Strategies to Improve Your Firm's Profitability in 2027

Raising rates may be the first profitability lever law firm leaders reach for, but it is far from the only one. In the Managing Partner Forum's August 2026 webinar, “Strategies to Improve Your Firm's Profitability in 2027,” a panel of management and legal technology professionals examined where profit disappears and which metrics reveal the problem, along with why operating discipline may matter more than another price increase.

Moderators:

- **John Remsen Jr.:** President, TheRemsenGroup; President and CEO, Managing Partner Forum
- **Uri Gutfreund:** Senior Vice President and Managing Principal, Ames & Gough

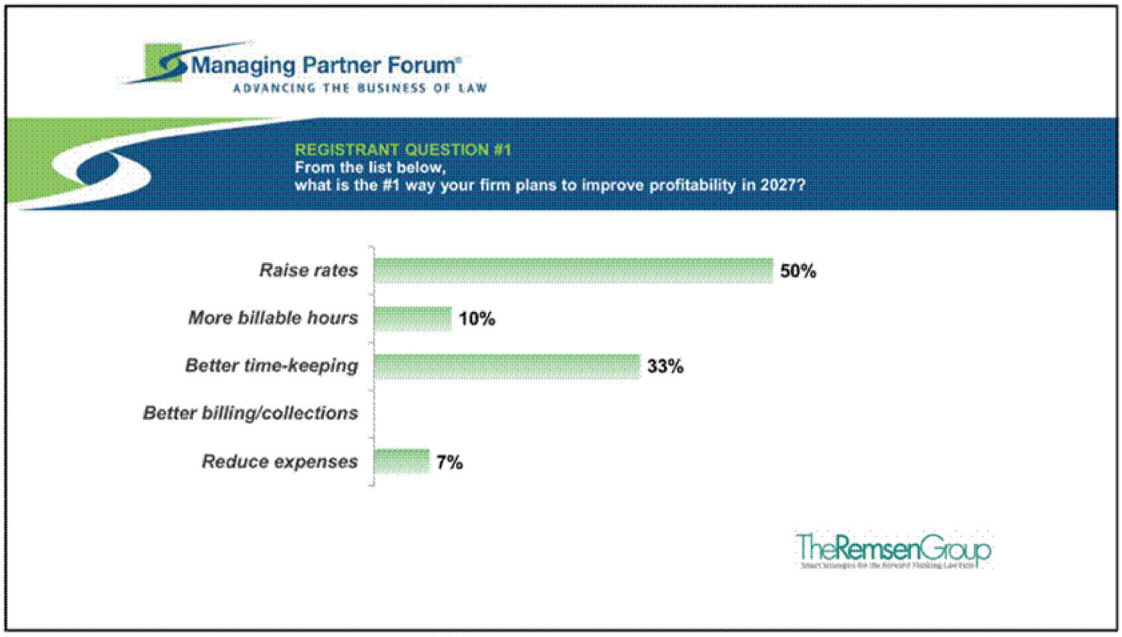
Panelists:

- **Stephen Mabey:** Managing Director, Applied Strategies, Inc.
- **Folarin “Flo” Okulaja:** Partnerships Manager, Laurel

Key takeaways:

- **Revenue growth is not profit growth:** A firm can raise rates and still lose ground if expenses, write-downs, or collection problems rise at the same time.
- **Revenue leakage may be the fastest opportunity:** Better work capture, billing controls, and collection responsibility can improve results before a firm adds matters or attorneys.
- **Monthly timekeeping remains a serious weakness:** Policies only work when deadlines are specific and compliance visible, and missed entries carry a consequence.
- **Rate increases have limits:** Annual, measured increases are easier for clients to absorb, but firms still need to understand realization and the value clients receive.
- **AI's financial effect is still unclear:** Most leaders reported no measurable profitability improvement, reinforcing the need to track adoption, saved time, and return on investment.
- **Culture determines whether strategy works:** Compensation, transparency, and leadership behavior must support collaboration and financial discipline, not contradict them.

Bringing on the Data!

