LEGAL TRENDS REPORT
PUBLISHED BY CLIO

Legal Trends for Solo and Small Law Firms

Market Insights Into AI Adoption, Pricing and Policy, and Firm Growth

Turning AI efficiency into real business growth

Solo and small firms are rapidly adopting AI, and they're seeing positive results. Legal professionals using AI report less time spent on tedious tasks, greater confidence in their work, and a better work-life balance. They're using AI to take on more work with greater speed and accuracy.

But working faster and getting more done doesn't always mean that firms are earning more.

For firms still billing by the hour, AI creates a paradox: The more efficient you become, the less you bill. Time saved on research, drafting, and administration doesn't automatically translate into revenue unless that added capacity gets filled with new client work. Some solo and small firms have figured out how to turn these newfound efficiencies into growth, but many haven't.

Getting the most out of AI requires more than just adoption. It means rethinking how work gets priced, how clients get brought in, and how technology fits together as a system rather than a collection of separate tools. Solo and small firms must learn how to adopt these capabilities and incorporate them into their operations, all while maintaining their businesses and taking care of their clients.

This report looks at where solo and small firms stand today on AI use and what it takes to move from saving time to growing a practice.

Key takeaways

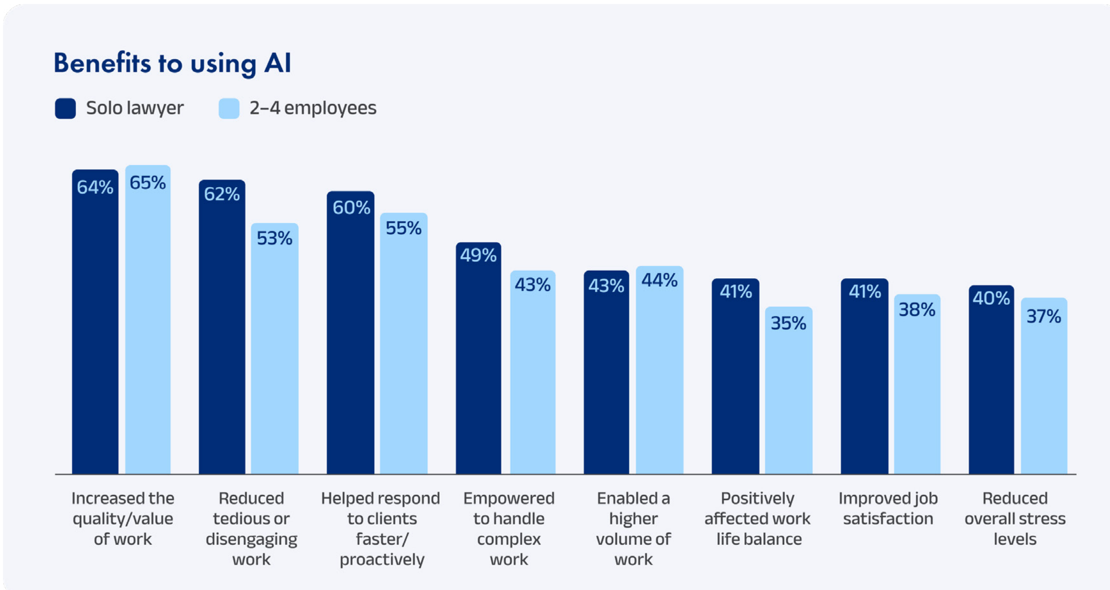
71% of solos and 75% of small law firms use AI, but just under one-third have increased their revenues.

86% of solo firms and 78% of small law firms have not adjusted their pricing models to account for their use of AI.

More than half of solo and small law firms lack a policy on the use of AI, creating security and financial risks for the **nearly 50%** that rely on generic solutions.

