

# Cloud Technology in the Legal Industry

LexisNexis® survey predicts a sunny forecast for cloud-based technologies



Business of Law Insights Report

## Executive Summary

Twenty years ago, graphic representations of the newly-commercialized Internet were depicted as a vast network “cloud” that computers and servers could connect with to make worthwhile things happen. The term “cloud computing” soon surfaced as a logical extension of that visual, even though the term and its full potential continue to be refined and embellished even to this day.

As 2014 gets underway, it appears that acceptance of cloud-based approaches is finally taking hold in the legal community. Two studies from 2013 – notably the ABA Tech Survey and the Technology Purchasing Survey from ILTA/InsideLegal – identified that point clearly. Now, a new survey from LexisNexis, conducted at the end of 2013 among attorneys aligned with smaller law firms (fewer than 20 attorneys), suggests that cloud adoption is accelerating faster than anticipated and may be reaching a critical stage.

## Key Findings

- Cloud technology is poised for mass adoption by the legal community. Although attorneys in small firms have security concerns – where only 41% believe confidential data in the cloud is safe – their reservations are diminishing. A slim majority of individual lawyers (50.2%) stated they are more likely to use the cloud in 2014, and the firm-wide perspective is noticeably more dramatic. Responses indicate 72.4% of firms are more likely to use the cloud this year.
- Current usage rates of cloud-based tools show a dramatic increase over industry studies released earlier in 2013. Adoption among attorneys in smaller firms is approaching 40% levels ... almost 10 percentage points higher than previous surveys suggest.
- Survey findings depict a degree of inevitability to cloud approaches. Nearly 25% of the respondents believe employees are already using cloud tools without the law firm’s knowledge or approval, and another 30% are unsure about the situation which makes real usage figures higher.
- Mobility and freedom of access – chosen by 45.2% of attorneys – are the highest value benefits expected from cloud services. Disaster recovery and data backup capabilities were a close second to the access attribute, capturing 40.5% of the responses.
- The four biggest barriers to cloud adoption are all related to safeguarding data. Security and data confidentiality were the top item, followed by ethical concerns, and issues associated with data location and ownership. Although only 9.0% of respondents believe the cloud is unsafe and insecure, another 35.5% are “unsure” and 14.7% responded with a qualified “it depends.”
- Cloud-based approaches could surpass premise-based solutions within the next five years. A small percentage (15.4) believes the changeover will happen sooner, in the next three years; an additional 38.7% identifies the transition occurring in the 3-to-5 year span.



## About the Survey

LexisNexis Firm Manager® was interested in updating attorney perspectives about cloud-based technologies among smaller law firms (fewer than 20 attorneys). An online survey instrument used from December 5 to December 18, 2013, captured the opinions of 279 attorneys. Collectively, the group covered 44 states and the District of Columbia, and represented a reasonable cross-section of firm sizes and practice disciplines as noted below.

### Respondents by Law Firm Size

Attorneys in Firm	% of Total (279 responses)
1-2	44.4
3-5	33.3
6-10	17.2
11-20	5.0

### Primary Area of Practice

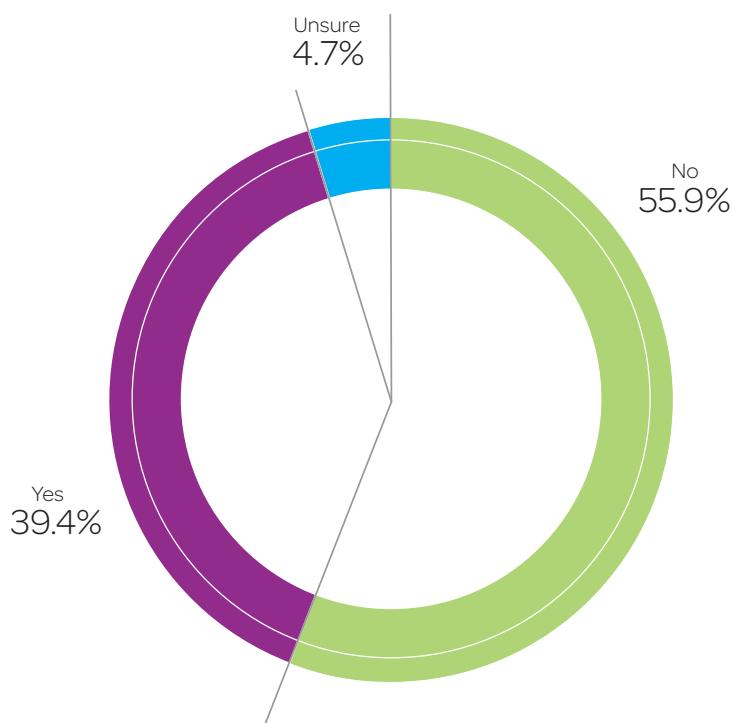
(If more than one, the dominant area was chosen)

