

Financing and Leasing Technology Is a Strategic Advantage

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Changing Technologies

On Jan. 10, 2023, Thomson Reuters Elite will cease support for all versions of its Enterprise platforms, with all bug fixes for all versions ending on Dec. 31, 2022. The Thomson Reuters Elite Enterprise platform is over 25 years old, and according to the company, is no longer feasible to maintain compatibility with new technology. In addition, Microsoft will terminate related technologies over the coming years, which means that by January 2023, all enterprise versions will be running on unsupported Microsoft technology.

As part of the complete Enterprise Business Management Solution offered by Thomson Reuters Elite, the 3E platform helps firms manage critical areas of their business. This means they upgrade either to 3E or a competing product, which could impact several mission critical systems within the firm. In addition, this could require other expensive hardware upgrades and tertiary software upgrades.

Approximately 33% of Thomson's 167 client firms, ranging from 100 fee earners to 600, have already made the decision to upgrade to 3E. This leaves about 67% of its major law firm client base still undecided as to whether to upgrade to Thomson's new 3E platform or change their core platforms to Aderant or another competitor.

One thing is certain: In the next 12 – 24 months, everyone will have to make a decision in order to smoothly transition into the 3E upgrade and/or transition into a new service provider by Elite's planned end-of-service date.

This upgrade will significantly impact the executive and IT departments that must find ways to significantly accelerate implementation in order to get the most return on their investment in the long term. Firms adopting Elite 3E will need to find the most financially strategic option to adopt the new software while reducing the costs of ownership and maintenance, including implementation, migration and ongoing system support. This decision also impacts other related and unrelated technology solutions within the firm.

Finance or Buy?

Whether firms migrate from Elite Enterprise to the new 3E platform or change providers, a decision must be made to arrive at a financial solution that will cover not only the software expenses, but also additional related expenses: training, implementation, maintenance and other soft costs, along with any new hardware requirements for the new system.

There are multiple pathways to successfully navigate this major change. Firms can purchase the software outright or make a financially strategic decision to finance the software, which can significantly alleviate the financial burden of what will otherwise be a significant capital expenditure.

In a market with rapidly advancing technology, the decision may require you to evaluate how you pay for the upgrade. Cash can be a viable option for some firms; however, financing condenses the decision cycle and the request for another large capital expenditure can be circumvented. This offers a strategic avenue for acquiring the new software at a fraction of the purchase price while conserving valuable cash flow.

More organizations are coming to the realization that they earn ROI on their technology software and hardware use, not from merely owning them. Being able to pay for the software as it's used and replaced at regular intervals makes for a good predictable business model, allowing the firm to spread the costs over its useful life. Purchasing the software outright can be a financial obstacle and can prevent your firm from keeping pace with the constant and unexpected updates from software providers.

Financing software, in this case, simplifies the transition process by converting a major cash expenditure into a monthly expense. Many firms find it more economical to spread out the costs for up to a 60-month period so the firm's partners benefit throughout the lease term and share the cost. Purchasing could materially impact partner distributions, which most firms would prefer to avoid. Leasing or financing provides the opportunity for IT and your attorneys to stay equipped with top-notch tools, while your firm has the advantage of a budgeted, fixed, monthly payment.

In addition to financing the software, your firm can finance other associated soft costs over a 24- 60-month period. These soft costs can encompass almost anything involved in getting a project up and running, including:

- Software licenses;
- Training;
- Pre-paid maintenance;
- Implementation;
- Consulting; and
- Other professional services made.

Security Mandates

New security policies and protocols mandate firms to properly manage their IT assets. When new upgrades are released, your firm will need to protect itself and its clients with the most up-to-date versions of security technology available, and therefore, may not want to purchase the technology or software outright. In this case, financing is a strategic option, both financially and for security reasons.

Financing provides the opportunity to replace or upgrade software as new versions are released, all while working within a predictable monthly payment. Financially, leasing beneficially increases cash flow, keeps bank lines of credit open for working capital use, and cuts the out-of-pocket costs for security upgrades while still enabling new projects in the budget. These combined financial strategies allow for flexibility and quick decision making, which are distinct advantages when the security landscape is in continual flux.

This avenue can also bolster a firm's asset management efforts, a key component of security measures. Most firms have hundreds or thousands of assets in its possession at any given time — including used servers, desktops, tablets, SAN, copiers, printers and the client files currently sitting in storage. Firms need proper asset management to keep track of their assets and to know to whom they are accessible.

Knowing what you have — or even knowing where to find it — is only half the battle. Leasing your hardware enables you to practice proper IT asset management, which begins with cataloguing each individual piece of hardware currently in use throughout the firm. Through the use of GPS-trackable radio frequency identification (RFID), bar codes, or other tools, you create a continually updated database of the firm's assets.

In order to fully execute due diligence, you must ensure that obsolete hardware is disposed of correctly and replaced to help prevent it from being inadvertently accessed. Older equipment is both more expensive to maintain as it tends to break down, and is a security risk, as expiring servers may crash, potentially wiping out crucial data as well as leaving the firm exposed to a data breach. Good IT asset management allows you to prepare for problems before they happen — and detect potential problems in time to prevent them; a good lessor will have asset tracking in place to assist your firm.

Conclusion

Financing or leasing is a strategic choice for many reasons, including:

- You pay only for the useful life of the software;
- Use the most up-to-date versions of software as upgrades are released;
- Maintain a flexible technology procurement process, with quick decision cycles and a built-in mechanism for upgrades;
- Convert a large cash outlay into a budget-friendly monthly expense; and
- Improved asset management is a component of security and leasing.

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