



A Harbor report

# Insights to Action: 2025 findings fueling 2026 growth

Law firms are entering 2026 under mounting cost, capacity, and client pressures that are redefining leadership expectations across operations, technology, finance, marketing, and innovation. Drawing on insights from senior executives, this report outlines how firms are recalibrating priorities and integrating technology, analytics, and AI to move beyond fragmented efficiency efforts toward coordinated, firmwide strategies for sustainable growth.

# Introduction

**The legal sector is entering 2026 amid a wave of transformation. Leaders from across business services, technology, marketing, finance and innovation are being called to redefine their roles - not simply as stewards of operational efficiency, but as architects of profitable growth and strategic change.**

**And the pressures are mounting.**

Vendor price hikes are outpacing budgets, attorney headcount is growing faster than business-service capacity, and clients are demanding more value, transparency, and AI-enabled delivery. Most firms anticipate double-digit IT budget increases, with leadership teams scrutinizing platform choices and talent strategies more aggressively than ever before.

As these pressures reshape the landscape, the demands placed on firm leadership are evolving in distinct yet interconnected ways. Each executive function - whether operations, technology, finance, business development, or innovation - faces its own set of challenges and opportunities as the mandate for integration, analytics, and AI becomes central to the firm's strategy. Insights from our 2025 engagement with executive leaders across the profession reveal how leaders are recalibrating their priorities, confronting persistent obstacles, and chartering new paths to operationalize change. The following distills the most critical findings from each leadership group highlighting the urgency of the moment and the practical steps firms are taking to move forward.

# Chief Operating Officers

Over the past year, conversations with law firm operations leaders point to a decisive shift: COOs are moving from operational oversight to shaping strategy, growth, and profitable delivery. The evolution is not happening in isolation - it is the direct result of operational pressures building across the firm.

## What is driving the change?

Growth has outpaced the capacity of business services, stretching legacy delivery models and exposing where departmental siloes stall momentum. Firms have expanded aggressively (AmLaw opening 98+ new offices from 2024-2025), even as the business-professional-to-lawyer ratio declined 3% (2024-2025) and compensation for support staff has increased nearly 5%<sup>1</sup>.

At the same time, costs and platform decisions carry more weight. Operating expenses climbed in 2025, with technology spending rising faster than inflation, renewing scrutiny of what firms buy, how it integrates, and how quickly it translates into measurable outcomes. AI has matured from a set of experiments to workflow-level capability, with most firms now quickly advancing use cases – because measuring impact shows up when AI is embedded in the work, not when it sits on the shelf.

### Office expansion



new offices for AmLaw 100 firms between 2023-2024

SOURCE: AMLAW 100 2024-2025

### Support services



decrease in the ratio of staff to lawyers

SOURCE: CITI 2025 CLIENT ADVISORY REPORT

### Cost of support services



increase in cost of support staff and overhead costs

SOURCE: AMLAW 200 2022-2024

## Breaking the status quo

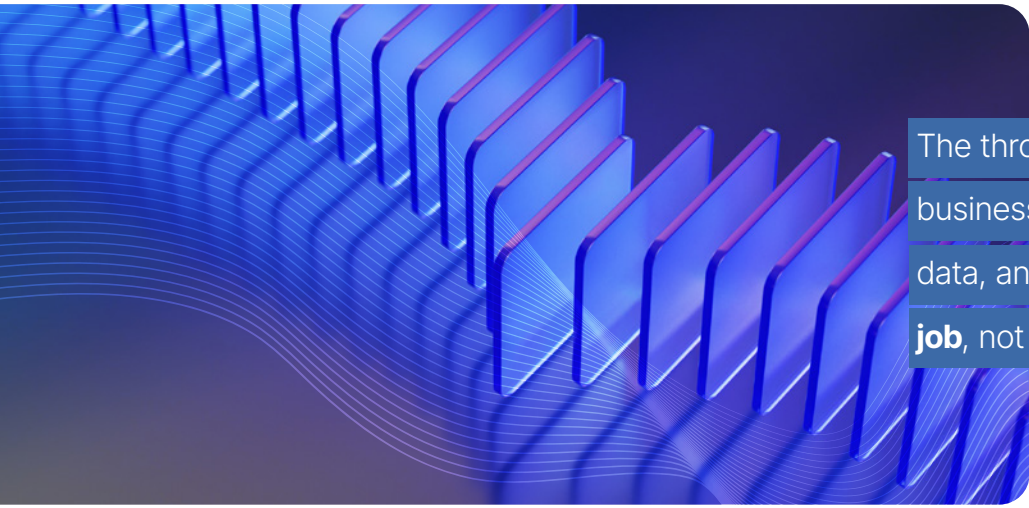
Traditional operating models are struggling under these combined pressures. Capacity constraints, uneven adoption, and subscription economics amplify the pain for law firms. In several conversations, leaders noted low adoption of advanced tools, and that training alone does not change behavior; embedded enablement does. The result: investments accumulate without moving profitability, pricing, or client experience at the pace markets now expect.

