



2020 SMALL LAW FIRM BUSINESS LEADERS REPORT

EXECUTIVE SUMMARY

Law firms are businesses. One of the strongest lessons for law firms of all sizes in 2020 has been that they must be able to operate as such. In today's market, that means anticipating and reacting to risk quickly and understanding the realities of their portion of the legal market. For small law firms, particularly those with fewer than 50 attorneys, this can pose special challenges, though. Unlike their larger law firm counterparts, small law firms are more likely to lack robust business back offices to manage the firm's administrative affairs.

Small law firms are more likely to adhere to the older model of law firm business management where the various business functions within the firm are divided among the partners, creating a tension of duties where the finance partner, library partner, marketing partner, and even managing partner must divide their attention between the sometimes dueling requirements of the business side and the partner side of their role. It is understandable that this dichotomy often results in the partner side of the role prevailing because partners are compensated first and foremost as partners. The execution of the business side of their roles does not weigh as heavily on the scales of their personal success as did the number of hours they bill.

But even prior to 2020, we saw the responsibility for managing the business of law firms begin to shift away from partners and toward professionals specifically tasked with running the business, and it was these professionals we sought out for this survey. While not as common among smaller firms, this is still a noteworthy trend and one worthy of examination. These business professionals bring with them different experiences and viewpoints, which in turn offers them a different perspective on the state of the legal market and to best meet today's challenges.

Beginning in 2019, the Thomson Reuters Institute, in collaboration with our partners at the Georgetown Center on Ethics and the Legal Profession and the Association of Legal Administrators, introduced the *Small Law Firm Business Leaders Report* to better understand the outlook and mindset of those professionals who are tasked with running the business operations within small law firms.

As small law firms, like other small businesses, have scrambled to understand the impact the pandemic is having and have increasingly looked to their business professionals to provide some guidance that would steer their decision making. Most importantly, the insights these business professionals have offered has influenced small law firm leaders' outlook on where they see risk and opportunity for their firms.

We have analyzed these insights and now present them in this report.

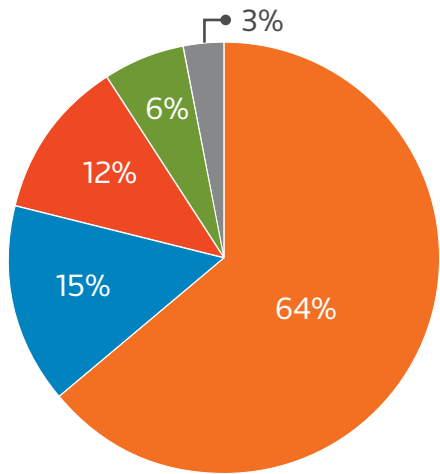
“Law firms are businesses. One of the strongest lessons for law firms of all sizes in 2020 has been that they must be able to operate as such.”

METHODOLOGY

A total of 33 responses were gathered from law firms categorized as *small law firms* — those with 50 or fewer attorneys — between August 25 and September 23, 2020. Thomson Reuters was identified as the sponsor of the survey.

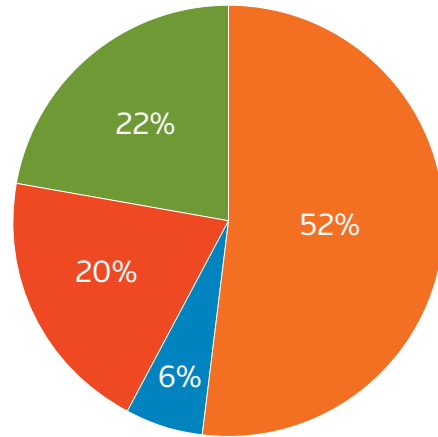
Figure 1: **Respondent Profile**

Job Title



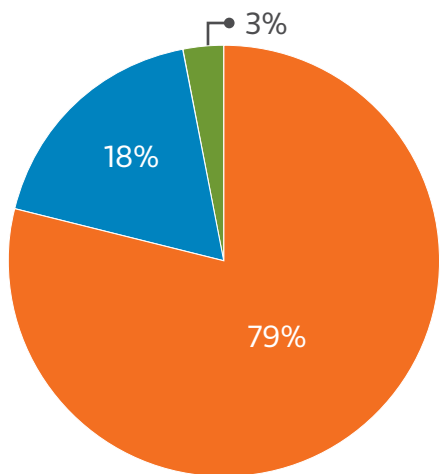
- Executive Director/
Firm Administrator
- Finance Director/Manager
- Chief Operating Officer
- Chief Financial Officer
- Chief Executive Officer

Percentage of Work



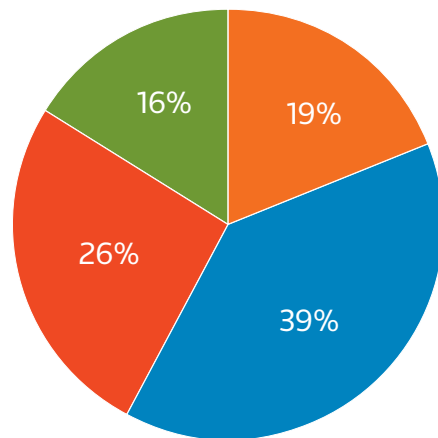
- Litigation/dispute resolution
- Regulatory compliance
- Transactional
- Everything else

Geographic Scope



- Local
- Regional
- Nationwide

Approximate Annual Gross Revenues



- < 7.5M
- \$7.5M - \$10M
- \$10M - \$15M
- > \$15M

Base: n=33

KEY HEADLINES

- Economic concerns top the list of identified threats to profitability, but small law firm business leaders are also still keenly attentive to how their own staff members and attorneys perform.
- Overall, firm business leaders are optimistic on their future outlooks, but are quite guarded in terms of future expenditures.
- While controlling costs is a key concern for small law firms, they are hesitant to consider outsourcing of many functions, with the exception of e-discovery and IT support services.
- While many small law firms say they are looking for technology solutions and were planning to use or upgrade certain tech tools — such as matter management analytics, E-billing, document automation and collaboration tools — to solve some of their strategic issues, other firms are still hesitant to adopt such solutions, leaving them at risk of falling behind.
- Law firm business leaders say they feel empowered to drive change, but the majority also feel at least some degree of resistance from the partners at their firm toward changing their firm’s legal service delivery model.



