

Is it time to move your practice into the cloud?

by Nick den Heijer and Roger Thompson
Bentleys Chartered Accountants Ltd.



“ If you access something over the internet then it is in the Cloud ”



Traditionally, many legal practices have invested heavily in software and IT equipment that constantly needs upgrading and replacing. This is often accompanied by inefficient manual paper based systems and processes. The top heavy costs often mean that partners have to provide large amounts of capital and can be a significant hurdle for new firms.

The landscape is rapidly changing with the advent of cloud based systems and automated processes. Although the promise has been there for several years it is only recently that cloud based products have developed sufficiently for effective use. Over the next few years these will dramatically change the way we do business.

SO WHAT IS THE CLOUD?

There may be several models of so-called cloud computing but for the purposes of this article we will define the cloud as accessing the software and databases required over the internet instead of on desk-top hard-drives and in-house servers. If you access something over the internet then it is in the Cloud.

In a pure model the user's desk-top, laptop or tablet connects directly to the internet and all software and data (e.g. documents) is held on off-site servers. In many cases these servers are located overseas, possibly in several countries.

There are also many variations of hybrid models where some software or data may be stored on desk-top hard-drives or in-house servers and the rest accessed over the internet.

WHAT CAN LEGAL PRACTICES DO IN THE CLOUD?

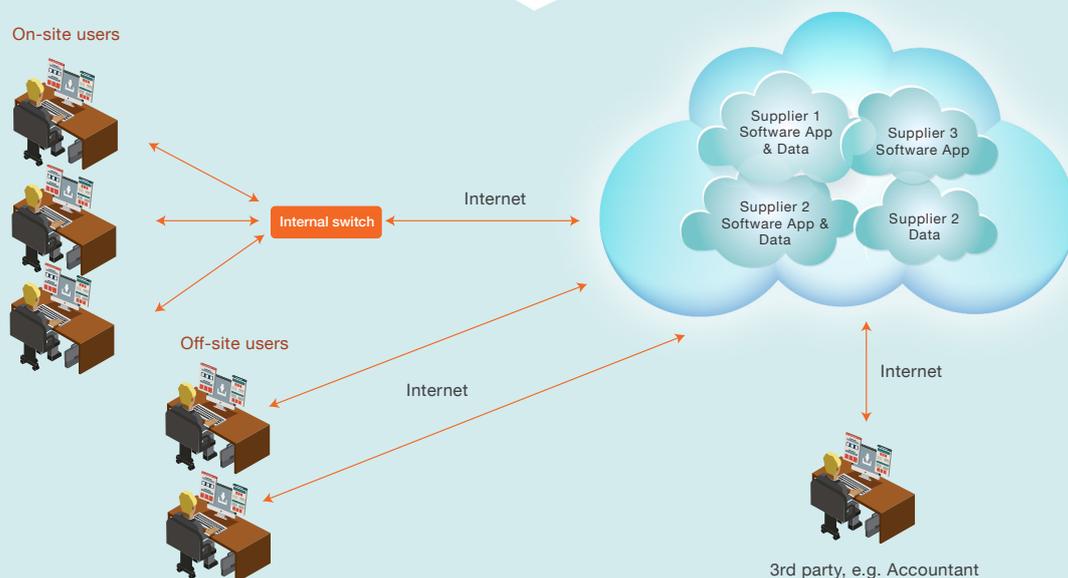
Everything, well almost. The following are common examples:

- **Email**
Products such as Microsoft Office 365 allow for the creation and storage of emails on Microsoft's servers with inboxes and other folders downloaded and uploaded over the internet as needed.
- **Document creation and collaboration**
Again this can be provided through products such as Microsoft Office 365 which allows users to use on-line versions of Microsoft Word, Excel and other Microsoft Office applications.
- **Document and email storage**
There are many storage products available such as Microsoft OneDrive, Dropbox etc. and also the more specialised document management systems such as NetDocuments which provide sophisticated search and other functions.
- **Client database, timesheets and billing**
Sophisticated cloud based practice management systems are available where all client data, timesheet and billing processes are accessed over the internet. Workflow Max in conjunction with Xero is a cost-effective but powerful solution for smaller practices.
- **Practice accounting and accounts payable systems**
There are now several cloud based accounting systems which integrate accounting, billing, accounts payable and other accounting related functions. Xero is a leader in this field with the flexibility to add on many integrated third party applications as required.
- **Research**
Most external research providers, e.g. LexisNexis and CCH, offer cloud based products.
- **Payroll and HR**
Payroll and some HR functions can now be accessed in the cloud.
- **Communications**
There are many options for cloud based telephone systems, faxes etc. with PABX switchboards and fax machines now a thing of the past. Also on-line webinars, meetings and video-conferencing is all possible using cloud based services.



“ There are also many variations of hybrid models where some software or data may be on desktop hard-drives or in-house servers and the rest accessed over the internet. ”

Cloud computing example





“ Cloud based systems typically allow users to access the practice’s software and databases 24/7 from any location using any desktop, laptop or tablet with an internet connection. ”

WHAT ARE THE ADVANTAGES?

In short, massive cost savings and efficiency!

For example:

➤ **Purchase Cost**

Generally there is no need to purchase software, instead software is typically leased for a relatively low price per month, per user. This makes it easier to scale up or down as staff resources change. There is also no need to purchase expensive IT infrastructure such as in-house servers, PABX switchboards, video conferencing equipment and fax machines. If base hardware such as desktops and laptops are leased rather than purchased, a practice can be started with virtually no initial capital outlay.