This is why COOs are refocusing their priorities in 2026. Shaping firm strategy, managing risk, and making targeted investments to future-proof the business requires a new operating model - integrated, data-governed and AI-enabled - where adoption is a built-in capability, not a post-go-live option.

## What leading firms are doing

As COOs sequence and prioritize investments across Marketing and Business Development, Knowledge Management and Innovation, and IT<sup>2</sup>, many are establishing and leading transformation teams or offices so cross-functional initiatives move in concert and outcomes are measured against revenue, margin, and risk. We are also seeing firms engage with third parties to establish portfolio cadence that aligns with their internal capacity to execute cross-functional initiatives. These partners are working with COOs to translate goals and strategies into data governance guardrails and integration patterns that let systems share reliable data across workflows rather than sit in silos. This is how firms are operationalizing the shift from point modernization to connected capability.

Where AI is a priority, leaders are investing in new talent and / or outside expertise to embed AI in end-to-end business workflows and stand up adoption programs, coaching and enablement models that fit how lawyers and business professionals actually work, rather than one-off training. In parallel, COOs are supporting Marketing & Business Development and Finance roadmaps with digital transformation for demand creation and to improve profitability and liquidity ("work to cash") to ensure AI has governed, practice- and operations-ready knowledge to draw from. The through line is pragmatic: align business services to strategy, connect data, and make adoption a part of the job, not a separate event.



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<sup>2</sup>HARBOR 2025 CHIEF OPERATING OFFICER SOUNDING BOARD

# Chief Information and Technology Officers

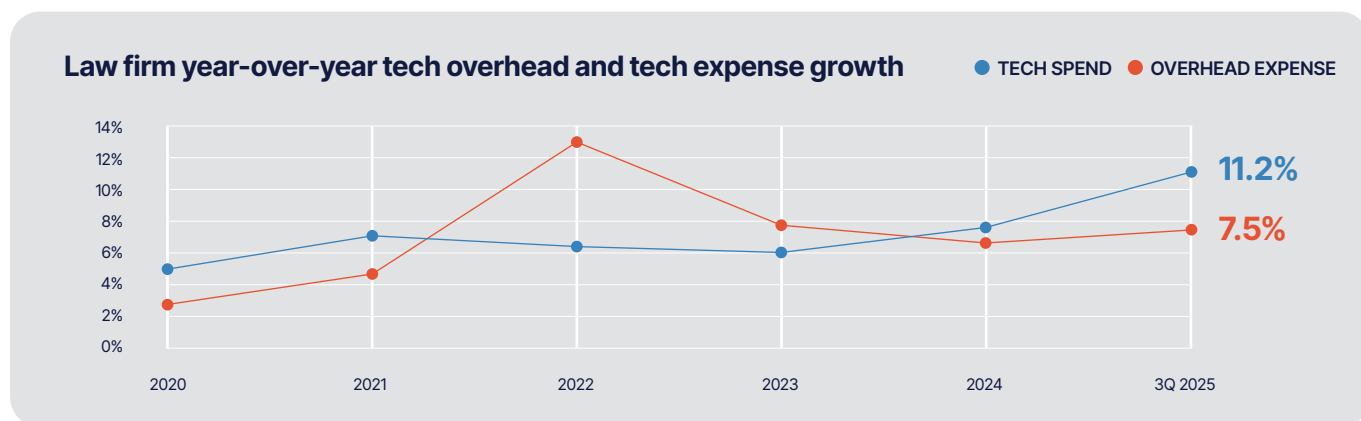
Legal Technology leaders are stepping into 2026 facing a new reality. The days of incremental modernization and infrastructure stewardship are giving way to a mandate for strategic enablement – where IT departments are expected to architect integrated platforms, drive analytics, and deliver AI-ready solutions that move the needle on business outcomes. This evolution is not just about technology; it is about positioning and enabling IT as a catalyst for firm-wide transformation.