Area	%	Area	%
General Practice	15.1	Litigation	15.1
Family Law	10.8	Real Estate Law	9.0
Other	7.2	Labor & Employment Law	6.5
Criminal Defense	6.1	Bankruptcy Law	5.4
Intellectual Property Law	5.0	Estate & Elder Law	3.9

## Current Usage: Lawyers are Finding Substance in the Cloud

Nearly 40% of respondents are already relying on cloud services today, which means the majority is not yet part of the user community. Nevertheless, when compared to earlier surveys, the user group is noticeably higher. In the 2013 ABA Tech Survey, users of cloud-based or SaaS software came in at only 31%, which in itself was a significant increase from earlier surveys. (N = 279)

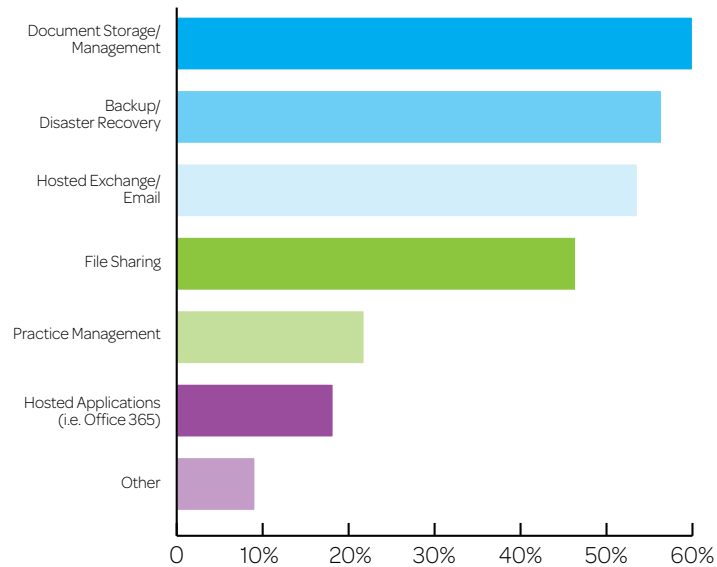
*Figure 1*  
**Are you using cloud services for legal-related work today?**



## Current Usage: Most Popular Capabilities

Among current users, applications related to data / document storage and backup were the most popular, topping the list at 60.0% and 56.4% respectively. Email services were a close third (53.6%); and, despite a lot of media attention, file sharing only earned a fourth place finish with 46.4%. (N = 110)

