



10 key factors to consider when migrating your Practice Management software to the Cloud

A comprehensive guide to factors and friction points



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FilePro Cloud

Your solution to cloud based innovation

Data is the lifeblood of your legal practice. Private client and matter details, sensitive client documents, templates and precedents that form part of your firm's IP and financials that allow you to run your business and plan for the future. These are a few examples that tend to reside in your practice management software.

We estimate that if your law firm has been in business for more than a year, this data would be worth at least \$100,000 – as an absolute minimum.

Would you consider depositing \$100,000 in a bank if you were not clear about how and when you could access those funds, or if someone else held the power in that decision?"

This may seem like an extreme hypothetical, but it's exactly what is taking place with some Cloud based Practice Management Systems (PMS) across Australia.



Adoption of cloud technology in the legal profession continues to grow at a rapid pace. This is evidenced by our clients' steady shift away from in-house IT infrastructure and demand for mobile-friendly tools. With the current fundamental shift to remote working, what can your law firm do to mitigate risk and maintain operational resilience or is the solution just simply moving to a cloud?

We, at FilePro, continue to invest and innovate in order to remain a leading legal practice management software provider. We understand the necessity for solutions that evolve to enhance our clients' work efficiency, systems security and productivity as the working environment changes.

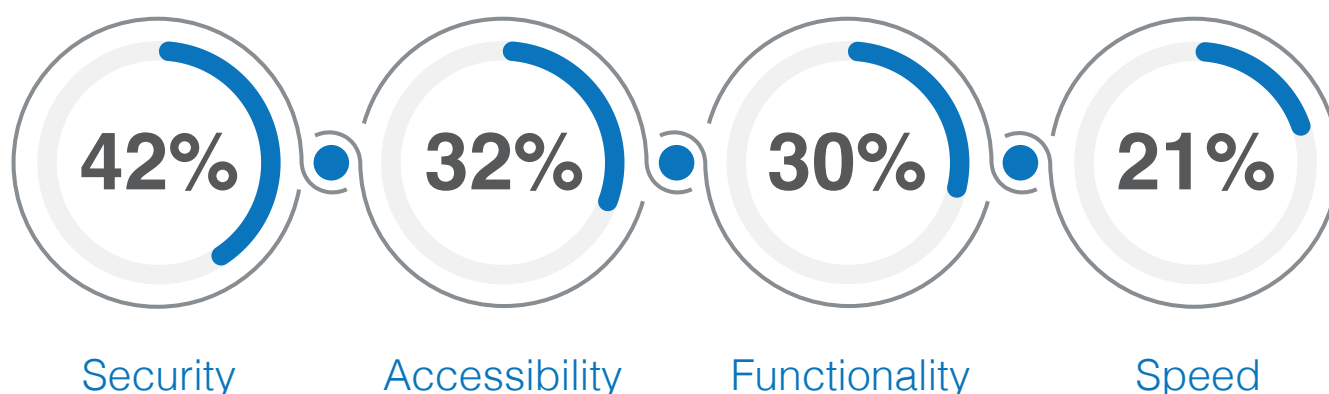
Migrating your practice management software to a cloud-based environment does however need to be carefully considered and, in addition to legislative and compliance investigation, there are some additional due diligence considerations that law firms should be exploring.

Given the rapidly changing nature of technology, even if you already use a cloud-based practice management software solution, the considerations in this document are worth reviewing to ensure you continue to access leading edge, holistic technology solutions.

What are the drivers of this trend to Cloud?

From evolving systems to new user expectations

People, processes and systems are the 3 key pillars of success that firms talk about. The fierce competition for talent within the legal sector, highlights the value of an efficient practice management system with automated processes, to deliver greater staff satisfaction and therefore retention of quality staff.



There is continuous pressure from staff to implement solutions that enhance their remote working experience and productivity, specifically being able to use all the tools they are familiar with. A recent report showed that the new working norm will be almost 60% of staff working from home two or more days a week, so pressure to access new technology will not abate.

The need to work remotely has also sharpened the risk of being hacked and files held to ransom. In particular, there is a growing interest and understanding of private hosted cloud environments to deliver accessibility benefits of the Cloud whilst mitigating the risks of malware attacks via third party software that your team may access in remote locations. Specifically, housing all software in a private cloud, fully protected environment means there are fewer moving parts and fewer parties involved in your firm's systems management.