KEY RISKS TO FIRM PROFITABILITY

Not surprisingly, the business professionals at today's small law firms recognize numerous areas of potential risk. Yet, it's the areas that present the *highest* risk, according to the largest number of survey respondents, that tell an interesting story.

Like their larger law firm brethren¹, small law firms saw economic concerns as the biggest high-risk threat to firm profitability, with 30% of small law firm business leaders citing this as their top challenge. Given the current environment of economic uncertainty, this is quite understandable. In fact, when you combine the respondents who cited this as a high risk or a medium risk, this was the single largest overall identified risk with 85% seeing general economic pressure as a threat to firm profitability. Interestingly, this is only 7 percentage points higher than the portion of small law firm business leaders who cited this a high or medium risk last year, indicating that small law firms were already quite sensitive to the overall economy. This is further reinforced by the finding that 67% of respondents were concerned about a medium or high risk to their profitability due to a sluggish local economy.

However, most interestingly, general economic concerns was the only risk factor ranked by more than 30% of survey respondents, which may indicate that the economy is consuming a larger share of small firm leaders' overall attention. In last year's survey, three risk factors ranked above 30% — underperforming lawyer (46%); lawyer recruitment and retention (34%); and insufficient leverage of technology (32%). Each of these factors saw a double-digit decrease in the percentage of respondents identifying them as high risk in 2020.

"...small law firms saw economic concerns as the biggest high-risk threat to firm profitability, with 30% of small law firm business leaders citing this as their top challenge."

Figure 2: Risks to Law Firm Profitability

	High Risk	Medium Risk	Low Risk
General economic pressures	30%	55%	15%
Under-performing lawyers	27%	39%	33%
Cost pressure on litigation matters	24%	52%	24%
Occupancy costs	21%	49%	30%
Lawyer recruitment and retention	21%	46%	33%
Downward pressure on fees from clients	18%	49%	33%
Sluggish local economy	18%	49%	33%
Employee productivity	18%	33%	49%
Credit risk of clients	12%	33%	55%
Late payment by clients	9%	52%	39%
Insufficient leverage of technology	9%	39%	52%
Weakness in corporate work	9%	33%	58%
Competition between law firms over fees	9%	30%	61%

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¹ The 2020 Law Firm Business Leaders Report for larger firms is available at <https://www.legalexecutiveinstitute.com/law-firm-business-leaders-report-2020/>

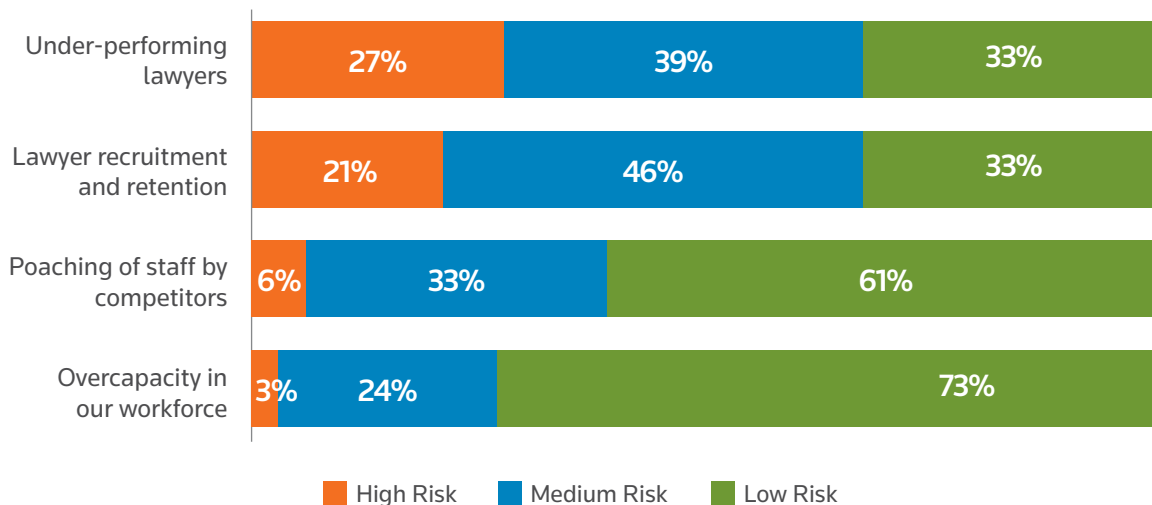
Figure 2: Risks to Law Firm Profitability (continued)

	High Risk	Medium Risk	Low Risk
Poaching of staff by competitors	6%	33%	61%
Competition from alternative legal service providers	6%	18%	76%
U.S. presidential election results	3%	46%	52%
Clients consolidating their legal panels	3%	39%	58%
Cost overruns on fixed fee work	3%	36%	61%
Work being taken in-house	3%	30%	67%
Guaranteed pay to lateral hires	3%	24%	73%
Overcapacity in our workforce	3%	24%	73%
Workplace safety	3%	24%	73%
Brexit	0%	3%	97%

The second highest risk identified by these business professionals comes from within the firm itself: underperforming lawyers. Among small law firm business leaders responding to our survey, more than one-quarter of them (27%) saw underperforming lawyers as a high risk to profitability at their firm. Although, as we've shown, was down significantly from last year, when 46% of small law firm business leaders ranked underperforming lawyers as a high risk factor.

In fact, headcount management concerns were common among the high risk factors. Lawyer recruitment and retention was the fourth most commonly cited high risk factor. Interestingly, though, other issues related to talent and headcount were seen as less risky. Only 6% of respondents saw a high risk of their talent being poached by competitors. And despite a high level of concern about under-performing lawyers, only 3% identified overcapacity in the workforce as a high-risk concern.