## What is driving the change?

Technology spend has surged – nearly doubling since 2023 and representing 5-7% of firm revenue<sup>3</sup>– with nearly 42% of firms expecting double-digit IT budget increases in 2026. At the same time, vendor renewal behavior has intensified, with price hikes exceeding 100% in some categories, constrained contract flexibility, and multi-year commitments forcing CIOs and CTOs to rethink sourcing strategies and defend costs more rigorously.

Meanwhile, cloud objections have diminished, but governance challenges have surged - especially as law firms pivot toward AI. During discussions, Technology leaders shared clients are increasingly drawing hard lines between passive and active AI data ingestion, requiring explicit approval for the latter. This governance complexity slows adoption even as firms race to catch up on deferred investments and expand its remit beyond infrastructure into analytics, automation, and AI enablement.

<sup>3</sup>HARBOR 2025 CHIEF INFORMATION AND TECHNOLOGY OFFICER SOUNDING BOARD



THOMSON REUTERS INSTITUTE AND FINANCIAL INSIGHTS: LAW FIRM FINANCIAL INDEX, Q3 2025 EXECUTIVE REPORT

## Breaking the status quo

But foundational modernization alone cannot meet the demands of a rapidly scaling business. As attorney headcount continues to grow, IT departments are expected to absorb the resulting surge in demand, relying on legacy systems that were not designed for this scale or complexity. The cracks are showing - only 9% of firms believe their current IT delivery model is equipped to meet future growth projections.

Once seen as a cost play, cloud migrations are proving more nuanced. Deployments are not inherently cheaper, and the real ROI comes from unlocking new capabilities and integrations. Despite this, three quarters of participants have yet to assess how their current workflows align with cloud features, leading to underutilization and missed opportunities for automation, AI enablement, and analytics.

## What leading firms are doing

As firms move from isolated upgrades to integrated, data-driven and AI-enabled platforms, many are partnering with experts to plan and execute business-value-sequenced cloud and application modernization - prioritizing migrations that unlock intake, billing, and OCG compliance rather than timing informed solely to renewal dates. Engagements typically include designing enterprise data layers to consolidate information, standardize reporting, and preparing data for analytics and AI, while establishing the integration architecture that keeps operations resilient.

To counter rising costs and complexity, technology leaders are formalizing cost-defense playbooks and sourcing strategies - pressure-testing vendor roadmaps, options, and term structures before committing to multi-year agreements. In parallel, they are evolving generic foundational training into practice-aligned adoption and coaching, using legal-savvy enablement specialists and, where appropriate, managed adoption services that sustain behavior change long after go-live. These moves strengthen the IT delivery model while ensuring new ways of working are sustained in day-to-day practice.

Lastly, as AI shifts from pilots to production, leaders are enlisting targeted support to operationalize AI in business-of-law workflows - billing automation, intake orchestration, knowledge retrieval - under clear governance frameworks that align with client expectations and firm risk posture. The common thread is pragmatic at scale: connect platforms, govern the data, embed adoption, and channel AI into measurable outcomes.

# Chief Marketing & Business Development Officers

Over the past decade, law firm Marketing and Business Development leaders have steadily shifted their focus from tactical support to strategic enablement. Today, they are expected to drive growth strategy, translate market intelligence into action, and demonstrate a measurable impact. This shift reflects a broader redefinition of the function - from tactical execution to enterprise leadership of law firm growth.

## What is driving the change?

A set of converging forces is expanding the remit. Practice-led go-to-market models remain central, but many are embracing industry strategies to mirror client buying behavior. During conversations with Marketing leaders<sup>4</sup>, 36% reported operating industry-focused GTM, 27% are in transition, and 36% are using a hybrid approach - underscoring the push to reconcile practice, industry, and geography into a coherent growth model.