The efficiency paradox

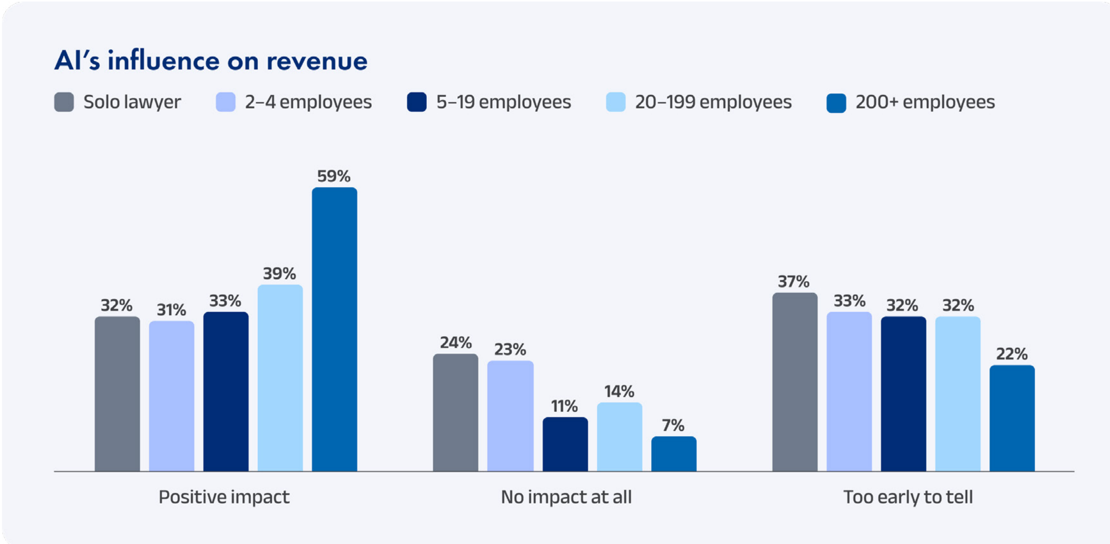
Today, 71% of solo practitioners and 75% of small firms are using AI in their work. Lawyers and their staff are increasing the quality of their work, reducing tedious tasks, and responding to clients more quickly and proactively. They're also taking on more complex work and taking on more overall. More importantly, those working in these firms enjoy less stress, greater job satisfaction, and a better work-life balance due to AI.



But being able to get more done doesn't mean that these firms are earning more.

While many solos and small firms have benefited financially, larger firms are much more likely to have increased revenue with AI.

About a third of solo (32%) and small firms (31%) have increased revenues with AI, compared to 39% of mid-market firms and 59% of enterprise firms. A further 24% of solos and 23% of small firms say AI has had no impact on revenue at all, though more (37% of solos and 33% of small firms) say it's too early to tell.



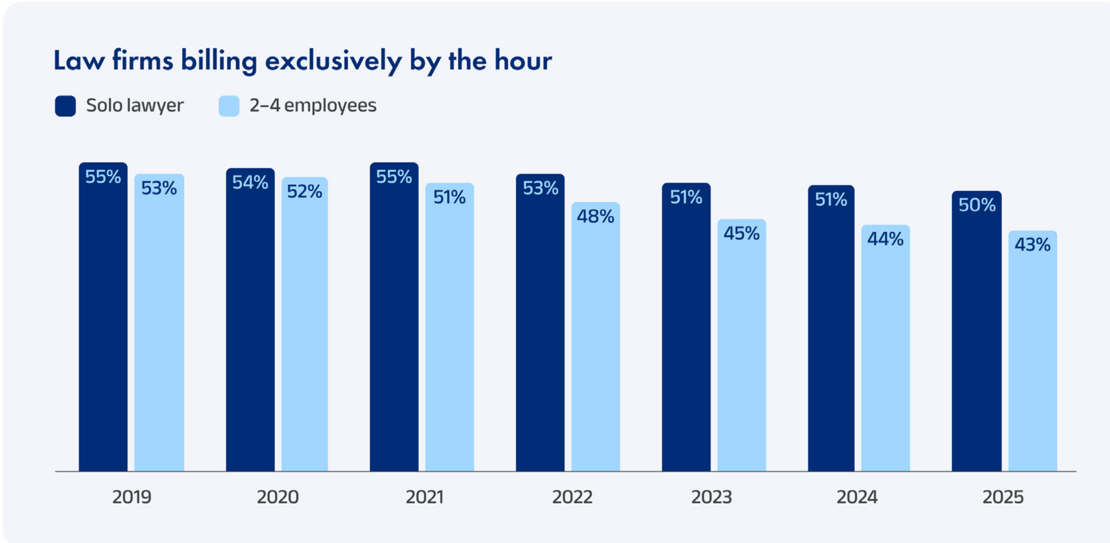
For law firms that haven't found new revenue advantages with AI, the reason could come down to how they charge for their work.

