



THE CANADIAN
BAR ASSOCIATION

Thomson Reuters Institute

2024 State of the Canadian Law Firm Market



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Executive summary

Canadian lawyers generally view their law firms as successful, a strong testament to the professionalism, dedication, innovation, and resilience of law firms in Canada given the plethora of changes of the past several years. However, those characteristics that helped law firms weather the past few years will continue to be tested as firms move forward into still-uncertain times.

Law firms have seen a strong post-pandemic recovery, but one which has been accompanied by rising competition for talent, among other challenges. Firms are now grappling with balancing return-to-office strategies with remote and hybrid working arrangements. Further, the rapid emergence of artificial intelligence (AI) tools has the potential to alter everything from workflows to billing practices to the business structure of law firms themselves.

Just as there was an evident disconnect between how law firms define success and what they measure, there is likewise incongruity between many of the problems law firms have identified and what they have chosen to prioritize for solutions.

In this inaugural *State of the Canadian Law Firm Market* report, which is based on a survey of such lawyers, the Thomson Reuters Institute, in partnership with the Canadian Bar Association, will examine both how firms evaluate and measure their success, as well as how they are assessing their goals, risks, and challenges going forward.

In one critical finding, law firms' definitions of success do not always align with how they are measuring or planning for such success. This presents both opportunities and challenges for law firm leadership.

Elsewhere in the report, we explore how responding lawyers have a generally optimistic outlook about the prospects for continued growth and profitability for Canadian law firms. However, as the last three years have clearly shown, market conditions can change both rapidly and unexpectedly, and firm leaders must build a business model that is agile enough to withstand the need for rapid evolution.

Other key findings:

- Firm reputation, client satisfaction, and repeat client business are considered the top measures of success.
- Major challenges include spending too much time on administrative tasks, mental health & well-being issues, client pressure on rates, and cost controls.
- Law firms responded successfully to the challenges of the pandemic by quickly adapting to remote working and collaboration.
- Firms recognize many of the challenges they face; however, they often are not planning or taking action to address these challenges.

Methodology

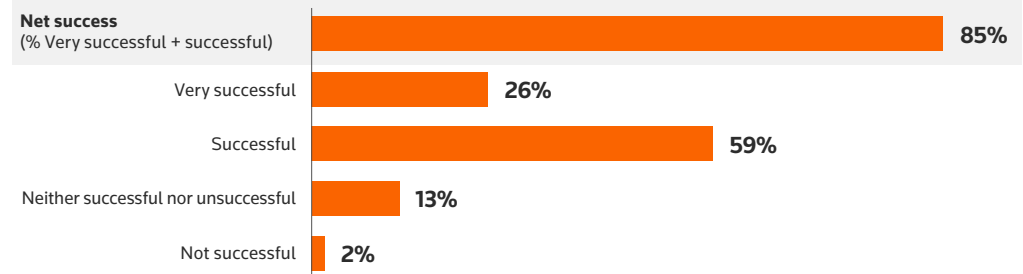
The findings in this report are derived from a survey of 330 lawyers within law firms across Canada. This includes solo firms, as well as firms classified for the purposes of this report as small (2-10 lawyers), medium (11-179 lawyers), and large (180 or more lawyers). The survey was conducted in October 2023.

Law firm size	#
Solo (1 lawyer)	90
Small (2-10 lawyers)	116
Medium (11-179 lawyers)	84
Large (180 or more lawyers)	40
Total	330

How successful are Canadian law firms?

Figure 1: **Canadian lawyers view their firms as generally successful**

Firm's/department's success rating



Q: Based on your previous definition, how would you characterize your firm's/department's success over the past year? (n=330)

Source: Thomson Reuters 2024

As the Canadian legal market stands, firms can rightfully feel pride in their success after the tumultuous recent years. An overwhelming 85% of survey respondents said they feel that their firm has been successful in the past year. The majority of lawyers (59%) rate their firm as *successful*, while an additional 26% feel their firm is *very successful*. Only 2% said they feel their firm is *not successful*.

This is a very strong indication that lawyers believe — despite the disruptions of the last few years — that they have done a good job of shepherding their practices to continued prosperity. However, to better understand *why* lawyers feel their firms are successful, we must more fully understand *how* they define that success.

Upon further review...

In examining these results, we explored some of the differences between respondents who said they consider their firm to have been *successful* or *very successful*, who were typically at higher revenue firms that saw a higher proportion of revenue from business clients, and those who consider their firm to have been *not successful* or *neither successful nor unsuccessful* in the last year, and who were often at smaller firms that relied more heavily on individual clients.

While we were unable to draw solid conclusions as to what drove the differences between the two groups, we did notice some interesting findings. For example, respondents who characterized their firms as less successful showed less likelihood to have a plan to address the challenges their firms faced, while respondents at more successful firms reported a higher likelihood to not only have a plan, but to have already taken steps to address key issues.

Respondents at more successful firms also reported using a wider range of technology solutions, and having a greater focus on future strategies such as cross-selling or increasing leverage.

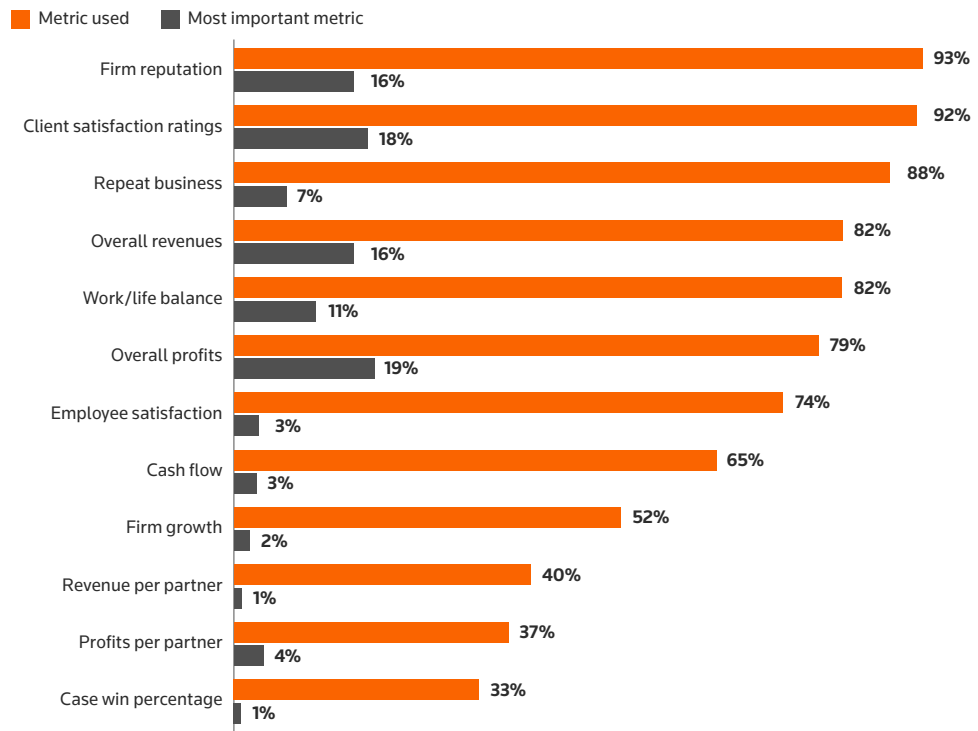
Perhaps unsurprisingly, respondents from less successful firms expressed more caution about the future.