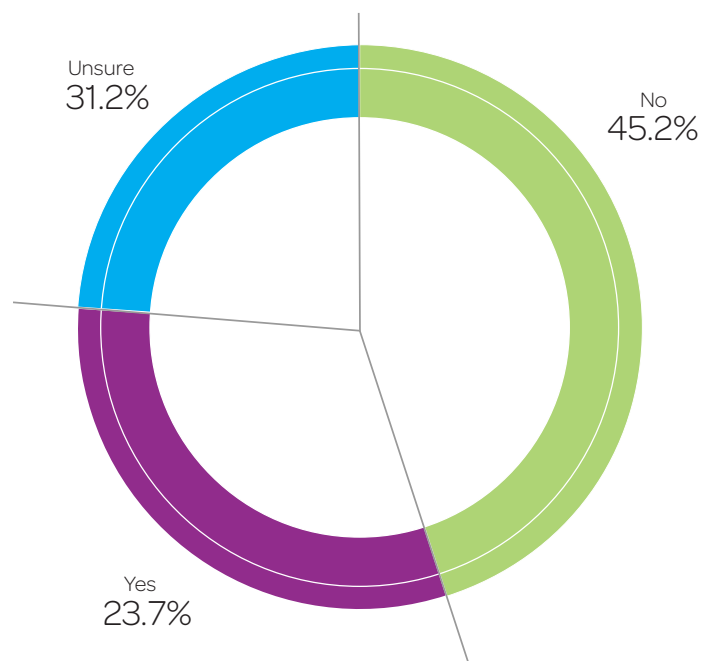
*Figure 2*  
**Which of the following  
services are you using in  
the cloud?**



## Current Usage: Risky Behavior

Nearly 25% of the attorney survey audience believes law firm employees are using the cloud without their firm's approval or awareness. Although usage can diminish employee acceptance and change issues, there are elements of risk with open, unmonitored access. What are employees doing with cloud services; who is reviewing the associated terms of service and privacy policies; are any behaviors compromising the firm's ethical standards or client confidentiality? Firm leadership would be well-served to get in front of employee demand for cloud-based services to set standards and enforce guiding policies. (N = 279)

*Figure 3*  
**Do you believe  
that law firm employees  
are currently using  
cloud-based services  
without the firm's  
knowledge or approval  
for work?**

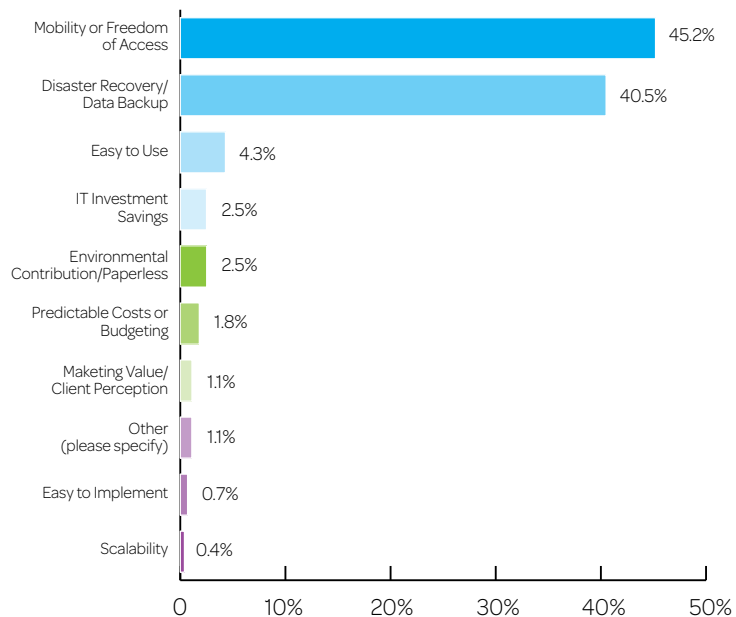


## Expected Benefits: Freedom of Access and Data Backup Hold the Highest Value

The mobility advantages of anytime/anywhere access to data and keeping that data safe via backup and recovery options are the dominant value propositions for cloud-based services today. The rest of the suggested benefits ranked much lower, some surprisingly so. As a category, ease of use was expected to be a bigger issue. It's possible the consumer influences of smart phones and tablets have made "simplicity" a commodity-attribute. As well, cost concerns seem to be a non-issue. Perhaps the legal community is already aware of the subscription model advantages that cloud approaches deliver. (N = 279)

*Figure 4*

**Which of the following  
do you believe is the  
single most valuable  
benefit of cloud services  
for the legal profession  
(select one)?**

