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2024

What are SME law firm leaders prioritising for business system and process improvement?

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THE SME LEGAL LOWDOWN 2024

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LPM is where law firm leaders like you come for content and connections that help to deliver better business outcomes for their teams and firms. All our articles, as well as special research reports like this one, are available in the LPM app (iOS or Android): **lpmmag.co.uk/download-the-lpm-app**

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Our LPM Frontiers research this year finds business leaders at the UK's SME law firms rather more confident in their ability to compete — for both business growth and the talent to deliver it — than one year ago. But notable challenges remain. Chief among them are: ensuring a consistently top-notch client experience; delivering such interactions and outcomes within a wider culture that's 'digital-first' where appropriate; staying agile enough to respond to the profession's shifting sands as required; and keeping on top of costs.

Most leaders also see a need to invest more in technology as part of the solution (by no means the only driver of improvement), but a significant number admit they really struggle to understand their return on that investment. Plenty see some core system types within their setups as needing either improvement or full-blown replacement to help meet business goals of more efficient, joined-up and collaborative working.

Another clear signpost this year is to a future delivered with cloud technology — with leaders' eyes on the best ways to both manage risk and reap productivity rewards. But a huge change project usually brings commensurate challenges.

This year's LPM Frontiers findings come together with helpful perspectives on them from our six partners: **Access Legal**, **Advanced**, **Elite**, **NetDocuments**, **Osprey Approach** and **Tessaract**. Our thanks to all of them — and to you for reading. We look forward to discussing with you further!

Richard Brent, head of content
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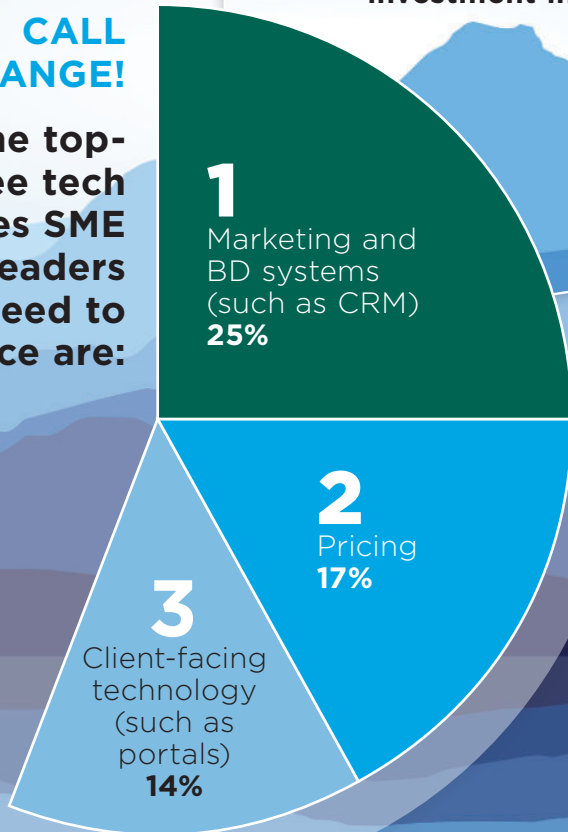netdocuments

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LPM'S TOP TAKES

PEAK PRIORITIES

Boosting client experience and being 'digital-first' are the twin top challenges for SME law firm leaders considering investment in 2024

CALL CHANGE!

The top-three tech types SME firm leaders feel they need to replace are:

1 Marketing and BD systems (such as CRM) **25%**

2 Pricing **17%**

3 Client-facing technology (such as portals) **14%**

MARCH WITH CONFIDENCE

78%

Of SME law firm leaders expect revenue to increase in 2024-2025

MODEL BEHAVIOURS

And over half are 'optimistic' about a future place for generative artificial intelligence in their processes

BRIGHT SPOTS FOR CLOUD

More SME firms now have a 'cloud-first' attitude — and top drivers in the direction are firm future-proofing and a focus on employee experience

ROI IN QUESTION

Over half of leaders plan to increase their budget for tech, but...

48%

Believe the firm can't realistically assess the return on investment in new IT

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CHECK THE PRESSURES

With inflation now falling, and anticipation of several interest rate cuts from the Bank of England in 2024 (an election year), how do signals of business confidence from UK SME law firm leaders compare to a year ago? This annual survey of managing partners, practice directors and other senior business management/operational leaders at law firms that are home to fewer than 250 people in total took place online in January/February 2024 — receiving 64 responses to questions covering everything from pressure in the talent market to drivers, challenges and decision-making surrounding various forms of potential system change.

We begin with how leaders perceive the competitive landscape. And although SME firms in 2024 are still more likely to identify moves from what may be termed 'traditional' competition as strategically concerning, we in fact see a growing gap between the idea of threat posed by 'firms like mine' (or larger) picking up a bigger slice of work — or talented people — and so-called 'alternative' models making their presence more felt. These may be 'virtual' legal businesses with less infrastructure, which offer online services straight out to clients, or comprise freelance lawyers/consultants who typically choose their own work and hours (p7).

The proportion of all leaders picking 'firms like mine already in our geographies' still places those potentially 'down the road' out in front as the top-ranked perceived threat (73%). That's followed by larger firms taking a share, or perhaps even eyeing the SME firm itself for acquisition (62%). The number picking this option has increased from 53% in 2023 — but the biggest jump is clearly in jitters about 'firms like mine, coming into our geographies' (from 45% in 2023 to 61%).

Peter Carr, IT head and partner at Fisher Jones Greenwood — a firm that was bought by the Lawfront Group, backed by private equity company Blixit Group — observes: "There is a clear desire to invest and provide growth capital to high-quality, well-run SMEs firms — while at the same time the cost of running a modern small firm grows increasingly onerous from a compliance perspective." Lawfront said it was aiming to grow fast at the time, becoming a national law firm turning over £100m within five years. This has since been upgraded to £150m, while Carr is now head of digital applications for the wider group.

It's still just around one-fifth of leaders who say they're looking to the virtual/consultant-based — or online-only — models as potentially problematic for their future prospects. Meanwhile, the number who might see the shadow of The Big Four consulting giants looming over them is up a little to almost one in 10 — presumably down to awareness of their resources to invest in technology or new process that could be game-changing for efficiency, client service and ultimately profitability.

Lee Killner, IT director at EMW, is one who feels this factor to be on the rise. "Like the largest law firms, the Big Four can invest a lot of money and time in their R&D budgets to produce solutions that streamline processes to ultimately help them win more business," he says.

With all forms of competition, there's also the battle to bring in the best people, of course. Many have been open about struggles to retain the talent they need engaged in their efforts to grow. Losing good people is costly in several respects — and with the flexibility of some hybrid-working arrangement now the norm in business, smaller firms, perhaps outside bigger cities, have more than the salary they'll offer to
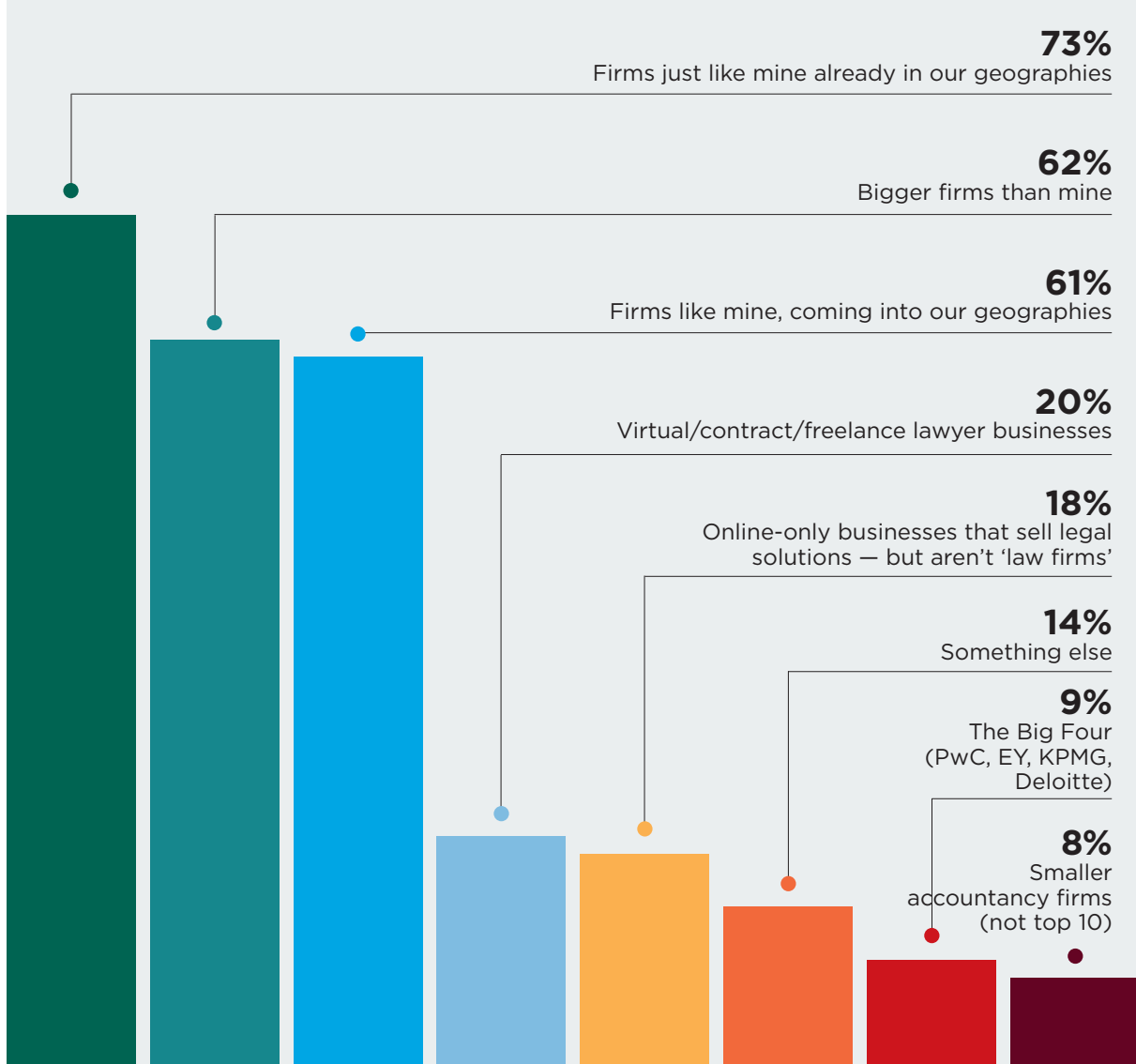
weigh in the balance. Although 14% of leaders think pressure here is somewhat lower than in 2023 — perhaps as inflation has eased over the year — over half (57%) say it's more challenging (p11). A quarter describe the situation as significantly more challenging.

John Turner, director at Ellisons Solicitors, says his firm has invested time in finding a happy hybrid-working balance — but also in structured skills-building for all. He believes both are helping it to retain good people. "We think a very positive culture helped us to come through the Covid-19 period in good shape," he says. "We like people to spend two or three days in one of our offices, but there's flexibility for departmental managers around that — it's something that needs to work for individuals and the business. And our Ellisons Academy [launched in 2022] also has something to offer for people's progression wherever they are in the hierarchy." Modules and group seminars cover behavioural areas such as client service and communication, for example, as well as financial management and mentoring to help with management of wellbeing.

Meanwhile, Bellevue Law has long offered lawyers fully flexible working — they can use one of a network of serviced offices around London if they choose — and no billing targets that may take a bite out of it. People can turn work away, so they can prioritise maintaining work/life balance.

Founder Florence Brocklesby is clear that the pandemic experience proved out the concept of an alternative way of working to always-on, in an office, but anticipates people will continue to have different preferences. She says: "We've shared clients with very large firms and much smaller firms. There's a war for talent, but individual lawyers will each have their own

Which kinds of competitors are most threatening to your firm's future?

