

eBook

In the move to
productisation,
law firms reach
for the cloud

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As law firms embrace the cloud, the hybrid model is key to success in the face of fundamental operational changes.

The legal sector's journey to the cloud is speeding up. As security concerns have been addressed and clients are coming on board with off-premise data storage, law firms are also realising that cloud technology is an opportunity to maintain their edge in the face of fundamental operational changes.

The legal sector is undergoing a revolution: the traditional model of billing by charging per hour is moving towards an outcome-based, subscription delivery model - clients are less likely looking to pay for several hours, but prefer to pay for an outcome.

Innovative law firms understand that technology is a key tool for making a leap from the old world of billable hours to the new world of productisation. Adopting new cloud-based tools that support this new way of working will allow firms to slice that Gordian knot, and cut through the interdependence on legacy systems that have been stopping them from making the leap to the cloud.

Key to success is an intelligent, well-managed transition to the cloud, using hybrid infrastructure to ensure that firms can take advantage of the new opportunities while also addressing their legacy needs.

Firms still have questions about how cloud can best serve their unique needs. As clients are hesitant, regulators have rules, and the onmarch of Artificial Intelligence is rapidly changing the competitive landscape, alongside emerging competition from offshoot legal practices and claims-handlers. Whatever the challenges, the common thread is that law firms need to think in a more agile way to survive in this rapidly changing world.

Being first is a risk, and for years the legal sector has taken an exploratory approach and let other industries go ahead with moving their IT assets into the cloud. There was an attitude of waiting to see how it works out: Will it catch on? Is it secure? How will clients react?

At GlenLegal 2019, the three-day gathering that took place in March, the most influential decision-makers in the UK Legal IT sector had clear answers to those questions: Cloud computing is here to stay, and not only is it safe - it's increasingly more secure than existing on-premise IT solutions. And the clients? Client aversion has caused significant hesitation to move to the cloud over the years, but businesses are mostly using cloud technology themselves now and can see the benefits - they'll be expecting their law firm to keep up.

The time for secure cloud has arrived

"The time is now: law firms are much more comfortable than in previous years with adopting cloud-based products and services," says Gray Taylor, Cloud Acquisition Consultant at Rackspace, who has a legal background and has worked as a consultant at leading UK and international law firms. A key reason attitudes in the legal sector have evolved is that the cloud is increasingly becoming the most secure place for data. It's no longer the case that data is safest in hard drives in the office, protected by a firewall - attacks have never been more sophisticated than they are now, and major cloud providers have the resources to stay ahead in the race to remain secure in a way that individual firms do not.

"The legal sector is recognising that because of the nature of modern security threats, a cloud-based infrastructure can allow you to adopt a more agile security posture," says Taylor. When it comes to the cloud, sitting on the fence isn't the neutral choice anymore, as the cloud is not only the better bet for data security, but also in terms of being a forward-thinking, modern business that understands the direction the world is moving in. After all, to the market, a law firm is only as good as its reputation.

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The unique challenges facing the legal sector

For Rackspace, GlenLegal 2019 was an opportunity to put our ear to the ground and hear about current challenges and opportunities in legal IT. With our extensive global experience delivering IT-as-a-Service across all industries, we're ideally positioned to help law firms realise the power of digital transformation, without the complexity and expense of managing it on their own.

"Law firms are essentially cloud-ready, but there are several reasons why some of them can't or won't fully adopt cloud," says Taylor, who spoke to several legal CIOs, CTOs, and directors of innovation at GlenLegal 2019. For most of them, says Taylor, the spirit is willing but there are still several obstacles in the way.

A detailed survey of 64 CIOs across the sector demonstrates that there has been a striking increase in cloud platform adoption in a relatively short time frame. "I was actually quite surprised by the results of the survey," says Andrew Powell, CIO of Macfarlanes, who conducted the survey and presented it at GlenLegal 2019. While the survey found cost to be relevant when law firms debate cloud, the fact that a cloud service can be cheaper was rarely the deciding factor when considering the move, says Powell: "The reasons have more to do with agility. It's attractive to no longer have to spend your time installing,

upgrading and customising, but instead procure a service that someone else is responsible for keeping up and running."

