

# Forecast: Law Firms Will Be Cloud Ready By 2021



## Introduction

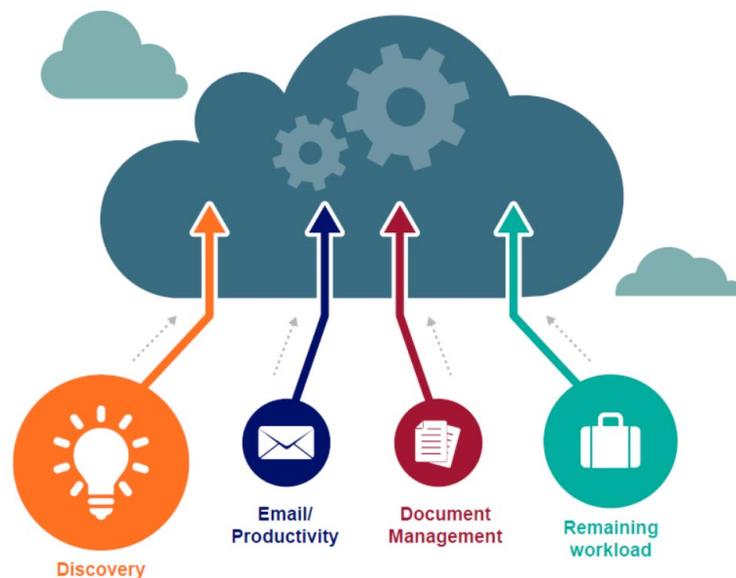
Law firms have long talked about the attractiveness of migrating their IT infrastructure to the cloud, but they have not made appreciable steps to date. This is due in large part to understandable fear of negative client reaction, especially in regulated markets such as finance. In truth, restrictive outside counsel guidelines of even a few large clients often were enough to put the brakes on cloud initiatives.

But times are – finally – changing.

First, many large institutional clients now use the public cloud including Microsoft Azure and Amazon Web Services (AWS) for everything from software development to email and productivity, and law firms have had enough experience with trailblazing SaaS-based vendor cloud solutions such as NetDocuments and ChromeRiver to feel more comfortable with the technology. Second, data security — which was always touted as a reason not to move to cloud solutions — has now emerged as a reason to move toward them. The industry is beginning to accept that large vendors such as Microsoft, Amazon or Google are far more capable of securing sensitive data than firms with limited budgets, talent and resources. And third, the initial belief that going “cloud” is an all-or-nothing proposition (and thus easy for risk-adverse partners to veto en masse) has now shifted to a more nuanced workload-specific, and even client-specific, cloud strategy.

Based on these evolving market conditions, we forecast that law firms will be ready to move most of their workload – 75% on average – into public and vendor cloud solutions by 2021. Below we highlight the key workloads moving to public and vendor cloud, and how each of these changes impact the law firm of the future.

### IT INFRASTRUCTURE MIGRATION TO THE CLOUD



Circle size represents the size of the workload

## E-Discovery

E-Discovery was among the first and is arguably the most mature law firm IT workload to move to the cloud. The volatile nature of computing power and rapidly growing storage needs, coupled with concern over viruses potentially infecting the broader corporate network, has led many firms to outsource their litigation support needs to third parties (e.g., HBR Consulting's Managed Technology Services private cloud). Cloud-native solutions such as CS Disco and Relativity's launch into the public cloud with Relativity One now provide additional options for managing litigation support outside of the firm. Even litigation service bureaus are looking into public cloud for their solutions.

Over the next several years, we expect firms to complete that transition, fueled by an aggressive push from Relativity to move clients to their cloud offering.

## Email and Productivity

One of the obvious first choices for cloud migration is the Microsoft Office ecosystem. Microsoft is one of a law firm's largest vendors, and the cost and complexity of maintaining a high-performing Exchange environment is extensive. Two roadblocks have traditionally stymied adoption: lawyer downtime during migration and security concerns over encryption keys and what that would mean in a subpoena situation.

The issue of lawyer downtime has been solved through migration solutions that shadow-copy data from on-premise Exchange to Office 365 email in the background, while the lawyer continues using email uninterrupted. Once the copy is complete, a final synchronization occurs, and the user is cut over with minimal downtime.

The encryption key issue has been thornier and a key sticking point for larger firms and their institutional clients. But Microsoft has made progress on this front and now has solutions with firm-maintained keys for both encryption in transit (Bring Your Own Key with Azure Information Protection) and at rest (Customer Key). With the encryption key issue now addressed, many firms will migrate to Office 365 in the cloud by 2021.