Figure 3: Risks From Headcount and Talent Concerns

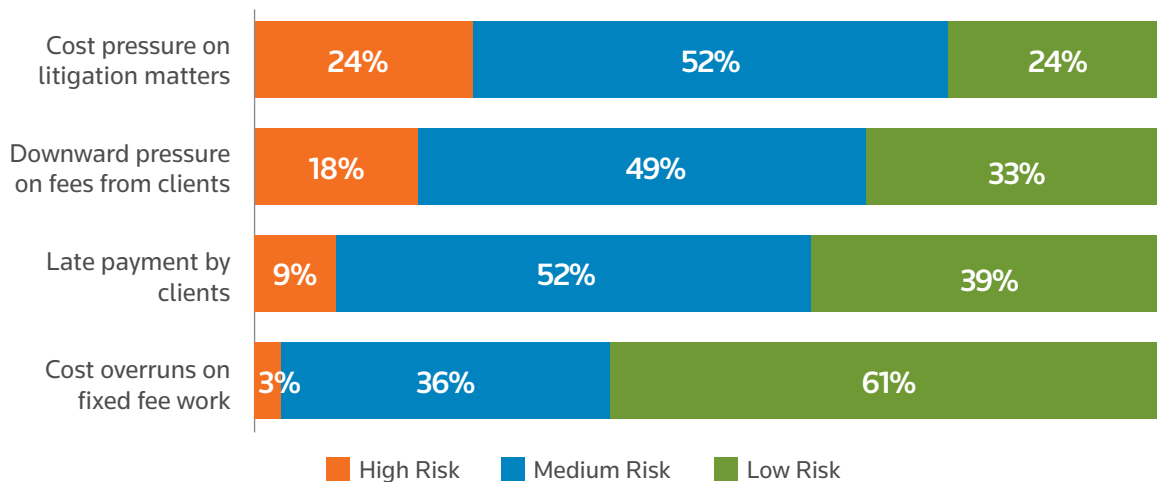


Unsurprisingly, financial concerns ranked highly for respondents, although here too, there were some interesting contrasts in responses. The third highest-risk factor for firm profitability was cost pressures on litigation matters, with 24% of small law firm business leaders identifying that as a top threat. When you combine the respondents who cited this as a high risk or a medium risk, this was the second largest overall identified risk with 76% seeing cost pressures on litigation matters as a threat to firm profitability, roughly 10 percentage points higher than in last year's survey.

This ranking may reflect how litigation-focused small law firms tend to be and how much pressure they're facing in improving the financial balance between pricing and cost reduction on litigation matters. Indeed, while these twin-pressures may be nothing new, small law firms may be more heavily impacted, compared to larger law firms that offer a diverse slate of practice areas.

What was perhaps a bit surprising was how few small law firm business leaders viewed late payments by clients as risky. In the new survey, just 9% ranked late payments from clients as a high risk to their firm's profitability, which was less than half of the portion (22%) which ranked it as a high risk in last year's survey.

Figure 4: **Risk From Financial Concerns**



Moreover, small firms' large law firm brethren seemed much more worried about clients paying late, perhaps hinting at the stretched leverage and cash flow issues some large law firms may have been experiencing. Almost one-third of large law firm business leaders (31%) ranked late payments as a high risk, and again, if you combine those respondents who ranked this a high or medium risk, the number for large law firms is 81%, compared to 61% for small law firms.

This easing of payment fears among small law firm business leaders also was reflected in the number of respondents expressing concern about the high risk associated with downward pressure on fees from clients, which actually decreased. This year, 18% of respondents considered this downward pressure a high risk, compared to 24% that ranked it as a high risk last year. And when high and medium risk rankings are combined, the easing of concerns becomes even more apparent, albeit still a weighty concern. This year, more than two-thirds (67%) of small law firm business leaders cited the downward pressure on fees from clients as a high or medium risk to firm profitability; while last year, 82% ranked it such.

Small law firm business leaders also seemed unconcerned about potential cost overruns from fixed fee work, with just a stunning 3% of respondents citing it as a high risk this year, compared to 22% ranking it as such last year. In fact, 61% of small law firms saw this as a low-risk concern in regard to profitability.

Given the amount of coverage client fee requests have received since the outset of the pandemic, it would seem likely that the concern over such fee pressures would have increased, yet it did not. However, perhaps some of the concern over client fees is actually manifesting in more specific concern about late payments by clients, as many of the accommodations clients have been requesting amid the pandemic have not only been for lower rates, but also for adjustments to payment terms.

EXPECTATIONS FOR THE MARKET

Not surprisingly given the impact of the pandemic, small law firm business leaders are quite guarded about what the next year might hold for their firms, but they are generally positive on their prospects over the next three years.

Notably, about half of small law firms were expecting moderate to high growth in demand for services and productivity indicators over the next year. And over the next three years, respondents said they were more likely to see growth in three of the key performance indicators: demand for services, profits per equity partner, and productivity.

Figure 5: **Market Outlook**

Next Year	Contraction	Flat/Low Growth	Moderate Growth	High Growth	Don't Know
Demand for services	3%	42%	55%	0%	0%
Productivity	9%	46%	46%	0%	0%
Negotiated (or agreed-upon) billing rates	6%	61%	27%	3%	3%
Realization as measured against negotiation rates	9%	76%	12%	0%	3%
Direct expenses	18%	55%	21%	3%	3%
Overhead expenses	18%	39%	33%	6%	3%
Revenues per lawyer	12%	46%	42%	0%	0%
Profits per lawyer	15%	42%	42%	0%	0%
Profits per equity partner	15%	39%	39%	3%	3%

Next 3 Years	Contraction	Flat/Low Growth	Moderate Growth	High Growth	Don't Know
Demand for services	0%	21%	76%	3%	0%
Productivity	0%	30%	61%	6%	3%
Negotiated (or agreed-upon) billing rates	3%	36%	46%	6%	9%
Realization as measured against negotiation rates	3%	39%	46%	6%	6%
Direct expenses	0%	46%	52%	3%	0%
Overhead expenses	12%	39%	36%	6%	6%
Revenues per lawyer	3%	36%	55%	6%	0%
Profits per lawyer	3%	33%	58%	6%	0%
Profits per equity partner	3%	18%	64%	9%	6%

Base: n=33

Looking specifically at demand for services, 55% of respondents said they expect to see moderate growth in the next year, but 79% of them said they expect to see high or moderate growth over the next *three* years. Similar exuberance was seen with productivity; nearly half (46%) said they expect moderate growth this year, while more than two-thirds (67%) expected high or moderate productivity growth over the next three years.