73%
Firms just like mine already in our geographies

62%
Bigger firms than mine

61%
Firms like mine, coming into our geographies

20%
Virtual/contract/freelance lawyer businesses

18%
Online-only businesses that sell legal solutions — but aren't 'law firms'

14%
Something else

9%
The Big Four (PwC, EY, KPMG, Deloitte)

8%
Smaller accountancy firms (not top 10)

STATUS QUO STILL STRONGEST 'THREAT'

SME law firm leaders are still more likely to see their own reflections as a more serious competitive threat than other players potentially pitching for work with a dramatically different offer and/or structure

priorities that play into that — perhaps they do want an extremely high-paying firm requiring high levels of in-person commitment." For its part, Bellevue can compete to attract and retain top talent with its flexible culture and commitment to ethical business standards, she believes — it's signed up to the principles of the Good Business Charter and has just received accreditation as a B Corp, recognised for responsible business practices (with the auditing for the latter "onerous", she says).

While flexibility is a core value, however, Brocklesby doesn't back lawyers working fully remotely throughout their careers — pointing to lost learning opportunities in the absence of time in some form of office environment.

She adds: "In this market you have to be clear about who you are rather than try to offer people a little bit of everything — and then identify those who are the right fit for it."

Given these first findings, it's no surprise the top picks for most pressing business challenges then continue to be improving the firm's client experience and culture on offer (p10) — the latter into something more 'agile and digital-first'. Whether it's competition to retain clients or talent, SME law firms need to be able to respond to these and other challenges fast — and firms' people may well value aspects of 'how' they are enabled to work, learn and

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> **Ashkhan Candey,**
> Managing Partner, CANDEY

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ALIGNING TECHNOLOGY WITH STRATEGIC GOALS

Mike Hinchliffe, general manager, EMEA, Tessaract

The LPM Frontiers report offers a fascinating insight into the strategic thinking of mid-market law firms.

For a technology provider like Tessaract, it's a mistake to design a product for customers in the hope that they will like it: it's essential to understand how modern law firm leaders think about their strategic priorities.

From the point of view of law firms, it's equally important to consider how to leverage technology to achieve strategic objectives. Alignment of technology with broad commercial strategy has never been more important.

CLIENT EXPERIENCE AND BUILDING A DIGITAL-FIRST CULTURE

Almost 60% of firms surveyed identified improving the client experience as critical to future success. What's interesting is that the same number believe building a 'more agile, digital-first culture' is equally important.

In many ways, these ideas are two sides of the same coin.

In 2024 a firm can't improve the customer experience without harnessing technology to bridge the gap between the day-to-day work of fee earners and how clients navigate their journey with the firm.

What does this mean in practice? It's about making the right investments to ensure your technology stack fits together to form a whole.

A firm's core technology — the practice management system — is critical in delivering client satisfaction, even though a client will never have direct visibility of it. Why? There's a couple of things to consider here:

• **Data** All your clients' key data should be available and easily accessible in your PMS. This might be case-related data, or it could be financial/invoice/payment data. If a firm doesn't understand its clients, it becomes very difficult to deliver high-quality service.

• **Communication** If you're not communicating, you're not helping. A modern PMS will allow you to communicate with clients in multiple ways. For example, all the data points above can be shared via a client portal, meaning a client is always up to date with their case and what they owe the firm. A cutting-edge platform like Tessaract will also offer 'chat' functionality, allowing clients to communicate directly with fee earners in real time (if appropriate).

INCREASING TECHNOLOGY INVESTMENT AND MOVING TO THE CLOUD

Of the firms surveyed, only 3% are considering a reduction in technology spend, compared with 65% contemplating an increase or a significant increase. It's clear that mid-market law is aware that investments are required to meet the expectations of tech-savvy clients (and employees).

Aligned with this is the move away from 'on premise' to cloud-based technologies — with only 3% of firms describing cloud as 'a peripheral part' of IT strategy!

Again, this change derives from aligning technology with broader strategic objectives. Progressive law firms know that only cloud can offer them the security, scalability and 'future-proofing' they need, while in tandem helping to manage risk and lock in valuable future cost savings.

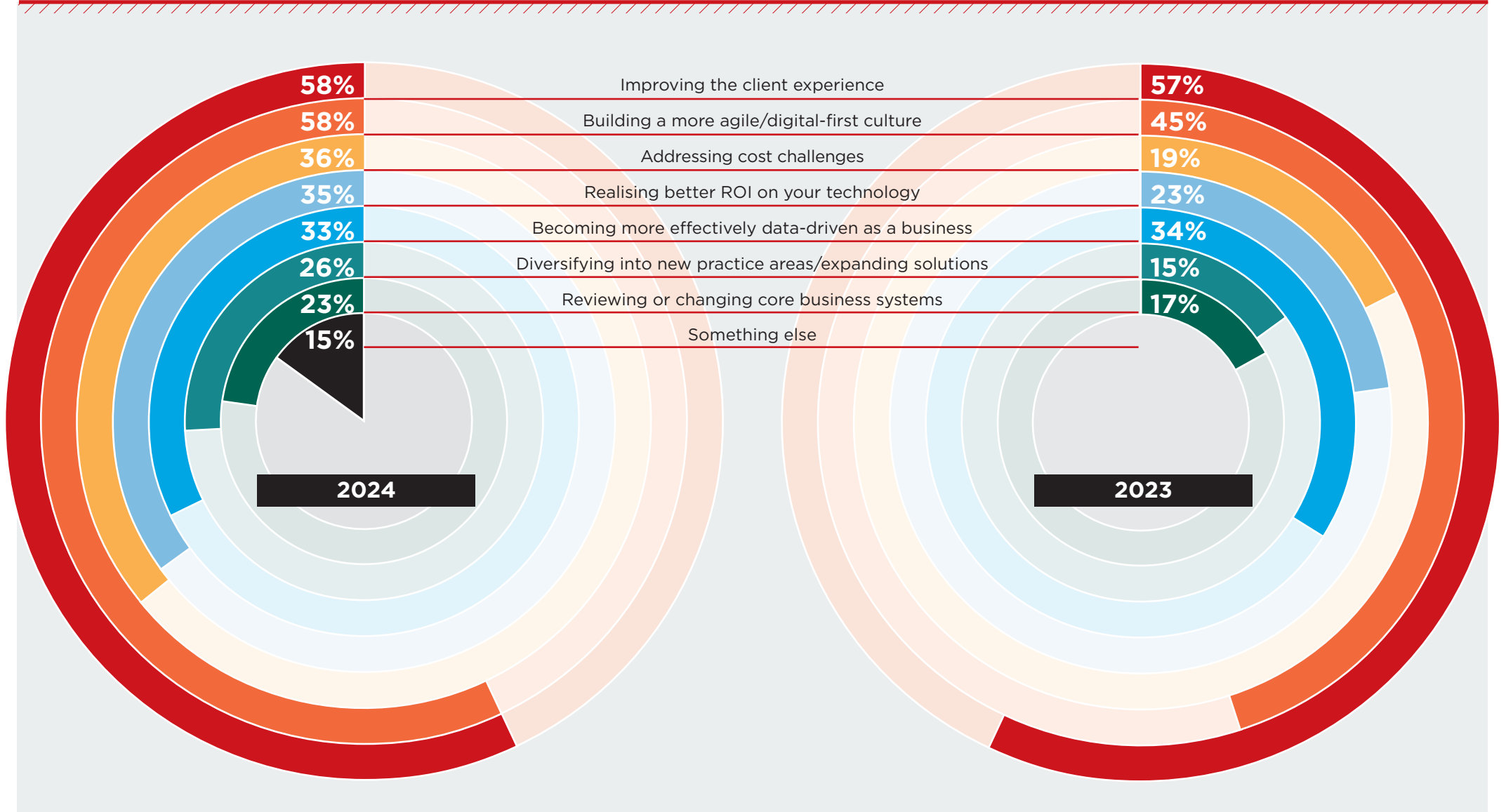**www.tessaract.io**

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progress as much as the nature of the work itself.

The challenges are a matter of more than technology — leadership, values and approach to listening for feedback and continuous improvement, for example — but well-selected and adopted technology can certainly make for a slicker, more comfortable and connected experience. Clients can potentially be presented with more useful and up-to-date information about work, routes that require less of their time (or are available at a time that suits them), and proactive signposts to services they're likely to need. Lawyers and other professionals may have opportunities to reduce more of the relatively mundane 'rework' they complete at a firm that has invested thoughtfully in business cases for automation — or to move easily between systems that are better integrated, and so less disruptive of their priorities that day.
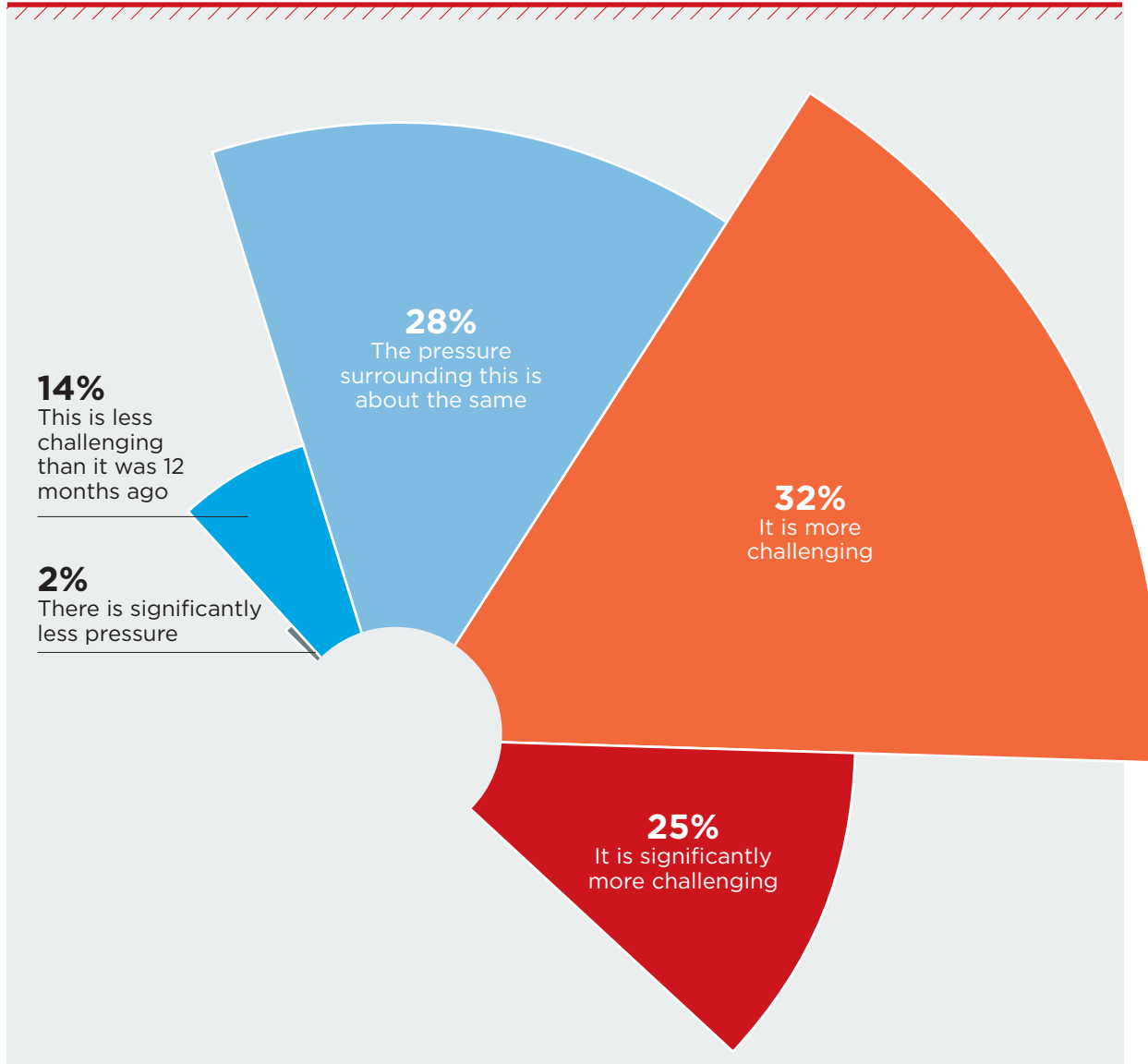
Brian Inkster, the founder and CEO of Scottish firm Inksters, says: "Generally, our clients just want the job done properly at a reasonable price — what's used in the background may be neither here nor there to them. However, the technology you employ can be extremely important in attracting and retaining staff — for example, simply reducing work around templates, and likelihood of errors, with high levels of document automation." However, this will only become a market differentiator for a firm if it's well implemented, he stresses. Inksters has a team of legal process engineers to work with lawyers on the optimisation aspect.