While the data in this current version of the study does not lead us to solid conclusions, they do provide interesting food for thought on topics for deeper explorations. Watch for future iterations of the *State of the Canadian Law Firm Market* report to explore these topics in greater depth.

Defining & measuring success

Figure 2: **Defining law firm success**

Definition of firm/department success



Q: How do you define "success" as it relates to your law firm? Do you base success on...?
Which of the ways that your firm/department defines success is most important? (n=330)

Source: Thomson Reuters 2024

Respondents factored in a large number of elements into their definition of success. More than 8-in-10 lawyers said that their firm's reputation, client satisfaction ratings, frequency of repeat business, work/life balance, and overall revenues were part of how they defined success. Among these factors, overall profits was most commonly considered the *most important* indicator of success, while client satisfaction, firm reputation, and revenues were close behind.

It is notable that client satisfaction ranks nearly as high as the key financial metric of overall profits in terms of what lawyers view as the *most important* metric for gauging their firms' success. This is likely an indicator that lawyers feel that delivering work that is considered by clients to be of high quality and value and maintaining strong client relationships goes hand-in-hand with achieving robust financial performance. Indeed, that approach has largely proven to be a winning formula.

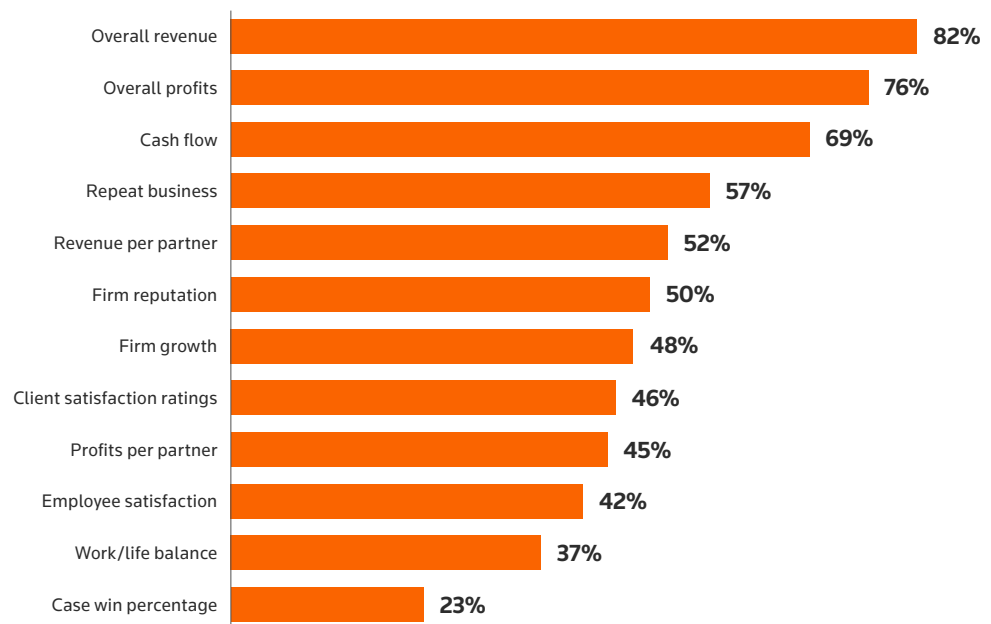
However, the importance that many Canadian law firms say they place on client satisfaction ratings highlights an interesting disconnect with how such ratings are measured.

Measuring success, sharpening the focus

An old business adage holds that, *What gets measured gets managed*. While business consultants may differ on the universality or applicability of that adage, measurement can be a crucial step in understanding the dynamics that drive a given metric.

Figure 3: **The metrics law firms measure**

Success metrics tracked



Q: Do you track any of the following metrics within your firm/department? (n=330)

Source: Thomson Reuters 2024

As seen above, client satisfaction and firm reputation are ranked among key measures of success. However, barely half of lawyers said their firms track firm reputation, and less than half measure client satisfaction. This presents a troubling disconnect between what law firms say is important — indeed, *most important* — and what firms are actually tracking.

For any success factor, but perhaps especially for factors that rely more on subjective impression like firm reputation and client satisfaction, tracking client feedback via formal metrics is indispensable for gauging how a firm is performing against these measures of success.

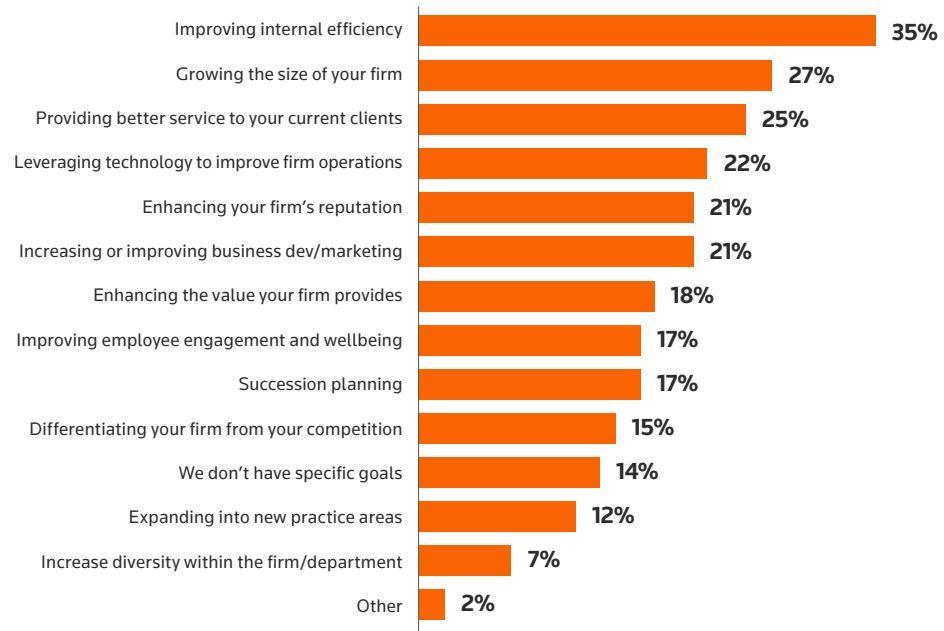
Canadian law firms that are not yet quantifying their performance on these factors should take steps to at least begin to do so. These steps could include surveys or interviews to yield valuable insights on what matters most to clients and what clients value in the firm.

This feedback can provide important clues on areas for improvement for firms, and it will help firm leaders build more effective strategic plans for future growth and success.