➤ **More for less**

Many of the cloud based software products have very powerful functions which were previously only available in the most expensive versions of traditional software packages or required expensive customisation. Now, even small practices can have IT resources comparable to the biggest practices.

➤ **Latest versions**

The cloud based provider will typically update the software automatically so that you are always using the latest version without having to have an expensive IT person going through the office updating every users’ device. It should also generally be much easier to move to the latest version of software.

➤ **Operating costs**

As indicated above, you don’t have to keep purchasing expensive software upgrades and may be able to save on in-house or external IT support persons.

➤ **Security**

Although it is often perceived that cloud based systems may have security issues, the reverse is often true. Most cloud based providers will have their servers housed in purpose built bunkers with far greater security and sustainability than the average New Zealand office building. Data is usually stored in multiple sites, so that there should always be a copy available in the event of a disaster. Encryption of data and robust virus protection is also common to decrease the risk of unauthorised access and contamination.

➤ **Better Access**

Cloud based systems typically allow users to access the practice’s software and databases 24/7 from any location using any desktop, laptop or tablet with an internet connection. This means that not everyone has to come into the office when they want to use the practice’s IT systems. Staff may work from home, out of town, offshore or in transit.

➤ **Efficiency**

With more powerful and accessible systems there is more scope for automation of workflow, monitoring and review processes. Many products allow integration with other software, hardware (such as copier and printers) or with other parties (such as the practice’s accountant) so that duplication is reduced. Staff can be more productive, which can allow for business growth or cost reduction by reducing staff numbers.

➤ **Collaboration**

Collaboration is much easier with multiple parties being able to access the same document and systems. This also includes collaboration with third parties such as other law practices, government agencies and suppliers.

➤ **Outsourcing**

Improved access and collaboration can also allow more cost effective outsourcing or off-shoring of certain functions. For example, on-line collaboration with an external accountant can mean much more accurate, timely and meaningful accounting

information being available as well as outsourcing internal administration functions such as accounting data, debtor management and accounts payable management. This in turn can result in cost savings in administration staff support with better results.

➤ Paperless

With automation of processes and effective digital storage of documents, it is much easier to become paper-less. Expensive floor space and filing clerks can be released for more productive use.

➤ Flexibility

As the practice grows or contracts, or new practice areas are developed, it is much easier to upsize, downsize or change the IT systems to accommodate.

WHAT ARE THE RISKS?

➤ Security

Although security may be enhanced there is still the possibility of a security breach, the recent iCloud celebrity nudes fiasco being an example. However, for the types of applications used by legal practices, security breaches are far less likely with systems typically more robust than in-house systems. Of course as with any secure system, access control remains critical.

➤ Ownership of data

This is a biggie and needs to be very clear. You need to be certain that you own the data and can download, copy, transfer and remove it any time if you wish to switch providers.

➤ Cost of Storage

Some types of Cloud storage can be expensive, although generally costs are coming down. For larger practices, in-house servers may still offer lower storage costs but these may be outweighed by the other advantages of Cloud systems.

➤ Availability

Although this is typically better than internally hosted systems it can be an issue if the off-site provider's servers go down. Providers with multiple sites should offer better availability.

➤ Access time

Internet speed may be a constraining factor and depending on the applications and the number of users you may have to upgrade your internet connection. The servers and systems at the provider's end will also be a factor. If possible it is preferable that the software and data is hosted in New Zealand, or a country with a stable and high capacity internet connection to New Zealand. Reasonable results seem to be achieved with data based in Australia, Singapore and the USA.

➤ Resistance to Change

Possibly the biggest risk is resistance to change, which in turn can result in poorly implemented and ineffective systems. Professional people are often creatures of habit who prefer to keep doing things the same way they have always done them. The larger the organisation the more difficult it can be to implement significant change effectively. Strong leadership and a clear vision are essential to a smooth transition to a full Cloud model.

SO IS IT TIME TO MOVE YOUR PRACTICE INTO THE CLOUD?

For small and medium sized practices it is undoubtedly time to move to the Cloud. The cost savings and efficiencies are compelling. Be assured, your competitors will be moving to the Cloud if they haven't already. For larger practices the situation is more complex, but still many applications will be or should be Cloud based.

CONTACT:



Nick den Heijer

✉ nick.denheijer@bentleysnz.com

☎ (09) 600 3901



Roger Thompson

✉ roger.thompson@bentleysnz.com

☎ (09) 600 3902

Office:

Level 13, DLA Piper Tower
205 Queen St, Auckland 1010
PO Box 106 433
Auckland 1143
New Zealand

* Nick den Heijer and Roger Thompson are founding partners of Bentleys Chartered Accountants Ltd which is a fully paperless Cloud based accounting practice. Roger has previously practiced as a lawyer and specialises in taxation consulting, trust and director services and litigation support services. In addition to general accounting and commercial strategic planning, Nick specialises in providing full cloud accounting services to legal practices, outsourcing of debtor management and accounts payable management as well as assistance with implementing other cloud based applications. The comments in the article above are the authors' opinions only and should not be relied upon as advice or as being factual.



Bentleys is an association of independent accounting firms in Australia and New Zealand. The member Firms of Bentleys association are affiliated only and not in partnership. This email is confidential. Please delete this email if it has been sent to you in error.



A member of Kreston International. A global network of independent accounting firms.