

Is the Future Small?

A Look at Small Law Firms
in Today's Market

With efficient working processes and better holistic practices
in the workplace, is the future of the legal market going to be
in small law firms?



Introduction

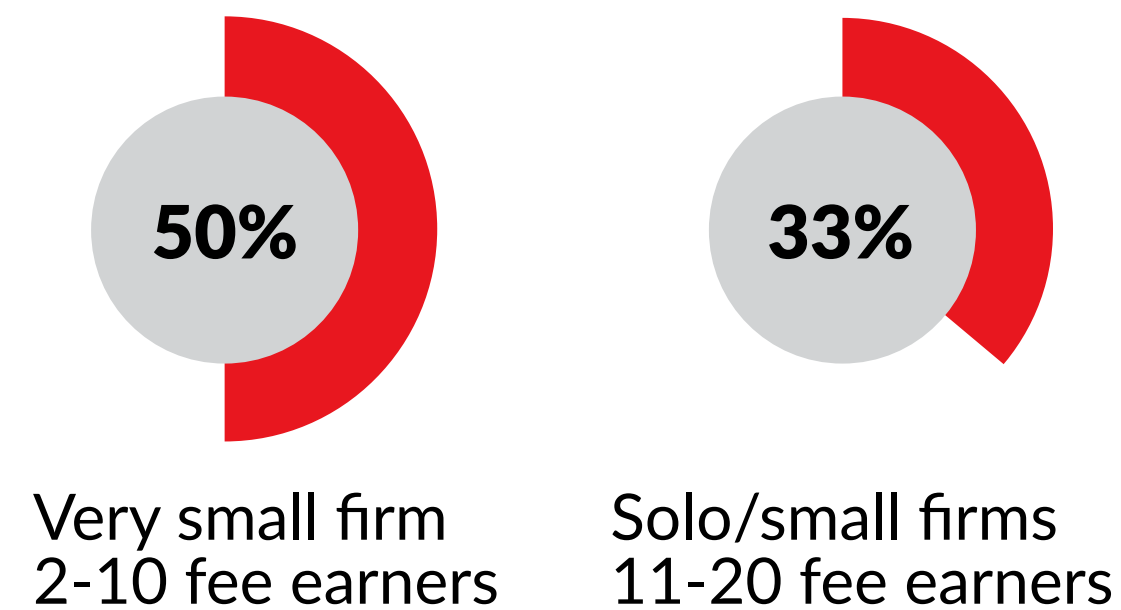
Aiming to explore and investigate the issues facing the legal market, the LexisNexis Bellwether reports conduct ground-breaking market research in order to advise, guide, and offer insights to independent law firms and contribute to the discourse on their future.

For this report, we wanted to focus on one sector of the market that appears to be thriving – that of small law firms.

Small law firms are having a moment in the UK. Currently, they make up the overwhelming majority in the legal market, with 95% of firms earning under £500k and 50% earning less than £150k.

Indeed, around half of those surveyed for the Bellwether Reports between 2017 and 2019 worked in “very small” firms, with between two and 10 fee earners, and a further 3 out of 10 solicitors working in either solo outfits or small firms of 11-20 fee earners.

SOLICITORS SURVEYED FROM 2017-19



What makes small firms attractive to solicitors? Is it a career choice that solicitors actively pursue, or is it a choice of convenience considering how many of them are in the market?

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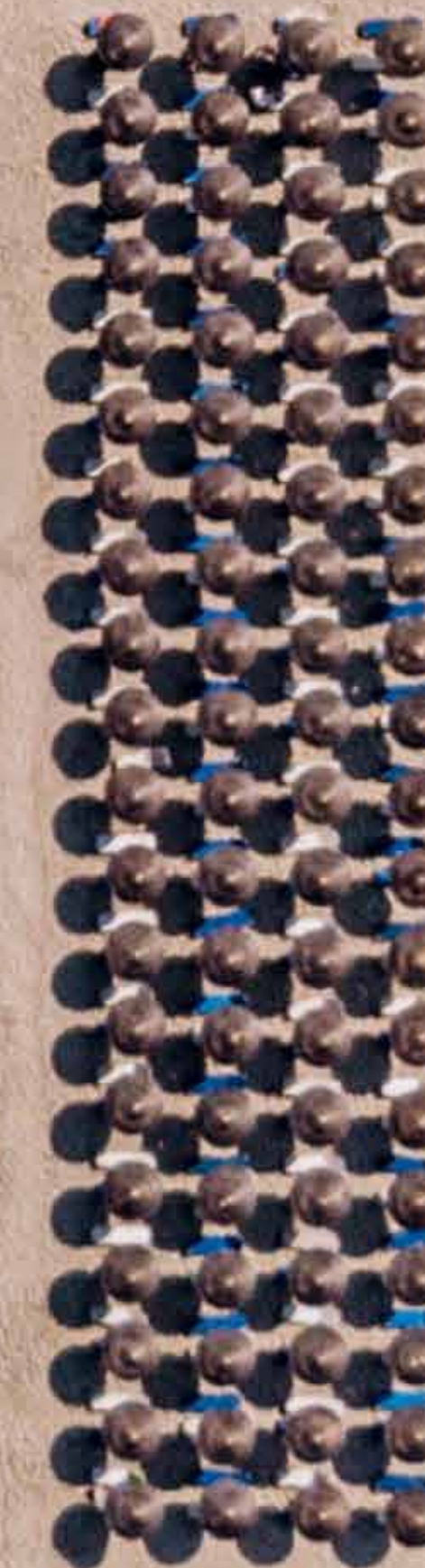
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1. Does firm size matter?

The majority of solicitors working in small firms have previously worked in large or medium sized firms. It seems that size does matter.



1. Does firm size matter?

Does firm size matter to the solicitor in today's legal market? For the solicitors we spoke with, the answer is a resounding yes. The size of a firm dictates everything from hiring practices and workloads, to workplace culture and profit.

