

“You don't have to be Big to be Strong...”

We used this tag-line to launch our Small Practice Solutions family of applications and services a year ago; and it is still true today.

Thankfully, growing big for the sake of size is no longer fashionable. The focus these days is on profitability and the quality of service provided by the Firm.

The good news is that small can be strong and profitable. We speak from our experience of working with many small and medium sized firms in Singapore and Malaysia. There are 4 reasons for this:

Leveraging is not achievable without proper systems for Knowledge Sharing

The drivers of profitability in a law firm are rates, utilisation, expenses and leverage. Size has no positive bearing on these factors save for leverage. Large law firm profitability depends having the work done at the right level of delegation and on successful collaboration and teamwork. The truth is that most lawyers make bad project managers and poor coaches. Too often, supervision is done at the output level rather than the input level, thus negating hours of work which the junior associate has put in. Lawyers are prone to under-delegate, negating the advantage of leverage.

Lawyers are not trained to play managerial or project management roles. In a large firm, cultural and organisational inhibitors to knowledge sharing results in duplication of effort, wheels are constantly being reinvented. Know-how, skills and the benefit of previous work products are not fully realised in an imperfect knowledge management system.

What Economies of Scale ?

Law firm surveys consistently show that there are no economies of scale in law practice; and that larger firms invariably have higher per lawyer overheads than smaller firms. The lower cost structure of small and medium sized firms provide them with a competitive advantage both in terms of pricing their services and profitability.

Technology for Solos and Small Practices

Before the advent of the personal computer, the cost of computing on per lawyer was much lower when a large enterprise could spread the costs of technology and research resources over a larger pool of workers.

The decreasing cost of hardware, software and tools for online legal research have eliminated the competitive advantage that large firms use to have in IT. This is as true in the legal profession as in other businesses.

The availability of excellent off -the-shelf productivity tools and legal technology applications, as well as outsourced IT service providers, renders it unnecessary to have a team of in-house programmers or IT personnel to support technology implementations in a law firm.

Small firms have the advantage when it comes to implementing technology and changing workflows. For example, to enforce a time recording policy in a small law firm, you only need one training session and a vigilant partner to ensure that the policy is adhered to; a 200 person law firm will require 40 training sessions and many more vigilant administrators; and still the policy may be inconsistently applied across the enterprise, if applied at all.

Business at the Speed of Thought

The prevailing cultural environment of “Business at the Speed of Thought” favours smaller firms as they are more agile and adaptable; able to respond quickly to business needs and pressures. With few exceptions, we are constantly discovering that entrepreneurial drive, innovation and derring-do is much more evident in the Davids of the legal scene and not Goliath.

A small firm only needs a dynamic and business-minded head to respond to the challenges of an increasingly competitive market; while business and management decision making in a larger firm are convoluted processes often encumbered with self-interest groups and cronyism.

The Future is Good for Small Firms

For these reasons, we think that the future is bright for smaller and mid-sized law firms.

The key to success is having a strategic and sound business plan, focusing on core competencies and targeted market segments. Implement good risk management practices and sound financial management. Ensure high quality and lower cost by adopting a technology strategy that focuses on improving efficiency.

Power to the nimble Davids!