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Navigating the challenges of small law firms

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Navigating the challenges of small law firms

Law firms today face a multitude of challenges as the industry reacts to greater digitisation, flexible working practices becoming the norm in a competitive talent market, increasing regulation, cybersecurity concerns, the list goes on.

For small law firms, there are additional challenges to consider as firms battle limited resources, rising costs, narrower profit margins and intense competition create a demanding environment where small decisions matter more and challenges have great implications on their bottom line.

In this guide, we explore several challenges that small law firms face, the impact of these on the legal profession at the small end of the market; how technology can offer solutions to these challenges, and how implementing technology not only meets these challenges but can be a simple solution to implement.

Digitisation plays a major role within the legal profession, both in terms of playing a hand in how some of these challenges have evolved, such as with elevating the expectations of clients and staff alike; and also in the solutions and tools that are out there and readily available for firms

of all shapes and sizes to adopt and meet those challenges.

For those who are just starting out for example, legal software has the ability to help create a USP within your market, something we've seen with disruptors within the legal services sector more widely. Whether internal or external, a commitment to utilising software could simplify operations for you and your clients, paying dividends through satisfaction and a lack of administration which, ultimately, will lead to easier paths to revenue.

In a similar vein for those on the opposite end of the scale as well, implementing effective technology not only aids the firm's operation but also plays a significant role in succession planning. With automated systems and streamlined processes, a firm becomes more attractive to potential investors and buyers. This adds notable value, as the firm demonstrates greater long-term potential. Moreover, technology can facilitate a smoother transition during mergers, acquisitions, or sales, ensuring continuity and maintaining client trust.

Proud supporter of The Law Society's Small Firms Network

OneAdvanced is proud to be a supporter of The Law Society's Small Firms Network, reaffirming our commitment to addressing the core challenges that small law firms face today.

We have provided small law firms with several solutions such as Opsis, Alphalaw, Foxpro, Laserforms and Oyez Forms across our 35 years' of experience. This will also allow us to showcase our next generation technology to this network.

Find out more about our support of The Law Society through our dedicated partner page.

Find out more

Attracting and retaining top talent

One of the most pressing issues for small law firms is attracting and retaining talented legal professionals. A third of law firms told us that it is their number one business challenge this year. With larger firms often offering higher salaries and more comprehensive benefits packages, small firms must find ways to compete for top talent. This discrepancy makes it difficult for small firms to attract new graduates or experienced lawyers who seek competitive compensation, small firms may also struggle to provide the same level of training and professional development, further hindering their ability to attract ambitious legal professionals.

However, the legal profession is experiencing a shift in expectations, with young professionals seeking work-life balance, career development opportunities, and a supportive work environment with 73% of legal professionals saying a better work-life balance is their most important incentive to stay at their current firm.

Retaining talent poses another significant challenge. High workloads, limited support staff, and fewer opportunities for growth can lead to burnout and dissatisfaction among lawyers and support staff. In fact, over half of lawyers are worried about themselves or their co-worker's facing burnout, stating it is a significant challenge. The close-knit nature of small firms, while often a strength, can also mean that the departure of even one key individual has a substantial impact on operations and morale.

Attracting and retaining top talent

Small law firms need to leverage their unique strengths. Creating a supportive and collaborative work environment can be highly appealing to many legal professionals. Emphasising the opportunity for hands-on experience and meaningful client interactions can attract those who value substantive work over administrative tasks.

Small firms should also consider offering flexible work arrangements, such as remote work options and flexible hours, which have become increasingly important to today's workforce. As firms are split 50/50 on whether to bring staff back to the office more (the current average is three days a week in the office) - taking a stance here could be a tactical benefit of small firms offering a better work-life balance over their larger counterparts.

While small firms may not be able to match the salaries of larger firms, they can offer other valuable benefits usually by having a more flexible approach to compensation, bonuses and career progression.

Investing in professional development is another key strategy. Offering access to continuing education, training programs, and opportunities to attend industry conferences can enhance the skills and knowledge of staff, providing hands-on mentorship and networking opportunities, and making the firm more attractive to both current and prospective employees.

To attract and retain talented professionals, small law firms should:

- Foster a positive and inclusive workplace culture.

- Provide opportunities for professional development and career advancement.

- Implement flexible work arrangements, such as remote work options and flexible hours.

