

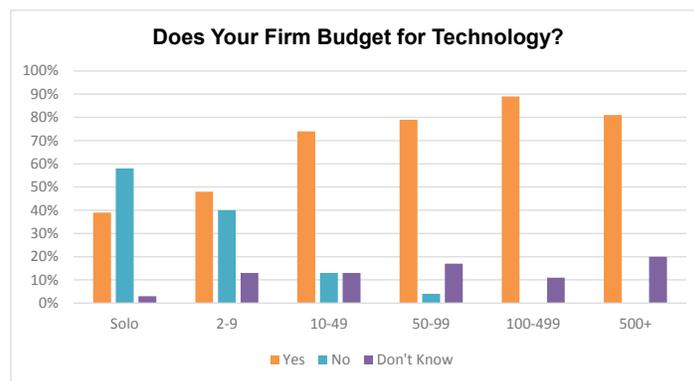
BUDGETING & PLANNING

BY CATHERINE SANDERS REACH

Each year, the American Bar Association's Legal Technology Resource Center conducts the *ABA Legal Technology Survey Report*: a survey of ABA members to find out how lawyers are using technology in the practice nationwide. The survey is published in five volumes: "Technology Basics and Security," "Law Office Technology," "Litigation Technology and eDiscovery," "Web and Communication Technology," "Online Research," and "Mobile Lawyers." The published results represent one of the most comprehensive technology surveys of lawyers available. The survey is particularly adept at capturing responses from the solo and small firm demographic, the largest segment of the legal marketplace. In the "Technology Basics and Security" volume, which covers technology planning and budgeting, 28% of the respondents are in solo practice or in firms with 2-9 attorneys. In this overview of law firm budgeting and planning for technology, we will see where the solo and small firms differ from the average or where they don't.

Failing to Plan is Planning to Fail

Respondents to the *2017 Survey* were asked if their firms budget for technology. Overall the numbers look good, with 60% responding in the affirmative. However, looking at responses from small firms shows this is an area that needs to be addressed and improved. 58% of solos responded that they did *not* budget for technology, 40% of firms with 2-9 attorney did *not* budget for technology, and 13% didn't know.



Budgeting for technology is one of the more straightforward aspects of the budgeting process since pricing for hardware, software, and web-based service/applications is readily available for small businesses. A three year technology budget will help ensure a commitment to keeping hardware and software updated and maintained, and will also help to view the cost comparison of SaaS products (per user per month) versus total cost of installed software (license, maintenance and support, upgrades, IT support). Do not be tempted to have a single line in the firm budget for software and another for hardware/equipment. Break out the cost in line items for specific hardware and software/applications. You want to be able to measure the ROI (return on investment), and first you need to see what you are considering spending, what you are actually spending, and then re-adjust as necessary.

While the *2017 Survey* doesn't explore what is specifically included in a technology budget, other indicators should guide firms on expanding their tech budget to include an investment in training on technology, not just budgeting for technology purchases. Over 60% of respondents indicated that they are required to stay abreast of the benefits and risks of technology under their rules of professional conduct. 49% of solo respondents maintained that there was no technology training available at their firm, as did 35% of firms with 2-9 respondents. This is not due to a lack of available options, but they need to be sought out and, in some cases, paid for.

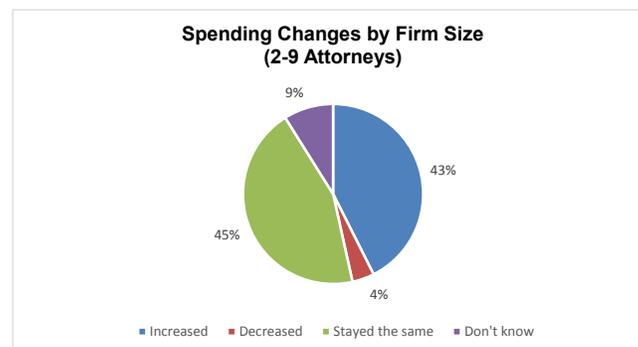
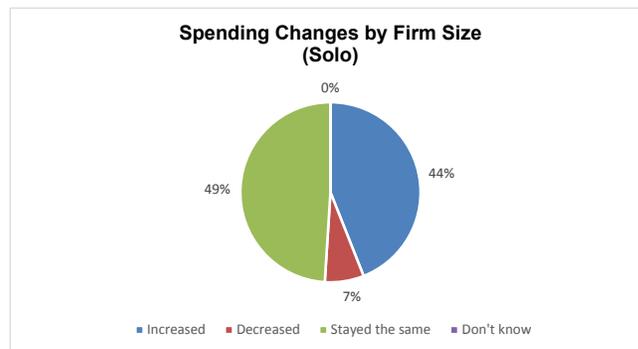
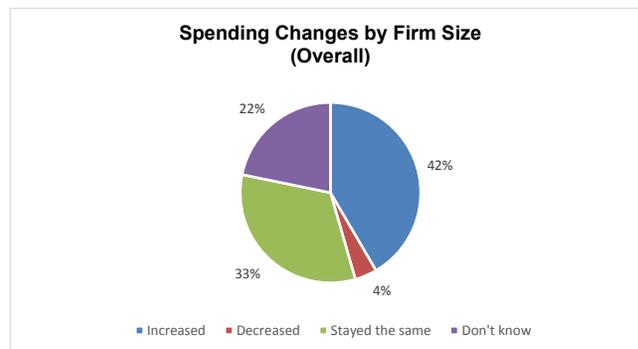