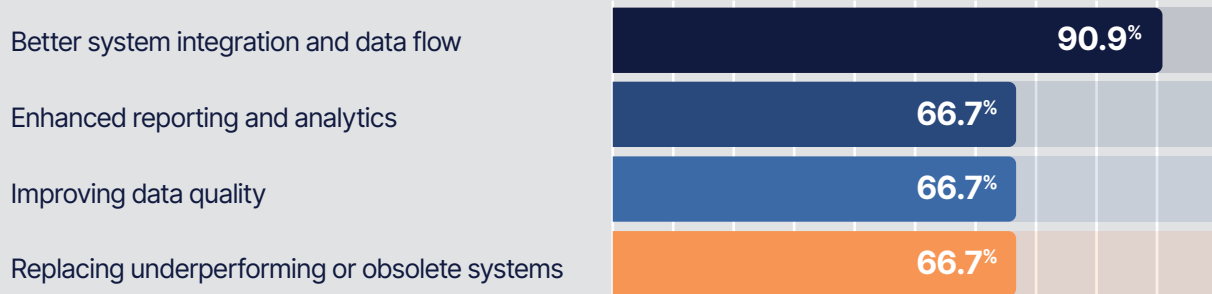
Second, economics and enablement are converging. Leadership is asking harder questions about where

demand originates, how it converts, and which activities influence outcomes - while expecting marketing and business development teams to capitalize on firmwide analytics and AI investments. When discussing departmental priorities heading into 2026, developing AI use cases (77%), improving CRM (62%), and creating client feedback programs (54%) were cited as top initiatives, reflecting the expectation that teams connect market intelligence to pursuits, targeting, and account growth.

There is a **push to reconcile** practice, industry, and geography into a **coherent growth model**.

<sup>4</sup>HARBOR 2025 CHIEF MARKETING AND BUSINESS DEVELOPMENT OFFICER SOUNDING BOARD

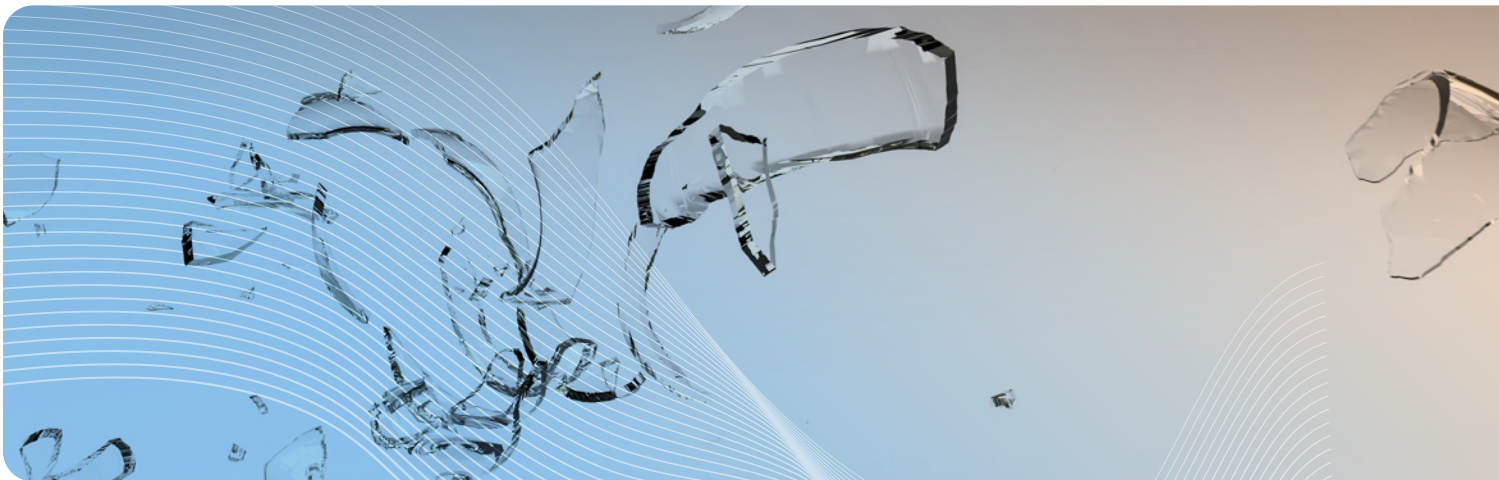
**When considering new technology, firms are prioritizing better integration and data flow, followed by enhanced reporting and improved analytics:**



## Breaking the status quo

Despite progress, the current operating reality for many Marketing and Business Development teams remains misaligned with these expectations. Adoption gaps persist – particularly among lawyers of whom only 20% are reported to regularly engage with CRM systems - limiting the value firms realize from core systems. Leaders point to obstacles: unreliable data, inconsistent usage, and workflows disconnected from how lawyers sell and deliver work. The result is a cycle where teams spend disproportionate time cleaning data, assembling reports manually, or rebuilding insights that should already exist.