- Provide performance and talent updates with one-to-one's, goals and targets

- Build a culture of support and teamwork

How technology can help

Legal software can significantly aid small law firms in with talent challenges. Utilising practice and case management software streamlines administrative tasks, reducing the burden on lawyers and allowing them to focus more on client-related work. This can lead to higher job satisfaction and productivity, as well as helping reach their performance targets and goals quicker and easier – which can reduce stress.

These systems also support remote work, enabling flexible working arrangements that are attractive to modern legal professionals while staying secure. Earlier this year, 27% of you told us that hybrid working is one of your biggest daily challenges, and investing in software to support hybrid work could ease these pains while providing a competitive edge in talent attraction.

Performance and Talent software provides a digital environment where managers and staff are able to actively participate in, and have clear sight of, professional and development goals; give, receive and view peer feedback - ultimately supporting performance enablement and encouraging greater employee engagement while also aligning their goals and targets with the business'.

As technology continues to evolve, so do the tools to support small law firms and their staff. For example, machine learning algorithms can assist in cases, providing valuable insights that enhance the strategic capabilities of the firm's lawyers while taking additional admin workload from fee earners. By staying aware of evolving technologies, small law firms can create a dynamic and efficient work environment that attracts and retains top talent.

Meeting and exceeding performance targets

In a profession where billable hours are the common commodity, the smallest discrepancies in reporting these can lead to substantial revenue losses. Despite this, you told us that two of your biggest forms of profit leaks are missing (37%) and inaccurate (23%) time entries.

Fee earners may forget to log time spent on brief consultations, emails, or phone calls, resulting in unbilled hours. Manual or outdated time tracking methods, often used by smaller firms, are prone to errors and omissions, exacerbating the problem. This time all adds up and results in only one-quarter of firms realising 70% or more of their billable time targets and an average across the sector of just 49% of hours realised.

In addition to time entry issues, inefficient billing processes can also contribute to profit leaks. Delays in invoicing, disputes over billable hours, and underbilling can all negatively impact a firm's financial health. The lack of dedicated administrative support in small firms often means that these issues go unnoticed or unaddressed, leading to ongoing revenue loss.

On average, fee earners miss one billable hour per day of work, this snowballs into 222 billable hours per fee earner per year. Not only that, but the actual manual process of inputting time recordings into systems accounts for around 66 hours per year, again per fee earner. That's 288 billable hours per year that your fee earners could be accounting for as revenue right now if time recording practices were automated.

Additionally, due to the rising complaints and fee discounts has resulted in law firm achieving only 89% in average collection rates.

How to plug those profit leaks

In the quest to get staff recording time, it's imperative to acknowledge that while methods and tools play a pivotal role, it's the human element that truly completes the equation. Even the most advanced solutions require input from fee earners to ensure accurate time capture. The importance of instilling a culture of time capture accountability among legal professionals should not be understated.

To tackle profit leaks, small law firms need to implement stringent time-tracking and billing practices. Encouraging fee earners to log their time immediately and accurately is essential. Regular training sessions on the importance of precise time tracking and the financial implications of profit leaks can raise awareness and improve compliance among staff.

Firms should also conduct periodic audits of time entries to identify patterns of missed or inaccurate logs. These audits can help pinpoint specific areas where improvements are needed and ensure that all billable hours are captured. Streamlining the billing process is equally important. Implementing clear billing guidelines and ensuring timely invoicing can reduce disputes and improve cash flow.

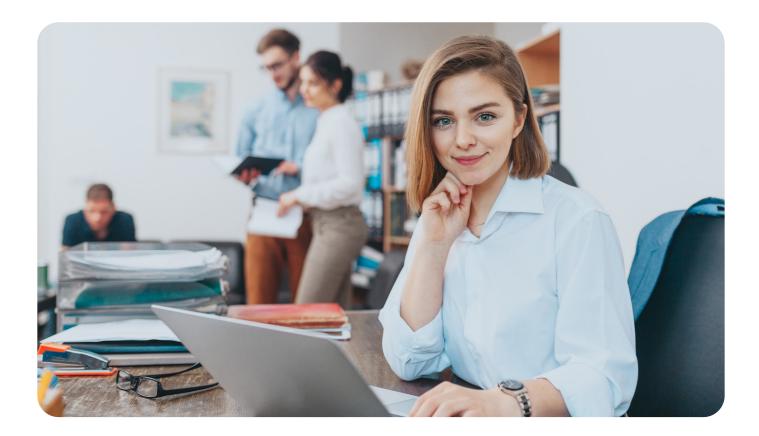**To address profit leaks, small law firms should:**

