

# BIG LAW INSOMNIA

CIOs stay up at night worrying about security, inside and out of the firm. | BY ALAN COHEN

**L**aw firm CIOs have a lot to talk about, judging from the results of The American Lawyer's annual technology survey. Mobile devices continue to gain traction. The cloud is seeing increased use beyond e-discovery and non-core functions. And while there is still pressure to do more with less, the clasps on the pocketbooks seem to be loosening, at least a bit. Nearly half of the 74 Am Law 200 firms responding to our survey said their 2014 capital budget was up from 2013, while even more, 65 percent, saw their operating budgets rise.

Yet one topic dominates the discussion. In response to our question asking technology directors about their biggest challenges, 55 percent cited security, by far the most frequent answer. Overall, 74 percent of the chiefs say they are more concerned about security now than they were two years ago.

Their clients are concerned too. While security was a leading topic on last year's survey ["A Secure Location," Nov. 2013], the focus has only become more intense—and more time- and budget-consuming.

"Five years ago, we didn't have client security audits," said Gary Becker, CIO at Reed Smith. "We've had over 15 of them this year." Clients, he and other chiefs say, regularly send third-party consultants to kick the tires, so to speak, of a firm's security measures, often touring on-site facilities as well as off-site data centers and disaster recovery providers. Even clients that don't opt for the security road trip send questionnaires for the firm to fill out. These can range from a short survey to a 50-page tome. Increasingly, the chiefs said, they look more like the latter.

For law firm CIOs, the result is often a to-do list of remedial measures—new security hardware and software that must be deployed to satisfy the client, whose hyper-vigilance, several chiefs said in follow-up interviews, stems from multiple sources, including headlines hammering companies that suf-



fered data breaches and beefed-up regulations, particularly in the finance and health care sectors. The to-do lists are long, simply because there are multiple types of threats to defend against. When we asked the chiefs about their biggest security worry, there was no clear consensus: 27 percent cited insiders taking the firm's intellectual property out of the network, 21 percent worried more about not knowing if data had been compromised, and 19 percent said their biggest concern was outsiders trying to break into the firm's data network.

As a result, the systems firms are now installing make for the kind of acronym stew normally found in a military war room—perhaps an increasingly apt analogy. There is the IDS (Intrusion Detection System) to detect hackers; the SIEM (security

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information and event management) tools that constantly scan the IT environment for unusual patterns (say, thousands of sudden hits on a server); the DLP (data leakage protection) technology that monitors everything leaving the firm's network and will ask if you really want that Social Security number heading beyond the firewall. "This is all good stuff," said Becker. "If we lost the trust of clients as it pertains to our containment of our intellectual property, we are dead in the water."

But it is also time- and resource-consuming. Reed Smith now has three full-time staffers "dedicated to meeting the security requirements of clients," said Becker. "That's three people I didn't have five years ago." Other firms have similarly bulked up on security experts. Vinson & Elkins, for instance, now has a full-time security director it didn't have a few years ago. "There are a lot of steps we need to do now to meet client expectations on security," said the firm's CIO, Dennis Van Metre. It's not just a matter of installing the systems the client asks for, he said, but also "asking the questions our clients will ask us" whenever a new tool, service or product is evaluated, from cloud computing to tablets to online deal rooms.

#### THE CLOUD GROWS UP

More security staff and security technology mean more outlays. And even though many firms are seeing their budgets edge upward, the funds certainly aren't flowing like they did in prerecession times. (In fact, the percentage of respondents who said they were paid \$300,000 or more fell to 59 percent from 67 percent in 2013.) "In the old days we could increase our operating budget 7 or 8 percent and just raise fees," said one tech director who asked not to be identified. "Now you can't do that. So you're not increasing the budget by more than 2 or 3 percent." At nearly half of the firms where the IT department's operating budget rose for 2014, the increase was less than 5 percent. "There is an absolute focus on reducing enterprise costs," said Dana Isaacoff, CIO at Williams Mullen. The challenge is doing that while maintaining the IT department's ability to support the firm's lawyers.

That, said Van Metre, means "looking for better ways to do things while spending less money." Here firms are employing several approaches. Notably, the survey results suggest an increased enthusiasm for cloud computing, an IT model that can delegate application management (and the need to buy and run the necessary hardware) to outside vendors. Overall, the number of firms using the cloud remained relatively stable: 64 percent of firms say they have invested in cloud services, compared to 69 percent in 2013 (when the set of responding firms was somewhat different). But a deeper dive into their usage revealed some interesting trends. Nearly two-thirds of the firms that have embraced the cloud say they are using it more than they did a year ago (in the 2013 survey, less than half said the same). And they are using it in increasingly substantive ways.

