

## **How to Buy – Hosted IT**

I was recently invited to give a series of presentations on Why and How to Buy Hosted IT.

I am normally opinionated but this time I also sought the opinion of others: Three law firms with 12 sites between them who have gone hosted in the last 15 months; two PMS/CMS vendors who have a growing number of hosted law firms in their portfolio (SOS and DPS); three hosting companies with track records in legal, each with a slightly differing business model (e-know.net, Onyx and Smart Legal); and JMW partner, Chris Moss – yes, him of Bank of Dave fame who has negotiated contracts with hosted IT and telecoms companies on behalf of other law firms

So here is the checklist

### **Top Reasons – Why hosted IT**

- Optimise BC/DR/Risk
  - Needed for compliance e.g Lexcel and for panel participation and dealing with commercial clients – it's common sense.
  - Remember backup is not business continuity or disaster recovery because of potential issues around recovery.
  
- Data security
  - Physically data is much more secure in a data centre as there is no casual access to servers
  - Data centres have massive investments in anti virus and anti spam systems

- One-stop shop
  - The right hosting supplier can provide a one-stop shop for support. Their help desks interfacing with, for example, software suppliers and managing the SLAs
  
- Staffing challenges
  - To provide internal IT resource with all the necessary skills to support the modern IT environment so essential to today's law firms is not easy – numbers, skills compounded by leavers and sickness.
  
- Reduce management time
  - Removes a major worry for partners
  
- Scalability
  - It is simple to add resources and as simple to reduce the needs
  - Costs are per user per month with no surprises
  
- SaaS pricing
  - No capital is required
  - Pricing per user per month
  - Includes upgrades with Microsoft versions as and when the firm is ready
  
- Focus on added value
  - Roles of remaining IT staff are enriched with the ability to focus on added value
  - Workflows for efficiency and service, management information, client experience

- Cost reduction
  - It's green – saving on powering up servers and powering up air conditioning
  - Frees up space for a fee earner or two
  - Great time to review communication costs and telephony/data estate. Most firms are currently paying way above current market rates for communications, as well as paying for lines and services that are no longer required
  - Servers – the firm doesn't have any
  - Extends the life of desktop PCs because of thin client (usually Citrix) technology
  - Salaries where staff are reduced, recruitment fees, space and training

### **Strengths Required From Vendors**

- Experience and track record
  - Track record with legal applications. This aids help desk activity and interface with vendors
  - Able to handle other products that may be added from time to time such as Payroll, CRM, HR Software or Digital Dictation
- Strong financials
  - Steady growth
  - Recurring revenue base is evidence of success track record
  - Cash or solid financing
- Compliance and quality
  - I go for UK-only data centres for prime and disaster recovery sites. Keeps the CIA away from client data

- There is an argument for European data centres but there are sufficient high quality facilities in the UK for it to be an unnecessary burden going elsewhere.
  
- Demonstration and proof
  - We can all sound good in a presentation and come across well – it is easy to talk a good story
  - In some ways it would be good to find a supplier that has suffered some of the problems that can be faced – power outage, communication lines down, replication failure and see how they coped with the issues and prevented them happening again.
  - For your own peace of mind you would need to see an agreement for the conduction of DR tests and before you sign a deal evidence of DR tests carried out for others
  - There is also an increasing demand from commercial clients and even government bodies for evidence of successful Penetration (Pen) tests
  - An implementation is quite complex and touches on many facilities that can be delivered by other parties: communication lines, telephones, in house cabling, digital dictation and software products. There needs to be clear evidence of the working methodology of the vendor and its experience of their working with your other suppliers as there is nothing worse than a lack of co-operation with the firm stuck in the middle.
  - The hosting company is going to be best placed to handle first line support calls. Again you need a vendor that has this experience and can demonstrate existing relationships. Ideally help desk personnel will have an understanding of the legal market so when faced with “I cannot time record”, “billing has failed”, “my screen has stopped working” the recipient can understand the importance and likely source. The hosting company help desk should be able to take responsibility for the achievement and driving of SLA achievement from others.

The prioritising of calls and related response SLAs should be studied carefully.

- Someone you can work with
  - Rapport with the team of your chosen vendor is key. Meet the help desk and the consultant that will deliver your regular reports. Meet the project manager who is going to mastermind the delivery
  - As far as you can test flexibility in approach, culture and responsiveness and seek the fine balance between responding as you want and a truly professional approach.

## **Contractual and Commercial Issues**

Detail – I am afraid it takes time but it is well worth the effort

- Support handling
  - Times – we need clarity on the support hours available and where it is coming from – what is the core working day and does it work for you.
  - 24 x 7 is generally not necessary and can save money per user per month when you select a core working day. However law firms depending on the nature of their business are most likely going to require response out of hours – managing partner wanting to print a flight ticket at 10.00 pm on a Sunday or a deal that is due to close during the night. We therefore need to clearly understand the out of hours options – who is going to handle it and what the costs are and they can range from £10s of £s to £100s of £s unless very careful. A vendor who cannot provide out of hours support for a law firm on an ad hoc basis is probably not suitable.