Profits per equity partner saw a more pronounced split. For this year, 42% of small law firm business leaders said they expect to see either high or moderate growth in profits per equity partner (the only one of the three top KPIs that earned citations for high growth); while 73% shared that expectation for the next three years.

Moderating this enthusiasm, larger percentages of respondents expect their direct and overhead expenses to remain flat or contract over the next year, then see at least moderate growth in the future. Indeed, recent figures from Thomson Reuters Peer Monitor bear out that reductions in both direct and overhead expenses have already been underway for some time now. So, it is unsurprising that the projection is for that trend to continue.

In fact, despite a highly uncertain and shifting 2020, the majority of small law firm business leaders expect stability if not growth to eventually return, especially when looking at the next three years. The number of respondents expecting contraction in any area drops dramatically, with only overhead expenses seeing more than 3% of respondents saying they expect contraction to happen in those areas over the next three years. In contrast, more than 45% of respondents expect to see at least moderate growth in every category with the exception of overhead expenses.

These responses indicate that despite the many obstacles encountered in 2020, small law firm business leaders appear quite bullish on the future for their firms, at least in the near term.

“...despite a highly uncertain and shifting 2020, the majority of small law firm business leaders expect stability if not growth to eventually return...”



This overall sense of positivity extends into business leaders' outlook with regard to practice areas as well. When asked to what extent did small law firm business leaders expect certain practice areas of legal work to grow or contract in terms of billings, respondents indicated that they expected moderate growth for many practice areas over the next year.

Figure 6: **Expected Practice Area Growth**

Practice Area	Moderate Contraction	Remain Flat	Moderate Growth	High Growth	Don't Know
Arbitration/Negotiation	6%	50%	44%	0%	0%
Banking Law and Finance	11%	33%	44%	11%	0%
Bankruptcy Law	9%	9%	55%	27%	0%
Business Organizations and Corporate Law	5%	48%	38%	10%	0%
Commercial Law and Contracts	4%	39%	48%	4%	4%
Construction Law	17%	56%	22%	6%	0%
Criminal Law	0%	50%	25%	0%	25%
Employment Law	0%	35%	55%	10%	0%
Estate Planning & Probate	6%	44%	44%	6%	0%
Family Law	14%	14%	29%	43%	0%
General Practice	0%	50%	50%	0%	0%
Government	0%	25%	75%	0%	0%
Health Care	14%	29%	57%	0%	0%
Insurance Law	0%	33%	50%	17%	0%
Intellectual Property	0%	57%	43%	0%	0%
Labor Law	0%	39%	62%	0%	0%
Mergers & Acquisitions	0%	50%	50%	0%	0%
Personal Injury	8%	42%	25%	17%	8%
Product Liability	69%	8%	8%	15%	0%
Professional Liability	8%	54%	31%	0%	8%
Real Estate	16%	21%	53%	11%	0%
Securities and Investments	0%	60%	20%	0%	20%
Taxation	0%	57%	29%	14%	0%

Base: n=33

Not surprisingly, Bankruptcy Law led all practice areas in this regard with 82% of small law firm business leaders saying they expect to see high or moderate growth in this area over the next year.

Looking closer, three-quarters of respondents (75%) said they expected Government work would see moderate growth over the next year, while 72% said they expected either high or moderate growth in the area of Family Law. Further, 64% said that the Real Estate area would see high or moderate growth during the same time-frame.

In contrast, there was very little evidence that respondents were expecting to see high or even moderate levels of contraction among practice areas. Indeed, the only exception seemed to be Product Liability work, in which 69% of respondents said they expect to see moderate contraction over the next year. Beyond that, no other practice area was cited by more than 20% of small law firm business leaders as expecting moderate contraction.

However, there did seem to be a strong indication that many respondents felt like many practice areas would remain flat for the next year. In fact, several notable areas — Construction, Criminal Law, IP, Securities & Investments, and Taxation, to name a few — were expected to remain flat for the year, according to the survey.

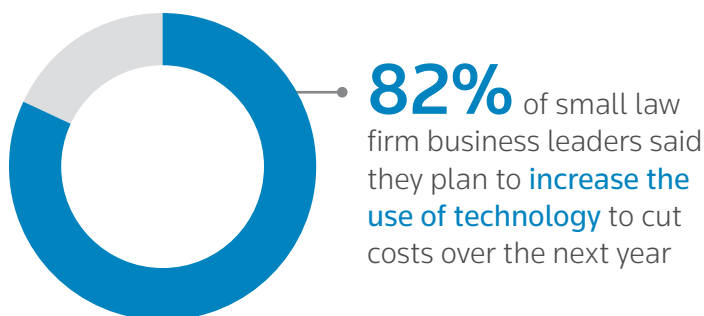
“Amid this turbulent market, small law firm business leaders said they plan to undertake a number of steps in the next year aimed at improving their firm’s performance.”

IMPACT OF THE PANDEMIC ON LAW FIRM STRATEGY

Amid this turbulent market, small law firm business leaders said they plan to undertake a number of steps in the next year aimed at improving their firm’s performance. Among the most heavily favored steps to be taken, as identified by respondents, will probably be cutting costs through technology, improving budgeting, and increasing billing rates (see Figure 7).

A stunning 82% of small law firm business leaders said they either definitely or probably would plan to increase the use of technology to cut costs over the next year.