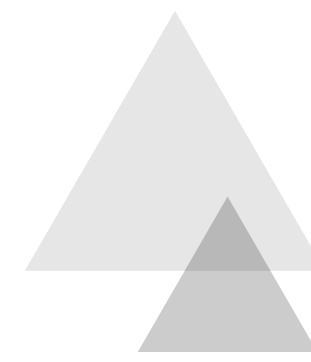
When asked about their past experience, almost two-thirds had worked in medium, large, or top tier firms before their current role. Indeed, the number has increased from 53% in 2016 to 64% in 2019. This indicates that more solicitors have earned experience in larger firms in recent years or that the flight to smaller firms is increasing.

“Size isn't everything. It might be the perception of large firms that they can crush smaller firms, but we've disproved that.”



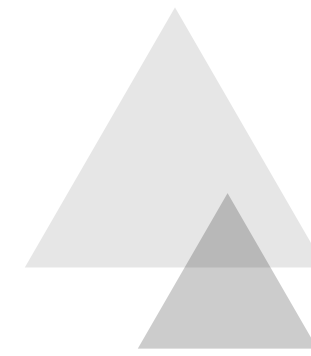
1. Does firm size matter?

However, while the respondents past experience has come from working in larger firms, it's small firms that appear to be the future for many. At 44%, the majority of solicitors surveyed would consider working for a small or solo outfit (firms with less than 20 fee earners) in their next role. Medium-sized firms were also in consideration, with 42% of those surveyed expressing interest. But less than 2 in 10 – similar to the number who would consider going freelance – want to work for a large firm moving forwards.



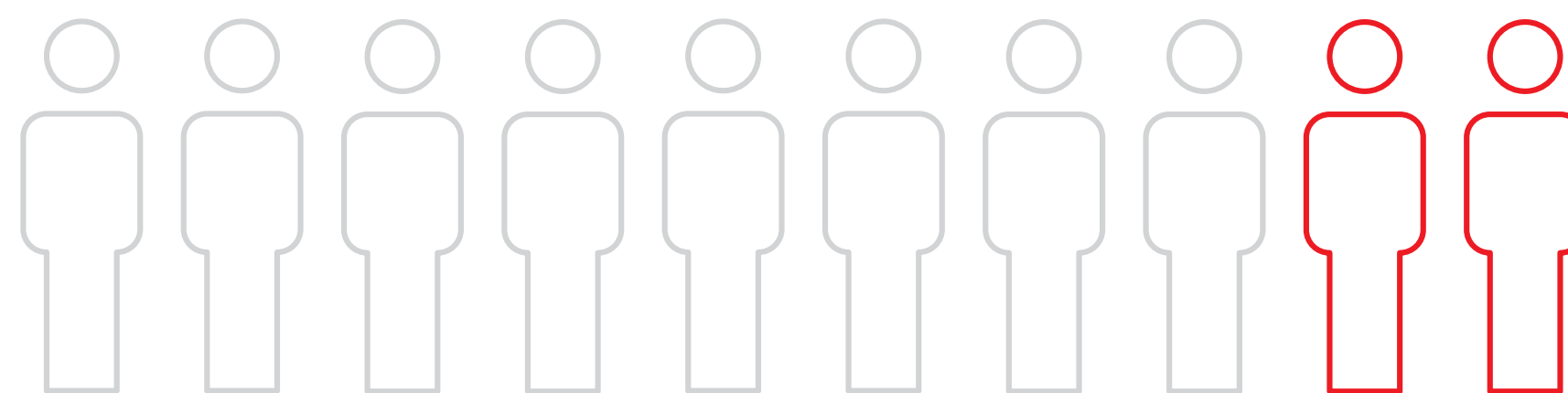
44%

would consider working
for a small firm



42%

would consider working
for a medium firm



Less than

2 in 10

would want to work
for a large firm



2. The advantages of small firms

Solicitors working at small law firms are overwhelmingly positive about the benefits, citing improved workplace efficiency and better quality of life.