- Implement accurate time-tracking practices

- Encourage timely entry of billable hours

- Utilise the power of time recording software

- Streamline billing processes to ensure timely and accurate invoicing

- Automate administrative tasks to reduce time spent on non-billable activities

- Conduct regular financial audits to identify and address areas of inefficiency

How time capture software can reclaim thousands in billable revenue

Time recording can effectively plug up profit leaks if a culture of effective time keeping is instilled. With Time Capture software you can streamline the process of logging billable hours. By removing the admin burden from your fee earners it becomes easier for them to track their time entries, however only two thirds of firms tell us they are already using some form of time recording software. By reducing reliance on manual entry, these systems help minimise errors and omissions.

While time recording software is not typically adopted by small firms, addressing the culture surrounding billable hours within your practice will help resolve profit leak challenges. However, if the opportunity to implement it arises, leveraging its benefits can significantly enhance your practice's efficiency.

To help visualise this lost revenue we have created a calculator that takes details about the number of fee earners, current billing figures, and billing targets you have and uncover the potential added revenue from using Time Capture and how it impacts your targets. You may find your fee earners are already working to targets, and it's time to work smarter, not harder.

As software in this area grows, they offer increasingly better solutions for managing profit leaks. For example, tools can now analyse billing data to provide insights into billing practices and identify areas for improvement. By leveraging these advanced technologies, small law firms could significantly reduce profit leaks and enhance their financial health.

Satisfying a digital-first customer base

Creating an exceptional client experience is critical for small law firms looking to differentiate themselves in a competitive market, and with professionals telling us that complaints have risen by 50%, it's never been more crucial to provide better experiences. This year, 26% of law firms say improving client experience is one of the top challenges for their organisation, with an additional 23% highlighting difficulties in meeting customer demands.

Modern clients expect timely communication, transparency, and personalised service. Meeting these expectations can be challenging for small firms with limited resources. Inadequate client communication, lack of transparency in billing, and impersonal service can lead to client dissatisfaction and attrition.

Managing client relationships effectively is another significant challenge. Without a dedicated client relations team, small firms may struggle to keep track of client interactions, preferences, and feedback. This can result in missed opportunities for repeat business or referrals, further impacting the firm's growth and profitability.

To enhance the client experience, small law firms need to prioritise effective communication, transparency, and personalised service. When we factor in the fact that 83% of small firms say clients now expect real-time communication, providing regular updates on case progress, prompt responses to inquiries, and clear and transparent explanations of legal processes can build trust and satisfaction among clients.

For small firms, establishing a feedback loop is an excellent strategy for fostering client loyalty. By actively seeking feedback, you involve your clients in your growth journey, which makes them feel integral to your firm. This approach not only strengthens client loyalty but also drives business improvements.

Transparency in billing is also crucial. Providing detailed invoices that clearly outline the work performed and the associated costs can reduce billing disputes and enhance client trust, as noted by 44% of law firms that say clients expect more transparent and predicable fees. Additionally, firms should consider offering flexible payment options or alternative fee arrangements to accommodate clients' financial situations.

To keep customers happy, small law firms should:

- Communicate clearly and regularly with clients, providing updates on matter progress and addressing any concerns promptly.

- Offer personalised services tailored to each client's needs and preferences.

- Implement client feedback mechanisms to identify areas for improvement and address any issues.

- Ensure transparency in billing and case management, providing clients with clear and detailed information.

How technology can help

When it comes to better client experiences, any technology that can improve the firm's efficiency while keeping errors and delays down is ideal. For example, websites that allow clients to access quotes and essentially treat some services, most suitably fixed-fee services, much like an e-commerce experience allows firms to treat the customer journey in a much more digital fashion.

From there client portals provide a secure platform for clients to access documents, track their case status, and communicate with their attorney at their convenience. These portals enhance transparency and convenience, leading to higher client satisfaction. Clients and fee earners can collaborate in real time, allowing clients the regular updates they desire while providing the fee earners a platform to collaborate on, something 29% of legal professionals tell us they struggle with effective client collaboration, naming it as one of the biggest challenges they face every day.