In many solo and small firms, computer-related problems are most often solved by outside tech support (61% and 77% respectively). Other questions in the *2017 Survey* about tech support indicate that in solo and small firm environments this function is most often outsourced from a staffing perspective. The budget needs to reflect IT support costs so that an IT emergency doesn't become a budget crisis as well. One should budget for proactive system performance and maintenance to

see a reduction in “emergency” costs.

More or Less (the Same)

When comparing technology budgets from the previous year to this year, overall firms’ budgets increased (42%) or stayed the same (33%). In smaller firms, however, those who did assert that they budgeted for technology responded that 49% of solo budgets stayed the same and 44% of firms with 2-9 attorneys maintained the status quo in their budgets. Considering that the cost of software, hardware, services, and support inevitably goes up every year, firms that budget the same for technology year over year need to be prepared to see unexpected expenses.



Purchasing Decisions

In solo practices, the sole practitioner generally approves technology purchasing decisions, at an unsurprising 98%. In firms with 2-9 attorneys, all partners are most likely to approve purchasing decisions (42%), although 31% of the respondents asserted that the managing partner approved purchasing decisions. These decision makers were consistent for most firm sizes, though firms with 100-499 attorneys also had technology committees (20%) and C-level executives (20%) in on the approval process. Firms with 500+ attorneys equally charged an executive committee or C-level executives with purchasing decisions, at 29% each.

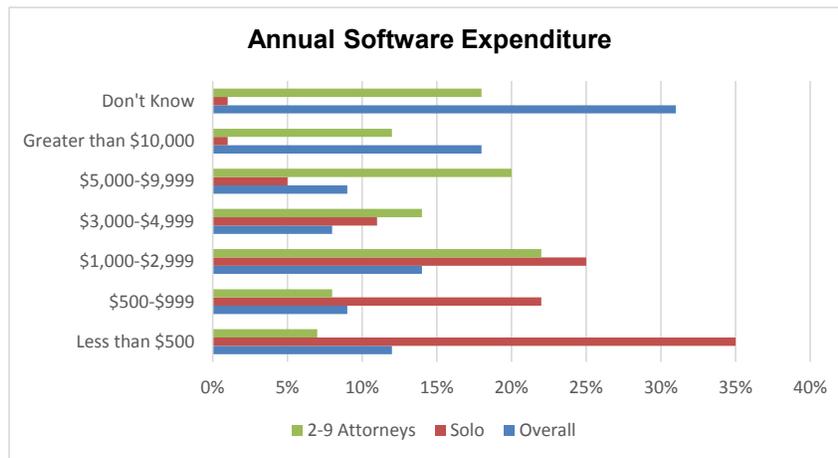
The question may not be *who* makes the decision to approve a technology purchase, but rather *how* that decision is arrived upon. In firms from small to large, new technology is purchased, but the process often does not engender adoption or usage by the firm. There are steps to take to help ensure that firms make smart choices and bring in new technology in a way that sees maximum potential use and adoption.

First, if you build/buy it, will they come? Firms need to create a technology team that includes not only the tech fans but the tech skeptics as well. The team should include all voices and users in the firms—the associates, partners, support staff, and outsourced staff—even if they won't necessarily be using the technology. If the technology will be rolled out firm-wide and replace an existing system or process, then plan for change management. What is change management? It is the processes, tools, and techniques to manage the people side of implementing new technology. Here is an abbreviated checklist for successful law firm technology purchasing and implementation:

1. Conduct an assessment of the firm, its users, and their needs. The most important question to ask is: "What problem(s) are we trying to solve?"
2. Research the available technology, including talking to referrals, reading reviews, and thinking outside the box for ways to meet the firm's needs.
3. Try it out—get a demonstration with the vendor and once the list has been whittled down sufficiently, get a trial. Make sure to budget the time to really use the software/technology during the trial period and include all potential users.
4. Evaluate it by comparing your list of absolute necessities with the features the software offers.
5. Determine the TCO (Total Cost of Ownership), including licenses, maintenance, migration, support, training, etc.
6. Buy it! But, you aren't finished yet...
7. Implement it, including a roll-out strategy, training, and commitment to using the new product.