Integration challenges compound the issue. With only a small share of firms operating in a fully integrated MarTech environment, intelligence often lives in silos, slowing response times and undermining confidence in outputs. When data quality is inconsistent, partners are understandably reluctant to rely on dashboards or targeting recommendations, reinforcing a preference for intuition over insight. When strategic advice cannot scale, market signals arrive too late, and the firm's view of demand remains fragmented. In a market increasingly oriented toward integration and AI-enabled insight, this operating model simply cannot keep pace.



## What leading firms are doing

To turn unified demand engines from concept into operating reality, many teams are partnering with specialists to design and architect the foundation – connected CRM, ERM, experience data, campaigns, and pursuits into one pipeline with shared attribution and reporting. This work typically includes CRM modernization as a backbone, with governance models that assign stewardship at the point of entry and enforce standards across Business Development, IT, Finance, and Operations – so the data that feeds analytics and AI is reliable before it hits the dashboard.

According to peer group polling, Marketing and Business Development leaders are prioritizing integrations (91%), analytics and reporting (67%), and data quality (67%), and are engaging with outside expertise to rationalize their existing technology stack, formalize integration patterns between systems, and embed data quality and stewardship into daily business development workflows rather than periodic clean-ups. The goal is to unlock

insight from the tools firms already own, not add more technology, and to make that insight trustworthy enough for partners to use in targeting and pursuits.

Adoption is shifting from “teach the system” to practice-aligned enablement. Firms are engaging legal-savvy specialists to coach partners and teams inside their business development routines – pipeline reviews, industry plays, and pursuit stand-ups so that behaviors change and metrics move. Finally, Chief Marketing & Business Development Officers are building perpetual client-listening and market-intelligence programs – structured feedback at key accounts, competitive and industry signals refreshed in daily or weekly intervals – and connecting that intelligence to pursuit planning and content. Outside support often focuses on program design, ongoing market scanning and insight synthesis, and activation playbooks, ensuring feedback does not sit in slides or emails but flows into targeting, campaigns, and partner outreach.

The goal is to **unlock insight** from the tools firms already own, not add more technology, and to make that insight **trustworthy** enough for partners to use in **targeting** and **pursuits**.

# Chief Innovation and Strategy Leaders

Across our conversations with Innovation and Strategy leaders, a major theme has emerged: the remit has moved beyond standing up pilots. These teams are being asked to architect durable AI strategies and knowledge systems that shift the economics of legal work – connecting practice delivery with pricing, ROI, and adoption across the firm. Their proximity to day-to-day matters is the advantage: they see where knowledge lives, how work gets done, and what must change for AI to deliver outcomes clients can feel and positively improve margin.

## What is driving the change?

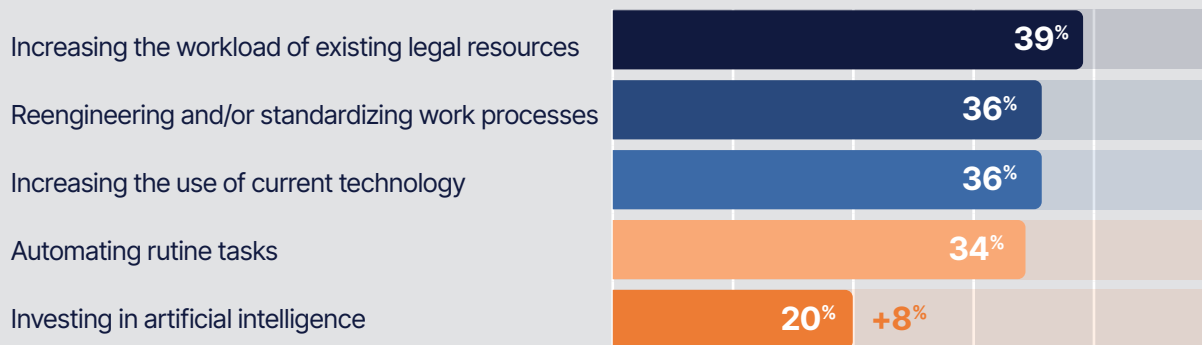
The drivers behind this evolution are intertwined. Knowledge management budgets are rising, but so are renewal pressures, forcing sharper choices and elevating the department beyond a support function to a core enabler of modernized delivery of legal work. Many leaders reported 6-10% budget increases for 2026, with some planning 11-20%+, even as they contend with vendor renewal hikes of 20-50%, and in some outlier cases 100%<sup>5</sup>. This turns platform selection, de-duplication, and integration into strategic disciplines rather than back-office chores. At the same time, 83% of corporate law departments anticipate increased legal demand, and they're leaning heavy into process re-engineering (36%), increased use of current technology (36%), automation (34%), and AI investments (20%)