It also seems significant that SME firm leaders appear to be even more focused on their cost challenges in 2024 (36%, up from 19%), while over one-third are clear they must see a better return on investment (ROI) where they do spend on technology (up from under a quarter in 2023). Almost a quarter are also either changing, or considering change to, core business systems such as practice, case, document or client relationship management — perhaps as part of those efforts to be more agile, client-focused or effectively data-driven. As competition and/or cost pressures weigh, a similar number say they'll be

Which three of the following business challenges/areas of possible investment are most critical to your firm's future success?

	2024	2023
Improving the client experience	58%	57%
Building a more agile/digital-first culture	58%	45%
Addressing cost challenges	36%	19%
Realising better ROI on your technology	35%	23%
Becoming more effectively data-driven as a business	33%	34%
Diversifying into new practice areas/expanding solutions	26%	15%
Reviewing or changing core business systems	23%	17%
Something else	15%	

How has the pressure to successfully identify, recruit and retain the talent your firm needs changed in the past 12 months?

28%
The pressure surrounding this is about the same

14%
This is less challenging than it was 12 months ago

2%
There is significantly less pressure

32%
It is more challenging

25%
It is significantly more challenging

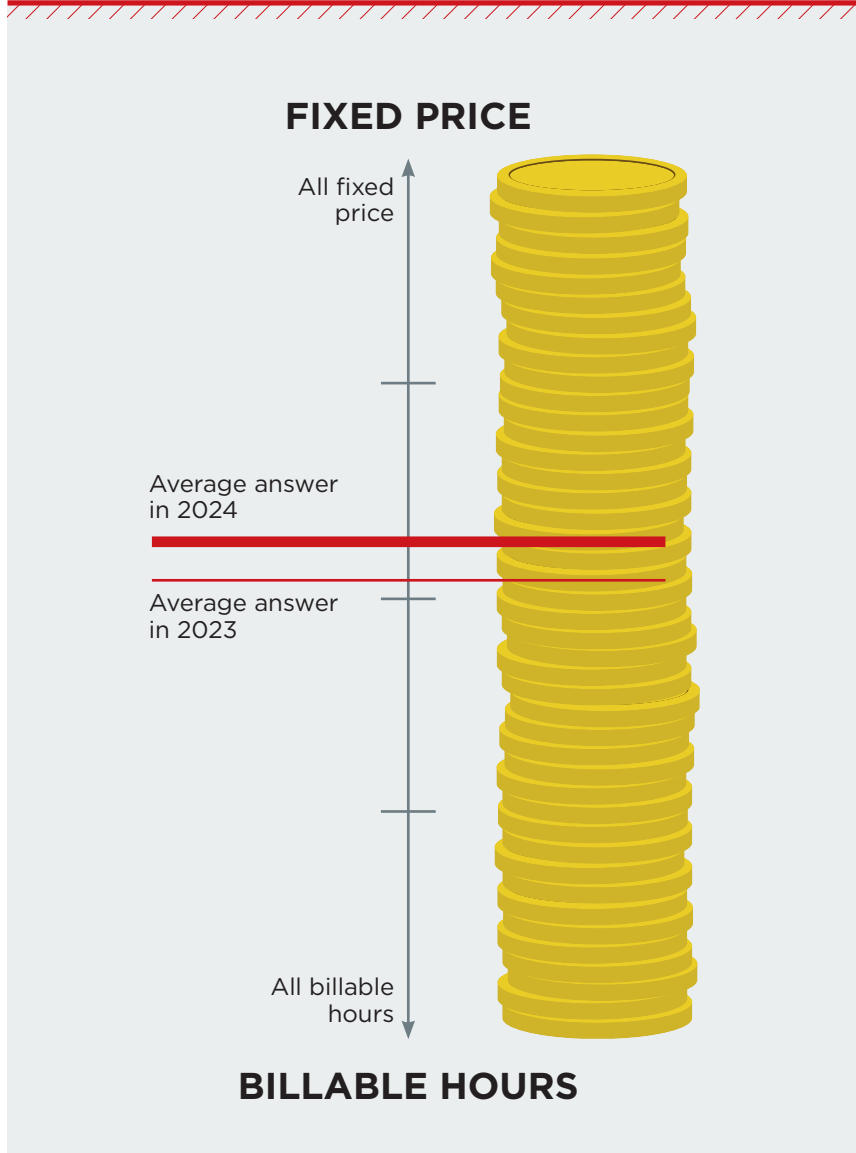considering diversifying into new practice areas, delivery models or revenue streams to grow.

Jonathan Patterson, chief operating officer at the revenue-sharing law firm Arch Law, says: "Our strategy centres on finding underserved segments in the market, or where we could create some real competitive difference." This includes looking at certain services in the portfolio that may be able to go 'online only', catering for fixed-price certainty, he says — but, just marking its third anniversary in business, cost is also very much a consideration. "We've invested significantly in building a reliable and secure technology platform for members to support their delivery of value to clients," says Patterson. As at Inksters, those clients' top concerns appear to be ease of communication and approach to pricing more than cutting-edge technology — while, as a relatively new firm, Arch Law itself must focus plenty of resource on ensuring compliance, he adds.

Killner at EMW highlights that moving to as-a-service models for IT delivery can add to the challenge of grappling with cost. "It rapidly ramps up as new features are bundled in — those will obviously be paid for somewhere — and firms may find they're only really using a fraction of what they've bought. It's then a matter of assessing how these investments can be deployed for other aspects of the firm's operations, rather than turning to third parties to provide something similar," he says.
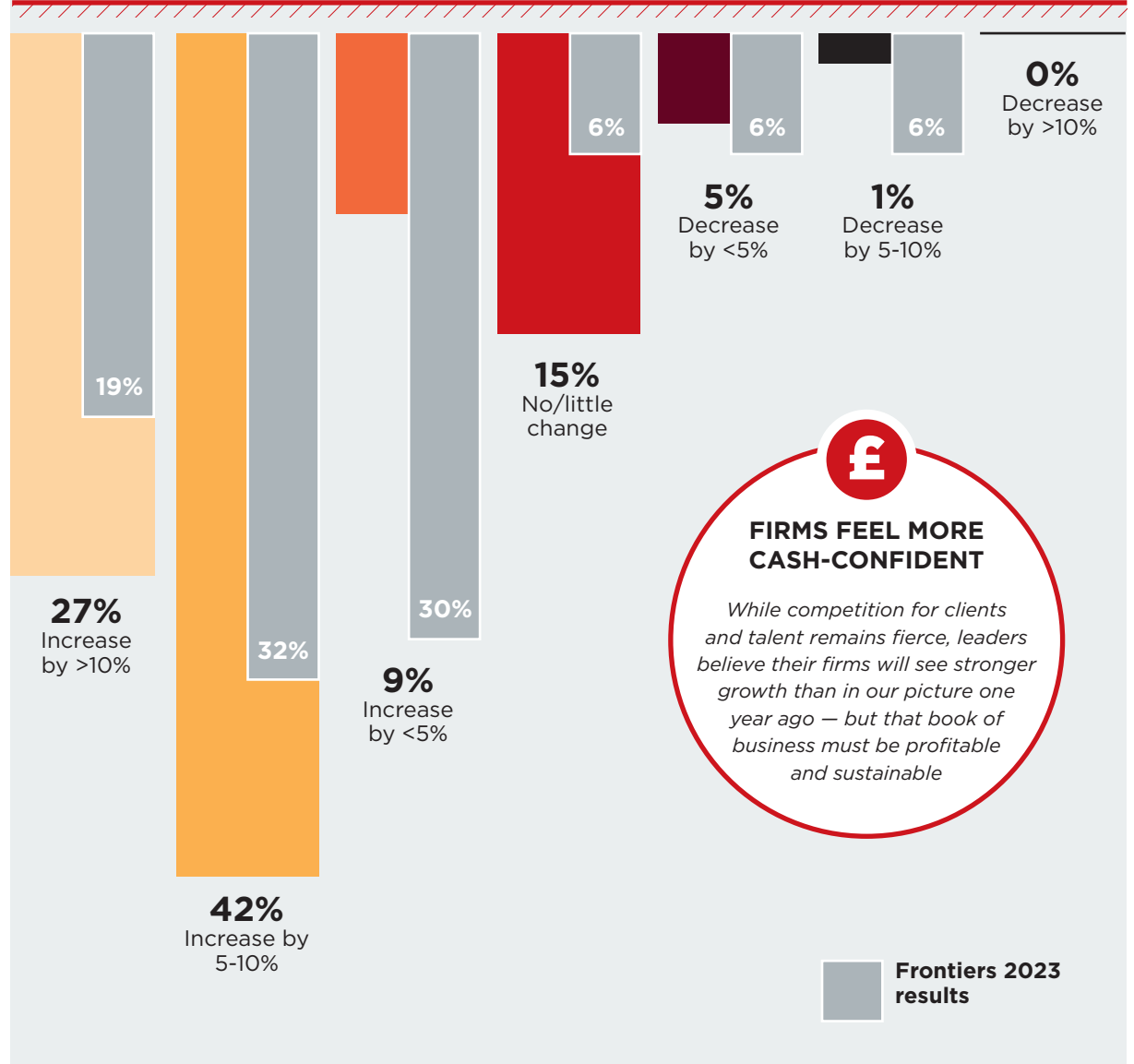
Alex Hamilton, CEO at Radiant Law, says his business is grounded in the Shingo model of continuous organisational improvement — which includes harnessing 'cultural enablers', such as respect for people and humility in leadership, while prioritising process and systemic thinking to improve quality and create customer value alongside clear and constant purpose.

A recent priority has been creating an integrated data layer to let it "push more decision-making down to teams who are armed with more context". Metrics such as the number of "touches in contracts" are refreshed each night, pulled into visual management boards for client accounts and team members. "We've defined

Approximately what proportion of your firm's work is priced using the billable hour as opposed to fixed/variable pricing?

FIXED PRICE

All fixed price

Average answer in 2024

Average answer in 2023

All billable hours

BILLABLE HOURS

How do you think/predict your law firm's revenue will change in 2024-2025?

27%
Increase by >10%

19%

42%
Increase by 5-10%

32%

9%
Increase by <5%

30%

15%
No/little change

6%

5%
Decrease by <5%

6%

1%
Decrease by 5-10%

6%

0%
Decrease by >10%

FIRMS FEEL MORE CASH-CONFIDENT

While competition for clients and talent remains fierce, leaders believe their firms will see stronger growth than in our picture one year ago — but that book of business must be profitable and sustainable

Frontiers 2023 results

ALIGN YOUR SUCCESS MEASURES

Nick Orme, CEO, Osprey Approach

What sets you apart from your competitors? What are the core values of your team that help you deliver a service that is unlike any other firm? This research finds 61% of SME law firms surveyed believe firms like them entering their geography pose the biggest risk, and 62% believe it's bigger firms but, ultimately, the legal sector is a highly competitive market and so talent and clients have plenty of options.

This is why 58% of SMEs are investing heavily in improving the client experience and why 57% have found attracting and retaining talent more challenging in the past 12 months. The pressures of the competition — no matter their size or location — are impacting the future success of firms. You need to be able to grow a high-performing team and exceed client expectations to be successful in 12 months' time.

So, how do your values and goals align and benefit the team you want to grow and the clients you wish to win? And crucially, how are you measuring the success of your values against the long-term performance of your business?

It's striking that 48% of leaders believe they cannot realistically assess the return on investment with new technology — an alarming figure when 65% also state their legal tech spend will increase in 2024–2025. To ensure technology is assisting with the retention of clients and employees, and delivers ROI, it's important to ensure your success measures are aligned.

Measuring cost benefits is crucial. When 36% of SMEs see cost management as a top challenge this year, also considering an increased number of firm closures, ensuring a profitable operation is paramount. But there are other business areas on which tech has a direct impact, which can help to represent the total value the investment delivers.

Then, 80% said risk management was a key driver for cloud adoption, followed by 58% stating it's a more productive work experience. These are likely to be, or at least they should be, some of the key drivers for adopting any new tech or becoming a digital-first firm (as 58% say they are prioritising for the next 12 months). And so, aligning success measures to track, monitor and review the return of tech investments should also consider the impact on mitigating risk and improving employee satisfaction, as well as enhancing the client experience, increasing efficiencies and strengthening competitive advantage.