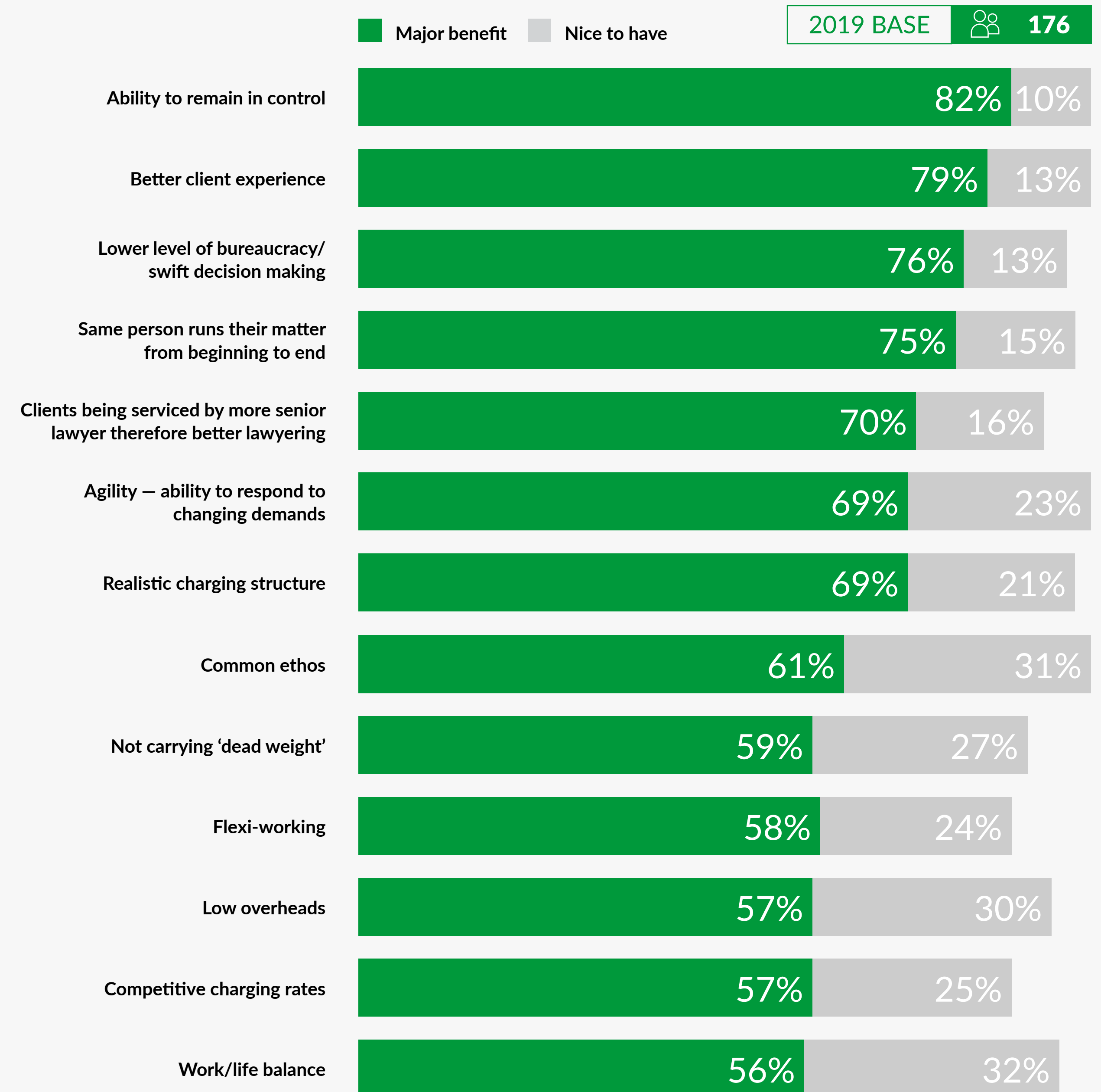
2. The advantages of small firms

To find out why small law firms are so attractive, we spoke with solicitors who currently work at firms with under 20 fee earners. Ranging from flexible working and competitive rates to the ability to offer a better client experience and more agile working practices, the benefits to working at small firms were wide-ranging and significant. All of them were considered to be “major” incentives by over half of those surveyed, while around 9 out of 10 solicitors considered the benefits to be generally advantageous.



“You can make decisions more quickly in a small law firm. You can be more agile.”

BENEFITS OF BEING SMALL



2. The advantages of small firms

Looking closer, it seems many of the benefits focus on workplace efficiency, with solicitors citing the lower levels of bureaucracy, swifter decision-making processes, and more agile workplace practices, among others. “You can make decisions more quickly in a small law firm,” one interviewee said. “You can be more agile.”

Many of those surveyed see the benefits that accrue when the same person handles issues from beginning to end in a small firm, with one interviewee stressing that such a process is a “point of distinction”. Others cited the fact that clients are delivered a better service by having access to more senior lawyers. A lack of “dead weight” at the firm was also promulgated as a particular advantage of smaller firms.

These benefits all suggest a workplace where solicitors are happier because they actually get to do their jobs – jobs which bring a significant amount of satisfaction.

“When I was in a large firm, I was managing a team, but all I wanted to do was legal advice. I’d had enough of the politics of a big firm.”

The benefits of being small go beyond the practicalities of delivering legal services. Small firms are considered to be better at fostering a culture of more holistic employee well being, with almost two-thirds of all the solicitors we spoke with – at both small and larger firms – agreeing.

9 out of 10 solicitors feel that flexible working, a shared ethos, and improved work/life balance are either major benefits or at least beneficial. However, while the holistic benefits are important, it’s the focus on quality law and client service that are the “major” advantages.

3. Challenges facing small firms

While there are challenges facing small law firms that solicitors acknowledge, the benefits still outweigh the problems.

3. Challenges facing small firms



“We get exposed to some seriously big players. But we can’t go for the work with only 15 lawyers. So we find ways of making ourselves look a little bit bigger, like networks and co-branding.”

While there are significant benefits to working in a small firm, there are hindrances in the day-to-day working practices. For 69% of solicitors in small firms, the pressure of being one of only a few solicitors on a case, for example – without administrative support or junior lawyers to share the load – can be an issue. The responsibility can feel overwhelming.

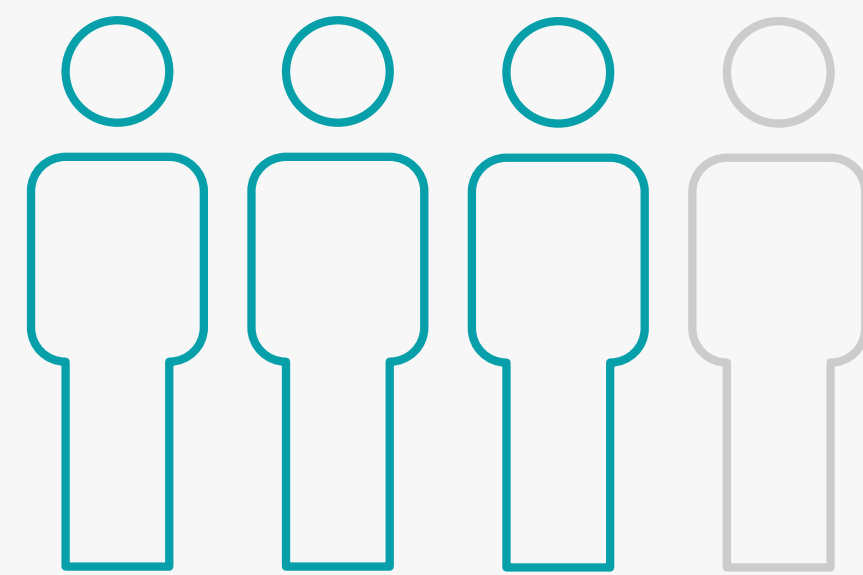
This pressure of responsibility and the associated vulnerability that comes with it is another reason, perhaps, why over 8 out of 10 solicitors at small firms feel that increasing compliance regulations are problematic. It would also explain why over three-quarters of those surveyed find it hard to take time off, thereby undermining the otherwise advantageous work/life balance.