– expectations that reward firms able to modernize knowledge flows and apply AI credibly in everyday work. Harbor's 2025 Law Department Survey revealed that 65% of law departments have made intentional efforts to keep more work in-house in the last 1-2 years and only 37% anticipate higher in outside counsel spend (down from 58% last year) in 2026.

Those expectations are increasingly bound by tightening outside counsel guidelines ("OCGs"). More than 80% of departments have implemented or are actively strengthening enforcement, adding consent, privacy, usage, and accountability requirements that demand a more deliberate approach to data, lineage, and model governance. These are not abstract pressures – they are deal-shaping constraints.

<sup>5</sup>HARBOR 2025 INNOVATION AND STRATEGY LEADERS SOUNDING BOARD

**Methods for handling increased legal demand:**



**Breaking the status quo**

Under the weight of these forces, the traditional approach – creative experimentation without enterprise scaffolding – shows its limits. Programs that stop at usage metrics struggle to earn the right to scale; logins do not equal value. Many firms acknowledge they are still at exploratory or emerging levels of measurement maturity, tracking usage but not outcomes. Without baselines for quality, cycle time, client experience, or profitability, leaders are left telling stories about promise rather than proving impact. And without coherent knowledge architecture – clear ownership, pipelines, metadata, taxonomy, and the enabling roles to sustain them – even clever pilots stall at the edge of practices, unable to cross the gap from demonstration to delivery. Tightening OCGs raises the stakes: when consent and provenance are not explicit, momentum slows before it begins.

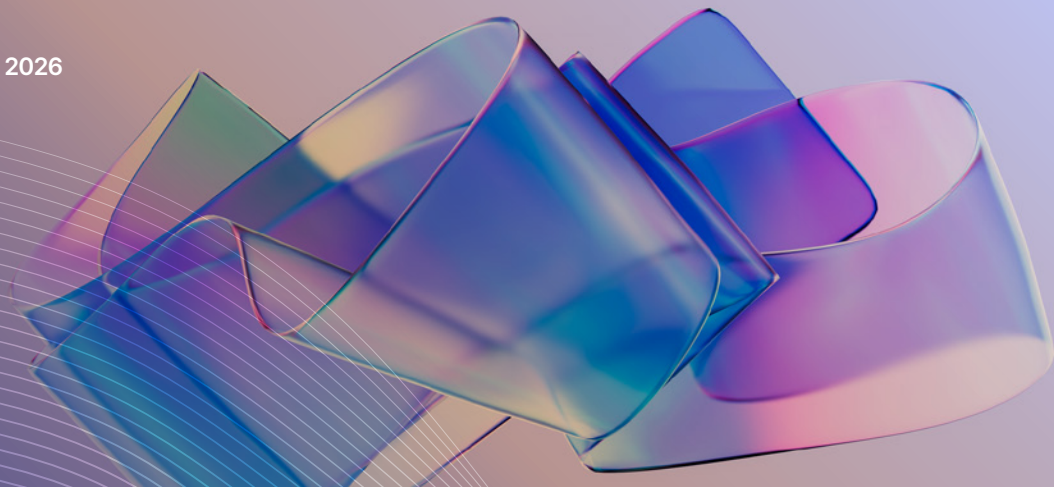
**What leading firms are doing**

As firms treat innovation as architecture, governance and adoption, many teams are partnering with specialists to refresh the knowledge architecture – taxonomy, pipelines, and enabling roles – so data and content can be collected, organized, and served to AI reliably within practices. Support often focuses on clarifying responsibilities across “preparer, curator, navigator, steward, translator” roles and standing up the operating routines that keep knowledge current at scale. This is the backbone that lets AI deliver practice-level outcomes rather than point demonstrations.

In parallel, leaders are formalizing responsible AI frameworks aligned to client OCGs – making consent lineage, and audit trails part of the product, not a late-stage hurdle. External support typically spans model-usage policies, data-provenance controls, and client-assurance reporting packs, so teams can move from pilots to production without stalling in governance. The guardrails match what clients are asking for, not generic checklists.

