH ISN'T HAMPERED BY TECHNOLOGY DUE TO SCALABLE CLOUD-BASED SYSTEMS

Business

BUYING

BONANZA?

On the whole, the answers to our survey suggest that understandably, those in the legal sector are more concerned with business challenges than those surrounding IT. However, the next answers — probably the most telling of the entire survey — reveal that yes, they do recognise that IT investment can help to solve not just IT challenges, but business challenges too.

So despite being reluctant to admit they were facing challenges elsewhere, a huge 74% said they would be investing in new technology to help address business and IT issues over the next two years. Underlining the urgency many businesses are feeling, 36% said these investments would be made during the next year. Once again, this reveals a real underlying need to change.
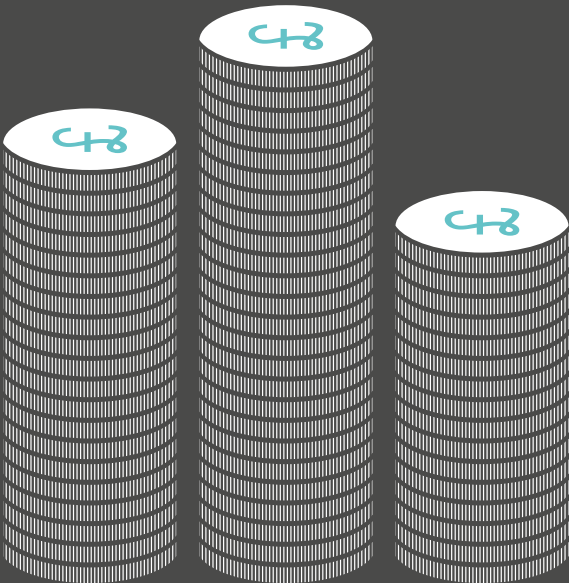
A HUGE 74% SAID THEY WOULD BE INVESTING IN NEW TECHNOLOGY TO HELP ADDRESS BUSINESS AND IT ISSUES OVER THE NEXT TWO YEARS

The
DRIVERS AND
DECIDERS

So what's driving these firms to spend when they are also still counting costs and finding ways to cut overheads? According to the sample, the main reason for investment is to improve agility (34%). The need to respond faster and more effectively to both market and client demands further illustrates that the sector is gearing up for a new era in customer service.

ENHANCING SECURITY WAS IDENTIFIED AS A MAIN DRIVER BY 34% OF RESPONDENTS

In fact, the top drivers of investment are business rather than IT challenges. Interestingly in the context of so many firms planning to expand, only 24% said they were buying new technology to either increase scalability or simplify growth.

Security was another major concern, cited by 34%, suggesting it will never be off the agenda. Perhaps not so predictably, just under one quarter (24%) saw the need for innovation as the main reason to spend; another indication that the legal sector is becoming more proactive on commercial matters.

Other drivers concerned guaranteed availability (23%), reduced IT running costs (22%) and ease of deployment (14%).

The

MOBILE

IS NOW THE NORM

If more evidence were needed that these days mobile working is normal working then the results from this section of the survey serve the purpose. A definite 77% of those polled said that their company supported mobile working, which leaves 23% still to realise the true potential of delivering this capability into their firm.

So far, as expected. However if we drill down and ask about the most important features for remote working, the answers become more valuable.

For example, desktop sharing is still a major need and understandably so. In fact, 43% of those polled named this as their top feature.

Almost equally high on the list were video conferencing (39%) and instant messaging (32%). Yet, only a small proportion of the sample (12%) were concerned about the single number reach feature, which is interesting seeing as this is often seen as an effective way to enhance customer service.

39%
VIDEO
CONFERENCING

32%
INSTANT
MESSAGING
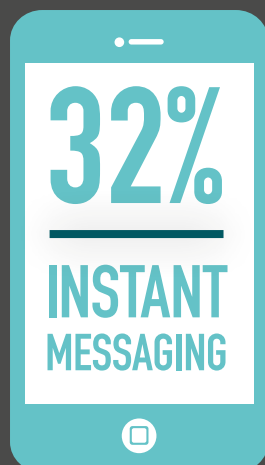
77% SAID THEIR COMPANY SUPPORTS MOBILE WORKING

The CLOUD IS NOW ON THE HORIZON

When it came to our section on the Cloud, respondents revealed their true worries about security. Major unease surrounded the safety of data in the Cloud. When asked about the loss of data, 49% were 'extremely concerned,' with 21% 'quite concerned'. In other words, 70% of our survey have anxieties about the safety of their information when moved offsite.