Goals and priorities

Figure 4: **Law firm goals and priorities**

Top Goals/priorities (Selected among top 3)



Q: What are the top three goals / priorities that you have for your firm/department?
If you don't have specific goals, please select that response at the bottom of the list. (n=330)

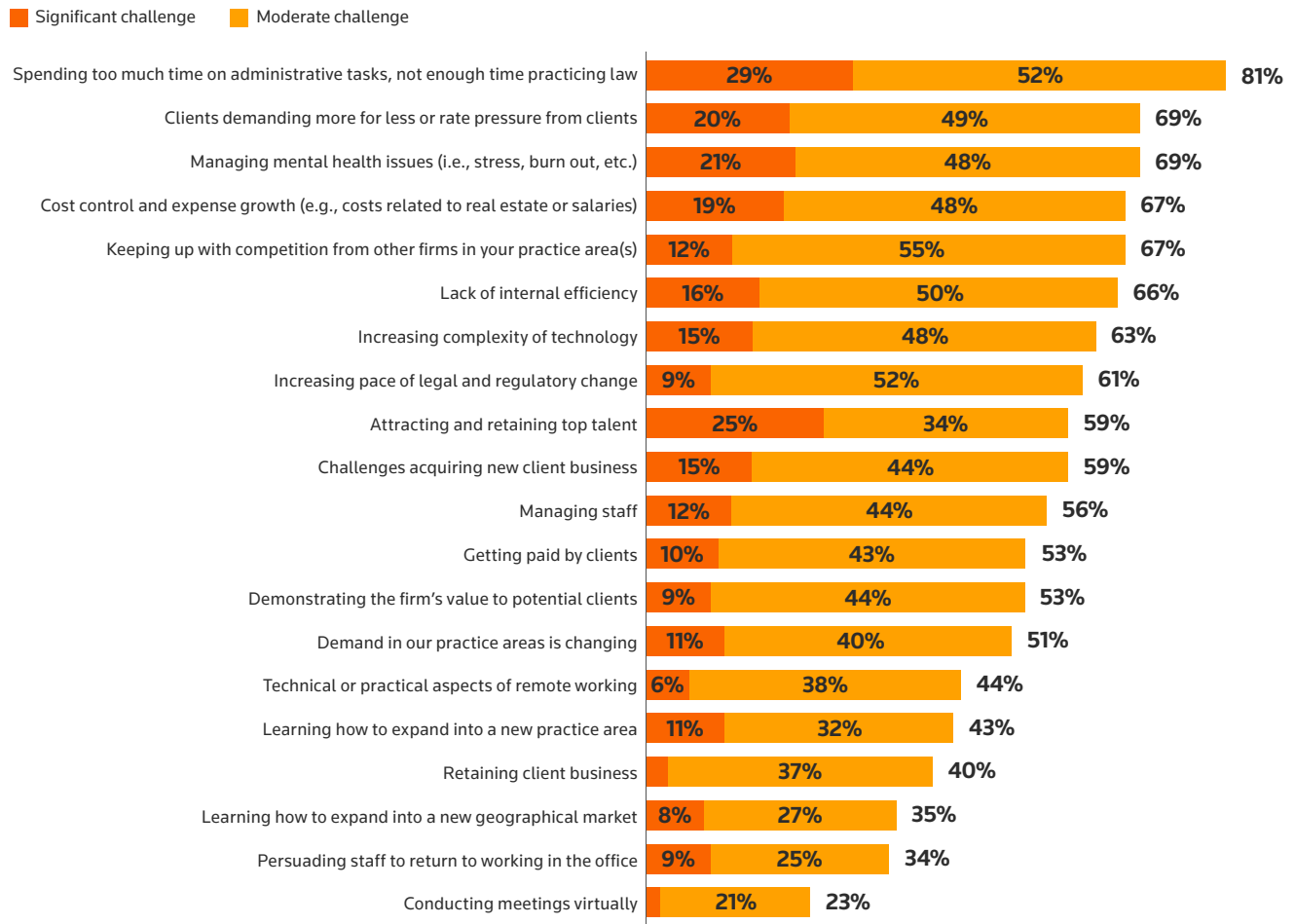
Source: Thomson Reuters 2024

While firms ponder whether to expand their tracking and measurement to include more success factors, they also have clear goals in mind about what they are looking to achieve next. Firms' top goal, by a sizeable margin, is to improve internal efficiency, ranked as a top goal by 35% of respondents.

Better efficiency is doubtless a worthwhile goal as, when achieved, it can yield significant contributions to both the top and bottom lines of firms by increasing output productivity, thereby increasing revenue, and reducing costs, thereby optimizing profits. Greater efficiency can also help firms realize another high-ranking goal of providing better service to clients because it results in firm lawyers spending less time on unproductive or no-value-added tasks. This in turn can help to boost the key success metric of client satisfaction by improving the firm's reputation, hopefully leading to more repeat and referral business. In short, delivering efficient, quality results can bear fruit for the law firm on a number of critical fronts.

Despite success, challenges abound

Figure 5: **Key challenges for law firms**



Q: Please indicate the degree to which the following issues are a challenge for your firm/department. (n=330)

Source: Thomson Reuters 2024

Lawyers are keenly aware of the abundant challenges that they are currently facing. By far, the most pressing issue across the board is spending too much time on administrative tasks and not enough time practicing law — which was cited as being either a *moderate* or *significant* challenge by 81% of firms. A closely related challenge, lack of internal efficiency, also ranks among the top five.

In addition, other challenges, such as rate pressure or clients demanding more for less; managing mental health issues; cost control and expense growth; and keeping up with competitor law firms were ranked among the top.

In an increasingly tight law firm market, this concern about competition may be of rising importance.

Ranking the competitors

Figure 6: **Sources of law firm competition**

Current Competitors in the Market	Law firms (n=330)	Firm size			
		Solo (n=90)	Small (n=116)	Medium (n=84)	Large (n=40)
Other law firms of similar size	75%	63%	73%	85%	85%
Significantly larger law firms that compete for the same clients	46%	42%	50%	52%	30%
Significantly smaller law firms that compete for the same clients	14%	11%	11%	21%	10%
Individual consumers representing themselves pro se	11%	16%	13%	8%	0%
Legal guidance from "Do-It-Yourself" legal websites or services	11%	17%	14%	4%	3%
In-house counsel representing their companies themselves	9%	3%	6%	15%	18%
Outsourcing	7%	11%	7%	5%	0%
Law firm matching services	6%	8%	3%	5%	13%
Paralegals	4%	3%	4%	4%	8%
Other	3%	7%	3%	0%	3%
None of these	4%	11%	3%	0%	0%

Q: From which of the following do you experience the most competition in the market? Select all that apply.

Source: Thomson Reuters 2024

Not surprisingly, concerns about sources of potential legal competition vary depending on law firm size.

While other law firms of similar size are generally seen as the leading source of competition, this is more the case among large- and medium-sized firms, and slightly less so for small and solo firms. An overwhelming 85% of lawyers from large- and medium-sized law firms view similar-sized firms as their top competitors, compared to less than three-quarters of small and solo firms.