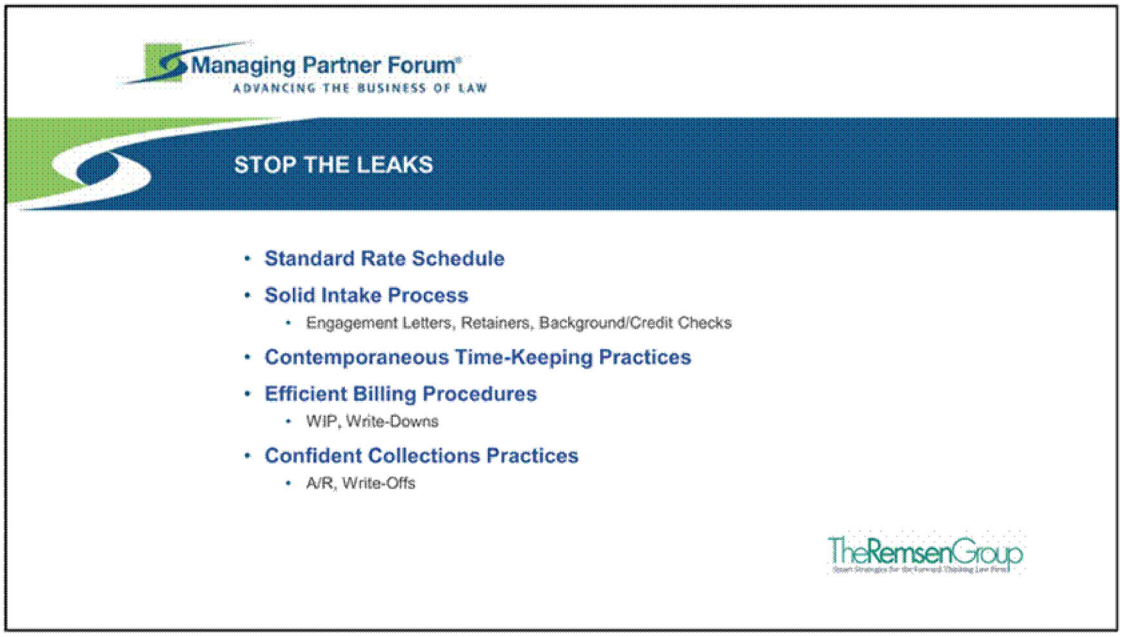


Registrant poll: the leading expected drivers of profitability in 2027

Before the webinar, registrants were asked **which single change would most improve profitability in 2027**. Half selected higher rates, followed by better timekeeping at 33%. More billable hours drew 10%, reduced expenses drew 7%, and no respondent selected better billing and collections.

Flo Okulaja found the emphasis on rates concerning because it placed the burden on clients before firms examined their operations. Steve Mabey agreed that a higher standard rate does not automatically produce a higher net realization rate. John Remsen, Jr. noted that increases have worked since the pandemic and many midsize firms remain a strong value compared with BigLaw, but the panel kept returning to internal controls.

Where Profitability Leaks Out



Profitability controls across the client and matter lifecycle

The panel described **leakage** as a problem at both ends of the revenue cycle. Laurel's State of Work research indicated that about 14% of available work never reaches a timesheet. Uri Gutfreund then pointed to a separate annual New York survey suggesting that another 14% can be lost through editing, write-downs, billing, and collections. The figures came from different sources, but together they illustrated the scale of the opportunity inside work a firm has already performed.

The response was a chain of controls:

1. Maintain a standard **rate schedule**
2. Use disciplined **intake** and **engagement** procedures
3. Assess **retainers** and **credit** where appropriate
4. Review **work in progress**
5. Monitor **write-downs** and **write-offs**
6. Assign **collection** responsibility

Partner-level visibility makes leakage easier to address by comparing individual results with firm standards.

Timekeeping Policy vs. Practice

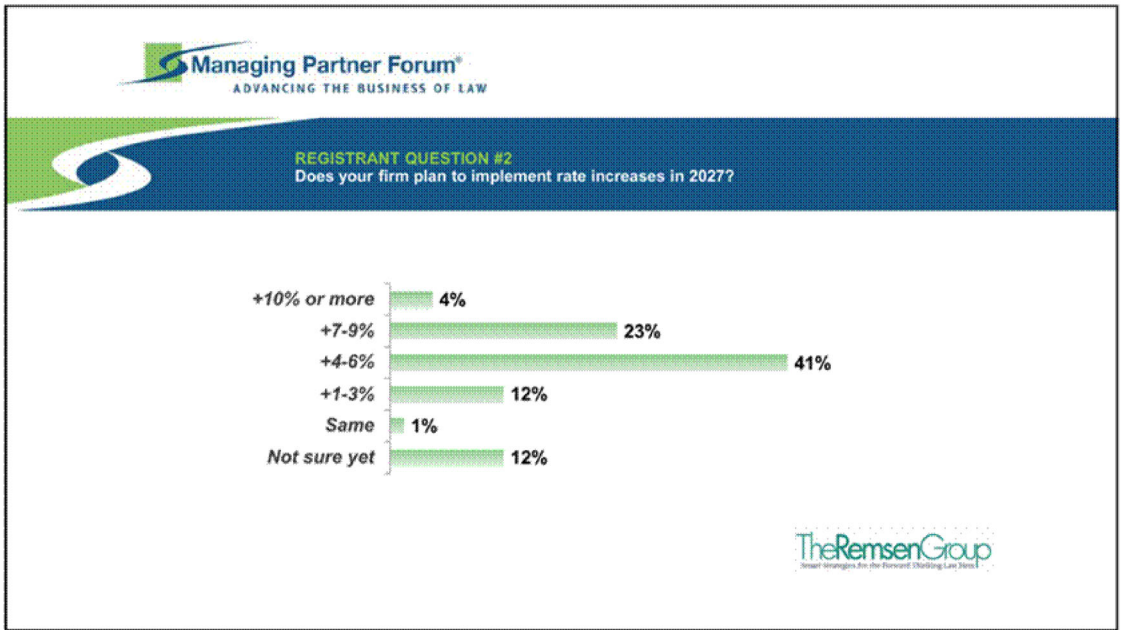
The live audience confirmed that **delayed time entry** remains common: 37% said lawyers entered time weekly, 27% said daily, and 25% said monthly. Flo called monthly entry unreliable

