# SME legal sector braces for transformative 2024 amid technological advancements



As businesses refocus following the festive season, leaders in the small to medium-sized enterprise (SME) legal sector are facing a blend of anticipation and apprehension as they look towards 2024. The Legal Practice Management Magazine sheds light on how advancements in technology, particularly AI, are poised to reshape the legal landscape.

In 2024, notable technological advancements are emerging not only within the legal sector but also among service providers that support it. This evolution is seen as a catalyst for many SME law firms, which have historically been hesitant to embrace technological changes. A notable shift towards a ‘digital-first’ mindset is expected to emerge, fostering the development of more affordable and tailored products for the SME legal market.

The presence of AI at various industry conferences throughout 2024 has solidified the sentiment among legal practitioners that AI is an enduring force. Speaking to the Legal Practice Management Magazine, an industry veteran reflected on how historic milestones such as the transition from typewriters to computers and the shift from manual accounts to digital platforms have created significant competitive advantages for those who adapted early. "I believe AI will be one of those milestones," they stated, emphasising that firms which swiftly integrate AI are likely to gain a substantial lead over their rivals.

The multifaceted opportunities that AI presents are enticing for SME firms. Potential applications range from conducting source of wealth checks and extracting critical legal information from documents to generating social media content. The anticipation around which firms and suppliers will effectively harness these tools in 2025 adds to the excitement within the sector.

However, leveraging these technological advancements often involves considerable financial investment. SMEs frequently find it challenging to attract external funding in the same manner as larger firms, which leads to intricate decisions regarding the management of working capital and partner succession. Individuals nearing retirement may be hesitant to invest their capital in technology that requires a medium to long-term commitment.

Moreover, leaders of SME legal firms are contending with a complex landscape marked by economic, legislative, and regulatory pressures that are anticipated to unfold in 2025. There's a recognition of rising costs as leaders adjust their budgets to factor in hikes in employer national insurance contributions and the national minimum wage, along with price increases from suppliers to offset these financial pressures. Consequently, many SME firms may be forced to implement significant price increases, all while navigating a market populated by increasingly price-sensitive clients, many of whom are transitioning off fixed-rate mortgages.

In addition, the Solicitors Regulation Authority (SRA) is expected to be under scrutiny in 2025, particularly in light of the Legal Services Board's recent decision to review its handling of the Axiom Ince situation.

With a new government potentially introducing new legislation in line with their manifesto commitments, the outlook for 2025 is anything but tranquil. As industry leaders prepare for the challenges that lie ahead, the next year promises to be a transformative period for the SME legal sector, shaping how firms operate and compete in an ever-evolving landscape.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.lawsociety.org.uk/topics/ai-and-lawtech/partner-content/how-ai-is-reshaping-the-future-of-legal-practice> - This article supports the claim that AI is transforming the legal sector by enhancing routine tasks and high-level legal strategies, which aligns with the anticipation around AI's impact in the SME legal sector.
* <https://www.prnewswire.com/news-releases/new-generative-ai-study-highlights-adoption-use-and-opportunities-in-the-legal-industry-302302349.html> - The study highlights the increasing adoption of generative AI in the legal industry, which corroborates the notion that AI is becoming a significant force in legal practices.
* <https://legal.thomsonreuters.com/blog/legal-future-of-professionals-executive-summary/> - This report discusses the transformative impact of AI on the legal profession, aligning with the sentiment that AI will reshape the legal landscape in 2024 and beyond.
* <https://www.lawsociety.org.uk/topics/ai-and-lawtech/partner-content/how-ai-is-reshaping-the-future-of-legal-practice#The-evolution-of-AI-in-legal-practice> - The evolution of AI in legal practice is discussed, including its role in enhancing legal operations, which supports the idea of a 'digital-first' mindset in SME law firms.
* <https://www.prnewswire.com/news-releases/new-generative-ai-study-highlights-adoption-use-and-opportunities-in-the-legal-industry-302302349.html#Why-legal-teams-use-generative-AI> - The study notes that automation of basic tasks and cost savings are key reasons for using generative AI, which aligns with the challenges SMEs face in managing working capital and investing in technology.
* <https://www.sra.org.uk/sra/news/press-releases/> - This link provides updates from the Solicitors Regulation Authority, which is relevant to the scrutiny the SRA may face in 2025, especially regarding regulatory pressures.
* <https://www.gov.uk/government/organisations/legal-services-board> - The Legal Services Board's activities, including reviews of regulatory bodies like the SRA, are pertinent to the anticipated scrutiny in 2025.
* <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/ukinflation> - This link provides information on inflation and price increases, which are relevant to the economic pressures SME legal firms face, including hikes in employer national insurance contributions and the national minimum wage.
* <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2024> - The Bank of England's monetary policy updates are relevant to the economic landscape and the challenges SMEs face with price-sensitive clients transitioning off fixed-rate mortgages.