Solo, small, and medium-sized firms view significantly larger firms as among their biggest sources of competition. However, the inverse is not true: Large firms generally do not view smaller firms competing for the same clients as much competition, even though there are some signs that certain legal matters were being moved down-market by clients seeking lower costs while maintaining quality legal work.¹

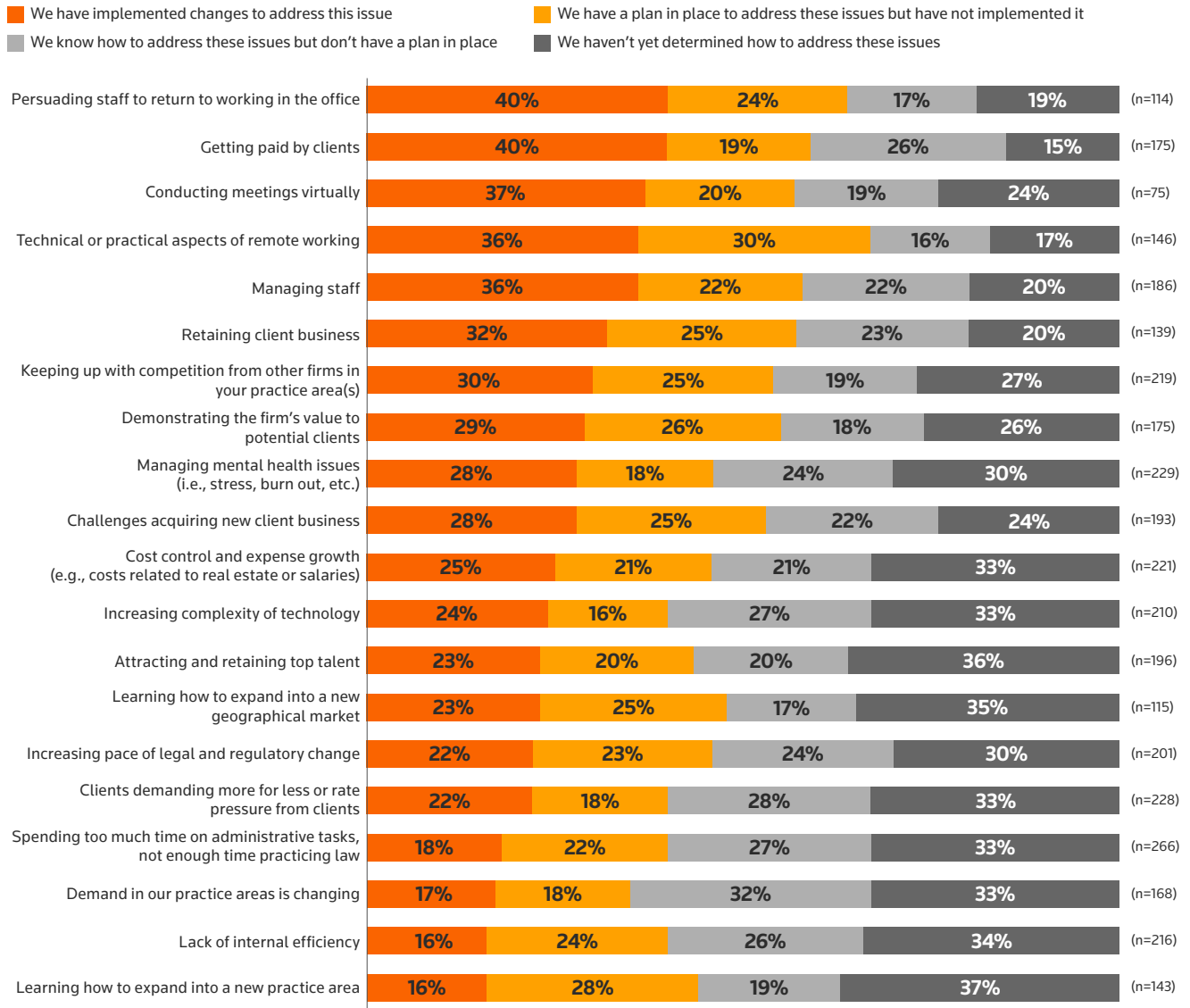
Many law firms also recognize at least some level of competition from non-law firm competitors. Because of the emphasis that many solo and small law firms place on individual clients, *pro se* representation and so-called *do-it-yourself* (DIY) legal websites and services are seen as the most significant competition by roughly 1-in-7 solo and small firms. By comparison, concern about legal DIY sites or losing potential matters to *pro se* clients is vanishingly small for medium-sized law firms and essentially non-existent for large firms.

¹ See, e.g., *2024 Report on the State of the US Legal Market*, available at <https://www.thomsonreuters.com/en-us/posts/legal/state-of-the-us-legal-market-2024>.

Addressing challenges

Figure 7: **Addressing challenges**

Actions taken to address law firm specific challenges



Q: How well would you say your firm/department is addressing these challenges? Base: Respondents who marked specific challenge as moderate or significant. Source: Thomson Reuters 2024

While Canadian law firms thoroughly understand the challenges and competition that they face, continued success depends on making a plan, identifying challenges, and then implementing effective strategies to meet those challenges.

There are certain challenges in which a large number of lawyers reported having already taken steps to address. Among those challenges most frequently addressed are persuading

staff to return to the office (cited by 40% of lawyers), getting paid by clients (40%), conducting virtual meetings (37%), technical aspects of remote working (36%), and managing staff (36%).

It is noteworthy and commendable that such a large number of firms report not only making a plan, but actually implementing it. However, it must be noted that several of these challenges were essentially unavoidable realities that essentially compelled everyone to find a way to manage — there was simply no avoiding the realities of remote working, virtual meetings, or return-to-office planning over the pandemic and since. Similarly, the risk of not getting paid by clients is an existential threat to a law firm, so it is a problem requiring immediate attention and one that we would expect firms to take quick steps to remedy.

We also note that the initiatives taken regarding these challenges have apparently proven successful to the point that an overwhelming majority of respondents reported that remote working and virtual meetings are no longer considered significant challenges. These are excellent examples of the positive outcomes that can result from firms demonstrating great effort and innovation to adapt to challenges. Only *managing staff* breaches the threshold of more than 10% of lawyers who listed it as a significant challenge.

At the same time, in many other key areas, firms are not taking action to address the challenges that they have identified. For example, *spending too much time on administrative tasks and not enough time practicing law* was ranked by lawyers as the top challenge they face. However, only a meager 18% report having implemented changes to address the issue, and another 22% report having a plan but not yet taking any actual steps to address the problem. That leaves roughly 60% of firms with no plan in place to address what they recognize as a significant challenge.

Other significant challenges are similarly unaddressed by most firms. *Attracting and retaining talent* was listed as the second most significant challenge law firms faced, followed by *managing mental health*, *clients asserting rate pressure*, and *controlling costs and expenses*. Addressing the challenge of client rate pressure is understandably difficult because of the influence of external behaviors, namely those of the client, in planning a solution. On the other hand, managing mental health, law firm expenses, and talent issues are solely within the control of firms. Yet only about one-quarter of respondent who said their firms had identified these as moderate or significant challenges had actually implemented steps to address them.

Just as there was an evident disconnect between how Canadian law firms define success and what they measure, there is a similar incongruity between many of the problems law firms have identified and what they have chosen to prioritize for solutions. While it's good that law firms have taken comprehensive stock of their overall situation to gauge where they face potential problems, awareness of challenges is only the first step. Measurement and effective action steps are essential components for overcoming those challenges.

Managing talent is increasing in importance

Talent-related challenges rank highly on the list of issues that law firm leaders must confront today, and given the realities of the legal talent market, it seems unlikely that many of the factors driving that challenge will abate soon.

As we noted earlier, nearly 60% of law firms say that attracting and retaining top talent is a challenge. More than 80% of lawyers said that work-life balance was important to the success of the firm,² while almost three-quarters say that employee satisfaction is part of their definition of success. However, less than half of lawyers said that their firm currently measures either employee satisfaction (42%) or work-life balance (37%).³

With the importance of these talent-related issues, robust measurement and focused strategies hold significant potential to improve satisfaction with both overall work and work-life balance. Such moves could pay dividends to the firms in terms of improved productivity, recruiting, and retention. As overall compensation continues to escalate⁴ both for attorneys and professional staff, those law firms that do a better job of managing talent will also likely fare better in managing their overall expenses as well.

