Strategies to Improve Your Firm's Profitability in 2026

On October 15th, the Managing Partner Forum continued its “Law Firm of the Future” series with a webinar focused on a pressing issue for firm leaders: how to drive profitability in 2026. “Strategies to Improve Your Firm’s Profitability in 2026” took a practical look at how law firms can make smarter decisions around compensation, operational spending, and administrative support, while also beginning to explore the opportunities and limits of AI in the legal workplace.

Panelists:

- **Rob Mattern:** President and Founder at Mattern & Associates
- **John Beyer:** Partner and General Counsel at Parker Poe
- **Pierce Campbell:** Chief Executive Officer at Turner Padget

Moderator:

- **John Remsen Jr:** President of TheRemsenGroup and President & CEO of Managing Partner Forum

Key takeaways:

1. **Efficiency is the real driver of profitability.** Rate increases are common across the industry, but panelists stressed that firms can’t rely on them alone. Long-term profitability depends on tightening up internal operations, especially when it comes to expense control, rate realization, and reducing revenue leakage.
2. **Compensation and retention remain top concerns.** With lateral movement still high and talent in demand, getting compensation right at all levels continues to be one of the most strategic challenges for firm leadership.
3. **Administrative support models are overdue for a reset.** Many firms are evaluating how support staff are deployed, how much time lawyers spend on non-billable work, and whether outsourcing or technology can help shift lower-value tasks off attorneys’ desks.
4. **AI adoption is growing, but cautiously.** Firms are beginning to integrate AI tools, mostly for internal uses like billing, time entry review, and data summarization. There’s broad agreement that policies and guardrails are needed, and most firms are steering clear of client-facing AI work for now.

Bringing On the Data!

Rob Mattern noted he was “pleasantly surprised” to see operating expenses top the list of priorities. In his experience, many firms tend to focus more heavily on rate increases, overlooking the latent profitability tied to smarter expense management. For Rob, this focus on expenses signals a growing awareness of untapped operational gains.

John Beyer offered a different perspective: while expense control is important, his top priority is compensation, particularly as competition for legal talent continues to drive lateral movement across firms. Retention, he said, starts with getting compensation right.

Pierce Campbell echoed this concern. He emphasized that compensation must be properly structured at all levels, from associates to senior partners. Pierce has already invested considerable effort in controlling operating expenses and now views them more as a “maintenance” item than an acute concern. His team monitors them closely but doesn't feel under immediate pressure.

Beyer added that his firm approaches operating expenses with a disciplined, revenue-based framework, setting target ranges for expense-to-revenue ratios each year to keep the firm financially balanced.

Rob supported the prevailing approach to profitability: in many cases, firms still have room to raise rates without pricing themselves out of the market. As he put it, “raising your rates covers a lot of sins.” But Beyer cautioned against assuming that rate increases automatically translate to better profitability. He emphasized the importance of tracking the actual rate being collected after factoring in discounts, write-downs, and uncollected fees. That disconnect, or “leakage,” can erode profitability if not addressed.

Beyer identified two main sources of leakage at his firm:

1. Attorneys sometimes **discount bills preemptively**, concerned that the rate “looks too high,” even when it's appropriate.
2. **Inaccurate time entries** from less experienced attorneys, which can distort billing and create downstream issues.

To combat this, Beyer’s firm is investing in training that reinforces accurate timekeeping and confidence in market rates.

Campbell highlighted a related challenge: getting new clients and practice areas onboarded at appropriate, competitive rates, rather than defaulting to outdated fee structures. This is especially important as firms expand into new lines of work.

To contextualize current trends, the panel reflected on polling data from October 2024, where a third of respondents reported plans to increase rates by 4-5% in 2025. However, nearly 30% remained unsure, reflecting lingering hesitations around pricing strategies. Despite this uncertainty, 80% of firms said they pursue rate increases regularly.

Pierce noted that pricing transparency plays a role in building confidence, both among leadership and fee earners. He sees great value in sharing rate benchmarks with attorneys, helping them understand how their rates compare to peers and competitors.

People Strategy

As the conversation turned to people strategy, panelists emphasized that efficiency in law firms is a moving target. Rob noted that the traditional efficiency model is being rewritten. Much of his current work focuses on workflow optimization, particularly how non-billable time is managed.

“If we can take work off attorneys’ plates and hand it to the right person at the right cost, that directly improves the firm’s ability to generate revenue,” Rob said. He pointed out that inefficiencies lurk in everyday administrative functions, tasks that are time-consuming but don’t contribute directly to client-facing value.