RESPONDENTS DATA CONCERNS:

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70% CONCERNED OVER **LOSS** OF DATA

·····

74% CONCERNED OVER **THEFT** OF DATA

Yet theft of data appeared to be even more of an issue with 49% 'extremely concerned' and 25% 'quite concerned', illustrating that a large percentage of those surveyed still have huge concerns around the security of their data, regardless of the amount of measures put in place and guarantees made by providers. Other causes for doubt about the Cloud included the continuity and quality of service – with 59% concerned in some way – and, inevitably, loss of corporate governance (50%).

The fact that, typically, over half of those polled are apprehensive about aspects of the Cloud is concerning in itself. There is clearly still a lot of work to be done by service providers to illustrate the robust reassurances needed and to prove their capabilities in this area.

The WAY FORWARD

Sometimes answers lead to more questions. Typically 70% of IT budget is spent on day-to-day maintenance — or what's often known as 'keeping the lights on'.

So where will the money come from for these legal firms to invest in new technology as they plan? Also, with so many new technologies on the market and with so many business and IT challenges to address, how do these firms decide how to prioritise their spend?

Historically, law firms and others in the legal sector have been slow to introduce external IT solutions, either through hosted services or managed by third parties. And yet, through choosing service-based technologies, firms can save considerably on capital expenditure, enjoy fast-track implementation and accelerated wins. They can also free up IT teams from day-to-day tasks, enabling them to concentrate on more strategic, business-focused tasks. Working with such partners can enable those law firms who are still cautious about migrating data to the Cloud to address their concerns. Their expertise will also help professional services organisations to make the right decisions on their investments, choosing from technologies and services such as:

INFRASTRUCTURE AS A SERVICE (IAAS)

A chance to streamline and refresh legacy systems. IaaS gives legal firms data centre capacity on demand providing IT departments with Cloud-based enterprise-grade servers, storage and networking they need to support their practice and its clients effectively. Choosing IaaS also provides an opportunity to digest low value 'housekeeping' and focus on higher value client facing projects.

HOSTED DESKTOP (VIRTUAL DESKTOP INFRASTRUCTURE)

This extends the 'as-a-service' model to the desktop, removing the need for a traditional PC environment. This means computing power, data storage, operating systems and applications are all hosted in a provider's secure Cloud, freeing up more money from the associated maintenance and upgrade costs and increasing mobility within the firm. Also for a firm looking to continue to optimise existing assets, such as an MS Office or PC/laptop refresh, Hosted Desktop makes a compelling case.

DATA MANAGEMENT

The legal sector has unique data storage requirements, long term storage is mandatory and the availability of all data is crucial.

Managing the huge amounts and exponential growth is expensive and time-consuming. Introducing a cost-effective structured approach via highly secure UK data centres will enable firms to manage data efficiently and tier by importance.

COLLABORATION

The convergence of multiple communication technologies in a single solution. With law firms becoming increasingly distributed and decentralised, the ability to collaborate quickly and effectively is vital. Unified Communications unifies email, SMS, instant messaging and group chat voice and video conferencing into one single platform, to increase productivity, facilitate fast and efficient collaboration, and streamline business processes.

HYBRID CLOUD

For those firms still wary of the Cloud, the Hybrid solution offers the flexibility and scalability of Cloud environments, while allowing you to keep elements of your infrastructure in-house. Giving firms the opportunity to take the approach most suited to their needs.

For

FURTHER INFORMATION CONTACT US

No one can deny that the legal sector is still wrestling with a complex interleaving of IT demands and business issues. The seemingly endless flow of new applications and innovative solutions streaming into the market risks compounding the situation, bringing confusion where firms are crying out for clarity.

Setting a clear direction, devising a compelling strategy to overcome the challenges highlighted in this report can often best be served by proof of concept: testing and trialling an approach to measure its suitability, impact and return on your particular business.

If you would be interested in arranging a free trial of any of our legal-oriented services, such as Infrastructure as a Service, Data Management or Unified Communications, then please contact us on:

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