Preventing Burnout

More than two-thirds of respondents (69%)⁵ say managing mental health issues such as employee stress and burnout presents a challenge for their firm — placing it in a tie for the second-highest ranked challenge behind only *spending too much time on administrative tasks and not enough time practicing law*.

In 2022, the Canadian Bar Association, in partnership with the Federation of Law Societies of Canada and the Université de Sherbrooke, conducted the first comprehensive national study of the wellness of Canadian legal professionals, *The National Study on the Psychological Health Determinants of Legal Professionals in Canada*.⁶ The report found that legal professionals in all areas of practice and in all jurisdictions suffer from significantly high levels of psychological distress, depression, anxiety, burnout, and suicidal ideation. And higher rates of distress were prevalent among lawyers in the early years of practice as well as those from traditionally under-represented groups, such as women, ethnic minorities, and members of the 2SLGBTQIA+ communities.

² See Figure 2.

³ See Figure 3.

⁴ It is entirely possible that larger law firms in Canada may be set to experience yet another wave of New-York-driven salary increase in 2024 as many of the same New-York-based large US law firms behind the salary wars of 2021-2022 appear to be engaged in yet another round of one-upmanship. See, *2024 Report on the State of the US Legal Market* at <https://www.thomsonreuters.com/en-us/posts/legal/state-of-the-us-legal-market-2024>. See also, Zaretsky, Stacy, "Associate Compensation Scorecard: Biglaw's 2023 Cash Bash," *Above the Law* December 1, 2023, available at <https://abovethelaw.com/2023/12/biglaw-raise-bonus-tracker-2023>.

⁵ See Figure 2.

⁶ Available at https://flsc.ca/wp-content/uploads/2022/12/EN_Report_Cadieux-et-al_Universite-de-Sherbrooke_FINAL.pdf

In the survey conducted for this report, an overwhelming 88% of lawyers from large firms said they viewed managing mental health issues as a challenge for their firm, more than 10 percentage points higher than any other law firm segment. This suggests that burnout is of increasing concern as perceived job pressures may be greater as the size of the firm increases.

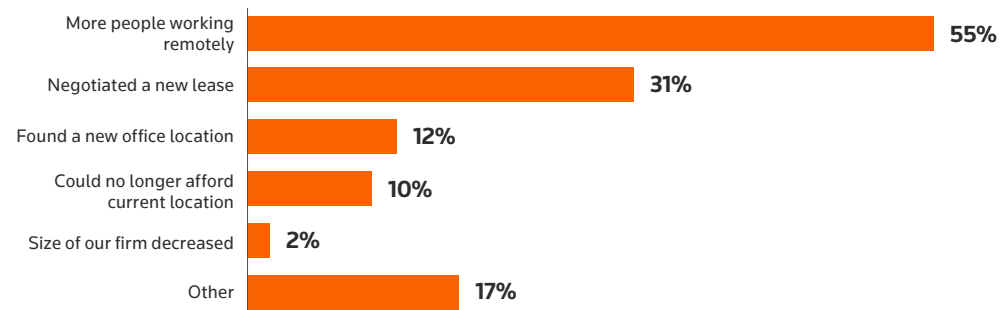
However, many large Canadian law firms are taking steps to address potential burnout, the survey notes. Fully 71% of lawyers from large firms have said their firm has implemented changes to address the issue, and an additional 14% said it had developed plans but not yet implemented them. While those at large firms outpace the rest of the market in terms of the concern over the challenge of mental health, they are also being more proactive in addressing it.

Returning to the Office

While implementation of return-to-office policies varies significantly from firm to firm, respondents from most large (87%) and medium-sized (70%) law firms said their firms have implemented or at least developed plans to persuade staff to return to the office. By contrast, 58% of those from small firms have not developed such plans yet.

Figure 8: **Reasons for lower real estate costs**

Reasons for lower real estate costs in the next year



(n=42)

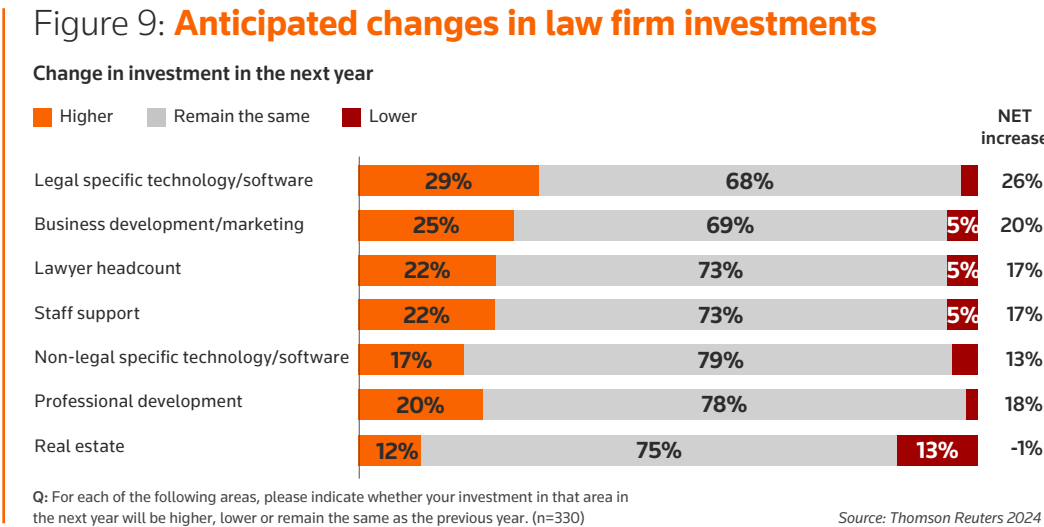
Source: Thomson Reuters 2024

Even as such plans progress, nearly 15% of respondents said they expect to see reduced real estate costs over the next year, mostly because of the prevalence of remote work. In addition, 31% of lawyers said their firms have negotiated new leases. An additional 12% said they have found new office locations.

For the moment, however, 42% of firm lawyers are working a hybrid combination of in-office and remote, 38% are working fully in-office, and 20% are working fully remotely. Lawyers do not expect those percentages to change significantly over the next year.

Planned changes in investment

A sizeable number of lawyers said their firms are looking to increase their level of investment in key areas in the coming year.



Specifically, nearly 3-in-10 firms plan to increase their investment in legal-specific technology, while only slightly fewer plan to increase investment in business development, attorney headcount, and staff support. The technology investments, in particular, will likely be key to driving several law firm goals as well as preparing Canadian law firms for an AI-powered future.