Legal tech can provide a future-proofed foundation and effective tools for delivering on your values and the promises you make to clients and employees. It enables your team to perform at its best and deliver a quality service that helps the firm to retain a competitive edge.

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every single business process, customised by client," Hamilton explains. "It allows us to learn from our experiences faster and keep on improving the client experience."

"The ultimate goal is to delight the customer effortlessly, feeling you've hardly done anything to do so," he adds. Indeed, in keeping with Shingo's 'respect' dimension, the rigorous data-led approach should lead to people having significantly more control over improving how they can work, supporting the causes of work-life balance and wellbeing in the process.

Returning to the big picture of business confidence considering all these factors, we can see that in 2024 significantly more of our sample of leaders believe teams will be successful in growing the top line by more than 5% (69%) than was the case in 2023 (p12). Then, almost one-third expected smaller revenue growth. Fewer also now predict a revenue decrease in the coming financial year — and just 15% that they'll be standing still. Admittedly, these answers came before news the UK entered a technical recession in the last months of 2023 — which may well prove rather short-lived — but they suggest a market still well up for the considerable challenges of change and continuous business improvement.

Turner at Ellisons says: "The market does seem to be improving and, alongside driving efficiency, one aspect of our strategy is to consider new fee earner hires to launch into some potentially new sectors — so making calculated investments."

INVESTMENT PLANS

How will your firm's overall technology spend change in 2024–2025?

55%
Increase

9%
Increase significantly

32%
It will stay about the same

3%
Decrease
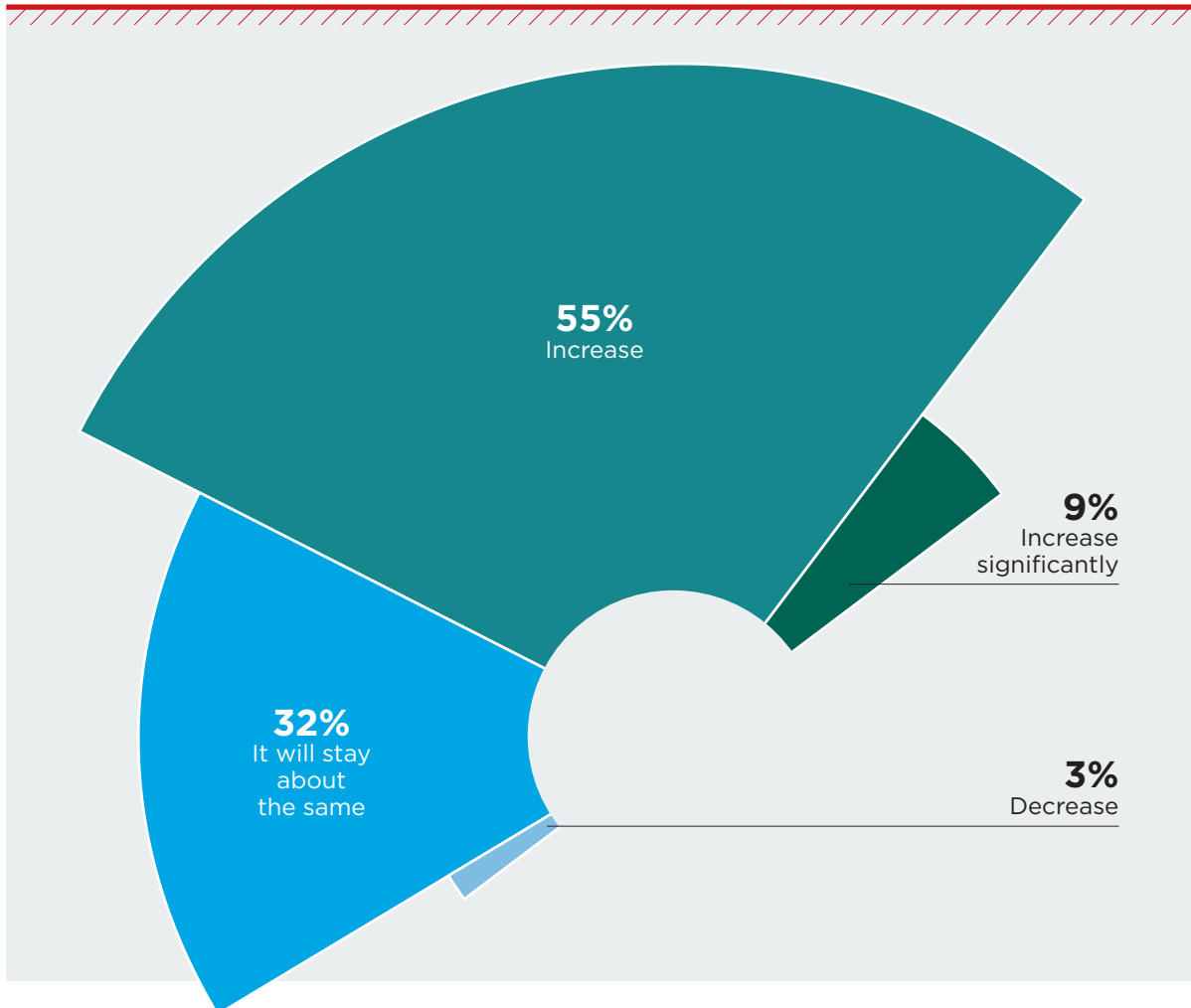
Profitable growth depends on optimising resourcing and delivery — and as always LPM Frontiers 2024 wants to understand business leaders' appetite for investment in more, or better, IT systems and infrastructure to move those key dials of efficiency, competitiveness and productivity.

Just ahead of the typical budgeting point, this year's picture shows the level of demand for doing more, with technology holding steady (left). Almost one in 10 leaders say their firm will increase spend significantly (2023: 8%), over half (55%) expect some increase (2023: 53%), and one-third still expect spend to stay the same. With fewer suggesting they plan to rein in spend, leaders of SME firms are aware they need to keep up with the notoriously rapid pace of change producing evolving toolsets and paving paths of organisational transformation.

If firms want to respond to changing client demands, such as toward pricing certainty/transparency — or indeed, simply lower price — this may be one area of required investment. Technology produces efficiencies that might be passed on to clients through pricing, but firms need systems that manage to hold reliable data surrounding past work to be confident their management choices are ultimately profitable.

Interestingly, although over half (53%) of leaders are happy to admit any existing pricing technology needs either improving or replacing (p27) — and striking that a quarter here don't know — three-fifths say their current setups allow them to be very (22%) or, at least, fairly (38%) flexible on pricing (p16). Only a quarter feel their flexibility is limited by how data is handled — and this time only 3% say they don't

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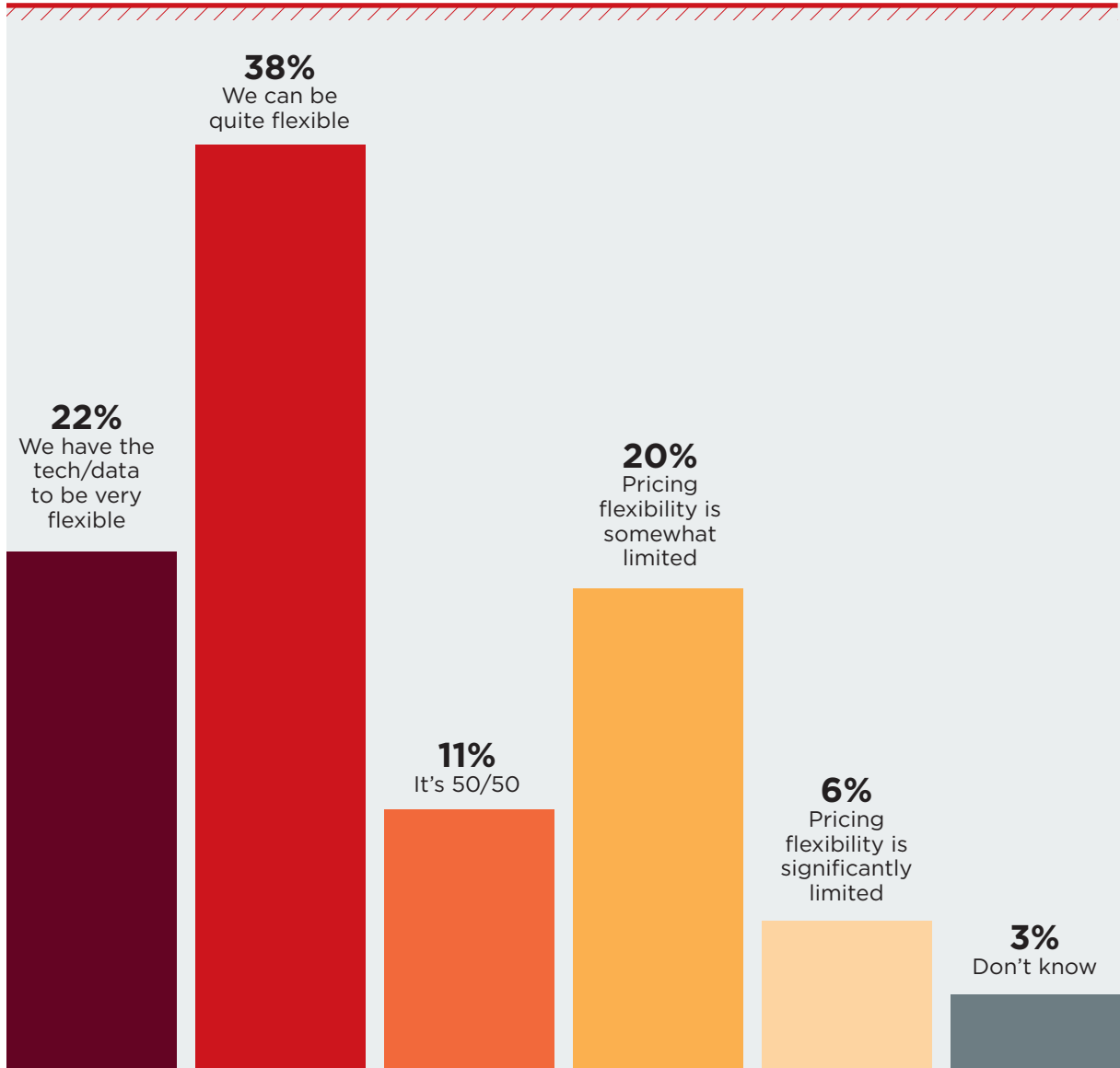
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How well can your current technology/systems support the development and implementation of alternative pricing models?

38%
We can be quite flexible

22%
We have the tech/data to be very flexible

20%
Pricing flexibility is somewhat limited

11%
It's 50/50

6%
Pricing flexibility is significantly limited

3%
Don't know

know. It's a finding that should perhaps be seen in the context of another one — almost half think they can't realistically gauge ROI when bringing in new technology across the board (p17).

Lee Killner at EMW says: "Some solutions have portals to provide use information like the numbers of logins over a period — or documents produced — but it varies from platform to platform. Ensuring ROI is pretty much a full-time job. However, the biggest pricing challenge is meeting a range of client requests. It requires a clear statement of work, as well as openness where things fall out of scope."

John Turner at Ellisons adds: "Our practice management system is quite flexible to enable a range of pricing options that we offer, but we've recently involved an external body to deliver lawyers some training to make the most of those options — and some are now championing it for us internally."

" Our practice management system is quite flexible to enable a range of pricing options that we offer, but we've recently involved an external body to deliver lawyers some training to make the most of those options **"**

**John Turner,
director, Ellisons Solicitors**

Do you believe your firm can realistically assess the return on its investment (ROI) with new technology?