because the passage of time makes complete reconstruction difficult. Daily or weekly entry was a more credible baseline, while contemporaneous capture remained the goal.

The panel distinguished between requiring timely entry and merely expecting it. A deadline without reporting, follow-up, or consequences is a suggestion. Firms can reinforce the behavior through dashboards, compensation incentives, or temporary restrictions on distributions, but leadership must model the standard. As Steve put it, partners should act like owners and protect the value of work already completed.

> *“At some point in time, when do you have to act like an owner?”*
>
> – Stephen Mabey

The Limits of Rate Increases



Registrant poll: anticipated rate increases for 2027

Among registrants planning an increase, the most common range was 4-6% (selected by 41% of respondents), and another 23% expected 7-9%. John favored regular annual movement of roughly 5% over holding rates flat for several years and then asking clients to absorb a much larger jump. Consistency makes the change easier to explain and reduces the shock of catching up all at once.

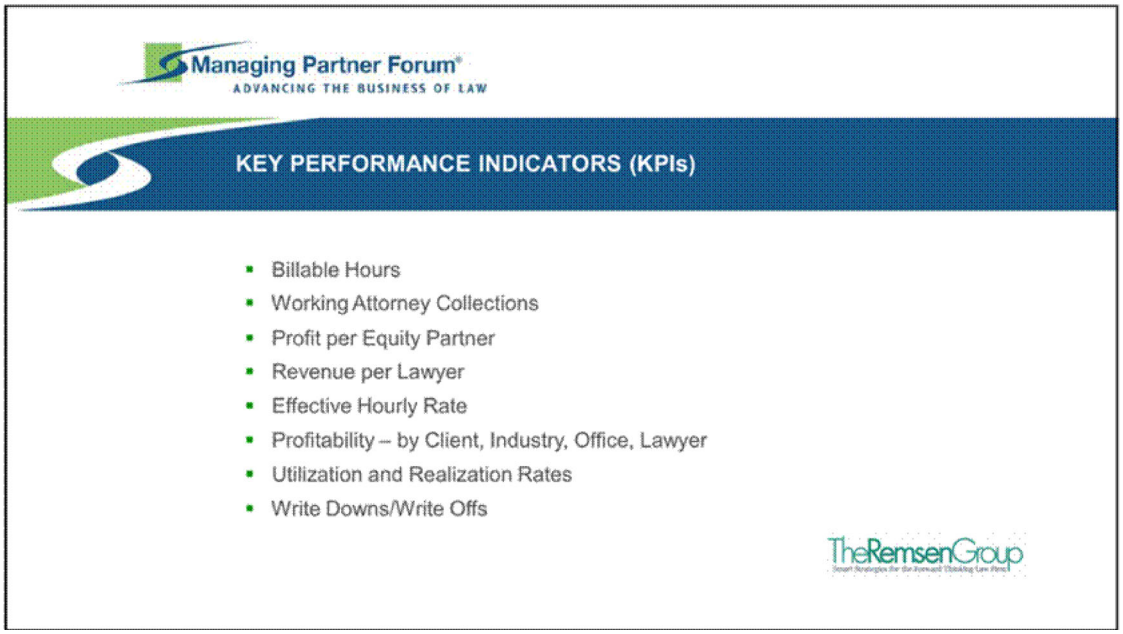
No single benchmark fits all practices. Market position, client expectations, competing firms, and the economics of a practice area all factor in. Steve also warned that rate increases can expose firms if clients see a higher price without corresponding value. Leaders need to watch effective hourly rates and realization, not just the published number on the rate sheet.