Chatbots and automated responses are another emerging technology that can enhance client communication. These chatbots can provide immediate responses to common client inquiries, improving responsiveness without increasing workload. By leveraging these technologies, small law firms can offer a more efficient and satisfying service, fostering client loyalty and driving repeat business.

As 25% of law firms say fee discounts are their biggest form of profit leak, by creating a better, more effective client experience from first meeting to last invoice, may very well be the way to solve two key challenges.

Staying secure and compliant

Cyberattacks and data breaches are unfortunately too common in the legal sector. Given the sensitive nature of legal work and the stringent regulatory requirements, it's no wonder that almost one-quarter of legal professionals say cybersecurity and data protection is their main business challenge at present.

Cybersecurity threats, such as data breaches and ransomware attacks, pose significant risks to client confidentiality and firm reputation. Cyberattacks account for millions of pounds being stolen or paid out in ransom in the legal industry each year, with £11million reported by the SRA as early as 2018. It has likely ballooned since then as digitisation continues at a canter.

Reputational damage, and client relations are also at risk – especially if the attack is targeted at one of their transactions. Phishing attempts in the conveyancing sector are a common threat that targets large payments that can have a massive impact on you and your clients.

Additionally, compliance with regulations such as the General Data Protection Regulation (GDPR) requires robust data protection measures, measures that 32% of firms say remaining complaint to is their top challenge. Small firms may be met with a lack of dedicated IT resources needed to effectively manage these risks, making them particularly vulnerable.

While 48% of legal professionals say their digital systems are secure, 16% believe they are less secure than last year, and 9% say they do not think they are cybersecure. As the threat becomes more common place it becomes more imperative for law firms of all sizes to reach a confidence in their cybersecurity.

Small law firms need to implement comprehensive data protection policies and practices. This includes regular staff training on cybersecurity best practices, strong password policies, and encryption of sensitive data. In fact, it's estimated that up to 80% of cyber security breaches could be prevented by implementing basic good practices.

Conducting regular security audits and vulnerability assessments can help identify and address potential risks. Firms should also stay informed about relevant regulatory requirements and ensure their practices are compliant.

Firms should also establish incident response plans to mitigate damage in the event of a breach, ensuring that all staff are aware of the procedures to follow. Partnering with cybersecurity experts can provide an extra layer of assurance, as these professionals can offer insights into emerging threats and best practices. By adopting a proactive approach to cybersecurity, law firms can better safeguard their practice, maintain client trust, and ensure compliance with stringent regulatory standards.

To stay secure and compliant, law firms should:

- Implement robust data protection policies and practices, including regular staff training on cybersecurity best practices.

- Stay informed about relevant regulations and ensure compliance with GDPR, and other industry-specific requirements.

- Conduct regular security audits and vulnerability assessments to identify and address potential risks.

- Consider cloud-based solutions for added security and safeguarding of documents

- Establish incident response plans to mitigate damage in the event of a breach.

- Partner with cybersecurity experts for insights into emerging threats and best practices.
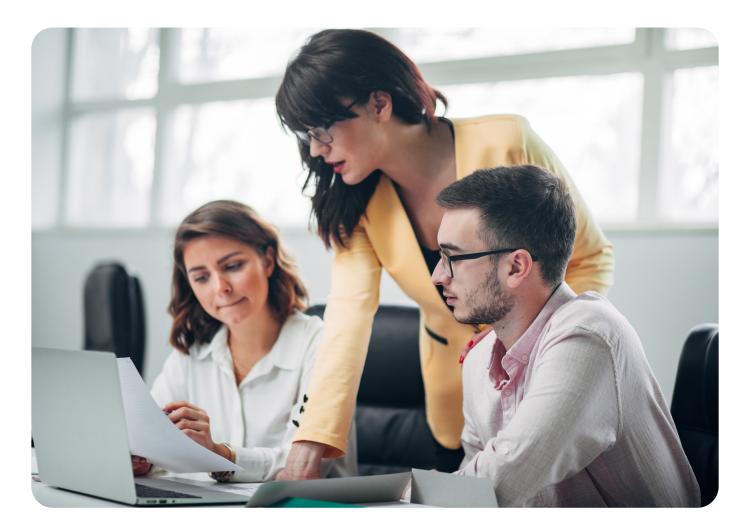
Keeping secure with technology

Technology plays a vital role in helping small law firms maintain security and compliance, and 37% of legal professionals tell us that one of the benefits of the technology they use derives from the ability to work with confidence in a cybersecure environment.