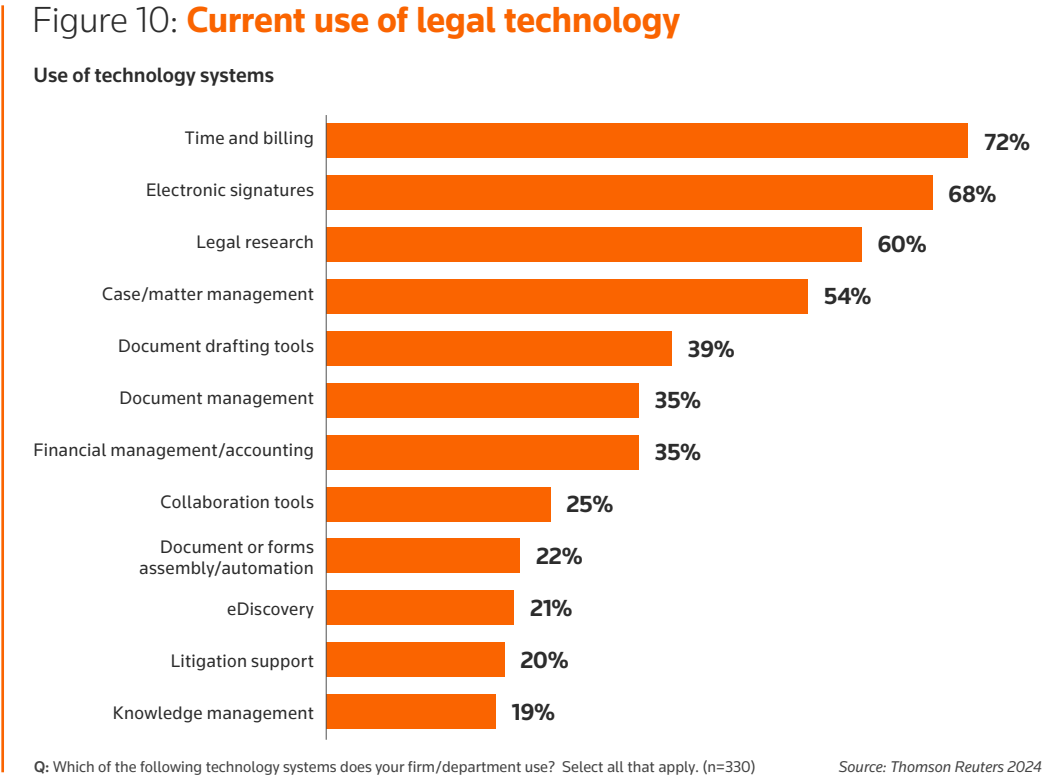
Can technology investments help address efficiency & cost goals?

Many firms are looking to technology to help them improve efficiency and reduce costs. Nearly one-quarter of respondents (22%) said that leveraging technology to improve firm or department performance is a goal, ranking it among the top five.⁷

Accordingly, nearly 1-in-3 law firms (29%) expect to increase their investment in legal-specific technology over the next year.⁸ The vast majority of remaining firms expect to at least maintain their current investment levels.

While it may be tempting to think that most of this investment will be spent on advanced technology, in reality, many firms must make such investments simply to catch up to what has become industry standard.

Figure 10: **Current use of legal technology**



⁷ See Figure 4.
⁸ See Figure 9.

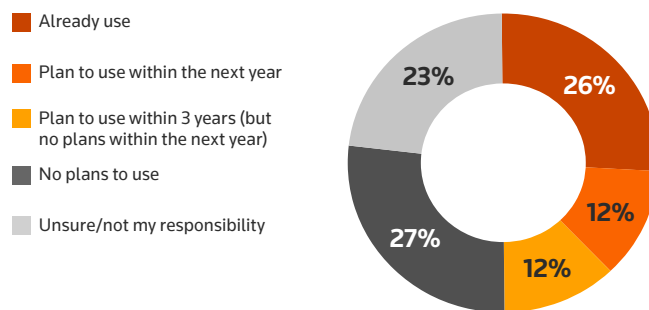
Much of the technology spend increases will be focused not on new or emerging technologies, but instead on filling market gaps so to catch up with competitors that have implemented technologies such as time & billing software, e-signature, and legal research. Even though a gap exists between those firms that have many of these technologies and those that don't, only e-signature technology was identified by more than 10% of those not currently using it as something to be implemented in the next year.

Firms currently playing catch up risk falling even further behind the tech curve as their investments go toward implementing technologies others already use, while those others will have more flexibility to invest in more advanced AI-enabled technologies.

The rapid emergence of Generative AI

While AI has been a factor in the legal space for a number of years, the rapid evolution of next-generation Gen AI technologies has been the dominant storyline for more than a year, and adoption of this technology among Canadian law firms is surprisingly strong.

Figure 11: **Adoption of Generative AI**



Q: In which of the following ways do you use or plan to use generative artificial intelligence for legal work within your firm?(n=330)

Source: Thomson Reuters 2024

Some 26% of law firm lawyers say they are using Gen AI. An additional 12% said they plan to use it in the next year, with another 12% planning to adopt it over the next three years. About one-third of lawyers say that they would use Gen AI features if such features are incorporated into legal technology products or services that the lawyers currently use. However, despite these encouraging numbers toward Gen AI, the majority of lawyers still responded that they either have no plans to use Gen AI or are unsure.

As for how Gen AI will affect their firms going forward, lawyers are evenly split on whether it will cause specific jobs to become obsolete, with one-third of lawyers choosing each option between yes, no, and not sure. While seemingly non-committal, these responses are consistent with the findings of the *Thomson Reuters Future of Professionals Report*,⁹ in which professionals expressed the belief that AI is unlikely to lead to significant job changes, at least for the near future.

Of course, one area where AI could have an impact is *competition*.

⁹ Available at: <https://www.thomsonreuters.com/en/campaigns/future-of-professionals.html>.

Figure 12: AI as a driver of increased competition

Expected competition within next few years due to rise of AI	Law firms (n=330)	Firm size			
		Solo (n=90)	Small (n=116)	Medium (n=84)	Large (n=40)
Legal guidance from "Do-It-Yourself" legal websites or services	46%	43%	53%	49%	28%
Other law firms of similar size	37%	34%	37%	36%	43%
Individual consumers representing themselves <i>pro se</i>	35%	39%	37%	35%	18%
Significantly larger law firms that compete for the same clients	33%	31%	34%	40%	18%
Outsourcing	32%	28%	34%	32%	33%
Paralegals	16%	18%	16%	12%	23%
In-house counsel representing their companies themselves	15%	9%	11%	23%	28%
Law firm matching services	15%	16%	15%	19%	8%
Significantly smaller law firms that compete for the same clients	13%	7%	12%	19%	18%
Other	1%	1%	0%	1%	3%
None of these	9%	12%	8%	8%	10%

Q: From which of the following do you anticipate increased competition over the next few years as a direct result of the rise in use of artificial intelligence or generative AI? Select all that apply.

Source: Thomson Reuters 2024

Nearly half of respondents said they believe that AI will result in increased competition from DIY legal websites and services over the next few years. While, as we noted, DIY legal websites are primarily viewed as competitors for solo and small firms,¹⁰ even 28% of large firm lawyers said they believe such sites and services will pose increased competition in coming years because of AI capabilities. About one-third of lawyers said they also believe that AI will improve competition from other law firms, outsourcing, and individuals representing themselves *pro se*.

Even with this being the case, the overall attitude toward AI still is positive.

Figure 13: Will AI help or hinder?