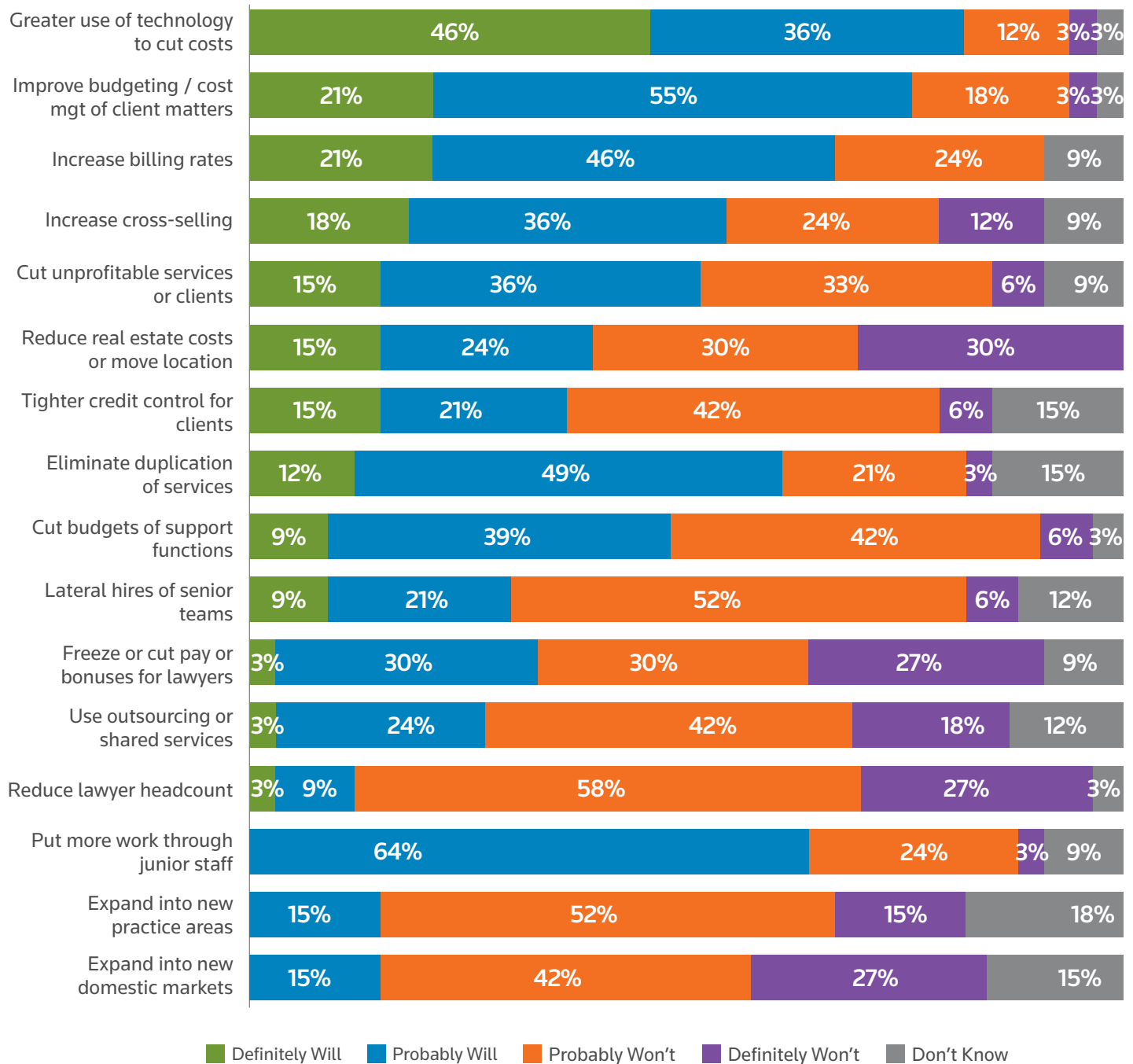
Other top priorities included improving the budgeting process or otherwise managing the cost of client matters. And while 76% of respondents said they probably or definitely would be doing this, more surprisingly perhaps was that 18% said they probably wouldn’t take any steps to improve their budgeting over the next year. Similarly, while 67% said they would probably or definitely increase their billing rates, 24% said they probably won’t.



Higher on the probability wish list is that 64% of small law firm business leaders said they would probably funnel more work through junior staff and 49% said they'd probably seek to eliminate duplication of services.

While not surprising, respondents indicated they were unlikely to pursue other measures such as reducing lawyer headcount, expanding into other markets or practice areas, and using outsourcing or shared services. All of these measures saw more than half of respondents saying they probably or definitely won't be pursuing them over the next year.