35%
Yes

48%
No

17%
Don't know
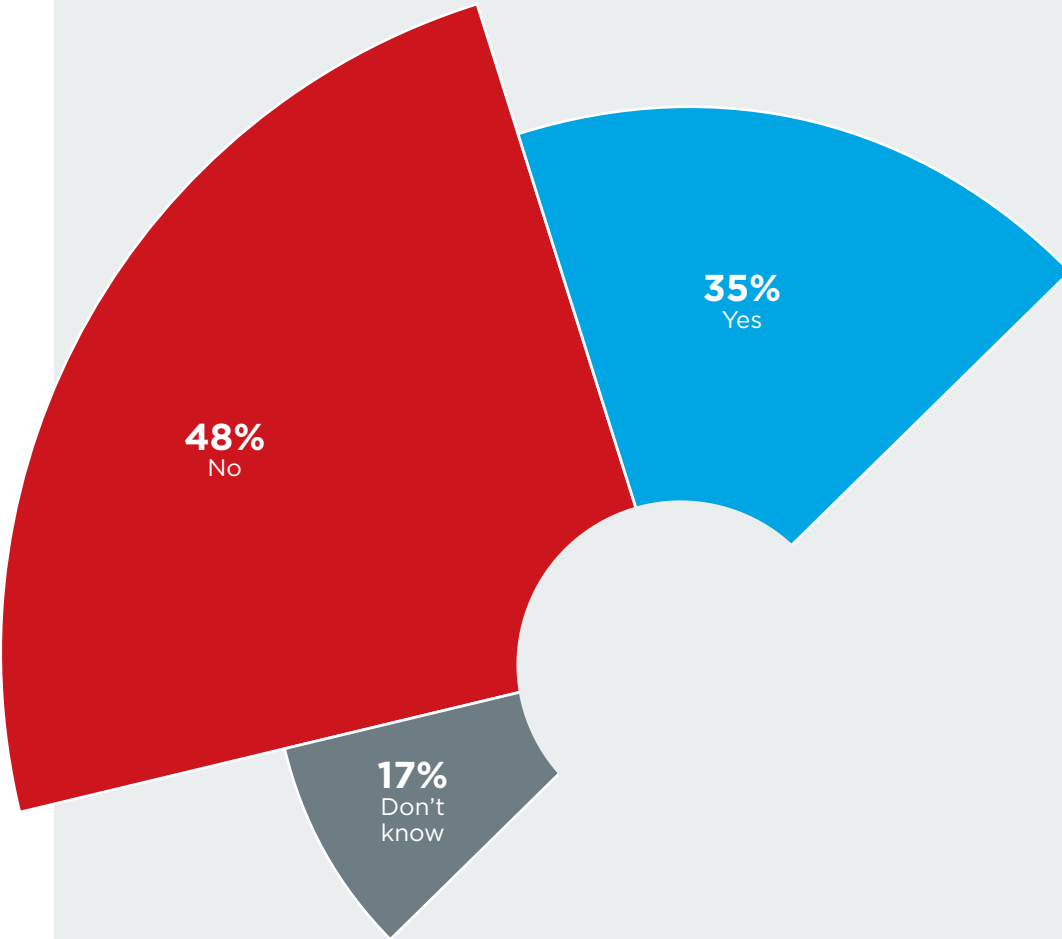
"At my firm, other business services/operational leaders, or roles that aren't fundamentally IT-focused, are more influential when it comes to questions of technology investment today than 18 months ago" — do you agree?

12%
Disagree

3%
Strongly disagree

51%
Neither agree nor disagree

31%
Agree

3%
Strongly agree
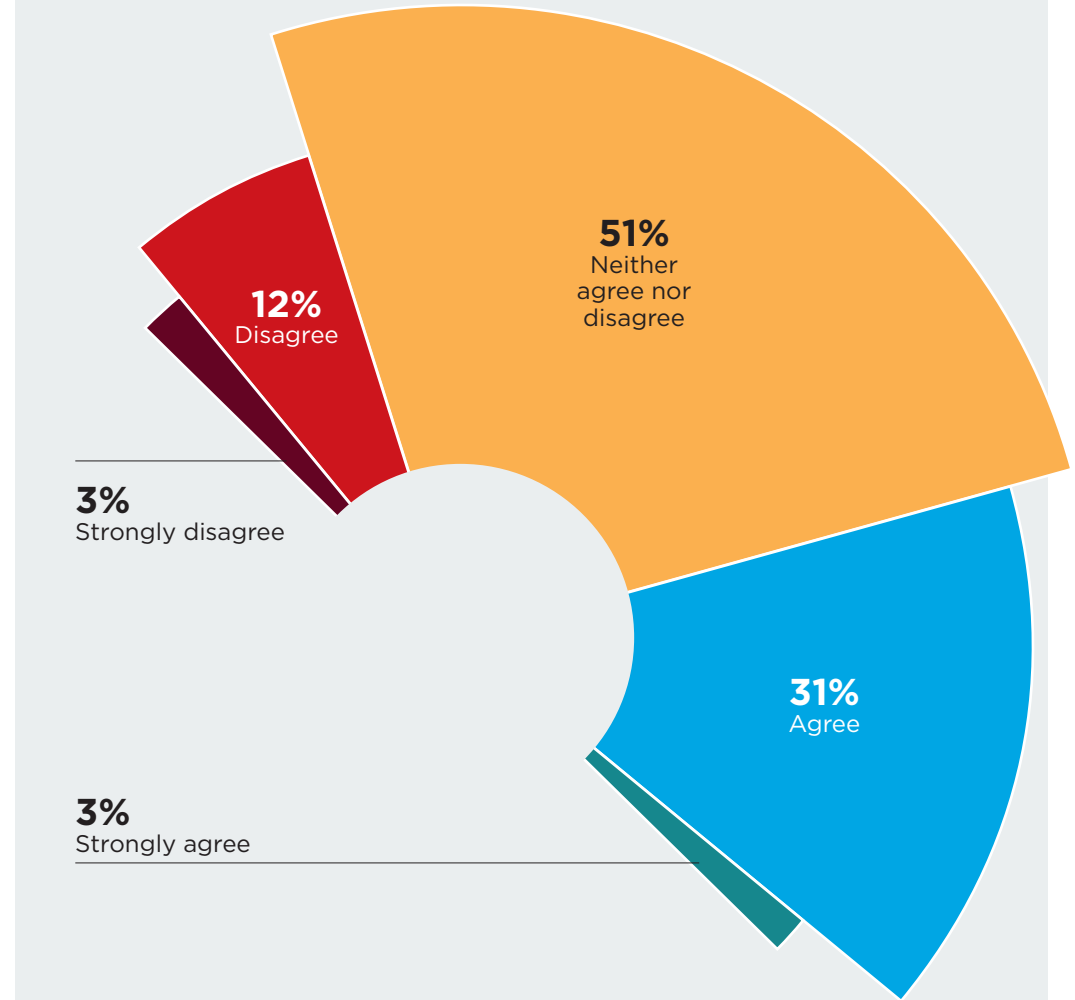
LAW FIRMS ARE EMBRACING CLOUD

Doug Hargrove, senior vice president of legal and professional services, Advanced

PARTNER COMMENT

After years of honing, improving and relying on infrastructure, law firms are embracing cloud-based software and systems to power their practices and streamline their operations.

With half demonstrating a commitment to leveraging cloud solutions — and only a small fraction not considering the cloud as part of infrastructure plans going forward — there is real momentum in harnessing the benefits cloud technology brings.

Cloud technology has the potential to streamline workflows with interconnected software and applications, increasing accuracy and collaboration, and all on secure offsite servers with frequent security updates for greater security, compliance and data management. There's also the simplicity of expanding as you expand, removing reliance on scarce resource to manage and upgrade infrastructure.

In our Legal Sector Trends report earlier this year, we found that a quarter of law firms are solely using on-premise systems and a further 40% are using a mix of these and cloud solutions. While showing a move towards the cloud, without true cloud adoption across the entire tech stack it's unlikely to garner the benefits firms are seeking.

When examining the reasons firms are moving towards the cloud, it's clear the cloud helps to answer several challenges. For example, four in five list risk management as a key reason. Data breaches have been of particular concern in the legal profession, with several cases over the winter. Cloud software means frequent security updates, digital collaboration tools and easier tools for greater governance — cloud technology ramps up security measures and keep firms compliant.

Greater efficiency and productivity are more pressing goals as the cost of doing business continues to apply pressure to' bottom lines. It's no surprise that over half identify them as a benefit they're striving towards with a move to cloud technology. The collaboration and integration tools cloud software allows firms to use seamlessly can save countless hours spent on non-billable work, recover billable hours that have gone unrecorded, and provide a greater customer experience that will improve satisfaction and retention to boot.

The more software and processes law firms can move to the cloud, the more secure and productive they are likely to be. Software providers should be sought that look at your workflows from end to end to maximise your software's potential to meet these goals.

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Alex Hamilton at Radiant has clearly given the value of his data plenty of consideration — and all this firm's work is for a version of a fixed fee. "We're not in the business of selling time, and I don't trust any timesheet data whatsoever — it's based on flawed incentives and simply doesn't show the dance of how the work is done," he says.

If ROI is such a challenge to fathom generally, where to begin with the much-discussed promise of generative artificial intelligence (genAI) to support more productive and profitable work (p20)? More than half (52%) of leaders say they're ultimately optimistic this development in technology will help them on their continuous-improvement journeys. Perhaps it will enable them to be more proactive/responsive with an eye on client experience, to access more data and details about ongoing workload in the moment, or to support various business teams — not just lawyers — to complete lower-value tasks that much faster. With much speculation as

> " We're not in the business of selling time, and I don't trust any timesheet data whatsoever — it's based on flawed incentives and simply doesn't show the dance of how the work is done "
>
> **Alex Hamilton,**
> **CEO, Radiant Law**

CAN YOU FEEL THE BENEFIT?

Marcus Dacombe, proposition marketing director, Access Legal

With client experience top of mind for any professional services company, particularly in the legal sector, it's no surprise that this year's report highlights the primary business challenge as improving client experience. A substantial 58% of leaders rank this as their top priority, alongside building a more agile, digital-first organisational culture and realising better ROI on technology investments (35%). It's crucial to recognise that clients seeking legal services are often making distressed purchases, highlighting the pivotal role client engagement plays in shaping their experiences.

Consequently, there's a strong emphasis on investing in client-facing technology, which tops the wish lists of most law firms. However, this must be coupled with good understanding of the ROI with technology, including reviewing critical metrics such as client retention rate, average billing rates and time spent on billable tasks. With only just over a third of firm leaders suggesting they can assess this ROI, these metrics play a pivotal role in understanding technology's impact on your firm.

Today's modern clients want access to instant information, influenced by their experiences with other technology providers. It's encouraging to see that over 60% of leaders express their intent to increase technology spending in 2024-2025. While technology can facilitate efficiency, firms must balance this with a focus on the human element. Streamlining business operations to boost productivity enables professionals to allocate expertise to critical tasks that technology cannot fulfill, such as nurturing client relationships.

When working with any legal technology provider, understanding ROI must also be top of the list to ensure you're investing in the right solution, maximising potential and moving the needle in the right direction.

With the modern legal practice inundated with documents and valuable client data, the intersection of law and technology becomes increasingly crucial. Notably, generative AI emerges as a key disrupter, with over half of respondents expressing optimism about its potential to transform business processes and outcomes. But only just over a quarter say they have an official plan in place. Attention must be paid for firms to remain competitive.

Another concern highlighted is the escalating pressure to attract and retain talent. Over half acknowledge it is more challenging than a year ago. A key theme we see in conversations with customers is the pivotal role of technology culture and development in talent acquisition and retention. With more change ahead for flexible working, the ability to engage clients with timely, tailored information and investments in client excellence products becomes instrumental in leveraging technology to foster a positive culture and drive professional development.