Similarly, and not surprisingly, client expectations have changed over the same period as our behaviours and means of interaction evolved. Therefore, we expect technology to adapt to our new working environment. It is no wonder that a

report from Gartner in 2021 forecasted that the spending on Cloud based technology will grow by 23% in 2022 and most likely maintain that trajectory in subsequent years.

What should your firm's due diligence process include?

A cloud-based solution is a very obvious choice for firms to address all of the above "pressures" or expectations, but understanding all the various risks and rewards associated with such a model is crucial for firms. Within this paper, we have addressed some of the most critical items and we encourage all firms to thoroughly review this with their partners before or during their due diligence process.

Don't let the 'techy' nature of some of these factors get overlooked during your due diligence process. Read on as we demystify and clarify them and their importance.

1. Security

Secured data is the best peace of mind for your business

It's no surprise that Security makes the top of this list for many firms. According to multiple reports, ransomware is the “single biggest threat” from the organised crime world today. Simply put, the cost, time, brand impact and hassle of recovering from such an attack can be devastating.

Apart from just ransomware though, there are some other key factors firms should be assessing as part of an overall data protection strategy and/or question their practice management cloud provider on how they address these key factors:

Factor Authentication (2FA)

- Passwords alone are not enough to protect your data from an attack. Multi-factor authentication should be standard for all business applications. This is the single most effective way to prevent many of the methods hackers use. 2FA has become a standard in deployments and therefore this should be a minimum expectation today.
- There are also a lot of insurance firms that won't offer cyber insurance unless 2 Factor Authentication has been deployed within the firm, so it really is a non-negotiable for cloud-based practice management software providers to provide this as part of their cloud offering



Penetration testing security analysis

- Evaluate your current security footprint with an annual risk assessment. There is also the option of penetration testing (controlled hacking), which can help identify network vulnerabilities.
- It is also valuable to understand how this is being addressed by cloud providers. Even though it is the responsibility of cloud providers to ensure this is being completed regularly, law firms should have a comprehensive overview of that to ensure they can provide their clients with the reassurance that their data is being protected.

Physical Data Storage

- Most law firms have a significant number of mobile staff distributed at various locations these days. So, not having any data stored on their local devices is a significant benefit offered by cloud technology. However, the following questions should be directed to your practice management cloud provider to ensure there are written contingency processes in place for risks such as:
 - What levels of physical security does your provider currently have in place to protect your data?
 - Who has access to your data and what vetting process is in place for those staff?
 - Where is the data physically located

Latest solutions, patched - No legacy, unsupported software or hardware

- When engaging with a Cloud provider that is completely managing your practice management software and all your data for your legal matters, it's essential to understand their process on how they ensure updates, patches, monitoring and upgrades to their latest versions etc. are completed on a regular basis.
- Ensure all your software is up to date at all times, not just your practice management system e.g. Microsoft Outlook. Does this Cloud provider enable automatic updates on software that offers it and checks for updates on software that it does not? Do they upgrade any software that is nearing end-of-life status and how compatible are they with various versions on the market? How do they manage this as part of their offer to you and how is progress (if at all) reported to you?



2. Data Ownership

Control where your data is stored and how

This is the most important consideration for law firms when migrating to a cloud based legal practice management software solution. Yet many firms have migrated without fully understanding their actual rights of ownership. Data has become a primary currency for cloud providers and knowing how yours (and more specifically your clients' information) is managed and protected covers a number of topics. In particular:

Data Sovereignty

- Data sovereignty is the concept that information which has been converted and stored in digital form is subject to the laws of the country in which it is located.
The concern is that when Australian data is stored overseas, it is subject to international laws that are less stringent (or potentially more) than the laws at home that safeguard individual and corporate privacy. The legal obligations under Australian privacy laws and the Australian Privacy Principles (APP) cover the disclosure of personal data across borders, data security and confidentiality. This means that it applies to situations where you are handing over personal data to businesses overseas.
- With that in mind, there are questions you should ask when making the final decision around where your data should be kept and whether it is Australian based – or not!

But where is my data being stored, again?

- The Office of the Australian Information Commissioner (OAIC) is consistently reviewing privacy protection policies and enforcing stricter regulations on organisations that are storing sensitive personal information, especially those relating to medical details. When you consider your obligations and the fact that the responsibility and accountability ultimately lie with you as the Law Firm, you can probe a little further into a few key questions. It is essential you know where your data is being stored. Our recommendation is to ask for some written, documented proof, as well as ensuring it is included within your Service Level Agreement.