Cloud-based storage solutions offer enhanced security and accessibility, allowing firms to securely store and access sensitive information from anywhere. These solutions also provide automatic backups, mitigating the risks of data loss due to cyberattacks or other disasters.

Secure communication tools, such as encrypted email and messaging systems, can ensure that client communications remain confidential. Implementing multifactor authenticators (MFA) and single-sign on (SSO) will guarantee only allowed users into sensitive data. Taking time to research and partner with trusted software providers can provide peace of mind and alleviate the burden on small law firms striving to maintain security and compliance.

As technology improves and evolves so do the tactics of cyber criminals, and the need to keep your firm secure becomes ever more important. By utilising the right technology and implementing robust policies, small law firms can effectively safeguard their practice and protect client data from potential threats.

Optimising operations with process automation

Process automation stands as a vital tool for small law firms striving to optimise their operations. By automating repetitive and time-consuming tasks, firms can free up valuable time for fee earners to focus on more strategic activities. From document management to client intake, process automation streamlines operations, enhances accuracy, and reduces the risk of human error.

Implementing process automation in a small law firm comes with a host of benefits including increased efficiency by eliminating bottlenecks and reducing the time spent on manual tasks. Enhanced accuracy through automaton also reduces the possibility of returned forms and documents from third parties or clients, which in turn speeds up your matter processing and keeps your clients happy. In turn this ultimately leads to cost savings and the ability to grow the business with additional work and with repeat business as client satisfaction increases.

When looking at how firms can take advantage of these, there are a number of ways that technology and legal software can streamline their operations throughout the lifecycle of a client matter.

At the start of a case, onboarding solutions with quote management can help speed up the process from marketing to matter creation; while case management systems often include process automation through workflows and diary management, which can help automate the entire process. Many also include an element of document management that makes the creation, storage and sharing of documents much simpler than paper filing.

Time recording streamlines the invoicing process to provide transparency for billing, which in turn ensures that all worked hours are billed and instils trust with clients to reduce complaints around billing to facilitate timely, undisputed payments.

The OneAdvanced Legal advantage

Small law firms face a unique set of challenges that require a robust and integrated solution capable of addressing their needs comprehensively. A platform with a complete legal-specific software portfolio, such as [OneAdvanced Legal](#), not only addresses the hurdles discussed above but also offers an affordable, scalable solution that evolves alongside the firm's growth.

OneAdvanced Legal provides a holistic suite of tools designed to enhance efficiency and streamline operations across the board including practice and case management, Legal Forms, The National Will Register, legal-centric accounts and more. The capabilities of this portfolio improve accuracy and save valuable time, allowing solicitors to focus on high-value tasks.

Moreover, by leveraging OneAdvanced Legal, small law firms can ensure compliance and security with a system built on Microsoft Azure and built with a deep knowledge of UK legal service regulations. Automated regular updates and enhancements through the cloud means that the firm's technology remains current without the need for extensive internal IT resources and minimal downtime, reducing overhead costs. Solutions like OneAdvanced Legal are ideal for small firms with a pay per user per month structure, and also allow to scale up at ease.

Small law firms face a myriad of challenges, from attracting and retaining talent to managing profit leaks, enhancing the client experience, and ensuring security and compliance. These challenges can have a significant impact on their bottom line, making it essential to find effective solutions. Technology offers a powerful means to address these issues, providing tools that streamline operations, improve efficiency, and enhance service delivery. As technology continues to evolve, it will play an increasingly critical role in shaping the future of the legal industry. By embracing these advancements, small law firms can not only overcome their current challenges but also position themselves for long-term success in a competitive market.

oneAdvanced

Powering the world of small law firms

OneAdvanced powers over 30,000 legal professionals with software automation that delivers increased productivity and agility, using modern security protocols and built-in regulatory compliance to help protect law firms from financial penalties and business disruption.

Our legal software suite includes practice and case management, time capture, document management, legal forms, The National Will Register, and performance & talent management.

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