3. Challenges facing small firms

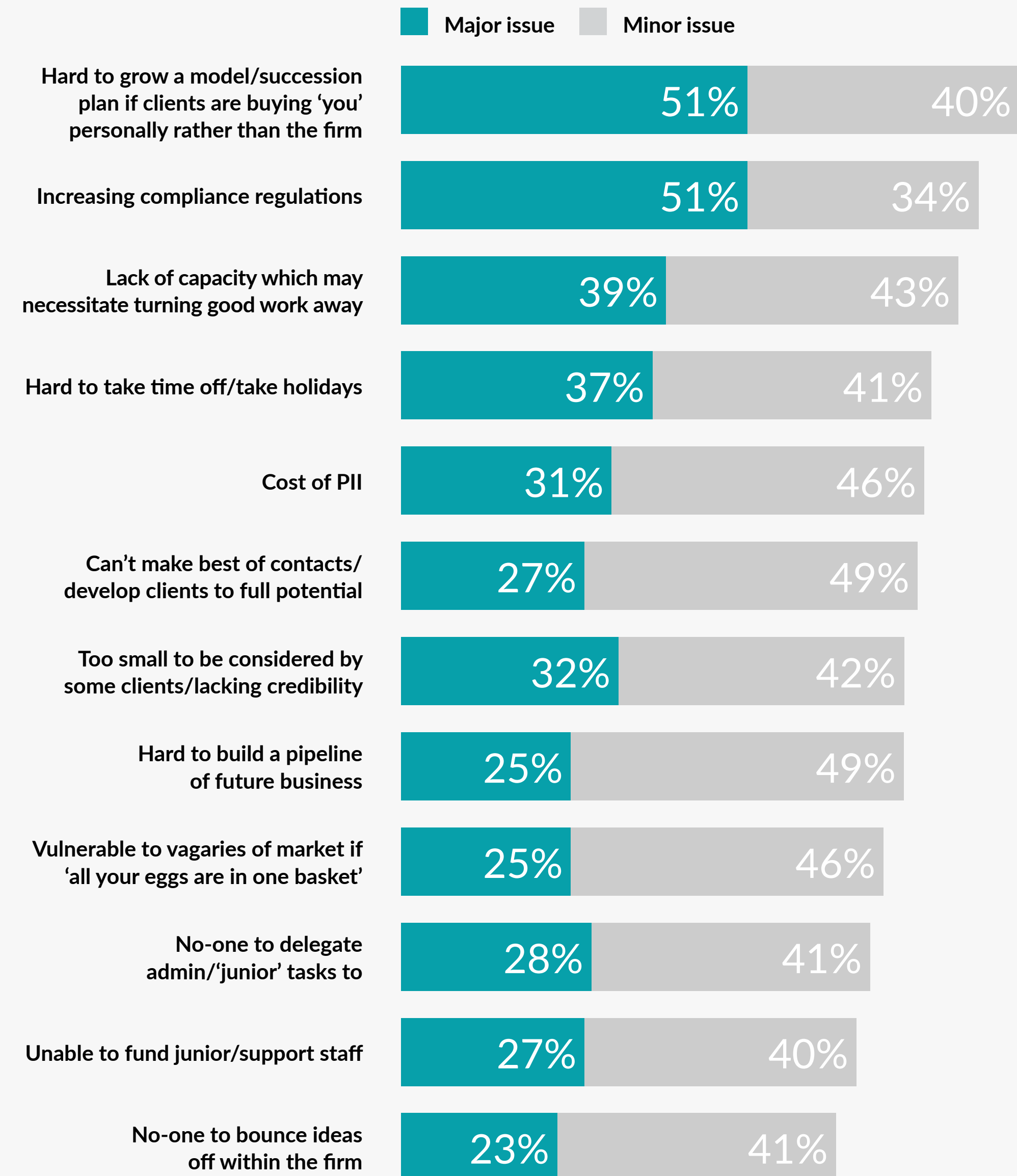
Securing and maintaining work itself can also be a challenge. 82% of solicitors in small firms, for example, feel that a lack of capacity can be an issue that may force them to turn good work away. Furthermore, a quarter of lawyers feel that building a pipeline of future business is difficult, which is a “major” problem for them.

3 in 4

feel that their small firm size could be interpreted by some clients as a lack of credibility



Downsides of Being Small



2019 BASE 176

3. Challenges facing small firms

However, the benefits still outweigh the negatives for those who actually work in small firms. A higher proportion of respondents assessed the benefits to be a “major” factor than they did the downsides.

But attracting new business isn't a problem faced solely by small firms. It's one of the top three challenges facing law firms of all sizes in today's marketplace, followed by client loyalty and the continuing demands of compliance regulation. Perhaps the reason why it's articulated as a particular struggle for solicitors at small firms is the fact that while individual working practices are more agile in small firms, larger firms are able to be more generally proactive about change. With more resources at their disposal, larger firms are, on average, implementing and planning for more changes, compared with their smaller counterparts. Similarly, firms with an eye for growth also make more changes as they are investing in their future.