Revenue Is Up - Is Profit?

A second live poll asked **whether revenue was rising faster than expenses**. “Yes, but not by much” was the most common response; roughly one quarter said revenue was easily outpacing costs. Others reported equal movement or falling behind. The split reinforced that top-line growth can conceal weaker margins.

Compensation and benefits remained the largest expense, while technology has displaced facilities as another major cost center. Flo predicted that AI experimentation could push technology spending above attorney salaries temporarily within two to four years. Leaders need budgets and forecasts that connect new expenses to productivity, service, or revenue rather than treating growth as proof of progress.

Fewer and Better KPIs



A focused menu of financial, client, and talent KPIs

Steve recommended four to seven **key performance indicators** tied directly to a firm's strategy. A personal injury firm, for example, may learn more from file-closing speed and average revenue per file than from billable hours. The point is not to discard traditional measures, but to select the few that explain whether the firm's particular business model is working.

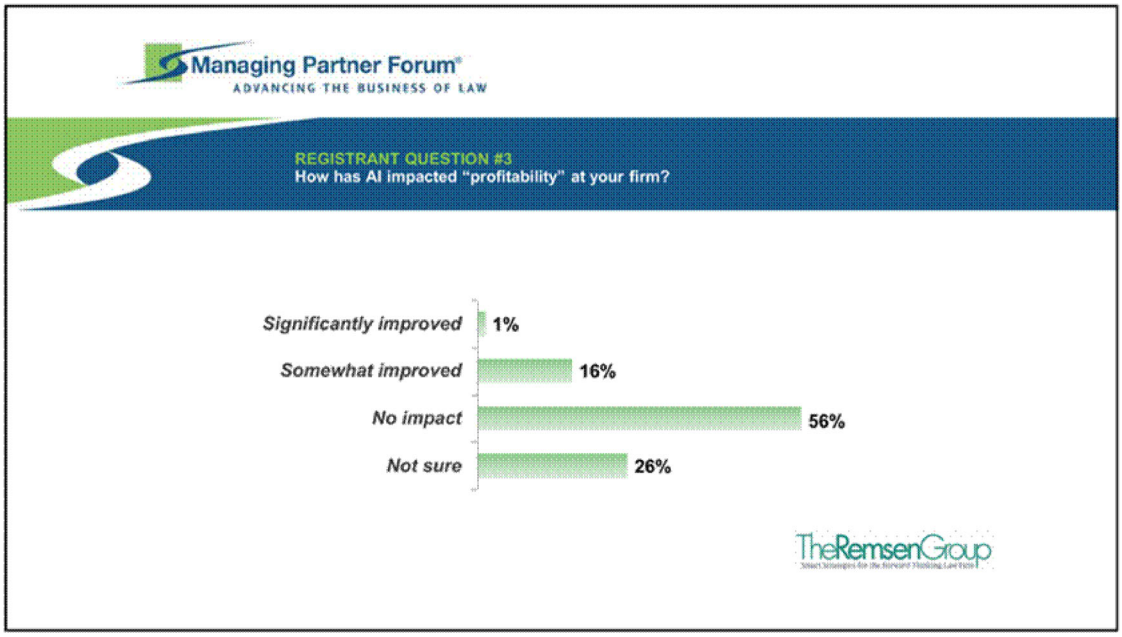
Useful financial measures included:

- Working attorney collections
- Revenue per lawyer
- Effective hourly rate

- Utilization
- Realization
- Write-downs
- Write-offs
- Profitability by client, industry, office, or lawyer

John added client satisfaction, employee satisfaction, and associate retention. Profit per equity partner can still be informative, but Steve cautioned that it is easy to manipulate and should not stand alone as a measure of firm health.

AI Has Yet to Prove Its Profitability



Registrant poll: AI's effect on firm profitability

When registrants were asked **how AI had affected profitability**, 56% reported no impact and 26% were unsure. Only 16% reported some improvement, while 1% reported significant improvement. The results did not suggest that AI lacks value; they showed that most firms have not yet connected use to a measurable financial outcome.

The panel proposed tracking the percentage of matters using AI, adoption by practice group, time spent on a task before and after implementation, billable-hour contraction, and return on the technology investment. Those measures also prepare firms for client conversations. If AI is widely used, clients will reasonably ask where the efficiency or cost savings appear, increasing pressure to test fixed fees and other alternative arrangements.