Access to your own data and migrations considerations

- With more and more providers offering cloud-based practice management software options, law firms need to request full transparency from providers to understand the potential implications when looking to access their raw data or to migrate their data to another provider in the future.
- Our suggestion is to ensure that you obtain some confirmation in writing on how these processes will be managed and any potential costs, such as:
 - Should the provider become insolvent, what is the process to access your data?
 - Should you leave your provider, can you get your data back without financial penalty (in the form of data migration costs) and in a timely basis? Do not be fobbed off with the response, "it is your problem to get your data out" because it is not. They cannot deny you the necessary authority to access your own property.
 - Are you able to access your raw data and interrogate it should you wish to run some BI (Business Intelligence) tools or reports on it without incurring exorbitant costs?

Insurance and data breaches

- By now, most organisations would have heard about Cyber Insurance and the benefits it provides firms in this digital age. Given the rapid growth of mutations in cyber-attacks, no technology solution is 100% guaranteed. Which is why insurance is becoming a crucial aspect to provide additional assurance to law firms. Apart from the general cybercrime insurance, you can also include Privacy Breach and Expense Cover to that policy. This is an additional level of security should your data be breached or accessed from another country. Most reputable insurance providers will include that as a standard cover on the policy, but it is essential to specify that with your broker.

Business continuity, backups and retention policies

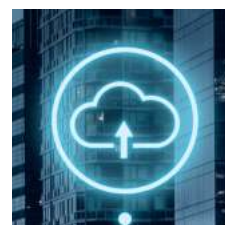
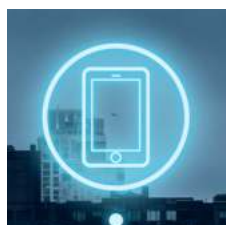
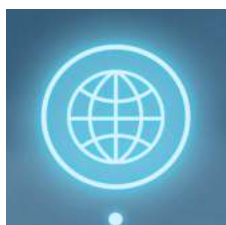
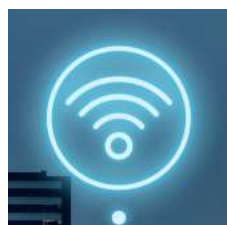
- Most reputable organisations will have their own business continuity strategy to ensure they can provide continuous service, e.g., as a practice management cloud provider. You need to understand this and determine whether this is consistent within the same state, nation or off-shore and meet the relevant governing body requirements such as LPB, Law Societies etc.
- At the end of the day, no method is 100% guaranteed to prevent a data loss event. Therefore, protecting data really comes down to how it is backed up – more frequent backups, longer backup histories, ensuring all backed-up data is kept separate from production data and understanding where those backup solutions are located.



3. Reliability

Availability and accessibility

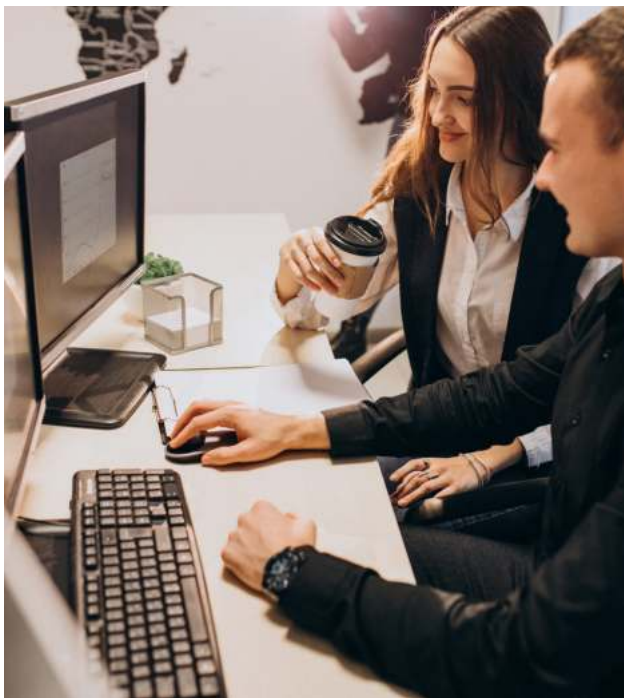
In a recent survey conducted with our clients, “Reliability” was an important theme among the feedback from law firms when considering a cloud solution. Reliability is considered as a standard deliverable. However, firms need to ensure they understand the fine print on the guarantees being offered. Without any doubt, firms need cloud reliability to ensure their products (applications) and services work as expected without causing inefficiencies for their staff or clients. However, here is a more comprehensive view of ‘reliability’:





