



Law Firm Administration

A Special Report

Tough Times Mean Tighter IT Budgets

Spend cautiously on experimental tech, but keep the critical systems upgraded and running.

BY HEINAN LANDA

Tough economic times lie ahead for all businesses, including law firms. A recession means re-evaluating the budget and tightening the proverbial belt. It means thinking strategically about how best to spend—and save—money.

One big-ticket item for law firms is information technology. Just as we rebalance our portfolio investments in changing economic conditions, law firm managers should be prepared to rebalance their hardware and software investments.

PRIORITIZE, PRIORITIZE

Begin by looking at the firm's planned expenses and prioritizing them. Ask yourself:

- *What technologies help to make you indispensable to your current clients?* Those technologies must be implemented or maintained. After all, your target markets will be feeling the pinch of the recession, too. You want to make sure your clients keep working with you by providing efficient, affordable, and top-shelf service.

- *Do you have technologies in place or are you planning new technologies that make you more attractive to new clients?* It's unwise to base your entire recession strategy on treading water. You need to keep reaching out to new clients, showing why your firm is the place to seek legal counsel and advice.

- *Are your current technological support systems working for you?* Lack of efficiency or cost-effectiveness can be hidden during economic upswings. But now clients will be and law firms should be looking harder at each cost. It

seems counter-intuitive, but now may be the time to invest in upgrades.

The point is not to focus on shutting down all technology investments but on aiming to make more-strategic IT investments.

Businesses of all kinds tend to “play it safe” during a recession. In the March 2008 issue of *Washington SmartCEO*, the article “Recession-Proof Your Business” noted that “during a recession, people are walking on eggshells and don't want to risk failures.”

Translation for IT purposes? Focus on the health of your critical business applications and the security and stability of your mission-essential technologies.

Wise managers will spend cautiously when it comes to experimental technologies without a proven return on investment. At the same time, IT support companies tend to see an increase in spending on IT basics during turbulent economic times. Now more than ever, firms can't risk security breaches or computer malfunctions. With less financial room to maneuver, systems have to remain up and running.

AN OPPORTUNITY FOR SOME

Of course, not all firms are cash-strapped in a recession. Those in a position to take advantage of others' troubles will formulate a slightly different strategy: They will use this time to pursue competitive advances in IT.

Take Buckley Kolar, a midsize D.C. law firm that focuses on the financial services industry, for example. According to Joe Luber, the firm's chief financial officer, Buckley Kolar is seizing the moment to improve its document man-

agement system by implementing a matter-centric interface that files everything, including e-mails. The firm (which is a client of ours) is also adding a universal search feature to the system.

“The economy is cyclical,” Luber says. “This was a good time for us to invest in key technologies that will make our firm more productive and efficient.”

Smart thinking. A law firm that strategically invests may help itself and its clients better weather the recession storm.

A DOLLAR STRETCHED

Whether the firm’s wallet is fat or thin, it will want to make the funds budgeted for information technology go further. Here are three ways to stretch those dollars.

First, take a closer look at hardware and software upgrades. If the firm had planned for an upgrade that is not critical in reaching or serving clients, wait a bit and watch how your business adjusts to the downturn.

Second, avoid hefty capital expenses by lengthening equipment lifecycles. Computer workstations usually have a three-year life span. During a recession, it is OK to stretch that to four years. But you must be diligent in your maintenance efforts.

Third, review software licensing and support agreements to see if the firm is paying for duplicate coverage. Recently, we helped one law firm to recognize that it was paying double.

GOOD SPENDING

Finally, don’t let your business become one that panics and tightens its belt to the point of passing out. Going cheap across the board is not the right strategy. “Good” spending does exist—in the form of technology investments that will add to the firm’s security and productivity.

The top five IT investments to continue in a recession are:

1. *Security systems.* This means firewalls, Microsoft patches, antivirus programs, spyware protection, etc. Maintain all services that are protecting your network and keeping your systems up and running because no business can afford a loss in productivity during a recession.

2. *Warranties.* Since you are stretching the life of your hardware, you should beware of anything that will tempt you to skimp on its maintenance. Be sure to extend those warranties.

3. *Proactive IT service.* Keep up the regular checks whether you “need” them or not. If you start calling your IT service provider only *when* something goes wrong, you will save money only *until* something goes wrong. In the longer run, you’ll incur much higher overall service costs.

Plus, problems are more likely if you are trying to stretch the life of your hardware. Purely reactive servicing plus stretched lifecycles equals a recipe for system shutdown.

4. *Backup and disaster recovery mechanisms.* Blow the dust off your backup and disaster recovery systems. Are they in good working order? You don’t want operations to stop during a recession.

5. *Software applications that contribute to the bottom line.* This is no time to let glitches go unfixed in your time and billing software.

Legal expertise can’t stop a recession, but law firms can operate more effectively during it. Understanding which technology investments help to increase productivity and better serve clients is the first step. Continuing to fund these strategic technologies is the most important step.

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