Impact of Generative AI on goal achievement



Q: Do you believe the rise of generative AI will help or hinder your firm/department to achieve those goals? (n=330)

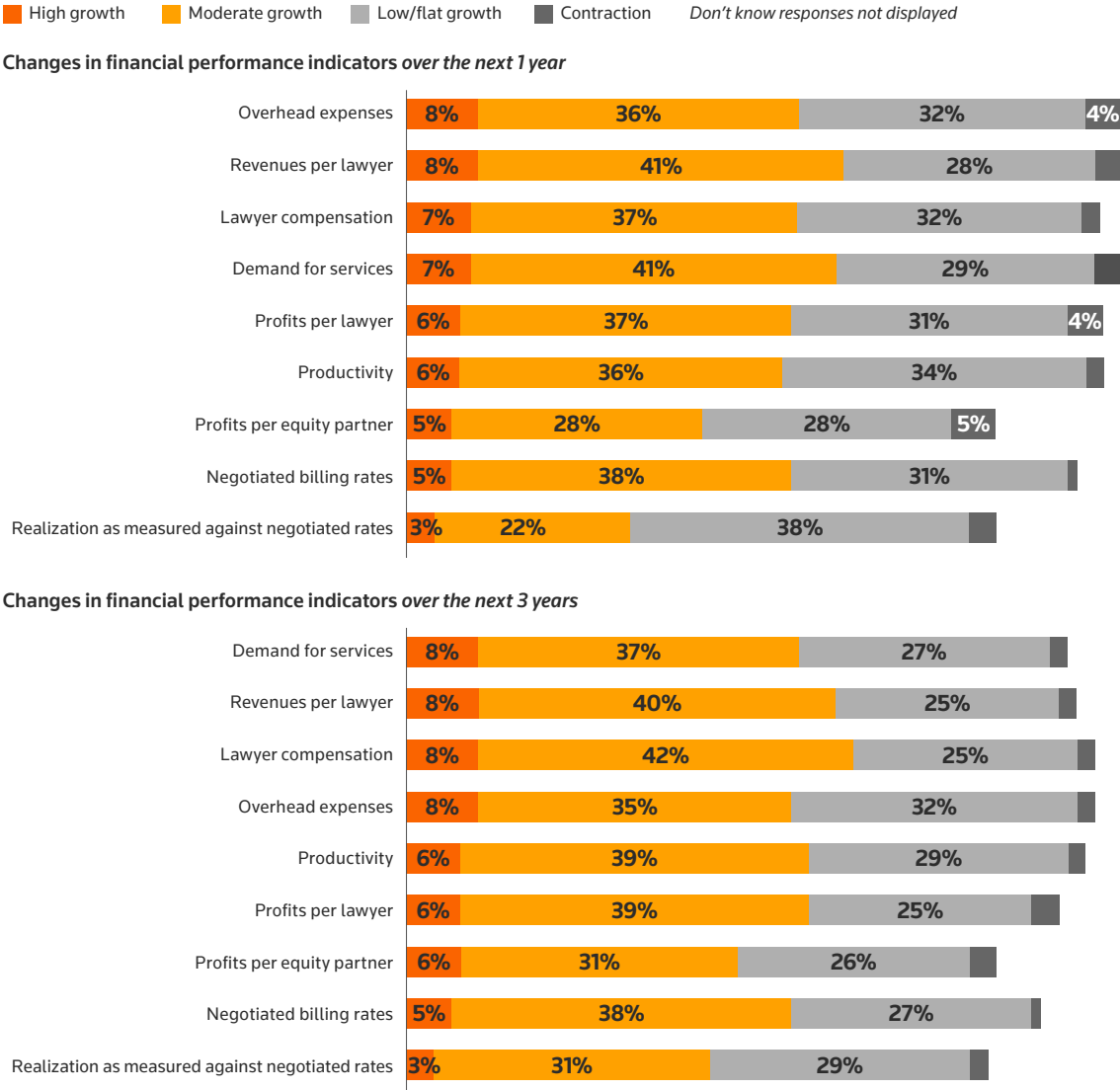
Source: Thomson Reuters 2024

Half of lawyers surveyed feel that AI will help their firm achieve its goals, while only 9% said they believe it will hinder their firm's goals.

¹⁰ See Figure 6.

The future: opportunities and challenges ahead

Figure 14: **Changes in financial performance**



Q: What changes do you expect to see in the following financial performance indicators for your firm over the next year/next 3 years? (n=330)

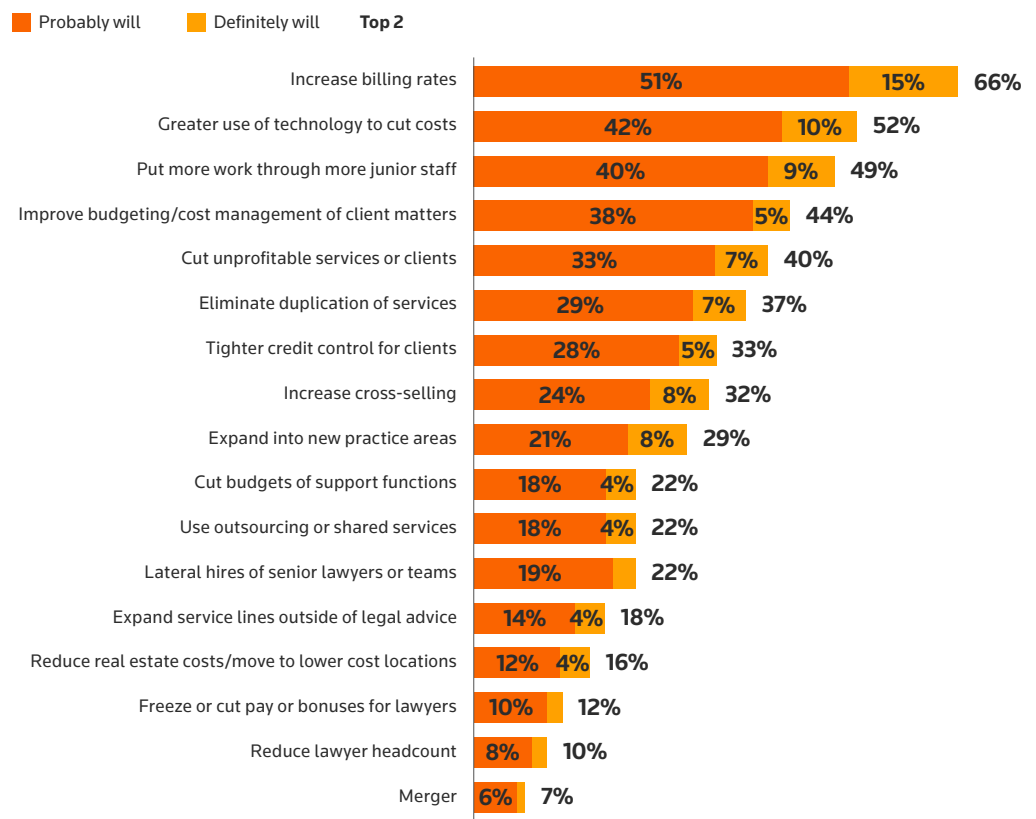
Source: Thomson Reuters 2024

Canadian lawyers seem to be generally optimistic about the prospects for continued growth for their respective firms. A vanishingly small percentage of lawyers said they expect to see contraction in any of their financial performance indicators. Some of these are likely relatively safe bets – indeed, it seems unlikely that indicators like billing rates or attorney compensation will contract in any meaningful way – other factors, however, may be more

prone to contraction and law firm leaders would do well to monitor them cautiously. For example, demand for law firm services has been historically very fickle and is frequently outpaced by law firm headcount growth which results in declining productivity.¹¹ The idea that demand for services and productivity could contract, either individually or in industry-wide concert, is certainly not beyond the pale, and a contraction in either area would place a strain on firm profits.