Powell's study found that obstacles to full cloud adoption are plentiful. "The reasons firms don't adopt cloud has very little to do with the service that's being offered, and almost everything to do with the complexity of what they already have," said Powell.

CIO Barriers to Cloud Adoption



Existing Systems – too difficult (48%)



Existing Systems – too expensive (26%)



Don't trust vendors with data (22%)



Clients won't allow it (22%)



Licensing prevents it (22%)

The complexity of legacy applications is a wrinkle for many law firms who're moving down the road to the cloud. "Business applications that help law firms run their operations are heavily interconnected as billing has traditionally been based on lawyers' time, the time capture system has to be connected to the case system, which is linked to the document management systems, and on it goes," says Taylor. Some practice management systems may be 20 years old, and the individual components may well be made by different companies. While some may have a SaaS (Software-as-a-Service) or cloud version available, others may not, and in either case, the provider often requires the client to re-buy the licence to move to the cloud version before the end of the term.

As the legal sector is moving towards an outcome-based, subscription-based delivery model, most firms will still have exceptions for high-value, complex engagements which require more refined handling. We believe a hybrid solution is the answer for firms to leap forward as the industry moves towards productisation, where the old style of fees for time gives way to set pricing, while also taking into account that there will be a need to maintain some legacy functions.

Productisation was the buzzword at the Tech and Innovation Leaders' Summit in June. We spoke to plenty of big names across professional services, including law firms, accountancy practices, the property sector and management consultancies –

everybody was talking about the advent of productisation for professional services. There's a lot of nervousness in the industry about how to survive this major industry change, but if done right, this can represent a serious competitive advantage.

While the brightest minds of the legal sector are well aware of the march towards productisation, what's still unclear is how to execute this tectonic shift. Powell's survey illustrates that law firms have a newfound appetite to tackle this problem. Among the respondents, whose firms had a combined IT budget of £700 million, over three-quarters said their HR and payroll systems will be in the cloud next year, most of them specifying it would be a SaaS product. This is a significant boost, considering that last year half of them kept HR and payroll on-site. These are simple systems to start with as they don't tie into the firms' billing systems, and companies are also moving their email systems off-site for the same reason.

Powell says that some of this rapid change is likely driven by Microsoft's licencing changes for Office 365, which is effectively nudging people towards the cloud: "If you've bought Office 365, why wouldn't you use Exchange Online (hosted email), because that's effectively free once you've paid for the subscription. That's an environment that you don't need to look after yourself, making it an attractive proposition commercially."

Key issues to tackle ahead of successful cloud migration

Law firms may be mostly onboard with the idea of cloud, but that doesn't mean everyone is jumping in with both feet. There are still clients with particular confidentiality requirements, a client may well have their own data in the cloud, yet still insist that their law firm does not - so in order to pass an audit with the procurement team, the law firm may need to demonstrate that the client's data is kept separate and on-premise. This is improving, but international regulation remains a big issue: "If you're an international firm dealing with an investment bank, for example, they may stipulate that we don't keep their data in a US-owned cloud platform. And you may have a German or Russian client with quite onerous data protection regimes around personal data," says Powell. "Trying to rationalise everything can be quite difficult, to the point that you feel as if you might as well keep all the data yourself."

These challenges to successful cloud migration can be tricky, but increasingly there are solutions available:

Regulation complexities, and how it varies between geographies.

Certain jurisdictions have complicated regulatory requirements for how businesses handle data. Also, data centre location matters: if a UK law firm's client data is stored in data centres owned by a US entity, it can be subpoenaed under the US CLOUD (Clarifying Lawful Overseas Use of Data) Act. This area of law is still developing and there are ongoing lawsuits that may shape the issue in the future, but a hybrid cloud architecture can present a solution.

Cloud migration is difficult!

Some law firms want to make the leap but feel overwhelmed by the task and don't know where to start. Bringing on board an expert to help manage the transition may ease this concern, especially as more firms make the transition and word spreads that the difficulty is greater than many first imagined.

Cloud migration is expensive!

When cost is a factor it's not usually in terms of the price of the new services, but because of the knock-on effects of legacy application costs. This legacy inertia will likely reduce over time, as hardware refresh costs become a greater factor and migration tools become more sophisticated.

Clients remain hesitant.