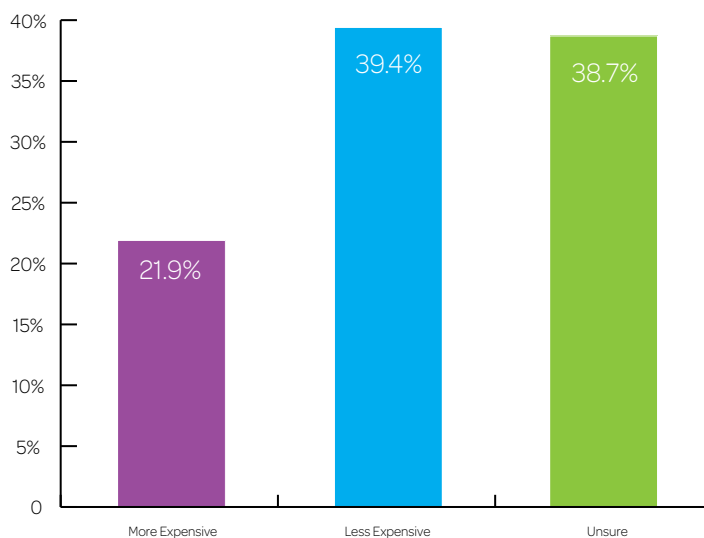


## The Hazy Picture of Cloud Computing Costs

With almost 40% of the survey audience being unsure whether cloud-based or premise-based solutions hold the cost advantage, it is likely that pricing structures and financial models need a little more time to penetrate the legal sector. Under different circumstances and conditions, all-inclusive cost comparisons can easily be misleading. However, smaller firms generally find an economic advantage in the hosted-services cloud model that curtails the cost and burden of infrastructure systems and IT support resources. (N = 279)

*Figure 5*

**Do you think cloud-based legal solutions are more or less expensive than premise-based legal solutions?**

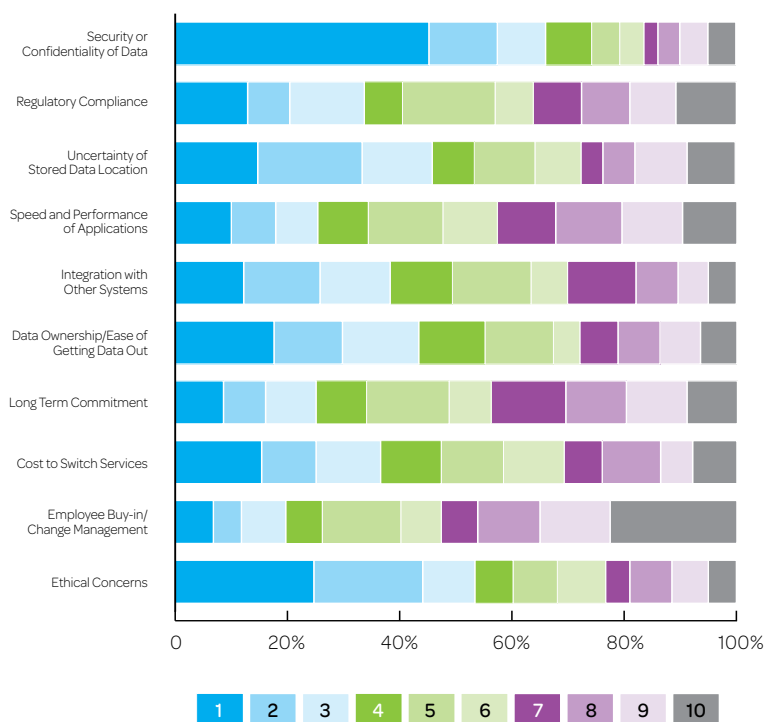


## Barriers to Adoption: Safeguarding Data ... in Every Way

In prioritizing cloud adoption barriers, attorneys at small law firms focused on data concerns in a variety of forms. Their top four responses surrounded the data topic with issues about security, confidentiality, location, ownership and associated ethical considerations. Such focus underscores the importance of carefully examining the terms of service for any cloud-based offering and selecting vendors with a track record of trust ... although the 2013 ABA Tech Survey noted only 44% of respondents reviewed a cloud provider's privacy policy. At the bottom of the adoption barrier list, as a relative non-issue, was Employee Buy-In / Change Management. Here, too, consumer experiences are likely impacting the business world; people are already familiar and comfortable with cloud solutions. (N = 279)