- SLAs need to be built into the contracts with a clear definition of the priorities and the responses associated with them
  - The help desk being offered has to be willing and able to be a one-stop shop for all IT related calls
  - The support desk has to be one that owns the performance delivery, is capable of reporting causal analysis back to you and work with you to eliminate the reasons for calls.
- Performance
    - Failure to hit support SLAs and perhaps more critical system availability SLAs contractually cannot go unpunished. The offer of a rebate against monthly charges is of very little value to the firm but does put pressure on the supplier. Having 20 fee earners down for 4 hours at £200 per hour equates to £16,000 let alone the lost credibility with clients.
    - Cancellation options need to be built into the contract for non performance – these need to be quite explicit and not “99.95% over a year” but “20 minutes three months in a row” provides the option to cancel with full co-operation for a switch to a new vendor – no one wants it to come to that but.....
- Change of circumstance
    - We operate in a changing world and there is an increase in acquisitions and mergers and general consolidation and this cannot be ignored with a hosting contract. There needs to be renegotiation options available within the contract with a total ability to get out but potentially on a sliding scale dependent upon length of operation of the contract.

- Concurrency
  - Law firms operate at generally 70-75% concurrency on their systems and this is reflected in concurrent licensing provision by some of the more forward thinking software vendors
  - This can be emulated by the hosting providers. It is slightly hampered by Microsoft licensing policy but that is say £25 from a £100 per month arrangement. The vendor has the ability to be more flexible about the remaining £75.
  - This requires a commonsense approach as you do not want staff unable to work but it can be clearly measured and implemented thereby saving money. Concurrency would then be part of the regular performance reviews. The vendors can help by getting connections to automatically disconnect after a period defined by the firm – this adds to security also.
  - There is the big benefit of costs under the business model fluctuating by number of users but there should be an expected minimum number of users that a part of the contract as the infrastructure has been built to support the team and a concurrency model.
  
- Data storage
  - A very hot topic for me in all contract negotiations. Most vendors offer a live storage allowance per user at the time of contract and then any straying over that can incur additional monthly charges – these must be clearly defined.
  
  - There is no better time than at the contract negotiation stage to ensure that there is sufficient storage built into the starting contract to well cover current needs and allow for expansion – say 50%–100% before additional charges start to kick in. Whatever those charges per GB are going to be need to be very clear.

- In reality most firms are very disorganised with data storage. It is a great time to set some milestones for a firm archiving policy that will not only make the firm more efficient but also minimize the cost of live data storage going forward. It doesn't have to be done immediately but should go into the business strategy.
- Additional applications
  - Most firms will be making use of Microsoft plus their PMS and CMS systems and other applications in use at the time of negotiation
  - Clarity needs to be available in terms of what the costs are going to be to add, say, CRM, Payroll or an HR product into the future. Obviously the license cost but there will be a hosting charge in most cases. It needs building into a contract
- Responsibilities
  - There are many people involved as stated earlier and where responsibilities lie is key. One often seen oversight is responsibility for the desktops within the firm, not only hardware support and replacement but also anti spam and anti virus software – this is usually down to the firm which, dependent on scale, can be handled in house or via a very much diminished arrangement with a local vendor
- SRA and compliance
  - There needs to be a clause in the contract that entitles the SRA should it wish to inspect the data centre principally for confidentiality of client data.
  - Do not touch a vendor without ISO 27001 and UK data centres

- Data ownership and access
  - Most firms feel more confident if there is a clause in the contract that confirms that the data in the data centre belongs to them and that it can be made available to them at any time
  - Some contracts ensure that a backup of data is supplied to the firm on a regular basis

## **Implementation and Operation**

The area where so much can go wrong but hopefully moderated by the steps taken above

- Third party collaboration
  - This can be pathetic between the hosting, communications and software vendors if you let it
- Project managers
  - They need to be strong on both sides – internally and the supplier
  - There should be at least an outline project plan in the initial agreement that gets confirmed and more detailed in the first project meeting
  - A clear change control policy needs to be established
  - Building servers and extracting data is often the easiest part. Often implementations struggle to get the relevant testing and proving resource available at the right time
- Testing and proving
  - This is absolutely essential right the way through the project
  - Clear acceptance criteria need to be established through the project and testing must be geared to achieving full marks before go live

- The internal IT team has to be handled with sensitivity
  - The reasons for going hosted are very clear but in some cases will affect individual lives.
  - Dependent on timing, in some cases redundancy will be involved but at least a change in job roles for IT staff – restrictive potentially for infrastructure people but more empowering for those that deliver the added value of case management, training, reports and client interfaces.
  
- User buy-in
  - This is absolutely essential as all staff will be moving into a new environment so the sooner they are aware of the planned benefits for the firm and indeed themselves the better
  - Department Heads need to be singled out and motivated for the move
  - Training and support needs to be in place at the right time and a degree of floor walking and hand holding built into the plan
  
- Escalation process
  - Things do go wrong so have a very visible escalation process in place with a culture of fixing amongst those involved from both the firm and the supplier.

Moving to a hosted environment is being regarded by many as the thing to do for all the reasons discussed up front. Adhering to some of the messages in this article will help reduce the pain even further.

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