Microsoft works around the integration issues of a fully SaaS-based solution by still leveraging a thick desktop client for Outlook, Word, Excel, etc. This means that existing product hooks and plug-ins will still work even after migrating to the cloud, making the migration largely seamless.

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## ENCRYPTION IN TRANSIT AND AT REST

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### Document Management

Document management has long been in the crosshairs of cloud migration. Smaller firms have been using cloud trailblazer NetDocuments for years, and large law firms have also started warming up to cloud-based document management. iManage, traditionally on-premise, now has a dedicated cloud offering, as well as a new multi-tenant solution. Document management solutions are good candidates for cloud migration because their computing, search indexing and storage needs are extensive and often require significant capital investment to maintain and upgrade the environment — capital expenditures that can be minimized by moving to the cloud.

These two vendors and their models (cloud and on-premise) are essentially converging, with iManage offering cloud solutions and NetDocuments offering local document storage to support specific client and system integration needs. Both vendors now approach the market in a more nuanced and holistic sense, with cloud components to drive simplicity and lower cost of ownership while meeting the needs of specific clients.

Given that iManage and NetDocuments are the two market leaders for the legal industry, we anticipate that most mid-sized and larger firms will be using one of these solutions and in the cloud by 2021 (allowing time for any needed migration).

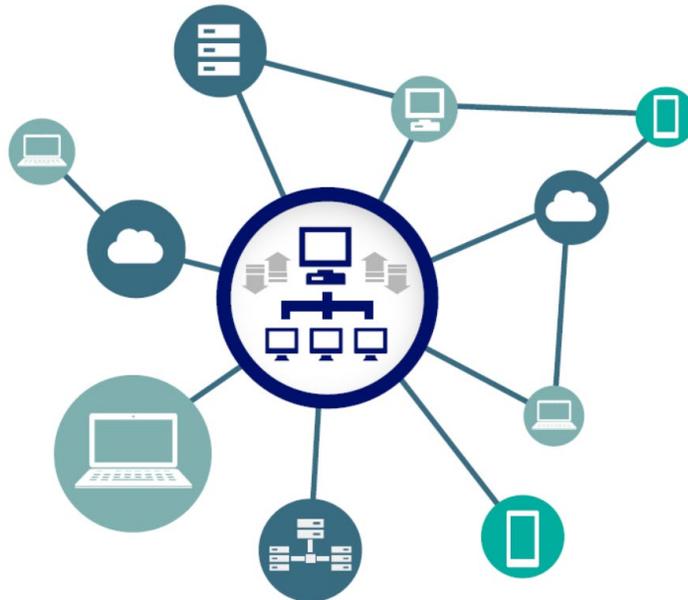
## Other Functions

The “Big Three” law firm IT workloads (e-Discovery, email, document management and e-Discovery) drive at least 75% of computing and storage needs. What remains is a hodge-podge of legal-specific application vendors, many of which are outdated and have limited funding to innovate. Most of these applications will continue to remain in a much-reduced footprint, likely within a co-location facility or private cloud IaaS (Infrastructure-as-a-Service) model.

The financial system is one enterprise system that still has an extensive on-premise footprint. Look for innovation in this space from either the incumbents – Elite and Aderant – or new entrants. For example, Elite recently released 3E in the Cloud, built on Microsoft Azure.

### GROWING STORAGE NEEDS OF CORPORATE NETWORKS

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## Planning for the Future

What does all this mean for a law firm’s IT strategy? In short, we forecast that the simplicity of a single environment will be replaced by the “**hybrid cloud**” — a model where workloads reside in multiple private and public cloud locations that the firm no longer directly manages. As a result, the IT function will become more of a system integrator and business process enabler. The days of managing large-scale data centers, servers, backup devices and other technology will make way for more strategic tasks that drive business and improve operations, such as surfacing data insights and bringing AI technologies into the firm. We also forecast that law firm IT will also become increasingly dependent on third parties such as Microsoft. This requires a stronger procurement and vendor management function, which may be managed internally or also outsourced.

THE HYBRID CLOUD APPROACH



The result of these changes is a law firm IT department suddenly free of many traditional burdens that weighed on their budget, time, attention, and resources. They are now able to innovate and advance the practice and business of law. The job of the law firm IT strategist and leader of tomorrow is to create these innovative solutions to meet the needs of stakeholders across the firm, while maintaining continuity, resilience, privacy, security and a seamless user experience. This is no small task, but it is doable with the right focus, skills and technology partners.

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