High Availability

- Cloud reliability relates to cloud availability. High availability is the ultimate goal of moving to a cloud-based practice management software solution. The idea is to make your services and applications available to your clients and staff at anytime from anywhere on any device. Law firms should expect this as a basic offering for any cloud solution and gather information on what guarantees are being provided and if there are any financial penalties associated with those guarantees, such as:
 - 99.9% uptime guarantee
This is the minimum expectation that should be offered by the provider these days. So, we encourage law firms to request details on a provider's cloud performance such as historical details on the operational status of the system over a period of time.



Scalability

- Cloud scalability refers to how well your system can react and adapt to changing demands. As your company grows, you want to be able to seamlessly add resources without losing quality of service or interruptions. As demand on your resources decreases, you want to be able to quickly and efficiently downscale your system so you don't continue to pay for resources you don't need. Therefore, law firms need to understand how well providers are able to add and remove resources, on demand.
- With that in mind, even if the provider can demonstrate the scalability, law firms need to understand at what cost that will be provided or whether they truly are provided with unlimited resources ie:
 - Cost for data storage
 - Cost for increasing resources
 - Cost for increasing staff or part-time staff
 - Minimum commitments and terms

State of the art enterprise environment

- Cloud computing is scalable (don't accept any other response) because cloud service providers have the necessary hardware and software in place and expected to be an enterprise environment.
- Implementing a cloud strategy has many benefits such as convenience, flexibility and speed, fault-tolerant and time-saving. However, understanding where this cloud-based solution is "housed" will provide law firms with a better understanding on how reliable the solution is and also give an indication on whether it truly is an enterprise performance-based solution. If not, ask the question.

4. Intuitive and efficient

Remove friction points and optimise your productivity

Over the years, Practice Management Software developers have significantly improved the user experience. These days, systems are a lot more intuitive, provide easier access to crucial documents or templates, streamlined time recording and overall simplified navigation. Another key area of improvement has been workflow or automation that reduces the amount of multiple manual entries and risk of error.

Therefore, retaining the efficiency and intuitiveness of your PMS in a cloud-based version is a mandatory consideration when looking to migrate to the cloud. Ensure you will either gain those value adds or maintain it, if currently already part of your system.

Functionality

- Full cloud or SaaS solutions are still very much in its infancy stage within the Legal Sector, especially in Australia. With only a handful of solutions on the market, it does limit the options for law firms and therefore their value proposition needs to be carefully considered.
- Considering the comprehensiveness of the Cloud offering from certain practice management software providers, you might have to sacrifice certain functionality or automation when migrating to a cloud-based solution. Conversely, you might be gaining functionality in other areas, over and above mobility and remote capability. So it's important to understand the functionality pros and cons, for each team in your law firm.
- Law firms need to be very cautious about migrating to a cloud-based system just because it is "cloud" and need to truly understand why they are making the shift and what they wish to gain by making that shift:
 - Would the firm gain or lose functionality?
 - Can the current functionality at least be maintained in the cloud environment? What are the non-negotiables for each of your teams?
 - Are you able to customise the solution as much you wish?

Hardware agnostic

- Having a cloud-based solution should provide efficiency that allows you to use it at any time, from anywhere on any device. Too often we see providers promoting their software solutions as cloud, but then the caveat is that it only works on certain devices or you need to install a 'shortcut' on the laptop to access their cloud. Your firm should not be restricted by this when utilising a true cloud-based solution. It should be hardware agnostic. Law firms need to ensure the solution being offered is truly fully cloud based to allow access from any device at any time, without compromising on the full functionality.

Hardware agnostic

- Our cloud survey also noted that 'Ease of Use' is an important consideration by the majority of respondents when evaluating a cloud based solution. . Ease of use also needs to be considered in the migration process to the Cloud. Yet not all providers offer a streamlined migration or implementation path.
- Law firms should carefully consider both the ongoing use of the system as well as the migration pathway to implement the Cloud solutions – Don't just buy with your eyes

Speed/Efficiency

- It is one aspect to have the cloud environment reliable and available, but a completely different matter when experiencing performance issues when actually using the application. The true responsiveness from the system might be completely unrelated to the platform or your internet connection and in fact be a limitation on the application itself. Consider these factors when investigating a cloud based solution as you might sacrifice the efficiency you gain from a cloud option due to the lack of speed of the application.