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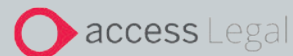
to how AI might transform future legal career paths, however — and indeed close attention paid to cost, risk profile and the bottom line — one-third are uncertain what lies ahead and 14% are pessimistic overall.
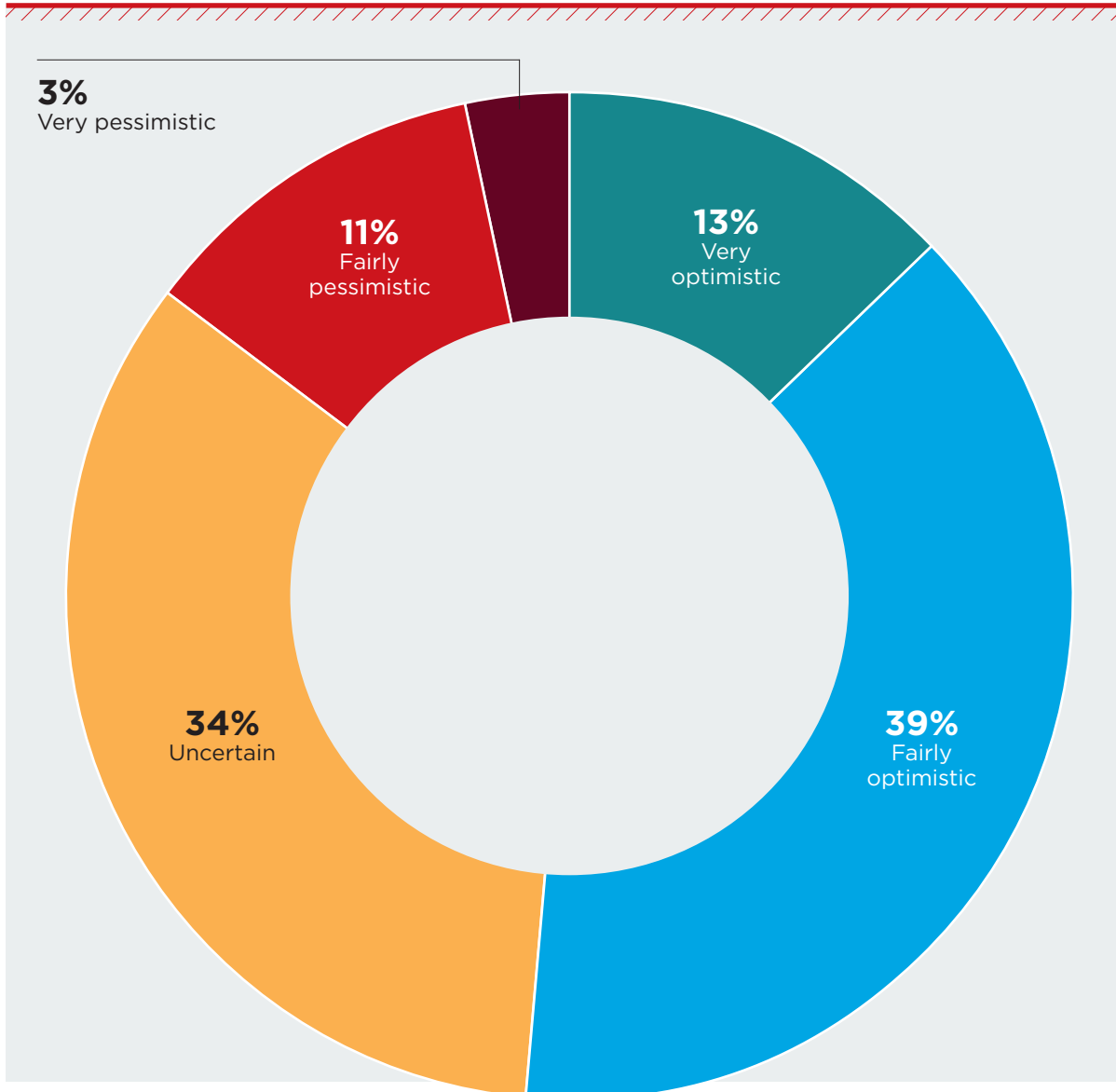
Meanwhile, a clear majority don't yet have something they could call an 'official plan' for using tools that incorporate genAI to change process in parts of the firm — or as far as they know, that is (p21). This stands in contrast to results of our **Briefing** Frontiers research — polling senior strategic leaders at the largest firms in the UK — which in February 2024 found over three-quarters (78%) saying they do have such a strategy or plan and 46% expecting AI to play a part in producing drafts of some legal documents for clients within the year.

Significantly, three-fifths of SME firm leaders also expect to follow where larger firms than them have been before (p21) —

> We've pushed process-mapping as a discipline for several years, but it has really ramped up in the last 18 months

**Lee Killner, IT director
EMW**

How do you feel about the potential of generative artificial intelligence (genAI)/large language models (LLMs) to change business process or outcomes for your firm?

3%
Very pessimistic

11%
Fairly pessimistic

13%
Very optimistic

34%
Uncertain

39%
Fairly optimistic

potentially benefiting from not only more clarity about the real risk/likely rewards, but also reduced cost if AI edges closer to being a business-as-usual partner in some aspects of operations.

Some SME law firms are happy to be clear that they expect to be "strategically late adopters" — they need evidence of the time-saving value coming through all the checks and balances involved first. And that's if it even makes sense for the volumes of work involved. But Patterson at Arch Law believes AI could be the development that tips some more legal services to self-service online — guiding people through a process, and potentially triaging, in a smoother manner than systems have managed until now. Elsewhere, he's unsure about the extent of appetite and senses market nervousness around the regulatory regime.

Turner at Ellisons says: "Our strategy hinges around working more effectively and efficiently — without needing longer hours — and I see a potential role for AI in that, such as assisting lawyers with long contracts and perhaps summarising some parts." He's trialling a tool in a couple of departments, but stresses the need for true reassurance as to security and data policy — working with a trusted provider.

Killner says that EMW has a plan, but it's an "ever evolving" one: "Clients are already asking questions about our use, but for the most part we'll probably find it's a natural progression appearing within solutions we already have." He also stresses the role of legal or business process-mapping before settling on use cases for genAI, and the firm has recruited a process analyst to lead on just that: "We've pushed process-mapping as a discipline for several years, but it has really ramped up in

Does your firm have an official plan to adopt genAI/LLMs as part of delivering any work product or improving operational processes?

71%
No

26%
Yes

3%
Don't know
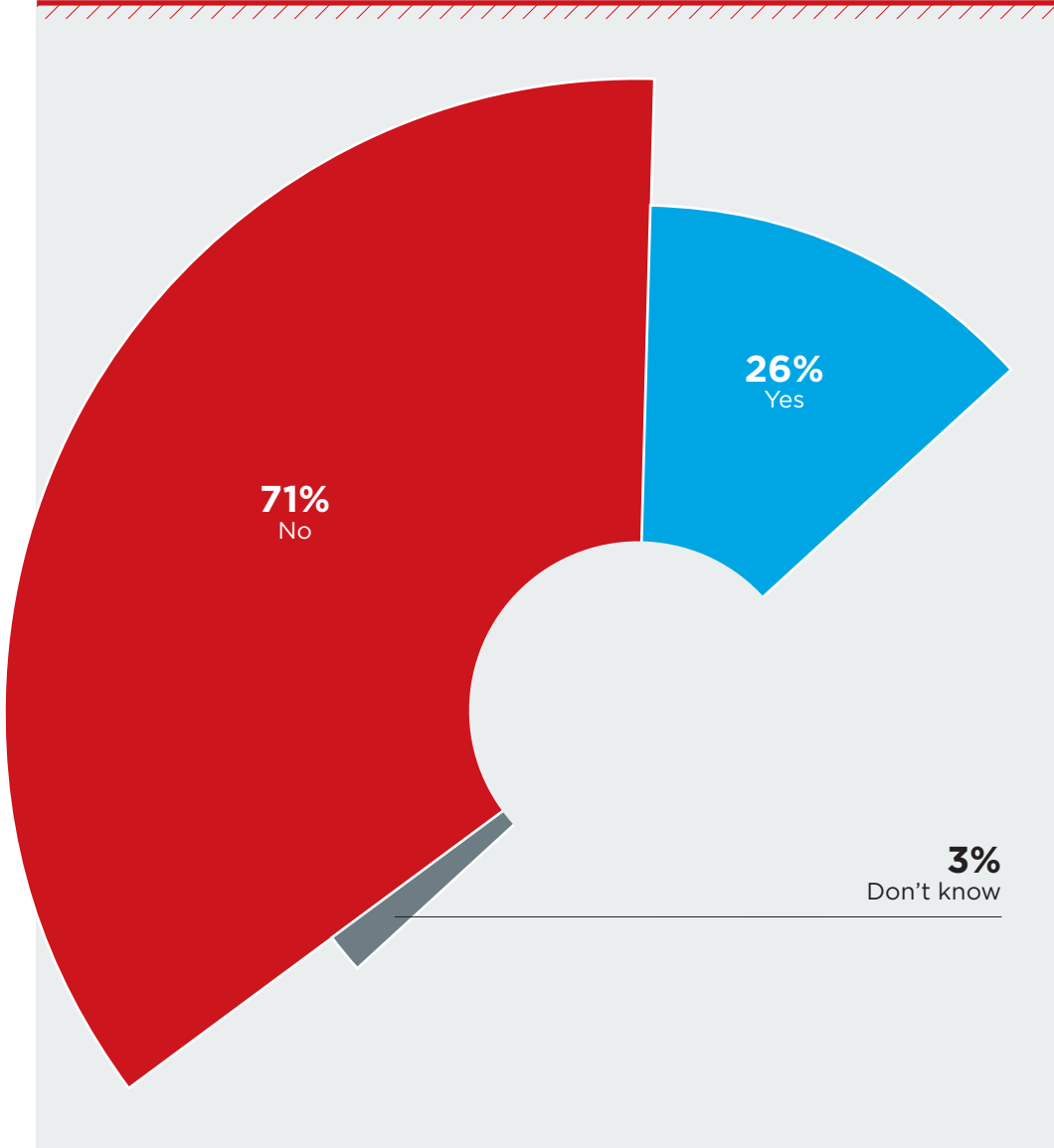
Do you think your firm will see a benefit from larger firms than yours exploring and investing in establishing use cases for genAI/LLMs in the next two years?

21%
Don't know

20%
No

59%
Yes
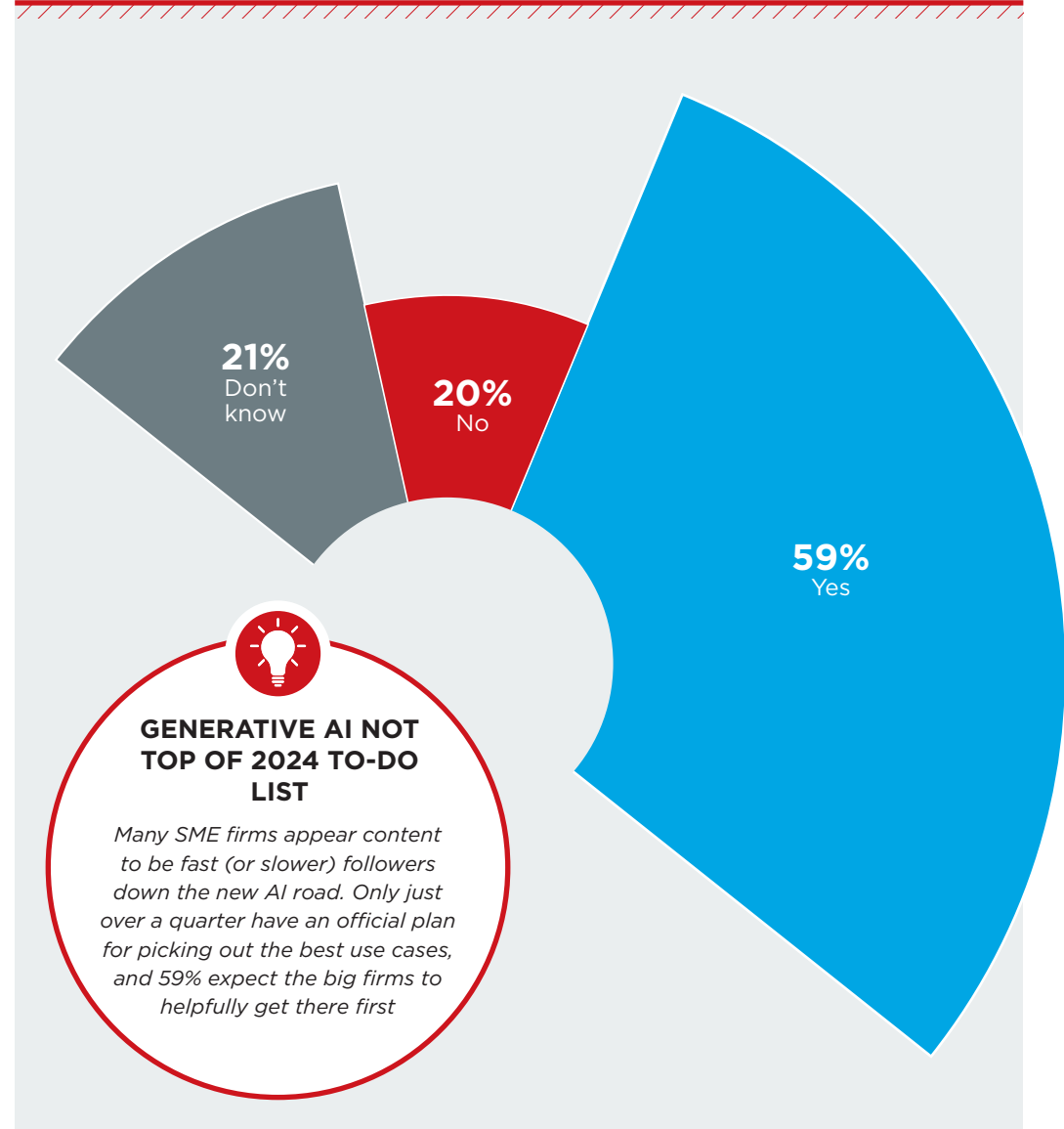
GENERATIVE AI NOT TOP OF 2024 TO-DO LIST

Many SME firms appear content to be fast (or slower) followers down the new AI road. Only just over a quarter have an official plan for picking out the best use cases, and 59% expect the big firms to helpfully get there first

COULD TECHNOLOGY BE THE COMPETITIVE EQUALISER?