Figure 7: Planned Steps to Improve Performance

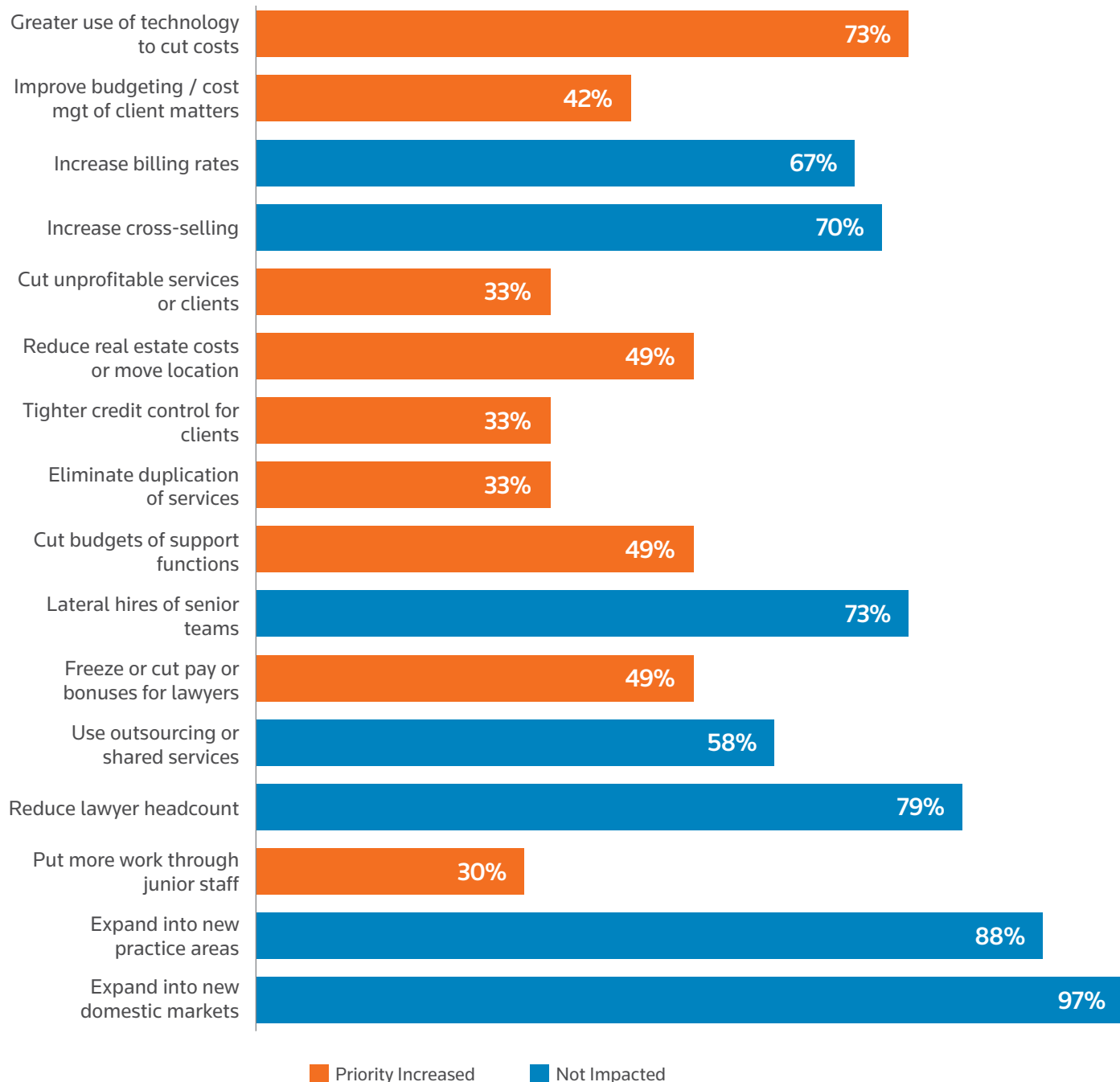


Base: n=33

Again, not surprisingly, the impact of the pandemic seemed to weigh more heavily on small law firms than their large law counterparts. Among large law firms (more than 50 attorneys), anywhere from half to three-quarters of respondents said the level of priority they placed on various steps was unimpacted by the current crisis.

Among small law firms, measures such as using technology to cut costs, budget cuts, pay cuts, reducing real estate costs, and eliminating duplication of services were all *increased* priorities due to the pandemic. Indeed, almost three-quarters (73%) of small law respondents said the priority has increased to make greater use of technology to cut costs.

Figure 8: Improvement Steps That Saw Priority Increase



Base: n=33

OUTSOURCING UNLIKELY TO CATCH ON

Use of outsourcing or shared services didn't rank as a top step to be taken at small law firms, according to the survey. Just 27% of small law firm respondents said they either definitely or probably would pursue this measure, compared to 40% of large law respondents saying the same thing.

IT support may be the exception to this, as IT support is currently being outsourced by about two-thirds of small law firms. And about one-fourth of firms would consider outsourcing such tasks as non-legal research, e-discovery, document review/coding services, and litigation and investigation support, according to the survey.

About one-fourth (24%) of small law firm business leaders said they already outsource their e-discovery work; another 27% said they would consider outsourcing it. Similarly, while just 6% of small law firms outsource their non-legal or factual research, another 30% said they would consider it.

Overall, there were seven areas of outsourcing work in which almost one-quarter (24%) or more of respondents said they either were already outsourcing or would consider it over the next year.

Unsurprisingly, the most common preference was to continue to handle these tasks in-house. In fact, in 10 of the 15 outsourcing categories noted, a majority of the small law firms surveyed said that they *preferred* to handle the functions in-house.

Figure 9: **Outsourcing of Law Firm Functions**

	Currently Outsource	Would Consider Outsourcing	Prefer to Handle In-house	Don't Know
IT support	64%	12%	24%	0%
Electronic discovery services	24%	27%	42%	6%
Legal research services	12%	12%	73%	3%
Litigation and investigation support	9%	24%	58%	9%
Regulatory risk and compliance services	9%	15%	58%	18%
Non-legal / factual research	6%	30%	46%	18%
Document review / coding services	6%	24%	61%	9%
Specialized legal services provided by licensed lawyers	6%	18%	67%	9%
Merger and acquisition due diligence	3%	15%	46%	36%
Intellectual property management	3%	15%	36%	46%
Secretarial and administrative support	0%	21%	79%	0%
Management of corporate transactions	0%	9%	70%	21%
Contract management and abstraction	0%	9%	67%	24%
Legal drafting services	0%	6%	88%	6%
Project management services	0%	6%	76%	18%

Base: n=33

A CLOSER LOOK AT TECHNOLOGY STRATEGIES

With 82% of small law firm business leaders saying that greater use of technology was a key step that they either definitely or probably would take to improve firm performance in the next year, it is worth exploring the topic of technology investment more deeply.