Because usage does not equal value, firms are enlisting help to move measurement from usage to outcomes, instrumenting practice-level key performance indicators and implementing lightweight mechanisms that turn activity into credible economic signal without creating client-bill noise.

Finally, as relationships reset around AI, more teams are setting up communities of practice and client co-creation programs – structured forums that keep strategy, governance, and build-versus-buy choices current, and pilot cohorts that design use cases, guardrails, and reporting together with clients. External convening and facilitation help maintain cadence and translate insights into roadmaps and playbooks that actually land in the practices.



# Chief Financial Officers

Law firm CFOs are entering 2026 at a decisive moment. What once was a role centered on stewardship and year-end reporting is now being reshaped into one of real-time commercial leadership, where protecting profitability requires continuous intervention, not retrospective accounting. Beneath the industry’s strong revenue headlines, the foundations are weakening.

Firms increased standard hourly rates at record levels last year, yet, according to BigHand’s 2026 Annual Law Firm Finance Report, 89% still reported rising write-offs and 90% reported rising discounting and debtors – a clear indication that price alone no longer secures margin. This aligns with broader market indicators showing that despite revenue growth exceeding 11%<sup>6</sup> in the first nine months of 2025, productivity declined and collection cycles lengthened, signaling deeper structural pressures. Technology and talent add another layer of complexity, as rising costs compress margins in a high-revenue environment.

### Incorporation of advanced analytics/predictive technology/artificial intelligence to assist processes:

	Have implemented	Have not implemented but plan to in next 1-2 years	Have not implemented and do plan to
AR/Cash Applications	27%	47%	27%
Timekeeping	13%	80%	7%
Collections	11%	62%	27%
Billing	7%	69%	24%

SOURCE: HARBOR 2025 REVENUE CYCLE SURVEY

<sup>6</sup>BIGHAND 2026 ANNUAL LAW FIRM FINANCIAL REPORT

## What is driving the change?

This is why the CFO remit is expanding. The sector has reached a profitability inflection point: the gap between reported profit and realized profit is widening; aged WIP has become the leading driver of cash-flow pressure, cited by 50% of firms; and cash-flow predictability now outranks headline profitability as the top financial concern. The traditional model of raising rates faster than costs and assume realization will follow – has hit its ceiling.

At the same time, law firms face declining billable hours even as 99% plan to raise billable-hour targets again in 2026, intensifying the contradiction between efficiency, time-based economics, and client expectations for value, transparency, and predictability. Compounding this, clients are shifting their work to lower-cost firms as budgets tighten and buyer sentiment weakens, while expense growth (particularly technology spend growing nearly 10%) continues to outpace demand.

These converging pressures expose the limits of the status quo. Many firms still manage profitability retroactively

through spreadsheets, delayed reporting, disjointed work-to-cash processes that introduce leakage at every stage – intake, time capture, proforma, billing, e-invoicing, and collections. Conversations with Financial leaders confirm this reality: firms struggle with fragmented work-to-cash workflows, data migration and cleansing needs, inconsistent financial insight, and compliance gaps in statutory reporting, tax, and other areas.

These weaknesses erode liquidity and obscure the economic narrative clients increasingly expect, particularly as AI accelerates delivery but reduces hours, creating margin risk unless efficiency gains are captured in pricing and value conversations. Only 31% of firms say AI is influencing pricing structures, underscoring how efficiency too often becomes margin compression. Market insights warn that without process modernization, collection cycles will continue to grow, realization will continue to decline, and profitability will continue to erode regardless of revenue growth.

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## Breaking the status quo

The significance of this shift is profound. Law firm CFOs are now the conductors of integrated financial intelligence; choosing the signals, ensuring consistent interpretation across the firm, driving real-time commercial dialogue, anchoring scenario planning and forecasting, and converting efficiency into value narratives clients will accept. Matter profitability must be understood and acted upon mid-matter, not after billing. Efficiency must be translated into defensible value, not into silent discounts. Pricing must evolve to reflect outcomes, risk and effort – not just time. And partners, who shape nearly every commercial decision, must be equipped with real-time, interpretable data rather than relying on intuition or late-cycle adjustments. Statistics from the BigHand report<sup>8</sup> make this clear: firms that thrive will be those that can course-correct early, using integrated data and shared commercial language to manage performance as it unfolds. Conversations with market leaders<sup>9</sup> also make this clear: firms with established AI strategies are nearly four times more likely to realize ROI, underscoring the importance of integrating data, technology, and pricing models to protect margin in an AI-enabled environment.

