Highlights from the 2024 Legal Trends for Mid-Sized Law Firms Report

Written by Kate Rattray

Since 2016, legal experts have turned to Clio's yearly *Legal Trends Report* for an unbiased and thorough examination of trends in the legal field.

As the most comprehensive analysis of the legal industry, the *Legal Trends Report* consolidates vital information on law firm performance while illuminating the influential factors driving changes in legal practice.

For lawyers in mid-sized firms, we provide unique insights with our annual *Legal Trends for Mid-Sized Law Firms* report. We're thrilled to announce the recent release of the *2024 Legal Trends for Mid-Sized Law Firms* report, which looks at mid-sized law firms across multiple perspectives—including performance trends, strategies for improving payment collections, and attitudes towards artificial intelligence (AI).

Below, we'll dive into the high-level takeaways from this year's report—but be sure to check out the *2024 Legal Trends for Mid-Sized Law Firms* report for a comprehensive overview of the trends shaping mid-sized law firm practices today!

What is a mid-sized law firm?

Though the definition of what constitutes a mid-sized law firm can vary, we typically accept firms with 21 or more employees to be "mid-sized".

Thus, this report defines mid-sized law firms as those with 21 or more employees. Throughout the report, we compare these firms to "smaller firms" (those with 20 or fewer employees).

Where does the data come from?

The *2024 Legal Trends for Mid-Sized Law Firms* report uses a range of methodological approaches and data sources to deliver the best insights about the state of legal practice and strategies for future growth.

Aggregated and anonymized Clio data

We've analyzed aggregated and anonymized data from tens of thousands of legal professionals in the United States, segmented based on firm size, to observe differences in usage patterns among mid-sized firms and smaller firms. This data provides important insights about how technology is being used by legal professionals, as well as its impact on firm performance.

Survey of legal professionals

We surveyed 1,446 legal professionals, segmented based on firm size, to distinguish and compare responses between mid-sized firms and smaller firms, from May 31 to July 20, 2023. The legal professionals we surveyed included lawyers as well as support staff—such as paralegals and administrators—who are engaged in the management side of their practice.

Survey of the general population

We surveyed 1,012 adults in the U.S. general population from June 13 to June 22, 2023. This survey was designed to gauge attitudes, opinions, preferences, and behaviors regarding the legal profession among individuals who have hired lawyers in the past or who may become potential legal clients in the future. This sample is representative of the U.S. population by age, gender, region, income, and race/ethnicity based on the most recent U.S. census statistics.

Mid-sized firms are capturing more billable hours and collecting more money than ever, yet still struggle with realization and collection performance

Despite generally taking on fewer new files compared to 2016, mid-sized firms are capturing more billable hours and collecting more money than ever. Coupled with steadily increasing utilization rates, it appears that lawyers in mid-sized firms are effectively capitalizing on existing legal work.

A different story emerges when we look at how efficiently mid-sized law firms are billing and collecting payment for their legal services. While mid-sized firms were closing the gap between their realization rates and the leading rates enjoyed by smaller firms, more recent data suggests that this performance may be stalling. Likewise, while mid-sized firms enjoyed a lead on collection rates against smaller firms in the past, since 2020, smaller firms have surpassed mid-sized firms on collection rates.

Mid-sized firms see better realization lockup performance, but poorer collection lockup performance, than smaller firms

Law firms must pay close attention to how *quickly* and *consistently* they are getting paid. Far too many firms find their revenue held in "lockup"—the period in which billable work has either not been invoiced or collected.

Lockup consists of three components (measured in days):

- **Realization lockup.** This is the amount of revenue that is unbilled at any given time (also known as "work-in-progress lockup").
- **Collection lockup.** This is the amount of revenue that is uncollected at any given time (also known as "debtor lockup").
- **Total lockup.** This is a combination of revenue held in both realization and collection lockup.

On average, mid-sized law firms appear to be more proactive at getting bills out the door than smaller firms (realization lockup). On the other hand, smaller firms appear to be more successful at actually collecting outstanding payments than mid-sized firms (collection lockup).

We also see that the use of some Clio features are associated with a significant reduction in lockup, including Clio Payments, bulk billing, and Clio for Clients.

Mid-sized firms using online payments get paid more than twice as fast

The average realization and collection rates among mid-sized law firms in 2023 were 83% and 84%, respectively.

These numbers look great on their own. But when we look at what's missing—the 17% of billable hours that mid-sized firms aren't invoicing to clients, or the 16% of billed amounts that are not collected from clients—it becomes clear that mid-sized firms have tremendous opportunity to improve their realization and collection rates.

For mid-sized law firms, the importance of getting paid faster can be even more pronounced than in smaller firms. Namely, as mid-sized law firms tend to have higher work outputs than smaller firms (alongside higher overhead costs), failing to optimize the

collections process can result in leaving more money on the table (at best) or being unable to fulfill payroll obligations or pay rent (at worst).

Offering online payments significantly reduces the friction involved for clients in paying their legal bills while helping law firms get paid faster. This difference is especially pronounced among mid-sized law firms, which get paid more than twice as fast when using online payments.

Lawyers in mid-sized and smaller firms have similar attitudes toward AI use in the legal profession —but smaller firms may have more to gain

Lawyers in mid-sized and smaller firms are still cautious of AI, not yet believing that it is advanced enough to be considered reliable. Despite these reservations, the use of AI is already well underway in legal practice with nearly one in five (19%) legal professionals claiming that they are already using AI in some form in their practices.

Different perceptions lie at the heart of mid-sized and smaller firms' reservations about the use of AI in legal practice, some of which may actually emerge as opportunities—particularly among smaller firms. Furthermore, mid-sized firms' attitudes about AI are at odds with client expectations, putting mid-sized firms at a disadvantage as AI begins to enjoy more widespread use.

Notably, potential clients have a much more optimistic outlook of AI being used in the legal profession than lawyers in mid-sized firms. They are much more likely to believe that the benefits of lawyers using AI-powered software far outweigh the costs (32%, compared to 16% of lawyers in mid-sized firms).

2024 Legal Trends for Mid-Sized Law Firms: Conclusions

With rapid advancements in new systems and technologies over the past year, mid-sized firms have tremendous opportunities for growth and efficiency, creating endless possibilities. To harness these opportunities and remain competitive, however, mid-sized firms will need to overcome the challenges associated with complex and diverse organizational structures to thrive in today's legal ecosystem.

At Clio, we are deeply invested in understanding and addressing the unique needs of mid-sized and large law firms. We are committed to providing the tools and support necessary for your growth and success, investing in developing product functionality and thought

leadership materials specifically designed for mid-sized law firms.

Discover why over 1,000 successful mid-sized firms use Clio to support their practices at clio.com/enterprise.

About Clio

Clio is the global leader in legal AI, powering legal work across the profession, from law firms of every size to corporate legal teams, government agencies, and courts. Its Intelligent Legal Work Platform unites the business and practice of law, connecting the people, information, and processes behind legal work. Clio's AI brings the context together with legal sources drawn from Clio Library, a growing collection of more than one billion legal documents. Over 400,000 legal professionals in more than 130 countries rely on Clio to run their legal world. Learn more at www.clio.com.