To help prepare for what the future may hold, many Canadian law firms are looking at a number of potential steps.

Figure 15: **Planned steps to improve firm performance**



Q: Over the next year, how likely are you to take the following steps to improve your firm's performance? (n=330)

Source: Thomson Reuters 2024

As has often been the historical norm, many law firms are looking at increased billing rates as a primary lever to drive firm performance. Two-thirds of responding lawyers said their firm will *definitely* or *probably* increase rates in the next year, the most frequently mentioned way to improve performance.

And just more than half said they are looking to increase use of technology in order to cut costs.

¹¹ See, e.g., *2024 Report on the State of the US Legal Market*, Figure 7 at 13; available at <https://www.thomsonreuters.com/en-us/posts/legal/state-of-the-us-legal-market-2024/>.

We have already addressed the potential sources of competition for law firms and the potential profitability drag that could result from declining productivity, but those are not the only sources of profitability risk that Canadian law firm leaders are monitoring.

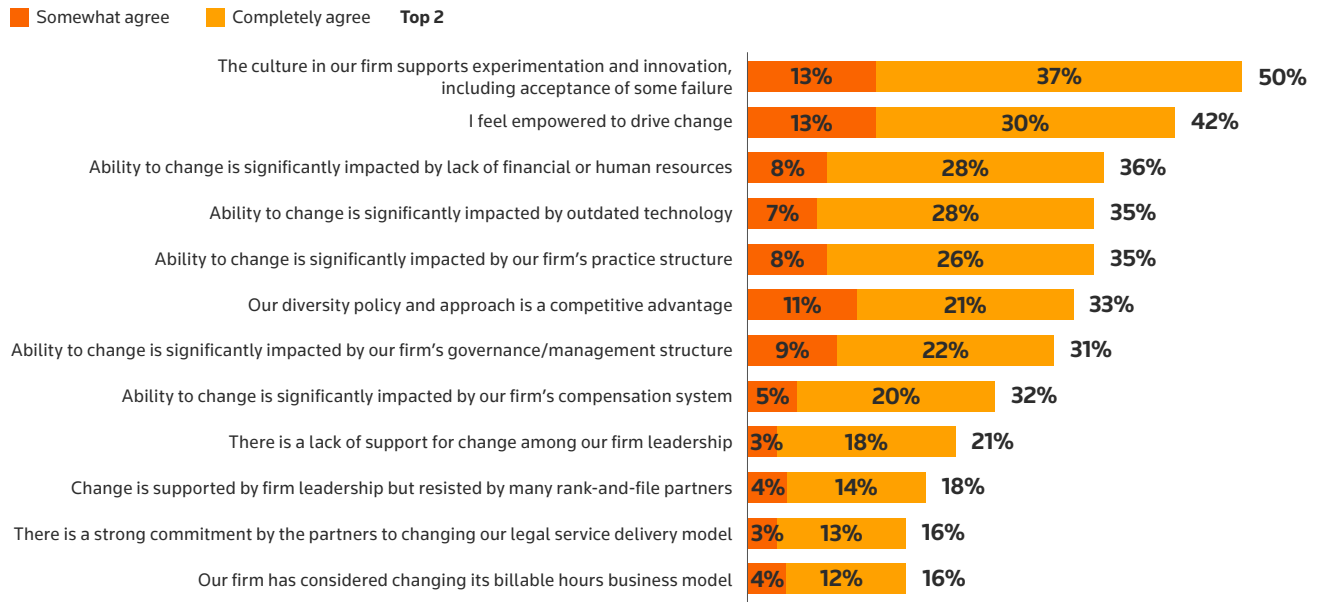


General economic pressures, sluggish local economies, competition among law firms over fees, and downward fee pressure from clients are seen as among the biggest risks to profitability. Also, key among these risks is an inability for smaller law firms to compete with larger firms for talent. This highlights the potential importance of strategic lateral acquisitions – for both for larger firms as a source of improving scale or expanding into new markets, and for small- and medium-sized law firms as a way to build a strong bench to better compete for the same clients served by larger competitors.

How any of these potential risks play out is an open question, of course, but leaders within Canadian law firms would be wise to cast a wide net and keep a weather eye open for whatever fate may send their way.

Figure 17: Barriers to change

Attitudes towards firm culture and change management



(n=240)

Source: Thomson Reuters 2024

While it is generally accepted that change is inevitable, just about half of respondents said they believe their firm culture supports innovation and even fewer feel empowered to drive change within their firms. Further, more than one-third said they believe their firm's ability to change is *significantly* impacted by lack of resources, with a similar portion saying their firm is negatively impacted by outdated technology or the firm's practice structure itself.

Conclusion

Every firm and individual lawyer has their own unique definition of *success*, but whatever their definitions, Canadian law firms are largely perceived by their lawyers as having been successful to date, while being able to withstand the effects of the pandemic by quickly moving to remote and hybrid work, find new ways to collaborate with clients, and adapt their business operations.

These firms have continued to provide quality legal work and demonstrate value to their clients.

However, significant challenges remain, and shifting market conditions — whether triggered by rapid advances in technologies such as AI or some as-yet-unknown driver — will demand continued agility and innovation.

The most important step that any law firm can take is to make a plan and actually see that plan through.

While new challenges will necessitate new solutions, insight can nevertheless be gleaned from examining the commonalities between the perceptions of lawyers at firms deemed to have had greater success to date, and those who see their firms as less successful.

Lawyers at *more successful* firms are, unsurprisingly, more optimistic about the future and see fewer challenges ahead. They also — crucially — said they believe their firms are taking active steps to face identified challenges and have invested in a greater range of technologies.

By contrast, when lawyers feel their firm has been *less successful*, they are more wary of the future, see more challenges ahead, are less likely to believe their firm knows how to tackle those challenges, and are more likely to perceive structural barriers to change. They are also more likely to see their firms as those that are cutting investment in business services.

Steps we recommend for 2024 and beyond

In light of the results of this survey, we suggest Canadian law firm leaders would be wise to prepare themselves for success in 2024 and beyond, through enacting such measures:

- Agreeing what success means to their firms and ensure that they have instruments, such as client listening programs, in place to objectively measure all relevant criteria.
- Proactively taking steps to address not only the challenges that their firms currently face, but also those challenges anticipated in the near future. Leaders should ensure their firms maintain a careful balance between over-optimism and over-pessimism.
- Carefully considering the potential risks of cost-cutting as well as the potential dividends of strategic investment, for example in technology.
- Clearly communicating the strategy across the firm to maximize their people's confidence in the firm and its optimism for the future.
- Addressing structural barriers and building a workplace culture that embraces change and empowers individuals to drive the firm forward.

Regardless of the challenge any given firm leader chooses to confront, or success metric they may plan to pursue, the most important step that any law firm can take is to make a plan and actually see that plan through.

The data in this report clearly shows a high degree of awareness surrounding the legal market in Canada as it exists today. However, there are significant gaps between awareness and action as evidenced by the relatively lower number of Canadian law firms that report measuring key metrics or having actually adopted plans to address key challenges.

By implementing the right measurements and acting on plans to improve performance, many law firms leaders will be able to improve their firm's market position.

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