Developing an IT Roadmap with an Effective Budgeting Strategy

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WINTER IS COMING…

Yes, it's that time of year again, kids are going back to school, tree leaves are starting to change color, and the holidays are quickly approaching. Q4 is peaking its head out and it is time for firms to begin compiling their budget requests for the upcoming year, ranging from improving efficiency to strategic growth initiatives. Many firms find the budgeting process daunting when it comes to IT; there are many moving parts with software & hardware upgrades, software & hardware support renewals, ongoing IT security protections, and Windows & Office migrations (just to name a few!). This can lead to second-guessing how much & where the firm is allocating budgetary dollars, contemplating if you are in line with your peers or falling behind.

 SETTING THE BUDGET

The first step is figuring out if you are spending in the right areas of IT; it is important to understand if you are budgeting the proper amount. The Legal IT industry is proudly unique in that the information sharing across firms is unprecedented – allowing for a look into the budget and spending across firms.

As a reference point and per the recent 2016 ILTA member survey, 44% of small firms (1-49 attorneys) and 39% of medium firms (50-199 attorneys) spend within 1-3.99% of firm revenue on technology, excluding IT staff salaries/benefits and training. Medium sized firms are highly concentrated in the middle of this range, with 56% of firms spending 2-2.99% of firm revenue.

An alternative metric for a point of reference is the IT Spend per Attorney. Almost three quarters (70%) of small firms spend up to $8,000 per attorney, while over half (60%) of medium firms spend $11,001-$17,000 per attorney.

What does this mean for you? As an example, if you are a firm with 30 attorneys and an annual revenue of $6M almost half of your peers are spending between $60,000-$240,000 on technology per year.   If you are a firm with 100 attorneys and $20M in annual revenue, most of your peers are spending between $400,000-$600,000 (based off total revenue metric) or $1.1M-$1.7M (based off attorney count metric) on technology per year.

To keep up with the cadence of continuous changes in legal technology, law firms are also recognizing that IT spend cannot be limited to a single year investment. It is now a cornerstone and foundation of the firm's livelihood. A vast majority of responses from the 2016 ITLA member survey have shown that IT budgets have remained the same or in many cases with over half (53%) of firms have increased their IT budget year-over-year – which was a 12% growth rate from the previous year's survey. It is not uncommon for firms to look to their trusted IT vendor and partner with them to come up with the roadmap that fits the budget that was set by the firm.

WHERE TO SPEND THE IT BUDGET STRATEGICALLY

The very best businesses are built on a solid foundation – and this should be no different for IT. The first stop for your IT budget should be ensuring all the production hardware & software are currently covered under vendor support contracts. This means having an accurate inventory system to be able to

track warranty expirations and version information and understand when items are approaching end-of-life, which should also help lead towards forecasting & planning when to upgrade these systems. As Microsoft ended support of Server 2003 in July 2015, and is currently slated to end support of Server 2008 in January 2020, it is imperative to begin the planning & execution of upgrading these platforms as soon as possible.

The rapid pace of technology has a habit of throwing the old models out the window in favor of the new "sexy" technology; think how datacenter technologies have evolved from systems that were once tiered into a converged model (combining two tiers into one) and then hyper-converged arrived combining three tiers into one package. Software is making leaps even faster, with the introduction of the Cloud's rapid workload adoption and removing the need to host certain infrastructure on-premise. These developments in technology allow you to realize efficiencies (from licensing & hardware cost reduction, technology consolidation, and ease of business continuance) that were previously out of reach for a majority of small/mid-sized businesses.

Once your technology foundation is solid, the next area to focus is business continuity and disaster recovery. While IT disaster recovery is a subset of an overall business continuity plan, it's also important to position the production workload in a capable location with enough capacity, power, and cooling. Many firms experienced this first hand, with the most recent being Hurricane Harvey in Houston TX where some firms experienced full outages for several days that were not in a colocation facility. These firm outages could have been avoided if they were in a colocation facility, which are backed up with multiple connectivity & power sources with fully redundant generators, and are generally staffed 24x7. If you are currently in a colocation facility, the next evolution is to layer on backup & replication in accordance with the firms recovery point & recovery time objectives. A new trend in this space is Disaster Recovery as a Service (DRaaS) through public cloud such as Microsoft Azure or Amazon AWS which might make sense for some firms to investigate further, allowing them to convert CapEx to OpEx while still retaining the same (or greater) level of protections.

As additional budgetary dollars allow, a renewed focus on IT security should become a priority. While there are dozens of security products and suites, some fundamental security practices should be implemented such as endpoint security, mobile device management, two-factor authentication, and a routine (quarterly or yearly) penetration test performed by an independent third party. The legal industry is becoming a hot target for malicious attackers, looking to gain access to the highly privileged information that is stored within a law firm. New tactics and techniques are coming to market and gaining traction, such as DMS threat analytics, log aggregation and correlation, and Managed Security Services Providers.

Education and training should be a staple in the yearly IT budget. Allocation of funds not only to raise user awareness of security threats such as phishing, but also to help the IT staff stay current with industry conferences to understand what is new in the legal vertical. These conferences can pay for themselves if you leave with lessons learned from your peers or happen to develop a relationship with a vendor that is able to accelerate the firm's growth or reduce its expenses.

Legal applications are the elephant in the room – and where firms can easily allocate a clear majority of their yearly budget. There's no shortage of reasons to focus on this area; from the upcoming sunset of Elite to the allure of Artificial Intelligence, but it's important to stay grounded and develop a long-term vision of how the application set will mature at the firm. Some core business applications – such as

accounting suites – are sun setting while others are new spinoffs that might be worthy of consideration. Are you considering a desktop OS refresh into Windows 10 with Office 2016? This will most likely be the best window of opportunity to consider changing core legal applications that plugin to the Office suite, such as templating & numbering. As DMS platforms become more millennial friendly, they are beginning to add features for expanded mobility along with integrated security & analytical features, which might be worthy of an upgrade at your firm. Does your firm use a practice management application, where it might make sense to break apart and start using focused applications that are best-of-breed due to the firm's growth or renewed focus on technology?

There is not a blanket "yes" or "no" answer for these questions, as every firm is unique in both culture and technology needs. For firms in the small to mid-sized space, most of the time it does make sense to partner with and involve trusted vendors to do the heavy lifting and provide guidance for the many paths of success that a firm can go down with their IT budget.

In closing, the pace that the technology landscape is changing is forcing firms into more fluid IT budgets. It is important to know how to define the budget and drive your IT roadmap with the budget that is set. If you have trusted IT vendor relationships, lean on them to help you define your IT roadmap and put together a 3-year plan that addresses the health of your foundation, the core side of your network, a disaster recovery and business continuance model, must-have IT security solutions, ongoing education, and legal applications (Microsoft Office, DMS, practice management, docketing, templating & numbering). Don't fall behind, now is the time to take control of the process.