**Rank the following  
barriers to cloud adoption  
in the legal profession  
where #1 is the  
most significant and  
#10 is the least.**

Figure 6

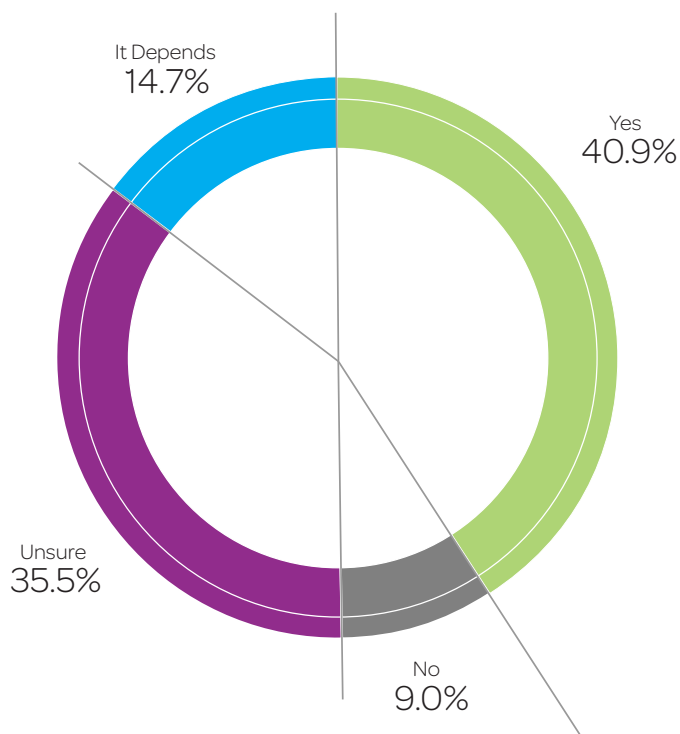


## A Matter of Trust: On the Fence about Security

Given the understandable and overriding interest in safeguarding data, the survey posed a more direct question. Only 9.0% of attorneys in small law firms believe the cloud is insecure, which contrasts with the almost 41% who believe it is safe. Roughly half the survey group fits between those two extremes in two groups who are unsure (35.5%) or reserve judgment with an “it depends” response. Perhaps the size of the in-between audience reflects the relatively recent arrival of cloud-based approaches in the legal industry. Attorneys may not be aware of industrial-strength security measures and redundancies offered by service providers that can surpass the efforts of even large law firms with full-time IT support on staff. (N = 279)

*Figure 7*

**Do you believe  
confidential data stored  
in cloud services can be  
safe and secure?**





## Cloud “Readiness” Approaches Critical Mass

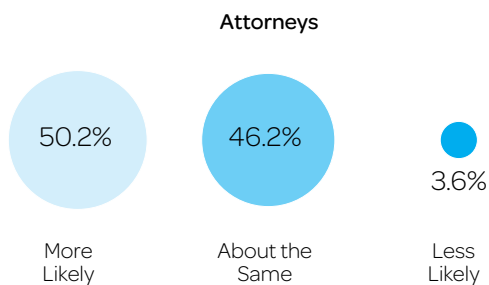
Despite reservations about security and other substantive issues, the legal industry is moving forward. A cloud-based future seems almost inevitable. Two survey questions explored the near-term adoption trends for both individual attorneys and law firms in general (N = 279):

1. Are you more or less likely to consider a cloud service for your law firm in 2014 than last year?
2. Do you believe law firms overall are more or less likely to consider a cloud service in 2014?