TOP 3 CHALLENGES

55%
Attracting new business

55%
Continuing demands of
compliance regulations

32%
Retaining clients/
less client loyalty

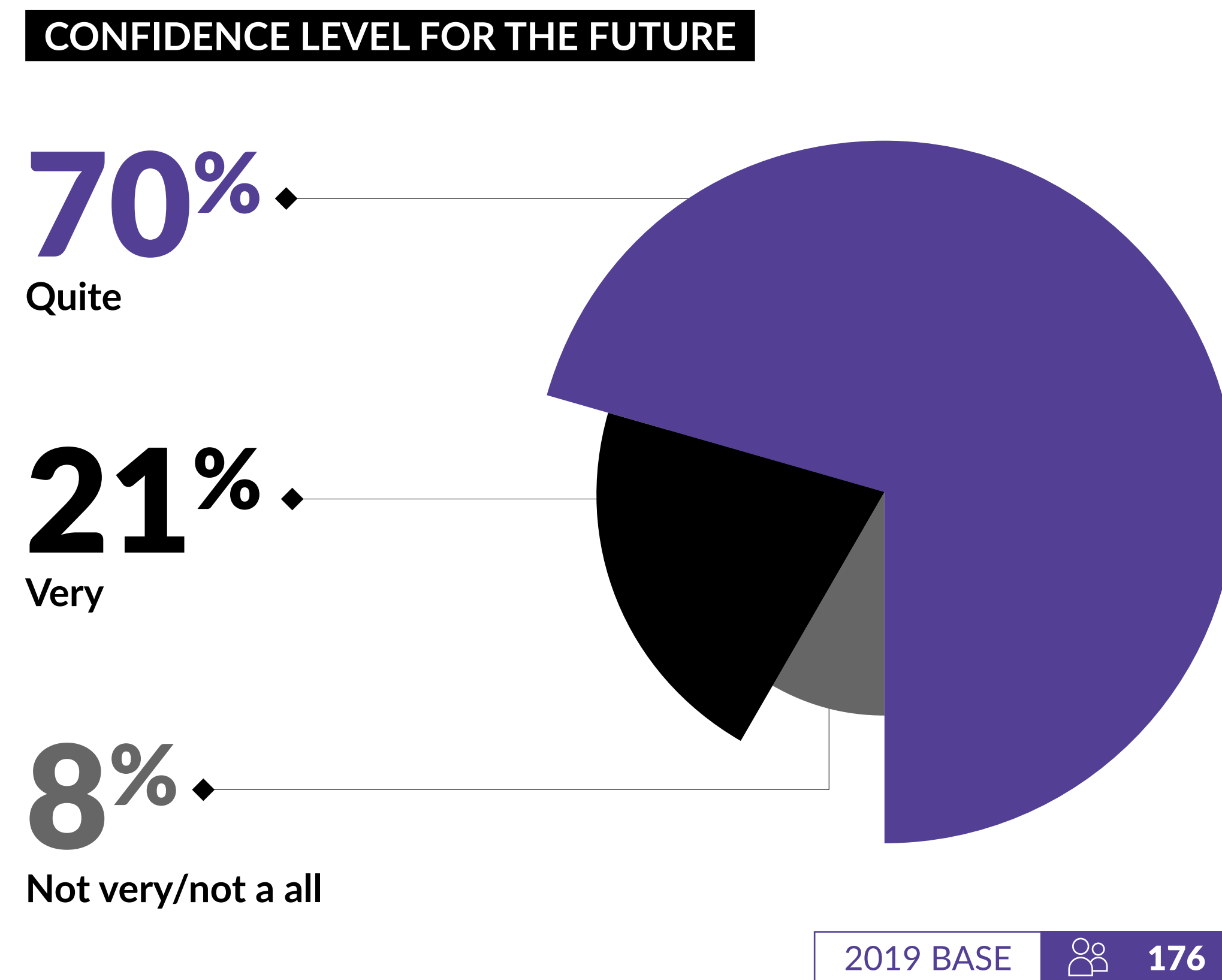
4. Does growth equal success?

With confidence in the future comes plans for growth, but is it necessary? For some the benefits of smaller firms outweigh the benefits of becoming larger - indeed, half of those surveyed believe their firms are already optimally sized for success.

4. Does growth equal success?

Growth is a focus for law firms across the board, according to respondents. With confidence, it would seem, comes the desire to expand the business. And firms are currently heartily self-assured, with 91% feeling positive about the future and 76% planning to grow in the next five years.

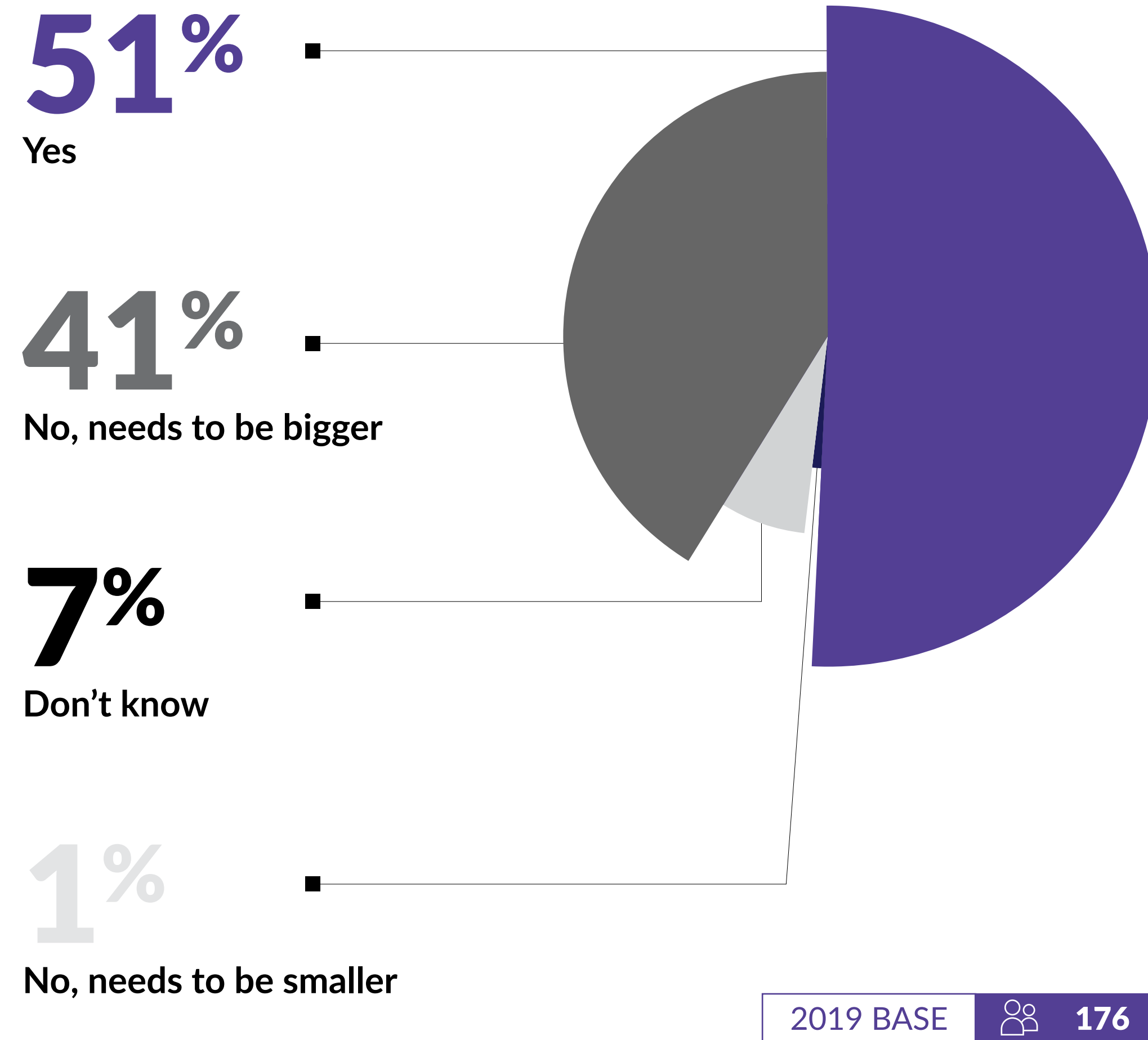
However, growing the business model is a problem for 91% of the solicitors we spoke with at small firms. **After all, how do firms grow when their model often relies on clients buying into individual solicitors, rather than the brand of the firm as a whole?**