Clients in some sectors remain conservative, and safeguarding client relationships is understandably key to law firms. But as security features continue to improve, even the most conservative industries are realising that when managed by professionals, the cloud is more secure than any on-site solution, and it's increasingly risky to keep your data on-site.



Embracing the hybrid model

For the reasons mentioned, cloud migration can't be a quick journey for most law firms. Legal Practice Management Systems are looking likely to be the last holdout, as almost three-quarters of law firms in Powell's survey say this will still be on-premise next year. Consequently, most firms are on a hybrid cloud journey. Some of their assets will be in a secure, public cloud as SaaS or IaaS (Infrastructure-as-a-Service), while others will be kept on-premise for now.

[Rackspace Professional Services](#) enables firms to start walking down this road in a manner that's intelligently phased, no matter where they are starting from. "We've created a commercially flexible model. This means law firms can transition existing IT workloads and applications onto a hybrid private and public cloud that we design for them," says Taylor.

Most managed service companies will let customers transition from an on-site to a cloud solution once their contract is up, but at Rackspace we let customers change their requirements whenever is best for them. This is where our Fanatical

Experience with trademark comes in: we recognise infrastructure investment at an organisational level rather than an individual customer level. This means that if a customer wants to move to the cloud, we can take the hardware underpinning their private cloud environment and repurpose it elsewhere, instead of insisting they keep paying for something they don't want.

Under Rackspace's flexible model, data that is already suited to the public cloud will be placed there right away, while data that is more complex, perhaps due to licencing obligations or refactoring requirements, will be placed in a private cloud. "When those elements become ready, we would move them into the public cloud with no penalties," says Taylor. This sets Rackspace apart, as very few providers enable clients move so seamlessly without a financial penalty. "This allows for a sensitively and intelligently designed transformational journey into public cloud, so firms can get all of the advantages of public cloud as soon as possible," says Taylor. Rackspace enables law firms by providing the crucial stepping stone from an on-premise hybrid environment, to a managed private cloud platform, which we can then move quickly onto public cloud without lumbering customers with a lengthy and restrictive managed services contract.

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Gray Taylor, Cloud Acquisition
Consultant at Rackspace

No longer too difficult

The age-old reputation of law firms being cautious isn't really the issue anymore when it comes to the industry's cloud journey. The firms are ready, but there are issues to resolve which are less about being conservative, and more to do with the commercial offerings. Maybe it makes sense that the number of IT providers that have created dedicated solutions for the legal sector is limited? It's a relatively small sector where most firms haven't truly modernised in a decade or two, so even if you create something great, there's going to be limited uptake straight away.

Ultimately, law firms want to be sure they're getting a great deal - if you're not blown away by what's out there and your current on-premise system works fine, you can probably afford to wait another year to make sure you're picking the very best option.

But as technology is advancing, and competitors are chomping at the bit, law firms are by no means waiting unnecessarily: "I was surprised at how big the uptake of SaaS was in the survey," says Powell. "The fact that so many different point solutions seem to be taken on by law firms would suggest it's not necessarily as complex as we assumed it was."

Powell compares the shift to cloud to turning an oil tanker around: it's going to take a while. But the advantages of cloud have become clear, and now it's just about doing the work. There are still problems left to solve due to the legal sector's combination of applications and legacy infrastructure, and the unique needs of clients.

But it is no longer too difficult, as long as you have the help of an experienced hand. Especially in light of the industry's sea change on how fees are calculated, cloud technology is increasingly less of a problem and more of a perfectly timed opportunity: technology is the solution for firms looking to break away from the old legacy complexities, and create a new standard where they can think fresh and look to the future.

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Andrew Powell, CIO of Macfarlanes



About Rackspace

At Rackspace, we accelerate the value of the cloud during every phase of digital transformation. By managing apps, data, security and multiple clouds, we are the best choice to help customers get to the cloud, innovate with new technologies and maximize their IT investments. As a recognized Gartner Magic Quadrant leader, we are uniquely positioned to close the gap between the complex reality of today and the promise of tomorrow. Passionate about customer success, we provide unbiased expertise, based on proven results, across all the leading technologies. And across every interaction worldwide, we deliver Fanatical Experience™. Rackspace has been honored by Fortune, Forbes, Glassdoor and others as one of the best places to work.

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