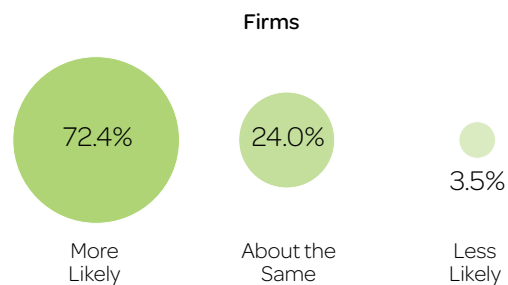
The perspective of individual attorneys has crossed over the halfway mark, with 50.2% indicating a greater likelihood of using cloud services in the new year. Only 3.6% stated they were less likely. In comparison, their opinions about law firm adoption of cloud services reflected a noteworthy 72.4% more likely total. This data point mirrors findings in other surveys. For example, the 2013 ILTA/InsideLegal Technology Purchasing Survey found that “70% of all respondents have either added cloud computing to their IT roadmap or are currently using or implementing a cloud solution.”

Figure 8

### Are you more or less likely to consider a cloud service for your law firm in 2014 than last year?



### Do you believe law firms overall are more or less likely to consider a cloud service in 2014?

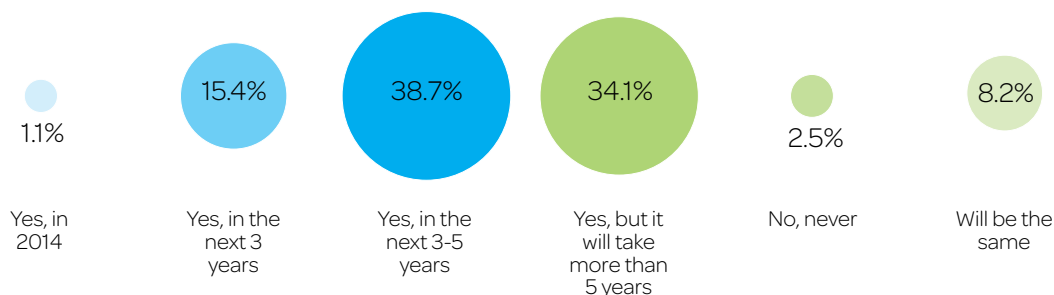


## Finding the Tipping Point in Cloud Forecasts

Based on a majority opinion of 54.1%, legal cloud tools could overtake premise-based solutions within five years. (The total reflects respondents who predict the crossover will happen within three years, 15.4%, combined with the 38.7% who put the transition in the 3-to-5 year timeline.) Another sizeable group, 34.1%, suggests it will take more than five years. Interestingly, a line graph depiction of the data delivers a shape is similar to Gartner, Inc.'s Hype Cycle interpretations, which visually forecast the evolution and maturity of new technology products. These latest survey results are comparable to those in a 2012 cloud study done by Legal IT Professionals which found, "57% predicting that it will overtake on-premise computing within five years and 81% within ten years." (N = 279)

Figure 9

### Do you think cloud-based products will surpass install-based (AKA: premise-based) solutions in the legal industry?





## Conclusion

Individual data points in this most recent survey suggest the prevalence of cloud technologies in consumer and general business environments has already preconditioned the legal industry for what is assumed to be an uneventful transition to cloud-based approaches. Even if attorneys and firms have yet to sample the technology, they're already aware of potential benefits. As well, that same familiarity has diminished human-factor concerns that typically occur when new technologies are introduced. In fact, user interests and expectations may be pulling law firms into cloud conversions sooner than some legal industry leaders might prefer.

If lingering concerns about data security and ethics can be overcome, the cloud business case and total cost of ownership become even more compelling. Legal professionals could gain the advantages found in flexible data access and storage, subscription model pricing (along with cost avoidance pluses on the operations and capital sides) and a number of business-focused mobility and smart device applications that make online exchanges of every type easier to do.

Whether the same advantages play with equal strength in the largest law firms is an issue that bears further examination. But in the smaller law firm space addressed in this survey, partly cloudy is already the current condition with a lot more in the near term forecasts. The legal industry seems primed to make cloud technology a routine part of everyday work and every practice, and adoption is set to soar in 2014.

## About LexisNexis Firm Manager

LexisNexis Firm Manager® is a cloud-based law firm practice management software solution designed from the ground up to help solo attorneys and small law firms. With newfound tools to easily manage clients, contacts, matters, billing and more, it enables lawyers to focus on the practice of law and become the attorneys they dreamed they could be. To learn more, visit [www.firmmanager.com](http://www.firmmanager.com).

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