“It would be nice to have junior lawyers we could be developing and passing things down to, but it’s just so expensive. It’s a big commitment for a small firm.”

4. Does growth equal success?

FIRM OPTIMALLY SIZED FOR SUCCESS



91%

of solicitors at small firms think it's hard to grow that business model

But while growth is equated with an optimistic attitude moving forwards, when asked if their firms were optimally sized for success, 51% of respondents stressed that they were. This is an increase of 10% since 2016, implying that solicitors are increasingly confident that bigger is not necessarily better. Nevertheless, 41% of those surveyed would like to see an increase in their firm size, although it's not clear what kind of an increase would suffice.

Conclusion

The ability to shape and develop a working law firm to suit the law you practice and the life you lead is clearly a motivating factor for many. Being small comes with huge advantages to the business and the client, as well as to the solicitors themselves.

This is especially true with regards to the 92% of solicitors at small firms who stress the ability to retain control of the business, manifesting in the ability to offer better quality legal advice and better client service. It means the firm is more agile and better able to respond to changing client conditions and client demands. Ultimately, the data makes clear that the overwhelming majority of solicitors working in small law think that small law is better.

But while the benefits outweigh the challenges, there are still issues with the small law business model – noticeably surrounding the ability to grow the business.

Considering the problematic nature of business acquisition for all law firms in the market, is the fact that more solicitors aren't majorly concerned about the problems they're facing an indication of a slight lack of realism? Or simply a manifestation of their optimism about the future?

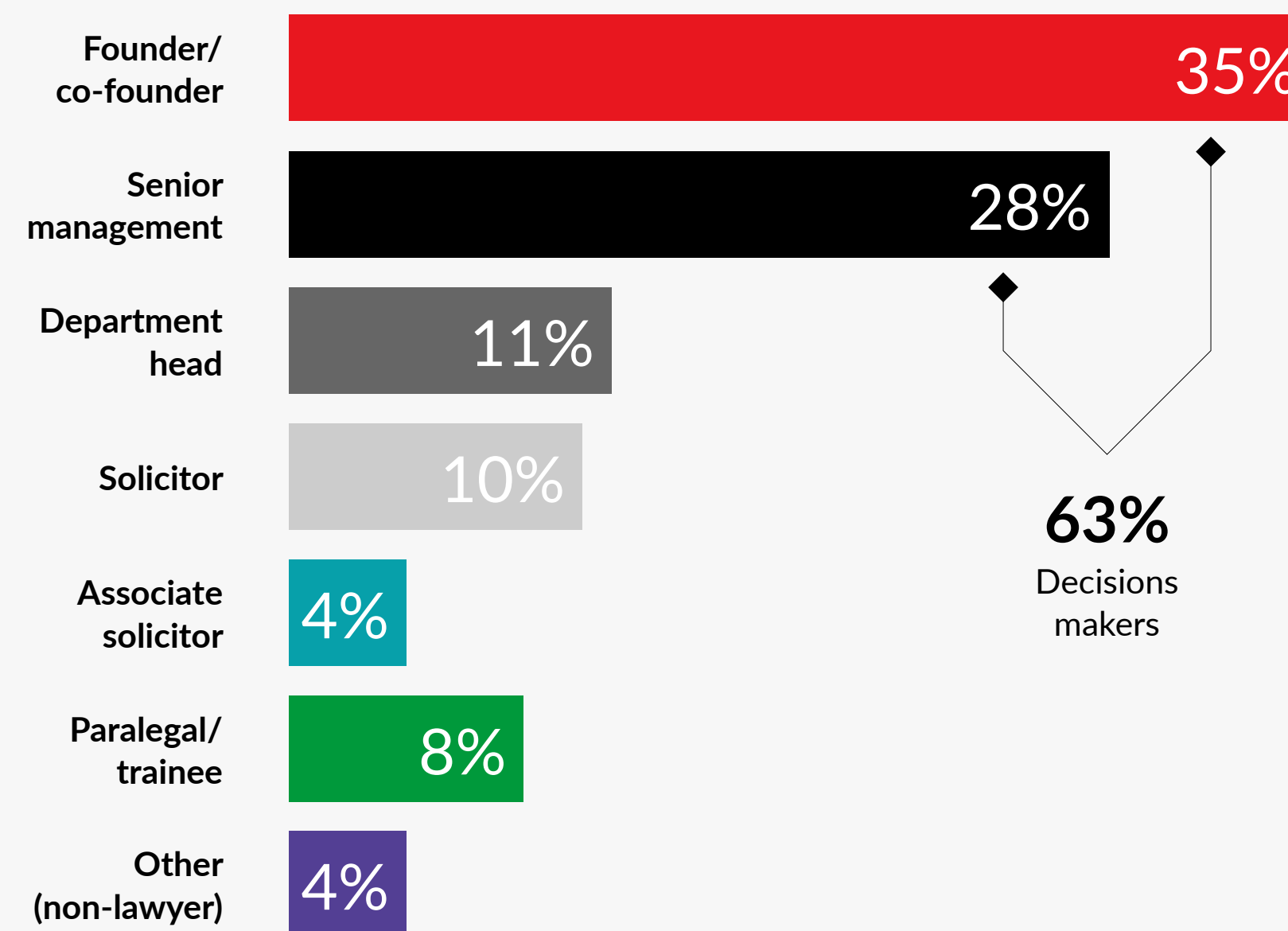
After all, not only are solicitors optimistic about their futures, they're already articulating high levels of job satisfaction and confidence about their current performance. So if the future is indeed small, the future seems bright.