Rob shared data from a recent workflow efficiency survey conducted by his firm to illustrate the point. The analysis broke down how time and costs were distributed across non-substantive activities like travel coordination, meeting setup, and word processing. One segment revealed that nearly 40% of administrative support time was spent on travel management, with another 30% going to word processing, functions that could easily be streamlined or reassigned.

A broader breakdown of support activity spending showed that Administrative Support consumed nearly 16% of total cost across support services, eclipsing even IT and finance in many firms.

Rob argued that these numbers provide a powerful lens through which firms can begin to reallocate resources more strategically.

Pierce weighed in with a cultural observation: younger lawyers are more inclined to handle administrative tasks themselves, such as managing their own calendars or preparing travel arrangements. The instinct may be driven by autonomy or efficiency, but it often results in high-cost professionals performing low-value tasks.

Beyer added that firms need to focus on the true drivers of revenue: billing and realization. In his view, administrative support should be carefully right-sized so that more budget can be directed toward tools and technologies, particularly IT and AI solutions, that enhance productivity in more meaningful ways.

Rob agreed, but noted that this might signal a broader generational shift in legal operations. As younger attorneys enter the profession with stronger digital skills and different expectations, the traditional assistant-heavy support model may no longer be necessary, or even preferred. The key, he emphasized, is not to reduce support blindly, but to make sure that attorneys have the right mix of technical resources to be effective.

Expense Strategy

Regarding expense reduction, law firm leaders are least willing to cut associate salaries, but highly interested in reining in costs across office services and support functions. According to a live poll of webinar attendees, 29% of firms plan to scrutinize office services most closely, with another 29% targeting technology and AI-related spending, and 24% examining admin/support staff salaries.

Rob, whose firm specializes in operational efficiency and procurement strategy, urged attendees to “go after the black holes,” the entrenched, overlooked areas of spending that quietly drain resources. One such area is offsite document storage, which he described as a common sinkhole for both money and visibility. Firms lack clarity on contract terms, renewal cycles, and even what’s being stored and why.

Pierce echoed that sentiment, advocating for a “digital-first” approach to document management. By eliminating the need for long-term physical storage, firms can reduce overhead, simplify retrieval, and minimize compliance risks.

Beyer backed both points with personal experience, noting that his firm achieved significant savings simply by reviewing and consolidating their offsite storage contracts. What seemed like a fixed cost turned out to have room for negotiation once someone took a hard look at the fine print.

Rob emphasized that contract terms often matter more than pricing itself, especially in storage and service agreements. He walked through key principles his team uses when helping firms restructure vendor relationships, including proper invoice monitoring, proactive contract management, and refusing to settle for “good enough.”

To support these efforts, Rob’s firm has developed proprietary tools:

- **MATTY:** an AI-based platform that helps firms assess whether they’re being charged appropriately, given their usage patterns, size, and operational constraints.
- **MatternPILOT:** a fractional procurement tool that assists firms in managing and optimizing service contracts and costs, especially around document storage and support services.

These tools help his firm identify inefficiencies that don’t always show up on a traditional P&L. “You can’t manage what you don’t measure,” Rob noted, pointing to the need for visibility as the first step toward smarter cost control.

What’s a Firm Leader to Do?

The webinar closed with practical guidance for firm leaders approaching the next wave of operational and technological change. MPF outlined six recommended priorities for managing partners as they prepare for 2026, including refining KPIs, revisiting office leases, and embracing AI integration, but all with care and deliberation:

A recurring theme was the evolving role of artificial intelligence in firm operations. Headlines tend to focus on AI writing briefs or replacing lawyers altogether, but Pierce pushed back on that narrative. His firm has invested in a closed AI system designed to protect confidentiality while improving internal efficiency. For Pierce, the real value of AI right now lies not in replacing human work, but in stimulating new ideas and handling internal support tasks. He emphasized that AI's value doesn't have to come from producing client work directly.

Beyer agreed and stressed the importance of having a clear, enforceable AI policy. At his firm, they're encouraging employees to explore how AI can improve their workflow, but with significant guardrails. Beyer said the firm encourages lawyers to get comfortable using AI responsibly, learning how to prompt effectively while being cautious of risks like hallucinations or inaccurate citations. For now, the primary focus is on administrative uses like billing and internal data summaries, while most client-facing applications remain on hold due to lingering client concerns.

Moderator John Remsen Jr. added a concrete example from one of his clients, who is already experimenting with AI in practical, low-risk ways, using it as an intake tool to streamline the initial consultation process and to generate automated meeting minutes. These use cases show that firms can begin building AI familiarity without compromising quality or compliance.

As the panel wrapped, the core message to firm leaders was that AI isn't going away, adoption is only growing in every sector including law, and those who begin experimenting now will be better prepared to lead responsibly and effectively as the technology matures.