5. Service

Get the support you need at a moment's notice

Picking the right software with the correct functionality isn't the only consideration when upgrading your practice management software. It requires more than just "fancy looking" software and needs to be a full-service offering from the provider that gives you true flexibility and responsive ongoing support. The 'after sales' service offered is another aspect worth understanding prior to committing.

In a perfect world, the system would be 100% reliable, but that is probably not an attainable goal. In the real world, things will go wrong and for Law Firms, that normally happens at the most crucial time. Asking some very basic questions and doing research on whether this can actually be provided will give firms a true understanding on the overall package being offered by the provider:

- What is the location and Time Zones for the support teams?
- Do you have human contact or email and chatbots only?
- Do they operate a call center, environment or true helpdesk with experienced Engineers
- What SLA's are being provided with the support and are there any guarantees associated
- Can you speak to one of their existing clients of a similar size to your firm?



6. Financial

Understand what your fees do for you

The average IT spend for Professional Service firms, according to Gartner, is 5 – 6% of their annual revenue. The important thing to note however is how they are spending it, not necessarily how much. With so much uncertainty globally, cost and cost commitment will remain a high priority for law firms. That is certainly one area where a monthly subscription cloud-based model can be very beneficial for law firms. There are however some key areas firms should be assessing as part of that shift, rather than just considering monthly based billing.



Cost of migration (Entry and Exit)

- Even though this sounds like an obvious question and most providers provide some insight on the initial setup or migration cost, the crucial item that is consistently overlooked is the “exiting” migration fee. These days it will be common practice for setup and migration fees to be incorporated within the monthly subscription model (unless some bespoke setup is required). So, firms are generally of an opinion that a similar type of approach will be applied when they migrate their data to another provider. Unfortunately, that is not the case. Currently, some providers can charge firms a substantial fee to exit, in reality a means to retain the business.
- Apart from the exorbitant exit fee charged, there is also a need to understand the other costs of exit. Specifically, in what form will the data be received in and will it need to be reconfigured or manipulated (without sacrificing some metadata) to be compatible with the new cloud based practice management software?

Scalability

- We briefly addressed the scalability of the cloud solution and how easily the system can adapt to volume/usage demands. The key consideration here is at what cost though? How will scaling up or down affect the law firm's financial commitment and how can your forecast that for annual budget purposes?
- When engaging with a cloud practice management software provider, it is important to understand the potential future costs of the system, rather than just being “sold” a low entry level cost for an initial period. What will be the cost of any small change in future requirements?



Subscription based OPEX

- There is no doubt that a huge advantage of the cloud over inhouse servers is the benefit of turning a Capital Expense into an Operational Expense (OPEX). Some firms might have a preference to incurring a capital expense and make the most of some tax benefits, however, the general consensus is that having it as an OPEX is much more favorable from a cashflow perspective.

7. Choice & Flexibility

Pay only for the features you need and use

We alluded previously (in the financial aspects of the cloud model) that Cloud subscription models can be beneficial to turn your capital costs into a monthly operational cost. That being said, some of the advantage will be lost if firms don't have a truly flexible and non contract-based commitment with the provider.

Lock in Contracts

- A majority of cloud offerings in the market are actually providing you with the option to engage on a month-to-month subscription-based model, rather than having to commit to 12 or 36 month terms. This is one of the key advantages of using a true cloud-based model as it does provide you genuine flexibility by not having to commit long-term.
- With this becoming more of a standard practice, Law Firms should be discussing this with their providers and explore the options on how they can truly take advantage of such a benefit.
- On the other side of the coin, should a month-to-month subscription option not be offered by a provider, a firm should then assess what the potential cost for a "second contract term" might be. Taking into consideration some of the previous points highlighted such as exorbitant exit fees, Law Firms might not have much of a choice but to continue with another contract term. So, it's essential to ensure that potential contract extension terms are included with the initial engagement.