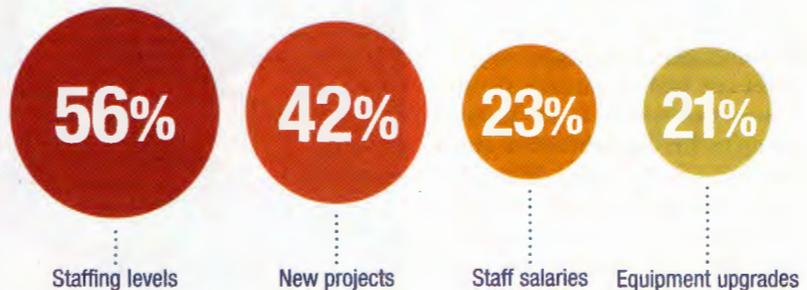
In earlier surveys, the main functions steered to the cloud were non-core ones like human resources (an exception was

e-discovery, for which firms have long relied on outside providers). Bread-and-butter applications were almost overwhelmingly kept in-house. On last year's survey, for instance, just 5 percent of responding firms used a cloud provider for document management. This year, 19 percent did.

Why the uptick? One likely explanation is that as cloud services mature, worries about using them are subsiding, albeit gradually. On last year's survey, 92 percent of respondents said security was a major concern about the cloud. This year, 67 percent did. But there may be something else at play, too: the idea that the real innovation in law-related applications these days is coming not from the long-established vendors offering on-premises software, but from cloud providers.

"If you had asked me three years ago if I was going to be moving my document-management system to the cloud I would have said absolutely not," said John Green, CIO at Baker, Donelson, Bearman, Caldwell & Berkowitz. "But the [traditional] vendors haven't been focused on evolution. And then you look at a [cloud] company like NetDocs, which has made

#### WHICH AREAS HAVE BEEN ADVERSELY AFFECTED BY BUDGET CUTS?



huge strides and put in a lot of security. ... I haven't pulled the trigger, but I'm looking very closely at it."

Increased use of the cloud isn't the only area where IT departments are doing more with less. They're continuing to deploy virtualization technology—software from companies like Citrix Systems Inc., Microsoft Corp. and VMware Inc. that lets them use servers more efficiently and reduce their hardware footprint. They're squeezing as much life as possible out of desktops and laptops before replacing them: nearly a third of firms say their refresh cycles are spaced further apart than they were five years ago. And they're developing ways to cope with staffing levels that in many cases, even with security-related hires, haven't bounced back to prerecession levels (56 percent of firms say staffing levels have been adversely affected by budget cuts). More than half of responding firms, for instance, now outsource at least some IT support tasks.

Then there are the outside-the-box approaches. To maximize the efficiency of a training staff that is 40 to 50 percent smaller than it was two years ago, Vinson & Elkins is creating a library of short videos—ultimately there will be some 250 of them—that teach different aspects of different tools and can



be watched at an attorney's desk. This approach reduces the need to have trainers sit with attorneys to show them the ropes, and it enables lawyers to better fit training into their schedules, Van Metre said.

Finally, there's the tried-and-true method for doing more with less: negotiating lower costs. In interviews, several IT chiefs said this was a growing and increasingly successful tactic. It usually involves some sort of trade-off; for example, longer contracts or bundled services in return for price reductions. Or it can simply involve a willingness to walk away if the prices don't come down. Telecom costs in particular are a focal point for such negotiations. "The biggest-ticket item for my firm in IT is telecom," said Isaacoff. "There is no doubt we are using our bandwidth efficiently but we just need more and more of it because of real-time replication to disaster recovery sites and so on. We have to keep increasing the size of our pipes and that raises our costs. So we are actively renegotiating." It is a skill that isn't just required of the firm's top IT officer, either. "Each of my directors has become great at negotiating," said Becker. "They have to."

#### NOW DOING WINDOWS

On the mobile front, Apple Inc.'s iOS platform continues to be the law firm favorite: Ninety-three percent of responding firms use iPhones. But for tablets, we saw an interesting development. Windows-powered devices (whether Windows RT or full-blown Windows 8) had the same penetration rate—75 per-

cent—as iPads; last year, just 35 percent of firms had Windows tablet users. Tech directors point to the emergence of more laptop-like tablets, such as Microsoft's Surface Pro 3, as a potential game changer, giving lawyers the ability to run core legal applications on a 1 1/2-pound device. Overall, tablets appear to be making greater inroads among attorneys: At a full quarter of responding firms, at least 75 percent of the attorneys use them. Last year, just 5 percent of responding firms had that level of adoption.

Greater mobile-device usage means heightened security concerns. Tech chiefs say it is now standard practice for security audits and questionnaires to look at how data is safeguarded on smartphones and tablets. Adding a security layer can often be tricky, since the devices tend to see personal use, too.

Here, too, a bit of bartering can help. At Kirkland & Ellis, the firm will reimburse the cost of mobile hardware, but insists that lawyers bring it to IT shrinkwrapped so that appropriate security measures, like the use of mobile-device management software, can be added before the device is even used. "We want to make sure there is no opportunity for something bad to happen," said Daniel Nottke, the firm's CIO. Indeed, that could be the motto for law firm technology directors these days. Everyone is battenning down the hatches and keeping a sharp lookout. There is a lot out there that can sink the ship.

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