The hourly trap

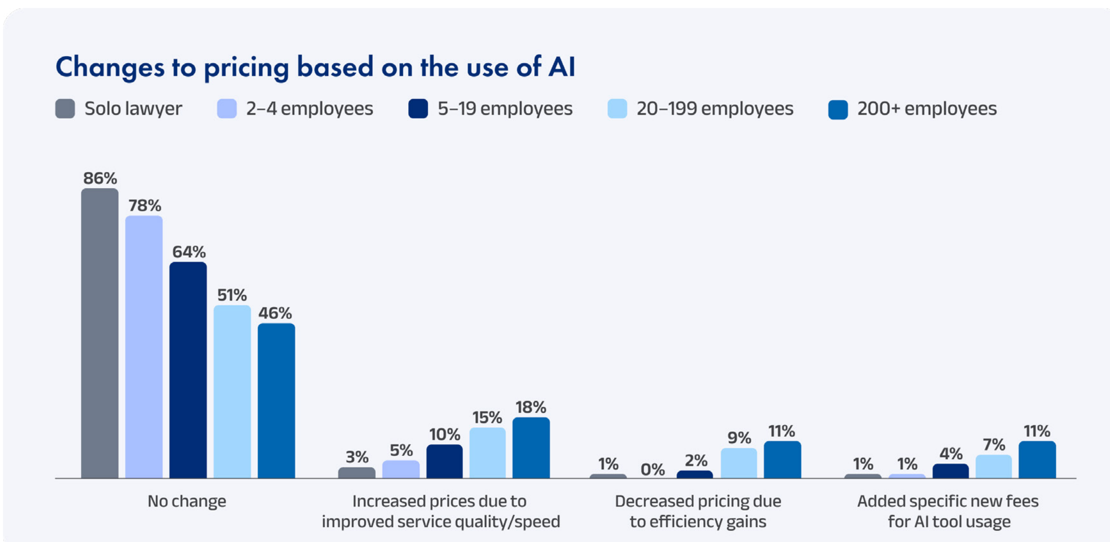
Unless the time saved with AI is filled with new client work, the added capacity won't add to the bottom line. Firms seeing the strongest financial returns aren't just working faster; they're using reclaimed time to bring in more clients and take on more work, and they're adjusting their billing models to ensure their work remains profitable.

The problem is that AI makes the hourly billing model increasingly difficult to sustain. If AI helps you complete a billable task in one hour instead of five, and you bill by the hour, you've effectively handed your client an 80% discount. The efficiency gain belongs to them, not you.

Hourly billing has been declining steadily across solo and small firms. Since 2019, solo firms billing exclusively by the hour fell from 55% to 50%, while small firms saw an even steeper drop from 53% to 43%.



While exclusive hourly billing is declining among solo and small firms, the vast majority haven't adjusted their pricing in response to AI. 86% of solo firms and 78% of small firms have made no pricing changes compared to just 51% of mid-market and 46% of enterprise firms, which are much more likely to have made adjustments.



Firms should take note of market demand: 71% of clients prefer fixed or flat fees[1], meaning firms that shift away from hourly billing aren't just protecting their margins. They're also giving clients what they actually want.

[1] Clio, *2024 Legal Trends Report*

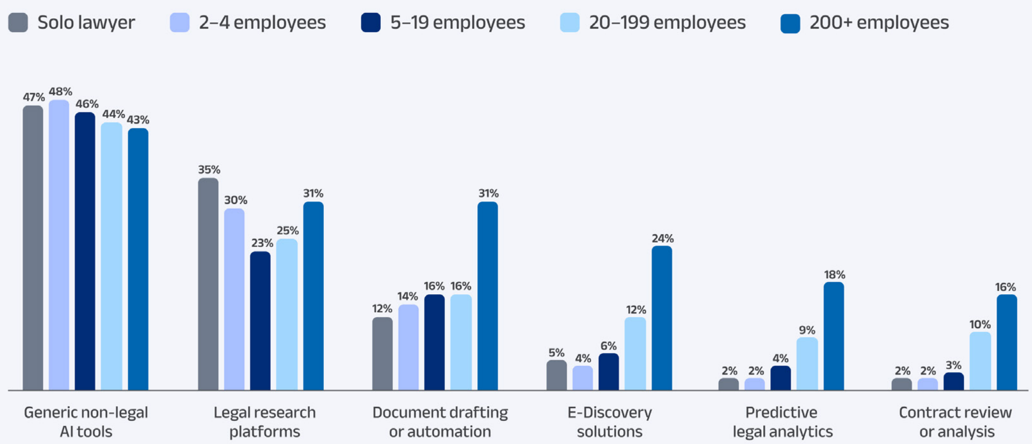
Generic vs. legal-specific AI

While most solo and small firms are using AI in their practice, the most common solutions are generic, consumer-based tools like ChatGPT or Microsoft Copilot, not solutions built specifically for legal work. These tools can save time on basic tasks, but they come with real limitations: They require constant re-prompting, lack legal context, and create confidentiality risks if sensitive client data is entered into a public platform.