Law Firm Economics 101

Operational discipline is easier when lawyers understand **how the firm makes money**. The panel recommended an internal “Law Firm Economics 101” program covering rates, time capture, realization, collections, expenses, firm standards, selected KPIs, and the path to partnership. Steve observed that firms sometimes give associates little financial context and later criticize them for not understanding the business.

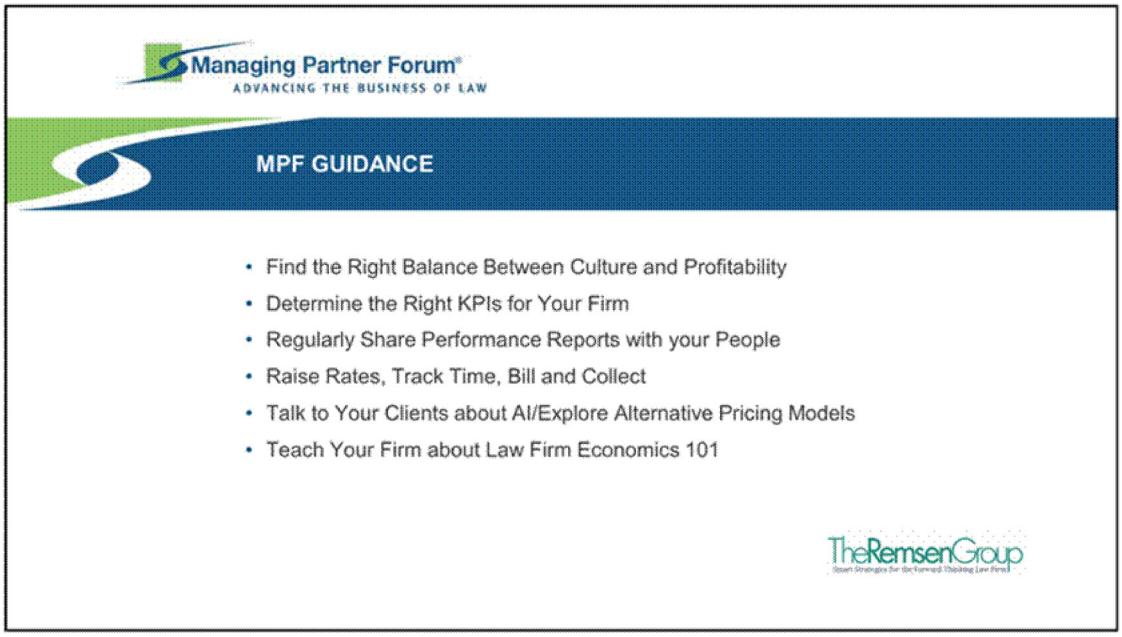
Education should connect actions to outcomes: delayed time entry reduces accuracy, unnecessary write-downs weaken realization, and slow collections consume cash. Sharing reports with partners creates a common vocabulary and makes progress visible. As Uri summarized, what a firm measures and shares is more likely to get done.

Culture Eats Strategy

The strongest process still depends on culture. Compensation systems that reward only individual production or permanent origination credit can undermine collaboration even when leaders say teamwork is a priority. The panel discussed shared or sunset origination credit as ways to recognize business development without turning clients into permanent personal property.

Leaders also need to balance profitability with the environment they want to preserve. Transparency can create accountability, but it should support improvement instead of public punishment. Policies gain credibility when partners follow them, reports arrive consistently, and compensation reinforces the same behaviors the strategic plan calls for.

What's a Firm Leader to Do?



MPF's closing guidance for improving law firm profitability

The panel closed with a practical agenda for 2027. The central message was to **look beyond a single rate increase** and **manage the full system** that converts work into cash and cash into sustainable profit.

- **Choose four to seven KPIs** that reflect the firm's strategy, then distribute reports consistently.
- **Raise rates deliberately**, capture time promptly, bill accurately, and make collection responsibility explicit.
- **Teach "Law Firm Economics 101"** so lawyers understand how daily choices affect profitability.
- **Measure AI adoption and task-level savings**, then discuss value and alternative pricing directly with clients.
- **Align compensation and leadership behavior** with collaboration, accountability, and the culture the firm intends to build.

Steve urged firms to **remain thoughtful** about AI investments, lateral hiring, and practice expansion. Flo returned to **timely time entry** as a nonnegotiable operating habit. Uri emphasized **profitability itself** rather than rate increases in isolation.

The overall guidance framed 2027 as a year for disciplined execution: stop preventable leakage, understand the numbers, and make sure the firm's culture supports the work.