Bespoke Requirements

- Unfortunately, one of the disadvantages of a SaaS solution is that it is not bespoke for your firm. There is a significant difference between "customise" and "bespoke". Creating a central application (think Xero, google docs etc.) that is designed to be used by multiple organisations, doesn't allow for the same flexibility as bespoke designs for each individual firm. This is due to the fact that changing specific functionality for one firm will affect all firms, so you are restricted from making specific changes that cater for the unique requirements of your practice.
- Therefore, when considering a cloud-based solution it's important to understand what level of customisation can be completed within that environment to ensure it meets with all your requirements as a firm. The best in the market actually provides the best of both worlds. With a Hybrid Cloud model firms are able to use both a "desktop" application and cloud-based application and have more bespoke solutions on the desktop version. We discuss this later within this document under Hybrid Cloud models.

Alternative Deployments

- All too often we hear from Law Firms that they only have one option from their provider when looking to implement a cloud-based solution and with lock-in contract terms so they are resistant to make the valuable change and understandably so. This however should not be a deterrent and if those specific providers are not able to be flexible, Law Firms should continue to explore alternative options to engage with an organisation that is client focused and with positive and genuine corporate values such as:
 - Not forcing timeframes on clients
 - Not pushing their own agenda or specific self-fulfilling solutions
 - Providing true flexibility with various subscription options



8. Hybrid Cloud considerations

Hybrid is a client using some cloud solutions with some onsite server solutions

The use of “complete or majority on-premise” solution continues to reduce significantly and more and more Law firms are choosing either a Hybrid or fully cloud approach. Yet, there is still a large percentage of firms that are risk adverse and feel that the cloud will only increase their risk profile and most likely don't see advantages from a cloud-based product. For those firms, the initial hybrid model is a very easy and safe transition to explore some cloud solutions first and feel comfortable with, before transition further. It's important to remember or consider:

- Some applications are fully cloud and others completely the opposite
- Enquire how to integrate those solutions or provide the best of both
- What to do if those providers don't offer that



The initial migration to the cloud is far more simplistic and cost effective than firms will initially consider and engaging in a Hybrid Model still allows firms to use the feature rich practice management software features they are familiar with. Cloud based practice management software providers are providing this by deploying the traditional application within Virtual Apps and Desktop environment for staff, instantly creating a purely-cloud based organisation.

This provides firms with a more secure and robust solution, whilst enhancing the end user/staff experience, especially when comparing that being delivered through a traditional VPN solution.

With that all being said, we see that the current market is now progressing from that Hybrid Cloud model to a full cloud-based model with the combination of Virtual Apps and Desktops which provide clients with the best of both worlds. This cloud model, where all applications are within a cloud environment, but a combination of full SaaS and hosted applications provides a law firm with the feature rich “desktop” application. We should see this model continue for a few more years whilst providers are refining the full cloud product suite and more competitors are offering a similar feature rich SaaS solution.

9. Client Facing Considerations

Ensure easy to use interfaces and satisfied clients

In our experience, very few firms consider looking at technology from a client facing perspective and whether those solutions will actually make it easier for clients to interact with them. Ultimately, software is a tool being used to deliver the best possible service and outcome for your client. During the cloud journey discussion, it will be valuable for Law Firms to investigate that further and gain some understanding on what a firm's clients would like to see and how this cloud solution will possibly assist with that. Some basic discussion points might include:

- How does the solution provide a better service to your clients?
- Can it increase efficiency and productivity for both staff and clients?
- Does this increase your security risk exposures?

Can you implement self service solutions? A great example of this will be a step-by-step questionnaire that a client can complete at their convenience to provide a majority of the information needed for their matter. This means that law firm clients will avoid standard legal fees for administrative work while having a more constructive first meeting with their lawyer.



10. Known and Trusted

Social proof both inside and out

This final consideration is most likely a very obvious agenda item when Law Firms are considering a cloud-based practice management software solution. Truly understanding the ethos of the brand and their reputation within the sector is an important factor worth stating here. Fundamentally, engaging with a known and trusted brand adds significant comfort to the engagement.

Each organisation will have their own quality assurance checks and prioritisation of the value of different aspects of an engagement, but there are few core items that need to be addressed as a minimum, such as:

- What is their knowledge and expertise in legal sector?
- Are they 100% focused on legal technology?
- Do you know if the Directors and team share the same values, aspirations and objectives?
- Is it truly a Client Centric organisation?
- Are they continuously developing and improving their product for the benefit of your firm and the profession in general?