There's also a fragmentation problem. Many solo and small firms already manage a collection of disconnected software solutions. Adding generic AI tools on top of those systems creates more logins, redundant data entry, and lost time due to context-switching.

When firms pair generic AI with dedicated legal research tools (used by about a third of solo and small firms), they risk losing context as they copy information between platforms.

AI use by category



Aside from legal research, larger firms are much more likely to use dedicated solutions for specific types of legal work, like document drafting, e-discovery, analytics, and contract review. These solutions change what a small team can take on. Tools built for specific types of legal work allow firms to handle more complex matters that have traditionally required a larger team. Relying on generic tools means missing out on that capability.

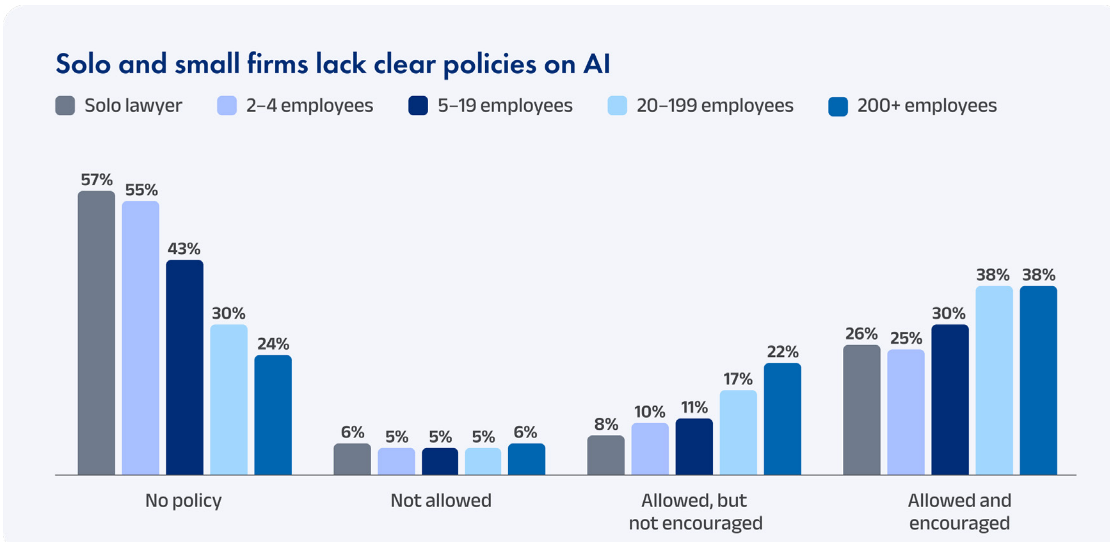
Dedicated AI solutions for law firms can also save time on non-billable administrative tasks, which helps lawyers and their staff dedicate more time to the billable work they do for their clients.

Note: California recently passed legislation with clear stipulations for AI use by law firms, including a prohibition on entering confidential client information into public generative AI tools. Firms operating without a dedicated legal AI solution should take note.

Responsible AI use in law firms

Most solo and small firms are using AI without any formal usage policy. 57% of solo firms and 55% of small firms have no AI policy in place, compared to just 30% of mid-market firms and 24% of enterprise firms.

The gap goes beyond just having a policy. Larger firms are also much more likely to actively encourage AI use: 38% of mid-market and enterprise firms encourage staff to use AI within a defined framework, compared to just 26% of solos and 25% of small firms.



For smaller practices, this matters more than it might seem. Without clear guidelines, it's easy for lawyers or staff to default to public, open-web tools and paste sensitive client information directly into them. This can pose risks, like confidentiality breaches, inaccurate research references, and potential malpractice claims.