Kaden Smith. director, NetDocuments

nLPM Frontiers, we hear from senior management leaders at the UK's small and medium-sized law firms (those with total headcounts of less than 250).

FORMULA FOR FUTURE SUCCESS

As always, firms are most concerned about competition from 'firms like mine' and 'bigger firms than mine'. Even as generative AI (genAI) solutions are enabling new and different solutions from the Big Four and other 'alternative' legal businesses, these entities were seen as less of a threat than they were in 2023.

In rank order, the things that firm leaders saw as most important to their future success were:

• Improving the client experience
• Building a more agile 'digital first' organisational culture and firm
• Addressing cost management/ cost challenges
• Realising better ROI on technology
• Becoming more effectively 'data-driven' as a business.

After a period of intense cost pressure, it is not surprising that firms are looking at client experience and ways to better leverage their technology, as well as how to address cost management. Taken together, these build a complete picture of how firms are looking at what is key to their future success.

TECH ROI AND GENERATIVE AI

It's no surprise that three of the top ideas smaller firms identified as critical to their future success were technology-related, with 65% indicating an increased spend on technology. It has become clear that technology can be a great equaliser when competing with others, especially larger firms, enabling smaller firms to punch above their weight class.

As smaller firms are somewhat more agile than their larger counterparts, those with a more innovative mindset may be able to better leverage the advent of genAI too, with more than half optimistic about its ability to change business processes and outcomes. However, despite being optimistic, only 26% currently have a plan for adoption of genAI.

Going back to the list of priorities above, part of firms' hesitancy could be that they're unsure about the ability to determine ROI with new technology. Here is a key takeaway: the ability to map out processes and their costs, both prior to and after implementing technology, are critical to calculating ROI. If not done at the outset, it can be difficult to do in hindsight.

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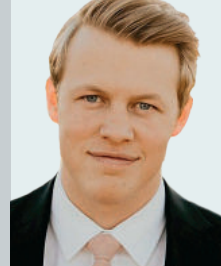
the last 18 months."

But Inkster firmly believes another hype bubble has inflated under genAI — and firms serious about using it aren't necessarily being realistic about where it can add value, given accuracy concerns and the clear need for human oversight in the mix: "Why would you use genAI to check clauses that need to go in or come out of a known document? It's easy to say that you'll be left behind in this, but you won't be left behind — after 30 years in the field there are still firms that aren't using document automation anywhere near as much as they should," he says.

> **"** After 30 years in the field there are still firms that aren't using document automation anywhere near as much as they should **"**

Brian Inkster
CEO, Inksters

FIT FOR THE FUTURE?

Regardless of your current strategy, what are the top three business drivers/expected benefits that would lead you to consider moving a system to cloud?

80%
Managing risk/future-proofing the firm

58%
A more efficient/productive experience of work for people

46%
Simpler IT management

37%
Improved access to new features or data

32%
Improved client experience

31%
Reduced cost (resources, scalability, and so on)

3%
Something else
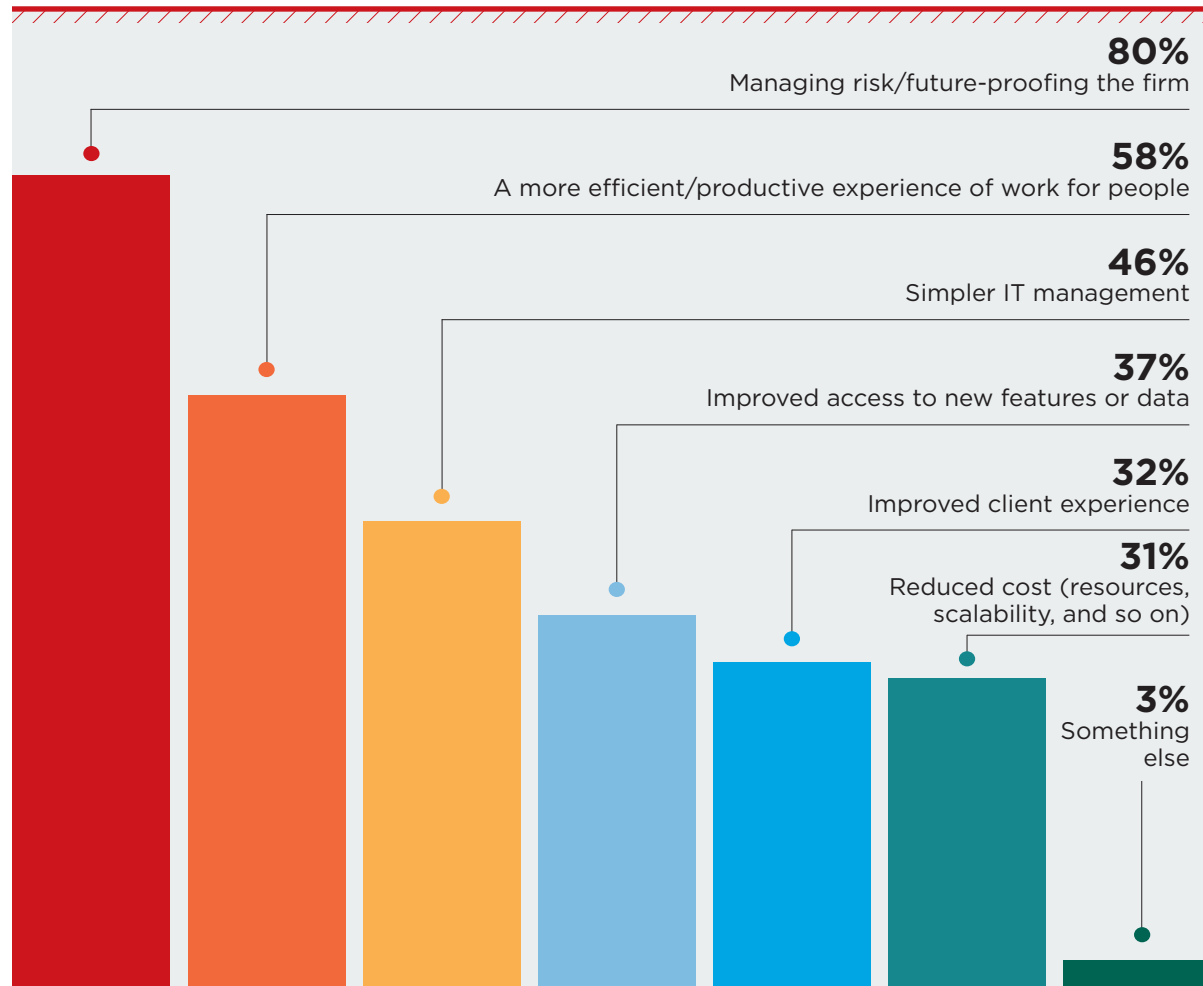
There's a connected question about some other strategic directions with technology. After all, genAI can only get to work for the firm effectively if the underlying management of documents and data is sound — and this may spur our larger firms to push some investments and decisions surrounding data ownership and governance higher up the project priority list as well. For SME firms, it's clearly important that systems are as integrated as possible to make for productive working and the best decisions about everything from business development targeting to optimum resourcing and allocation.

Another area we've tracked in LPM Frontiers 2024 is willingness to move core IT systems 'off premises' — into a version of cloud. Consistent with the picture of the larger law firm view in our sister publication **Briefing**, it's clear there's been a significant shift in attitude over the last five years — perhaps as the pandemic experience highlighted more of what's possible with modern development, and clients have relaxed their own stances and accepted firms are best placed to make strategic technology decisions that consider all the factors.

Now we find one-fifth of leaders say their firm will naturally choose 'cloud-native' systems; designed specifically against the backdrop of business benefits seen to flow from cloud — such as scalability and flexibility — from day one (p26). Another third think of themselves as 'cloud-first' — that core management systems are ultimately better catered for by cloud. It's not a question of if, but when, they are able to move. Fewer than a fifth are clear that cloud won't be the best option for at least some of their needs, and a mere 3% of leaders would say it's a peripheral concern.

Then, the business driver most likely to lead a firm in the cloud direction is the perception the course would be better for its risk management (left). That's not only in terms of resourcing the many

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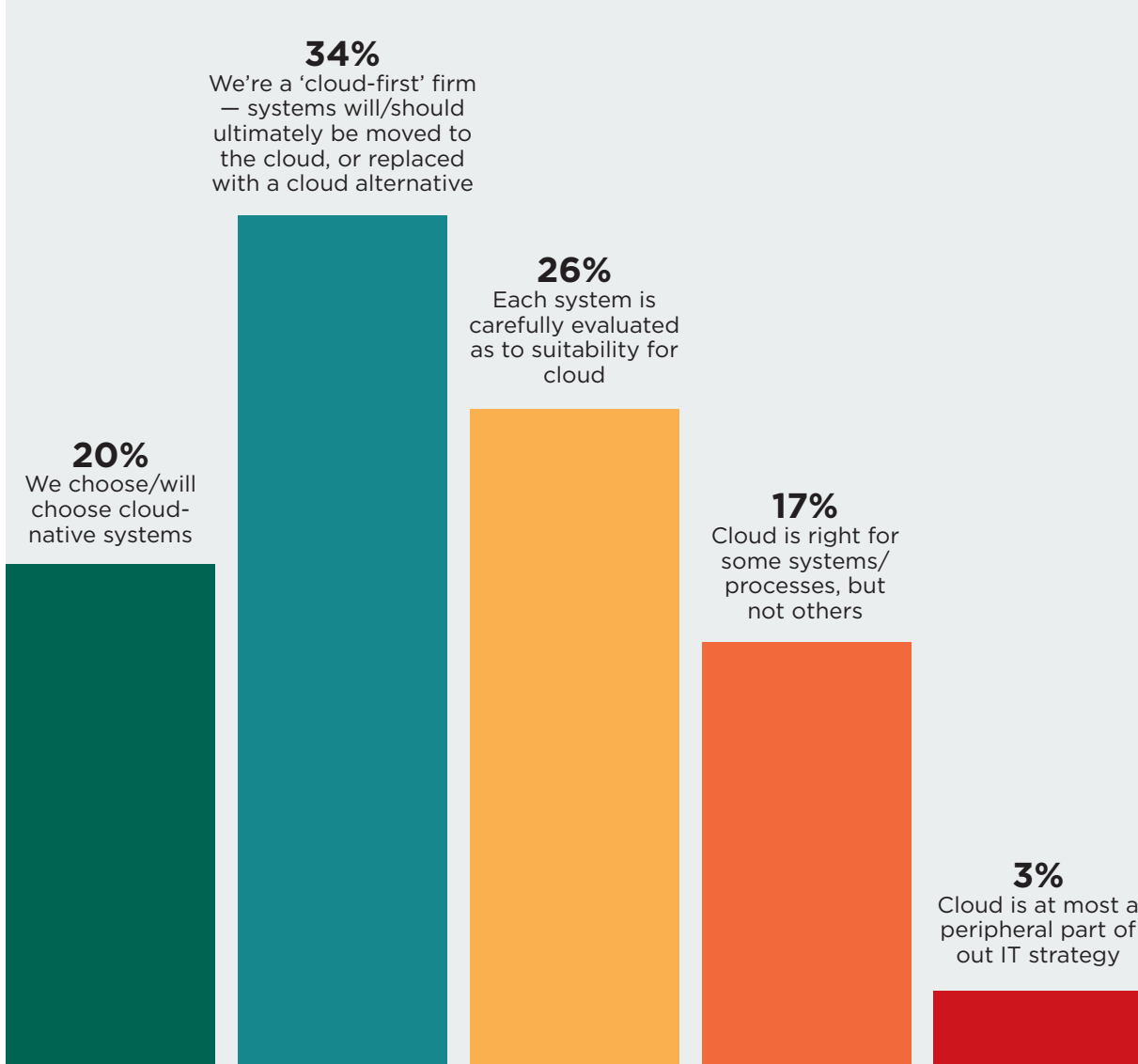
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Which of the following best describes your firm's approach/attitude to moving core systems to the cloud?