Spending Habits

Respondents were asked to identify a monetary range of how much the firm spends on software to manage the practice (e.g., practice management, document management, time and billing, etc.). Solo practitioners were most likely to spend: less than \$500 a year (35%), \$1,000-\$2,999 (25%), or \$500-999 (22%). Firms with 2-9 attorneys were most likely to spend \$1,000-\$2,999 (22%), although 18% chose “Don’t know.” The larger the firm, the more likely the respondent marked the answer “Don’t know.”



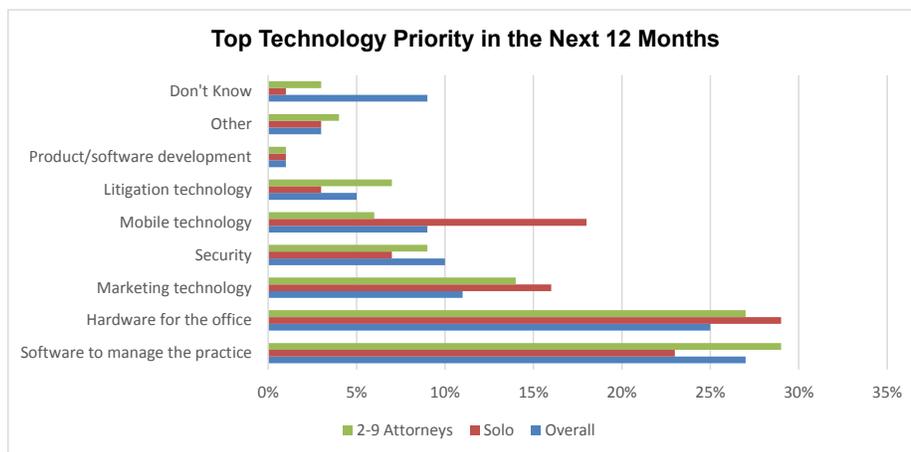
Respondents were asked to identify a range of annual expenditures for hardware (computers, tablets, printers, etc.). Solo practitioners were most likely (34%) to spend \$500-\$999 or \$1,000-\$2,999 (31%) on hardware. Firms with 2-9 attorneys reported spending \$1,000-\$2,999 (26%) on hardware, followed by \$3,000-\$4,999 and \$5,000-\$9,999 (20% each).

What seems a little odd in these results is that firms seem to be spending slightly more on hardware than software. In the past, purchasing cycles included a firm purchasing a license for software and paying a small annual maintenance/support fee so the annualized spend was fairly low. Hardware such as laptops/desktops/tablets was also a cyclical purchase, so annualized spend might have made it slightly higher than software, though not necessarily by much.

However, since the advent of almost all of the common licensed software either being replaced by cloud products, (priced per user/per month or per year pricing) or moving to a monthly fee, it would seem that firms would spend slightly more annually on software to run their practice than hardware. As firms begin to migrate to more cloud practice management will these expenses change significantly?

Get Your Priorities Straight

When asked, “What is your firm’s top technology spending priority over the next 12 months?” the difference between the wish list of solos varied greatly from other firms. Overall, “software to manage the practice” and “hardware for the office” were the top two (27% and 25%) priorities. However, when looking at the firm size demographics, solo practitioners are prioritizing mobile technology higher than the average (18% versus 9%). Solo practitioners are also prioritizing security slightly lower than the average (7% versus 10%), and well below firms with 100-499 attorneys (7% versus 20%). Solos also prioritized hardware much higher than their large firm counterparts (29% versus 14%).



Security didn’t make it to the top three priorities on average, and was a lower priority or on par with marketing technology. In solo practices prioritization of marketing technology was twice that of security. Solo practitioners and smaller firms represent clients with sensitive information, and should be prioritizing security—possibly not so much the spending as the investment in awareness, keeping hardware and software patched and updated, and deploying best practices such as password managers and two-factor authentication.

Conclusion

According to the budgeting and planning results from the “Technology Basics and Security” volume of the *2017 ABA Legal Technology Survey Report*, firms are either holding steady or slightly increasing spending on mission critical software and essential hardware. Budgeting for technology will help them know where to spend their money wisely, if they can also measure usage and track what is working—

and what isn't—over time. Plan well, spend wisely, and prioritize accordingly; technology is and will remain an essential part of running a law firm.

About the Author



Catherine Sanders Reach is director of the Law Practice Management and Technology for the Chicago Bar Association. She was the Director at the American Bar Association's Legal Technology Resource Center for over ten years. She served on the ABA TECHSHOW Board from 2007-2009 and 2014-2016, and is editorial advisory board emeritus for *Law Technology News*.

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