Appendix

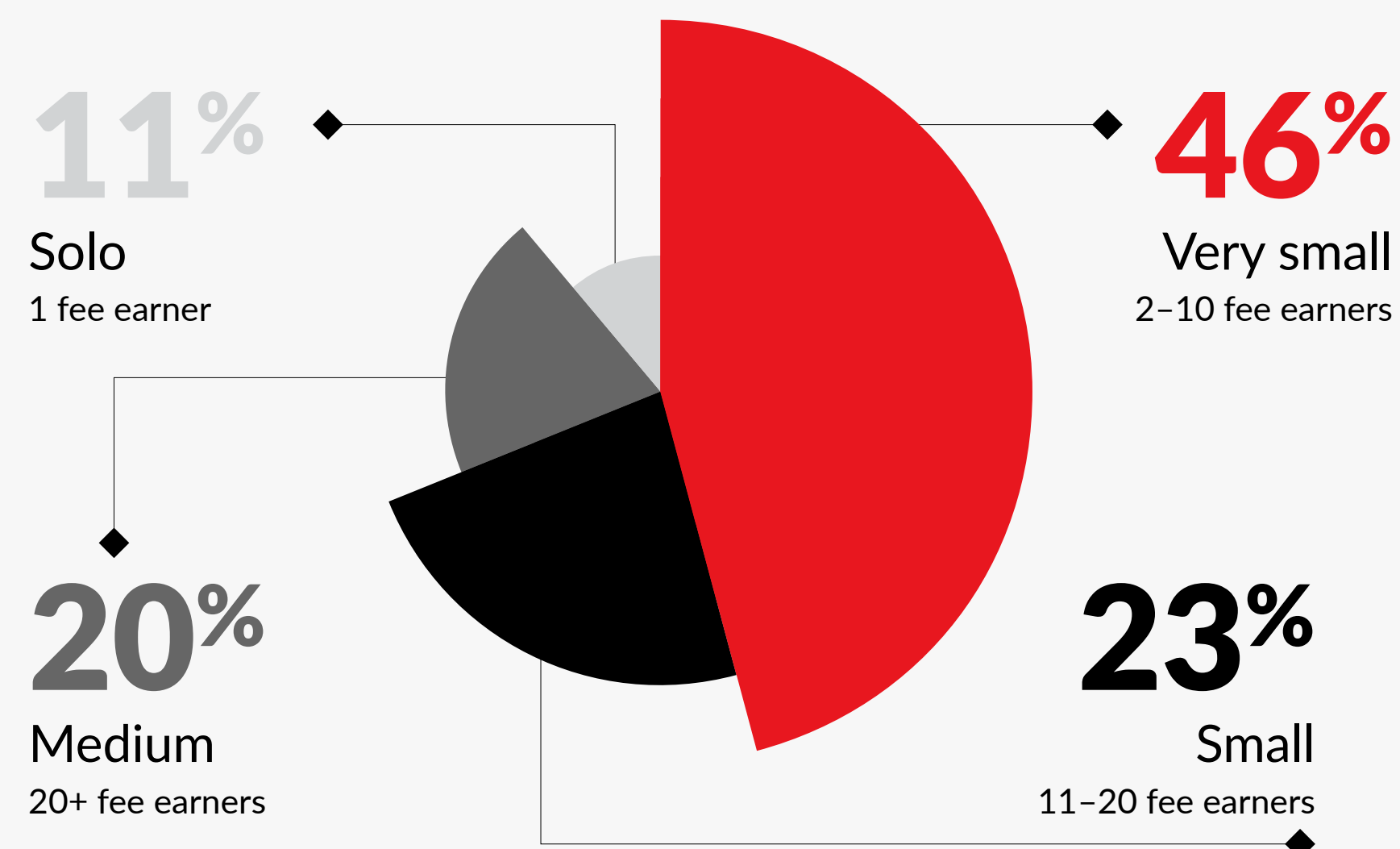
This report was compiled using data from eight in-depth interviews with lawyers in small firms and small offices of larger firms, as well as online surveys completed by 176 solicitors in England and Wales.

Respondents were from a wide geographical area and represented a broad sample of lawyers in a variety of positions in the firm and areas of expertise. The research fieldwork was conducted by an independent market research agency, Linda Jones & Associates, throughout November and December 2018.