34%
We're a 'cloud-first' firm — systems will/should ultimately be moved to the cloud, or replaced with a cloud alternative

26%
Each system is carefully evaluated as to suitability for cloud

20%
We choose/will choose cloud-native systems

17%
Cloud is right for some systems/processes, but not others

3%
Cloud is at most a peripheral part of out IT strategy
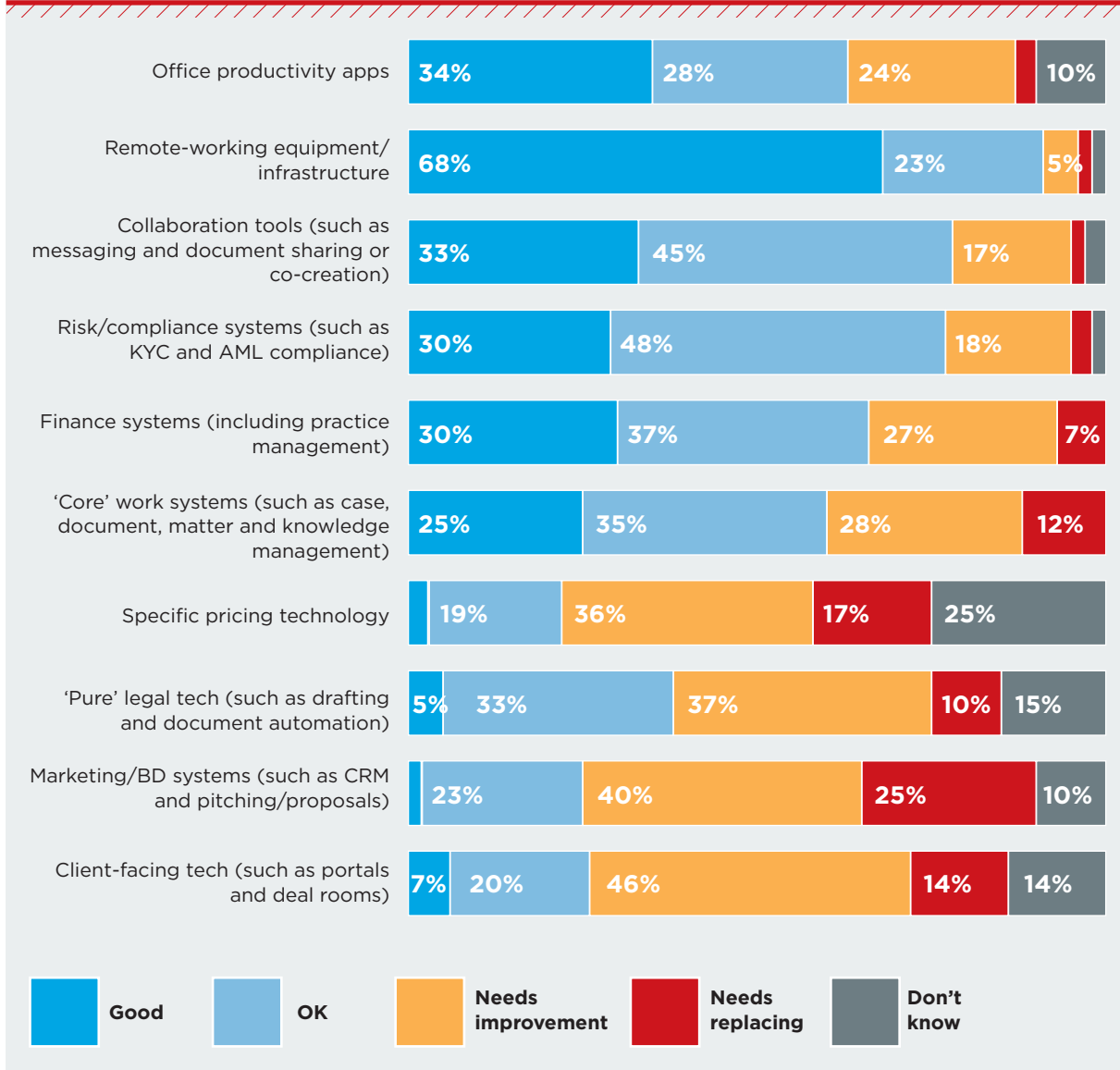
FIRM CONFIDENCE IN CLOUD BENEFITS

More than half of leaders now express a really clear preference for cloud-based systems — either cloud-native, or switching when a suitable cloud option materialises — marking a major direction of travel in business transformation

challenges surrounding information security, but also offering flexibility to scale availability rapidly and introduce new facets/functionality that may be needed to compete harder, or take a different turn, in future. Remember, one of the two macro strategic challenges that tied as the most business-critical of all to leaders is enabling a "more agile" organisational culture to flourish (p10). IT choices may influence your chances of success in that. In second place for driving a cloud move, moreover (p24) — considerably ahead of cost management concerns — comes the perception a cloud move is likely to provide a more efficient or productive experience for its busy people (identified by 58%). Almost half (46%) do also point to the fact of simpler management for any internal IT team — potentially allowing these employees to take on a more transformational tech agenda — and over a third would anticipate improved features or data access to flow their way.

Peter Carr at Lawfront says the firm would always opt for a cloud-native solution today. "It drives down the cost with infrastructure as a service, and the business can concentrate more resource in areas that add value rather than on maintaining servers, which involves a level of expense and expertise that just isn't needed anymore," he explains. "Scalability and adding value are a fundamental guiding principle."

Please rate each of these core areas of technology as currently provisioned at your firm

Technology area	Good	OK	Needs improvement	Needs replacing	Don't know
Office productivity apps	34%	28%	24%		10%
Remote-working equipment/infrastructure	68%	23%	5%		
Collaboration tools (such as messaging and document sharing or co-creation)	33%	45%	17%		
Risk/compliance systems (such as KYC and AML compliance)	30%	48%	18%		
Finance systems (including practice management)	30%	37%	27%	7%	
'Core' work systems (such as case, document, matter and knowledge management)	25%	35%	28%	12%	
Specific pricing technology		19%	36%	17%	25%
'Pure' legal tech (such as drafting and document automation)	5%	33%	37%	10%	15%
Marketing/BD systems (such as CRM and pitching/proposals)		23%	40%	25%	10%
Client-facing tech (such as portals and deal rooms)	7%	20%	46%	14%	14%

Legend: Good (blue) · OK (light blue) · Needs improvement (orange) · Needs replacing (red) · Don't know (grey)

Jonathan Patterson at Arch Law adds: "As we are building something from scratch, we're completely cloud-based — and that's much easier than trying to drift things across. With our model the ability to access systems anytime, anywhere is also very important. People are always on the move."

But Lee Killner at EMW says: "Ultimately, cloud is just somebody else's computer — it's great where appropriate, but we'll evaluate each solution when the time comes. We certainly need to be technology-driven, and that's as much for bringing people onboard and supporting them to work effectively using simple processes, which again contributes to improving efficiency."

Cloud-based or otherwise — the systems SME leaders are most likely to think in need of replacement (left) are those supporting their marketing and business development efforts (25%), pricing (17%) and client interfaces to enable work collaboration, elements of self-serve, comms or management information-sharing (14%). In 2023, the client-facing experience was the category causing most immediate concern — but when combined with those areas identified as needing 'improvement' it's this same trio raising something of a red flag for remedial action.

Brian Inkster highlights that client-facing options such as portals, streamlining client onboarding and offering work information and updates can be used sensibly for communication about legal process — but are also only as good as the accuracy and timeliness of the updating. "There's a question as to how much a client really needs to know about what's happening with their case in the background, and it can be a challenge getting everybody onboard and consistently serving all clients across the firm," he adds.

Finally, we note that more than one in 10 leaders also has a core delivery/work system they'd ideally replace with an alternative (over a quarter would make improvements), while one-third (34%) are less than impressed with their finance systems — which may include a problematic backbone in the form of the practice management system (PMS).

HOW TO OPTIMISE THE CLIENT EXPERIENCE

Elisabet Hardy, head of product, Elite

PARTNER COMMENT

Law firms are acutely aware that their success lies not solely in the quality of their legal expertise, but in the way they deliver services. The client experience is a critical factor in winning and retaining business. Enhancing business relationships by understanding and delivering proactive solutions to clients' needs is vital, such as by making sure clients have easy access to the information they need, including real-time visibility over matter progress or performance against budget. Even getting billing right, by ensuring invoices always meet the client's unique guidelines, can make a huge difference, showing that you know and adapt to their requirements. It's about consistently providing value in the client experience over the long term.

Leveraging technology is key to helping firms deliver this value, while also empowering lawyers to become more effective and efficient by eliminating mundane and error-prone tasks. Those that strive to be 'digital-first' should be well-placed to attract top talent, creating a virtuous circle of standout skills and service.

When measuring ROI for tech investments, soft metrics such as client satisfaction and the health of the client relationship are just as important as hard numbers on, for instance, time savings. Ultimately, return on investment hinges on taking costs out of your business, and generating efficiencies that will lead to higher revenue. All of which is centred on how you are delivering work and managing client requirements. Assessing ROI is not always an exact science, and there are many ways to go about it.

Moving to the cloud now looks inevitable for many firms, but those embarking on this journey should remember that the cloud is just a destination — it's what you can do once you're there that matters. In the cloud you'll always have access to the most up-to-date software and the ability to take full advantage of new ways of working, including harnessing data for better-informed decision-making and the deployment of AI to work smarter. Law firm leaders are right that cloud is about future-proofing the business; not moving to the cloud could lock you out of innovation and put you at risk of falling behind.

While you can learn from what others are doing with AI, planning for how you could apply it should put you in a strong position. Take the time to understand what AI can do and where it could make the most impact on your processes. That's the way to make this game-changing technology work for you, and your clients too.

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Bellevue Law is rather unusual in not currently having a PMS at all — it did try one out — but Florence Brocklesby says she instead prioritised relative simplicity through the pandemic and a subsequent growth spurt. "There's a lot to be said for that, but it does mean there are some manual tasks that become more inefficient as you continue to grow," she admits — and these are now in her sight. "We are a modern firm in many ways, with very happy clients, but there's not a lot of tech responsible for that at the moment," she says. Another investment priority going forwards will be the onboarding experience — potentially comprising some automation.

John Turner at Ellisons says: "We absolutely need to invest in up-to-date technology, but of course also need to be clear about the ROI with any large proposition that's likely to eat up lawyer time. We see the benefits of being cloud-based, but any new technologies we want to introduce to support efficiencies, particularly around workflow management, must also hook into our PMS and document management system — and it seems that can present a challenge."

Alex Hamilton says Radiant removed several "standard" Software as a Service (SaaS) products to make way for his home-grown enterprise resource planning (ERP) approach/more integrated data layer – he's now brought in a chief technology officer to enable the model to scale, while also building a new client portal.

And Arch Law is also focused on keeping the estate lean. Patterson says: "One thing our team has learned from time working in large firms is not to buy lots of point solutions — it's both expensive and messy to manage. We're always thinking in terms of an end-to-end system."

Carr concludes: "My own firm is very focused on quality of client service and building high levels of automation to drive the efficiency of fee-earning teams. But many SME firms today have a legacy PMS that's no longer fit for either fee earner or client needs, in the sense of offering a modern, web-mature experience."