<sup>8</sup>BIGHAND 2026 ANNUAL LAW FIRM FINANCE REPORT: THE PROFITABILITY INFLECTION POINT

<sup>9</sup>THOMSON REUTERS 2026 STATE OF THE US LEGAL MARKET

## What leading firms are doing

Across the market, forward leaning financial teams are building infrastructure and operating discipline needed to support this new model. They are consolidating financial data into governed, AI-ready layers; modernizing their work-to-cash engines; embedding commercial fluency within practices; and shifting toward pricing models that reflect the economic value of AI-enabled work.

At the same time, firms are accelerating investment in advanced financial systems that leverage AI, predictive analytics, and automated time-entry technologies that address the pervasive revenue-cycle friction. In our 2025 Billing and Revenue Cycle Survey, 93% of firms reported they have implemented, or plan to implement advanced analytics, predictive technology, or AI to support time keeping processes, with 80% already using or piloting automated, or AI-assisted time-entry tools. These investments reflect a broader movement toward smarter, AI-enabled infrastructure designed to reduce leakage, improve billing accuracy, and give CFOs insights into the economics of matter delivery.

And increasingly, they are engaging with external partners who can help execute this transition because vendors alone cannot solve for workflow redesign, data quality, cross-system or departmental integrations, commercial enablement, or AI-aligned pricing. Market signals indicate firms are investing heavily in pricing specialists, billing and collections teams, and finance professionals to accelerate this shift; others are embracing AFAs and value-based models as firms respond to greater demand for predictability and measurable impact.

Leading firms are working with advisors to rebuild the work-to-cash lifecycle from intake to collection, ensuring time capture, proforma management, billing, and e-invoicing function as an integrated system rather than a chain of manual handoffs. Many are investing in data migration, cleansing, and engineering to create the connected financial insight required for real-time intervention – capabilities internal team members struggle to handle due to the sheer scale of data projects. Outside advisors are guiding functions to elevate finance from a scorekeeping function to a commercial command center, where dashboards, alerts, and scenario models guide partner decisions on scope, staffing, and pricing before margin is lost. And, as AI reshapes delivery, firms are working with external experts to design matter-level KPIs, outcomes-based pricing frameworks, and value narratives that protect profitability while meeting clients' demands for transparency and consistency.

Law firm CFOs are now the **conductors** of **integrated financial intelligence**; choosing the **signals**, ensuring consistent **interpretation** across the firm, driving real-time **commercial dialogue**, anchoring **scenario planning** and **forecasting**, and converting **efficiency** into **value** narratives clients will accept.



## Conclusion

Across every leadership seat, the story is the same: **foundational modernization is no longer the finish line**. The firms that move to the next chapter will be those that integrate platforms, govern data, and embed adoption so analytics and AI can scale – reliably, transparently, and in the flow of work. COOs are recasting operating models around connected business services; Technology leaders are sequencing cloud and data decisions around business value; CMBDOs are turning fragmented technologies into unified demand engines; Innovation leaders are moving beyond pilots to architecture, governance and adoption that changes the economics of legal work; and CFOs are shifting from financial visibility to real-time commercial control – instrumenting matter-level economics, converting AI-enabled efficiency into priced value, and tightening the work-to-cash engine so revenue becomes predictable profit and cash.

This is an execution challenge more than a vision challenge. Budgets and attention are already shifting toward the capabilities that matter – integration, analytics, AI and enablement – but impact only materializes when the pieces move together: shared data pipelines and taxonomies, resilient integration patterns, defensible AI guardrails aligned to client expectations, and coaching models that make new ways of working stick. When those elements are present, technology spend converts to measurable outcomes – cycle-time gains, pricing and profitability effects, and client experience improvements that partners can see and clients can trust.

The path forward is clear: prioritize migrations for value, govern the data before you dashboard it, embed adoption in practice and business operations rather than train around them, and measure outcomes, not logins. The operating rhythm turns modernization into momentum, and momentum into advantage.

**If you are ready to operationalize this shift, start where convergence is strongest: define the cross-functional portfolio, put data governance and integration patterns in place, and align enablement to how your lawyers and business teams actually work. From there, scale wins.**

## Connect with a Harbor expert



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