Figure 10: **Current or Planned Technology Investments**

	Currently Use	Plan to Use/ Upgrade in the Coming Year	No Use or Planned Use in Coming Year	Don't Know
Legal research	79%	6%	9%	6%
Website and internet presence tools	70%	12%	12%	6%
E-billing	67%	21%	12%	0%
Financial management information systems	64%	21%	12%	3%
Document automation	55%	21%	18%	6%
Matter management analytics	33%	21%	36%	9%
Platform / collaboration tools	27%	21%	36%	15%
Custom internal firm applications	24%	12%	58%	6%
Law firm branded client tools	21%	15%	58%	6%
Client portals	18%	12%	61%	9%
Legal project management	18%	12%	61%	9%
Client Relationship Management systems	15%	18%	58%	9%
API's to interface with 3rd party systems	15%	6%	58%	21%

Base: n=33

While many legal technologies are already seeing wide adoption among small law firms — with E-billing solutions, financial management systems, document automation, websites, and legal research technologies already in use by a majority of small law firms — more firms said they were planning to use or upgrade such technologies even more. At least 20% or more of respondents said that within the coming year, they were planning to use or upgrade their capabilities in matter management analytics, E-billing, financial management information systems, document automation and platform or collaboration tools.

In fact, resistance to these kinds of tech tools is relative rare. However, that did not mean small law firms were embracing technology solutions across the board. There were several categories of tech tools, mostly higher-level tools — such as custom internal firm applications, client relationship management systems, client portals and APIs to interface with third-party systems — that saw large majorities of respondents (between 58% and 61%) say they had no plan for their use in the next year. And with each of these tools, less than one-in-four respondents said they were already in use at their firm.

Of course, those small law firms that fall into the “no use or planned use in coming year” category should take heed — their reluctance may not be prudent. Granted, small law firms are less likely to embrace high-end tech solutions, whether due to cost or personnel constraints. But for those firms that also stated they had “no use or planned use in coming year” for such solutions as legal project management, matter management analytics, or platform/collaboration tools many find themselves in the minority soon when such methods become table-stakes among clients. Similarly, lack of client facing tools and applications may impair the client experience for individual consumer clients who are growing increasingly accustomed to being able to manage many aspects of their lives from their phone. Firms that offer tools that streamline client interaction may enjoy a distinct competitive advantage.

Waiting for someone else to experiment, then learning from their lessons is certainly a valid strategy for mitigating risk, especially among small law firms. But when the waiting keeps firms in a holding pattern for too long, they can find themselves creating risk rather than mitigating it, namely the risk of falling behind competitively.

Figure 11: **Current or Planned Use of Advanced Technology**

	Currently Use	Plan to Invest	No Plan to Invest	Don't Know
Billing management	42%	9%	42%	6%
Document management	36%	9%	42%	12%
Regulatory and legal research	36%	6%	52%	6%
Matter budgeting and cost tracking	30%	6%	55%	9%
Docket management	27%	3%	61%	9%
Litigation support	24%	6%	58%	12%
Document review and drafting	24%	3%	67%	6%
Internal portals	21%	9%	58%	12%
Price modeling	6%	6%	76%	12%
Contract management	6%	3%	88%	3%
M&A due diligence	3%	0%	91%	6%

Base: n=33

The same caution holds true with regard to use of advanced technology tools such as artificial intelligence, machine learning, blockchain, smart contracts, text analytics and natural language processing, and others.

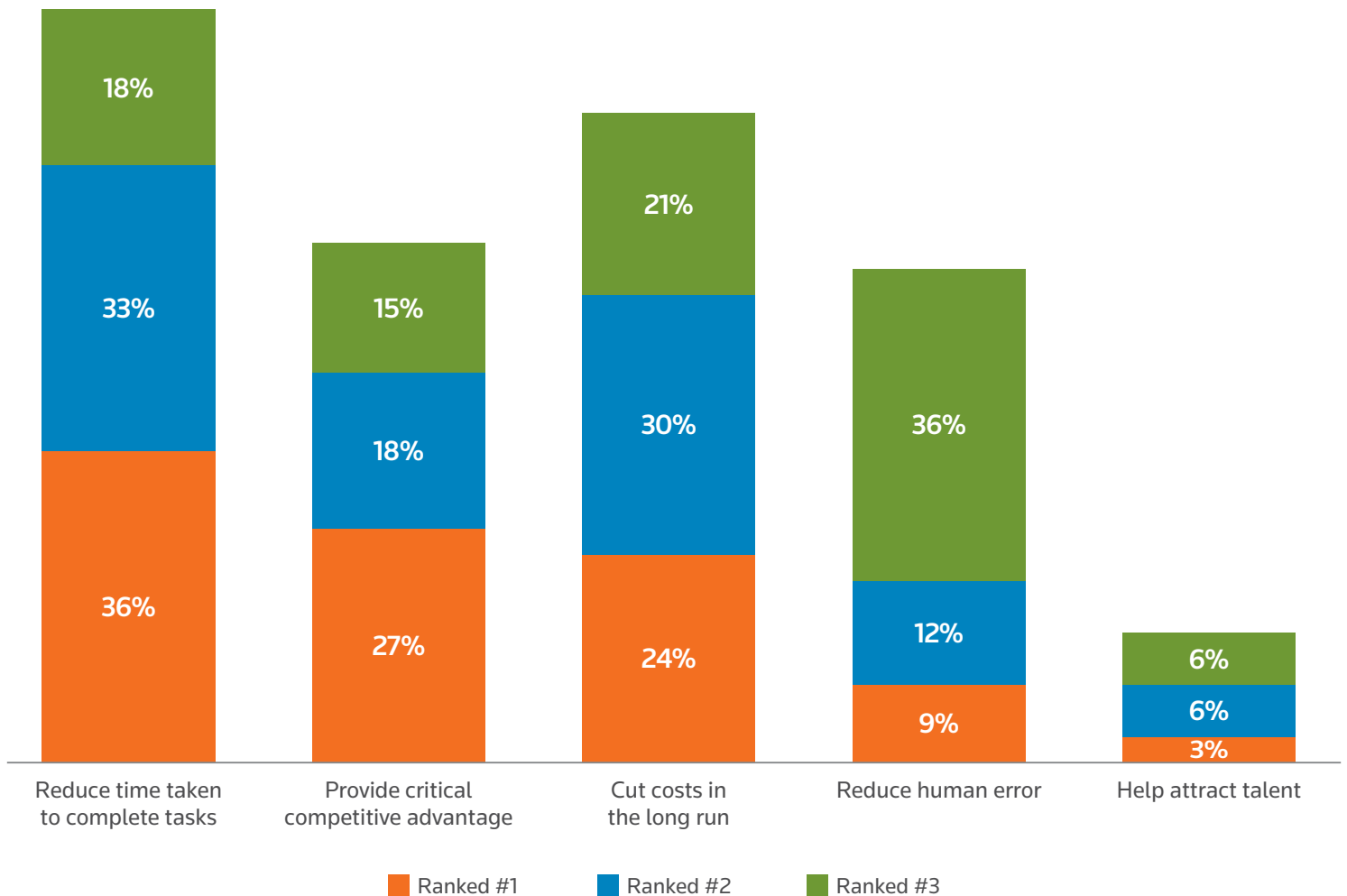
While higher percentages of small law firms report no plan to invest in these types of technologies than those previously discussed, those small law firms resisting these innovations due so at increasing risk.