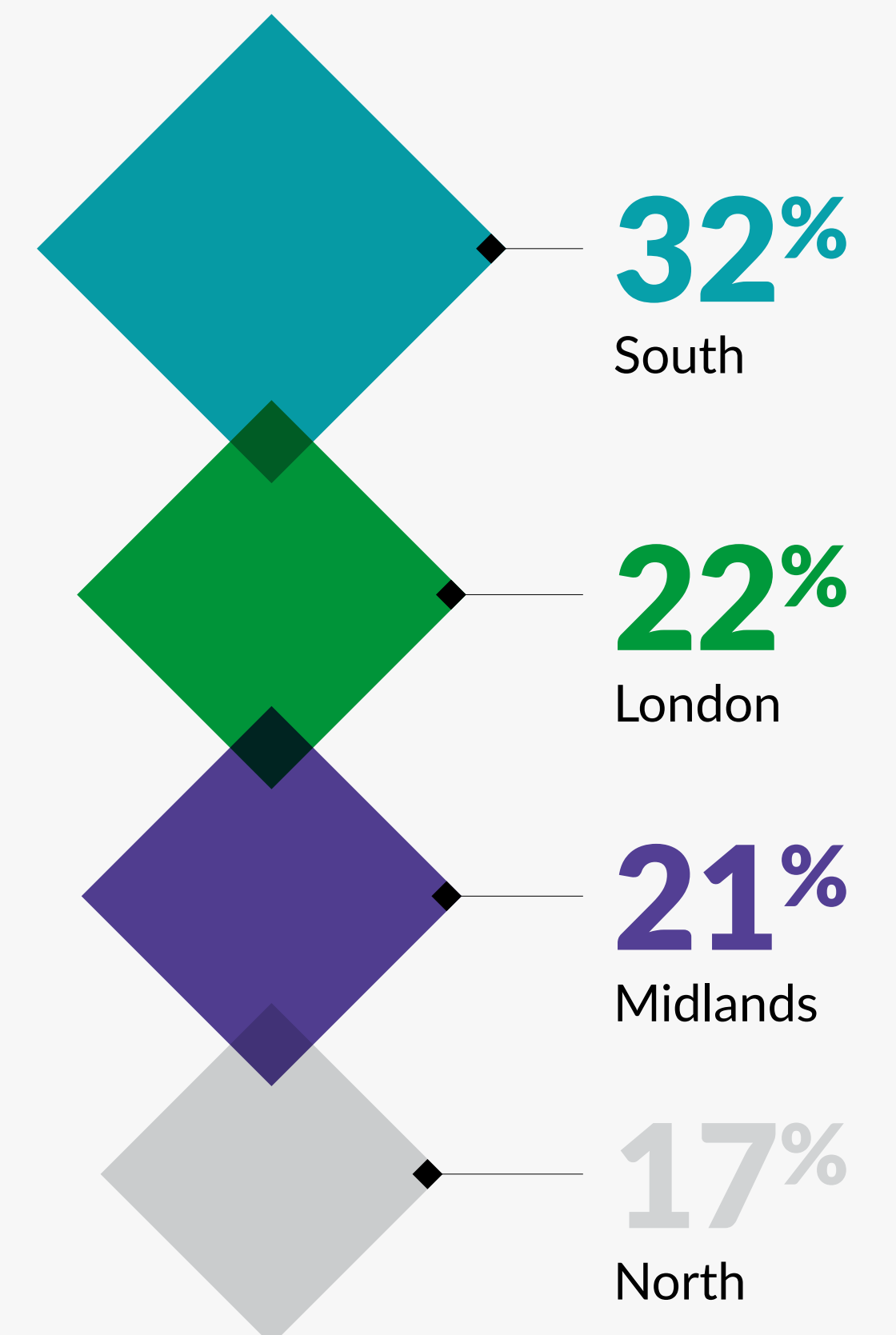
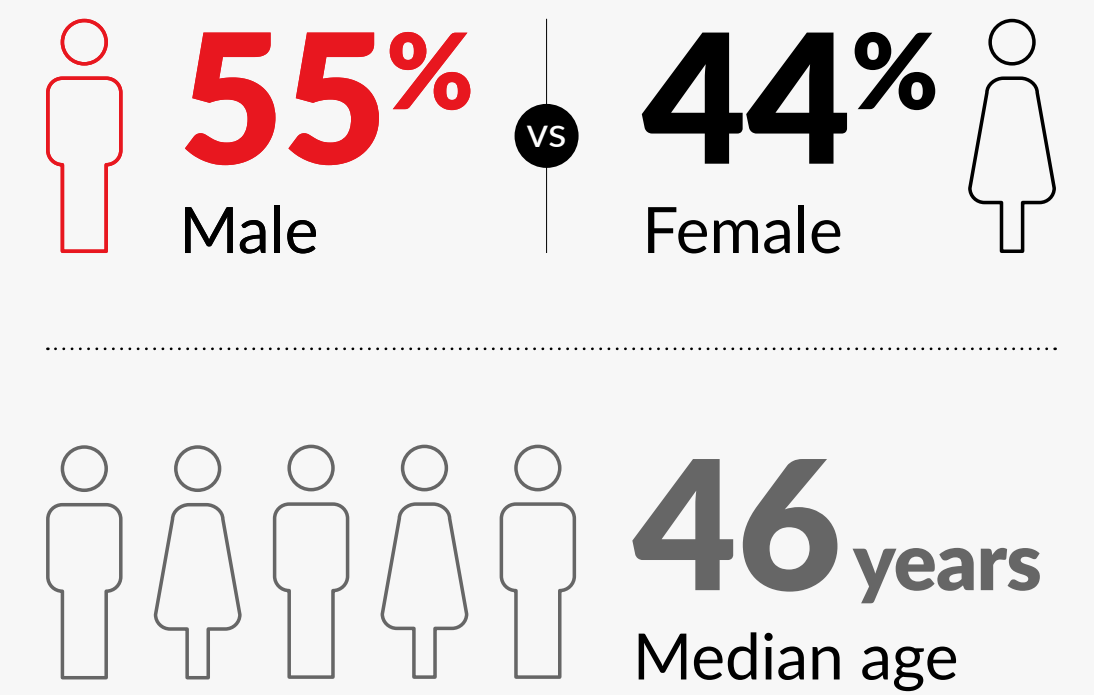
POSITION



PRACTICE SIZE



LAWYER DEMOGRAPHIC



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Jon Whittle is Market Development Director at LexisNexis, responsible for the company's offering for the independent legal sector – independent, small law firms and sole practitioners.

With 19 years of experience in research, insight and business strategy, throughout his career Jon's been passionate about understanding and representing the voice of individuals to big businesses.

Jon is currently focused on advocacy and community development for independent legal practitioners. He produces cutting-edge research, such as the industry-leading LexisNexis Bellwether reports which explore the changing landscape for independent legal practitioners and supporting the business of law firms.

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