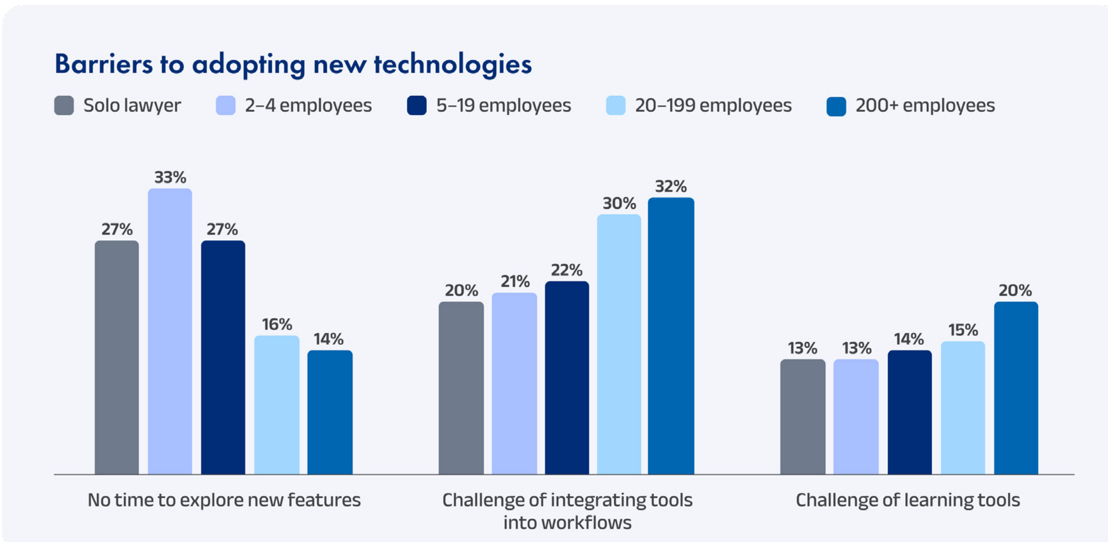
For small firms, even verbal instructions or dedicated team discussions can communicate important policy and guidance on what tools are approved, how client data should be handled, and what AI outputs need to be reviewed.

There are also clients to consider. A brief written summary of the firm's AI practices can be a valuable resource for informing clients if questions arise.

The 'no time' barrier

For 27% of solos and 33% of small law firms, finding the time is the biggest hurdle to adopting new technology. When you're managing client work, scheduling, billing, and intake on your own, there's no IT department to handle setup and no training budget to get staff up to speed.

This creates a difficult tension. The administrative work that consumes so much of a solo or small firm lawyer's day is exactly what the right technology could eliminate. But getting there requires time that most of these firms feel they don't have.



Firms that consolidate their tools onto a platform solution make it easier to adopt new technologies, including built-in AI capabilities. Rather than managing multiple vendors and learning several different systems, firms can use a unified platform to get up and running faster.

When core workflows like intake, billing, and matter management operate in one system, adding new features requires minimal configuration and ensures data security. If your firm needs technical support, there's only one support team to call rather than several.

The bottom line is that platform solutions minimize the time and effort required to explore new capabilities, reduce the challenge of integrating disparate systems, and drastically shorten learning curves. They can also save time on context switching.

Research shows that it takes the average worker 9.5 minutes to refocus after switching between software. Over the course of a year, they spend five weeks, or 9%, of annual work time, simply navigating software transitions[2].

[2] Rohan Narayana Murty, Sandeep Dadlani, and Rajath B. Das, "How Much Time and Energy Do We Waste Toggling Between Applications?" *Harvard Business Review*, August 29, 2022.

Making efficiency work for your practice

Solo and small firms are adopting AI quickly, and the day-to-day benefits are real. Lawyers are doing higher-quality work, feeling less stressed, and reclaiming time that was once lost to administrative tasks. But most smaller firms are still trying to figure out how to turn those gains into business growth.

The difference between firms that are working faster and firms that are actually earning more comes down to three things: how they price their work, how they bring in new clients, and how well their tools work together.

For firm leaders, the path forward involves three practical shifts:

1. **Rethink your pricing model.** If AI is compressing hours into minutes, hourly billing works against you. Moving toward flat fees lets you capture the full value of your expertise rather than discounting it every time technology makes you faster.
2. **Fill your new capacity.** Efficiency only drives growth if your pipeline keeps up. Firms that invest in client development alongside AI adoption are better positioned to convert time savings into revenue.
3. **Use the right tools.** Firms using integrated, legal-specific tools have fewer adoption barriers and better, more secure outcomes than those relying on a patchwork of generic solutions.

AI represents a genuine opportunity for solo and small firms to grow their practices without increasing overhead. The firms that will benefit most aren't just those adopting AI fastest. They're the ones rethinking their pricing, filling their pipeline, and choosing tools that work as a system.

Methodology

The *Legal Trends Report* uses a range of methodological approaches and data sources to deliver the most relevant insights into the state of legal practice and strategies for future growth.

Survey of legal professionals
We surveyed 1,702 U.S. legal professionals from a market panel (500 respondents) and a cohort of current Clio customers (1,202 respondents). 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.

Clio data
We analyzed aggregated and anonymized data from tens of thousands of legal professionals in the U.S. to better understand how firms are billing their clients.

Get access to even more data insights

For additional insights into the latest trends in the legal industry, read the *Legal Trends Report*, which features more data on AI adoption, firm profitability, and a first-of-its-kind neurological study on how technology can ease cognitive load in legal professionals.

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