Indeed, among small law firms, those using advanced technology were doing so for billing management, document management, and regulatory and legal research. Of that, however, only billing management and document management saw a *minority* of respondents saying they had no plan to invest in such advanced technology. And only billing management saw a *majority* of respondents saying they either currently use or were planning to invest in such technology.

We also take significant note of the proportion of respondents who say they are using these kinds of technologies today in comparison to the prior version of this study. Advanced document technology was in use by 30% of respondents in last year’s survey, with another 30% planning to invest within a year. Yet, whether due to the disruption of the pandemic or other factors, those plans appear to not have materialized in this year’s survey. This year, the portion of those small law firms using advanced document technology moved up just six percentage points to 36% of respondents. While still a gain, it fell short of the anticipated level of utilization that was planned for last year. What’s more, the portion of small law firm business leaders who said they had no plans to invest in advance document technology actually grew, with 42% saying they had no plans to invest this year, compared to just 36% last year.

For billing management technology, the story was similar. While 42% of respondents said they currently use billing management technology tools, a 10-percentage point climb from last year — that was still less than half the promised level of those firms that had planned to invest last year in this technology.

Figure 12: Why Use Advanced Technology?



Base: n=33

SUPPORT FOR CHANGE

Of course, any effort to drive change requires support in order to be successful, and largely, the business leaders in today's small law firms feel supported. Fully 85% at least partially agreed with the statement that they feel empowered to drive change within their firm. Perhaps more significantly, 54% at least somewhat disagreed with the statement that there is a lack of support for their efforts among the firm's leadership.

Overall, small law firm business leaders say they feel not only empowered to drive change, but that their culture supports experimentation to promote change, which they see as significantly impacted by the governance structure of the firm.

Figure 14: **Managing Change and the Firm's Culture**

	Completely Agree	Somewhat Agree	Neutral	Somewhat Disagree	Completely Disagree	Don't Know
As an executive/manager with the firm, I feel empowered to drive change	36%	49%	6%	6%	3%	0%
Change is significantly impacted by our firm's governance/mgt structure	24%	33%	15%	15%	9%	3%
Our diversity policy and approach is a competitive advantage	15%	27%	33%	15%	6%	3%
Change is significantly impacted by our firm's compensation system	15%	21%	33%	24%	6%	0%
The culture in our firm supports experimentation and innovation, including acceptance of some failure	12%	46%	15%	24%	3%	0%
Change is significantly impacted by our firm's practice structure	12%	33%	27%	18%	9%	0%
Change is supported by firm leadership but resisted by many rank-and-file partners	12%	33%	6%	33%	15%	0%
Change is significantly impacted by outdated technology	12%	27%	18%	21%	21%	0%
There is a lack of support among our firm leadership	9%	18%	18%	30%	24%	0%
Change is significantly impacted by lack of financial or human resources	3%	33%	12%	27%	24%	0%
There is a strong commitment by the partners to changing our legal service delivery model	3%	18%	21%	30%	27%	0%

Base: n=33

Business leaders were more split with regard to support for change from their firms' partners. Just 21% agreed, either somewhat or completely, that there was a strong commitment by the partners to changing the legal service delivery model, while 57% disagreed, either somewhat or completely. This majority thinking indicates there is still a divide among law firms today between those firms whose partners are seen as willing to allow for some innovation and experimentation, and those that are more adherent to tried and true tactics.

Interestingly, this percentage seems somewhat at odds with the 58% of respondents who agree, either somewhat or completely, that their firm's culture supports experimentation and innovation, including acceptance of some failure. The difference may come down to something as simple as a question of language of the survey questions, however, where respondents felt that they had buy-in from partners to allow for *some* experimentation, but they would not go so far as to characterize it as a *strong commitment* to changing how the firm and its partners practice law.

It should also be noted that firm governance structures, practice structures, technology, compensation systems, and the lack of financial or human resources were seen by at least one-third of respondents as impediments to change rather than being seen as posing no impairment to driving change.

CONCLUSION

Today's small law firms are intricate businesses operating in a rapidly evolving market, confronting challenges that would have been unthinkable even a year ago. Skilled allied business professionals are more vital now than ever to help ensure that these law firms are able to absorb the dynamics of the market. Partners are often rightly concerned with ensuring the vitality of their own practice — without which the firm cannot survive — and the immediate needs of their clients. Yet, the requirements of running a small law firm as a business, however, cannot be overlooked.

Small law firm business leaders entered 2020 with a vision of how they were going to approach at least some of the changes that they knew needed to happen to prepare their businesses for the future. Much of that vision remains unimpacted by the pandemic — not because these business leaders are not taking today's harsher realities into account, but rather because the planned steps are a necessary means of future-proofing the firm, regardless of what challenges arise.

Indeed, today's small law firm business leaders are optimistic about what the future will hold. Some also are leading firms that are a bit cautious with regard to the steps and investments they must make; and while caution is often prudent (and in today's turbulent economy, perhaps wise), it must also be balanced with an approach to innovation and prudent financial management that will serve the firm well in the years to come.





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